

DRIVING PROGRESS TOGETHER

Annual report 2011-2012



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* *Partnership Social Responsibility is the name we gave to our Corporate Social Responsibility policy.*

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For Mazars, collective intelligence underpins the capacity to interact with the various communities we are part of in a broad sense. It thus made sense to ask international experts to share their views of our global environment in this report. These views appear in the "Insight" pages you will find in several sections of the report.



DRIVING PROGRESS TOGETHER

Mazars is an international, integrated and independent organisation specialising in audit, advisory, accounting, tax and legal services.

As at 1 January 2013, the Group operates in 71 countries, and draws on the expertise of 13,500 professionals to assist companies – major international groups, SMEs, private investors – and public bodies, at every stage in their development.

Mazars also has correspondents and representative offices that give the capacity to serve clients to the same high quality standards in a further 14 countries.

Based on an innovative, personalised reading of their expectations and their challenges, Mazars offers clients a range of services guaranteeing reliability thanks to our recognised technical expertise. We also provide the benefit of creating value and optimising their performance.

In a multipolar world, Mazars believes that collective intelligence is the source of the most appropriate solutions, and we harness the talents of all our teams in driving a dynamic of progress in the service of all.

DRIVING PROGRESS TOGETHER



Capitalising on a dynamic of progress in the service of all.”

EDITORIAL

By the Group Executive Board
and the Group Governance Council

The elements of Mazars' governance platform, the Group Executive Board and the Group Governance Council, have chosen to express here, as part of their respective roles and in the name of the partnership body some of the foundations of Mazars' strategic vision.

The audit and services market has been going through changes for about twenty years now. Concentration in the market, a phenomenon that started in the early '90s, ended in the formation of a de facto oligopoly of a few large Anglo-American players, leading to more limited choice for companies and a kind of production-line approach to practice.

Today this situation presents a high risk profile, for many reasons. The crisis that industrialised countries are experiencing, the emergence of new economic and financial giants and the shift in the international economic centre of gravity towards emerging regions, together with the desire of authorities, especially in Europe, to better regulate the way our professions are practised, are all factors in the call for a reorganisation of our market. It appears clear that in the multipolar world taking shape before us, the status quo cannot be the solution.

Obviously, we take the view that these upheavals bring with them opportunities. At a time when companies are still very much suffering from the effects of the meltdown in 2008, and while grave uncertainty still reigns, it seems to us essential that new players should exist at international level, offering a different vision

and in a more open and more diversified audit and advisory market.

So where does Mazars fit in this new scenario? Since 1995 and the creation of our integrated partnership, we have chosen to develop our activity internationally, in line with the needs and strategies of our clients. Whilst never denying our French and European roots, we have sought to transcend them. We have elected to serve entities of every size, including major listed companies, MSBs (Mid-Sized Businesses) and SMEs. We are convinced that this model, built on our shared values of excellence, integrity and entrepreneurship, and shaped by our pragmatism, adaptability and real sense for the general good, remains today the best suited to our ambitions and to what our clients expect of us, throughout the world.

As a young and dynamic organisation, enriched by our diversity, our adventure takes shape through dialogue and co-building with our clients and with wider society, in the aim of creating value for all. We are also a thoroughly integrated structure which has succeeded, in the space of 15 years, in expanding on almost every continent without diluting our real strength: democratic partnership, collective intelligence and a sense of the common good. Today our brand is recognised in the market as a label of



The Group Executive Board

From left to right:

- **Phil Verity**, co-CEO, leader of GBU OMB, Senior Partner of Mazars in the United Kingdom
- **Hilton Saven**, co-CEO, Senior Partner of Mazars in South Africa, Sponsor of emerging markets
- **Philippe Castagnac**, Group CEO, Chairman of the Group Executive Board
- **Hervé Hélias**, co-CEO, leader of GBU PIE, Senior Partner of Mazars in France
- **Antonio Bover**, co-CEO, Sponsor of GBU Tax and GBU Law, Senior Partner of Mazars in Spain
- **Victor Wahba**, co-CEO, member of the Executive Board of WeiserMazars in the United States.

professionalism, of quality of service, and of ethical rigour.

Our objective is simple: we want to be among those who contribute to shaping a new audit and advisory market at international level, one which is more open, more competitive and more apt to serve the general interest. We have indisputable assets, and the positive responses greeting the vision we strive to put forward, only strengthen our determination.

Integration, not centralisation

To become a “global contributor” means evolving our organisations and our institutions. More than ever, our partners will be pivotal to our development. They are the cornerstone of our success and of sustainable growth for Mazars. Our partnership today counts more than 750 partners in Europe, Asia, Africa, the Middle East and the Americas. Clearly, the dynamism of genuine crossborder cooperation is indispensable, both in improving our performance and in cementing our integrated

model. Collaboration and regular communication between all the countries are essential to our activity, and we intend to make them even more frequent and productive.

Beyond our governance platform*, which ensures we have the balance and flexibility to steer our operational performance while examining the strategic questions for the Group’s development and future, it is equally important for us to be able to count on the support of regional platforms. In a group like ours, now present in 71 countries, the centralisation so often synonymous with standardisation is not the solution. Moreover, we do not believe that it offers a satisfactory answer to the demands coming from the market, which is seeing the rise of new economic powers, whose professional and cultural issues are quite specific.

Our ambition is to set up solid structures for governance and decision-making that lead development and performance at local level, and guarantee our values and our commitments to excellence.

* See page 34.

It also seems important to us to further develop our integrated operational structure. For three years, Mazars has been driving its activity at international level via the framework of four Global Business Units, respectively dedicated to Public Interest Entities (PIE), Owner Managed Businesses (OMB), Tax and finally Law. These four axes of expertise enable us to serve our clients better, particularly through facilitating crossborder assignments and the sharing of expertise and of best practices. They also ensure the application of identical quality standards across the world. We consider that the level of technical, operational and financial integration between these GBUs must continue to be reinforced.

Building our service capabilities

The audit market is undergoing profound transformation and we are determined to be one of the leaders of change. It is in the European Union, first of all, that such evolutions are the most sensitive. The Commission's proposals, taken from the Green Paper, are currently under discussion at the European Parliament and within the Council of the European Union. The stakes are high and directly affect the way our professions will be practised. That is why we have chosen to devote so much time and energy to meeting the parties involved and European opinion leaders on these matters. As far as joint audit is concerned, the position we favour seems to be finding sympathy since, apart from France, other countries in Europe and beyond are beginning to consider its eventual implementation. We have also suggested that the rotation of firms should only apply if the entire audit is performed by a single firm and should be organised over a long period, to avoid impairing the quality of audit services.

These new regulations may present a genuine opportunity for the diversification of the market, while also improving the independence and quality

of audits. This is why we have to be capable of extending our geographic reach, so we can take full advantage of potential opportunities.

In Europe, our priorities will be Germany and the United Kingdom. Increasing our presence in these two countries will enable us to achieve the critical mass we are looking for on this continent. Outside Europe, we envisage the creation of a substantial platform in the United States, where there is a trend towards concentration which most analysts expect will grow stronger. Various options exist for us to consider regarding the nature of the partnerships or alliances we could make there, with regional structures completing our presence in the country.

Asia also features as a priority. Firstly, we want to strengthen our positions in China and India. Our teams have produced excellent results, meaning we now number more than 500 professionals in each of these two countries, and are winning a growing number of local clients. By 2016 we aim to double our head count there organically, through building up our audit and advisory activities. In the case of mainland China, we are also examining the idea of a merger which would open the doors to our obtaining a licence to audit both State and listed companies. Opportunities on the rest of the continent are there for the taking. We have projects in Cambodia and we have just signed a correspondence agreement in Myanmar. We are also keeping a close watch on Japan and South Korea, both countries where we need to grow.

In the eyes of many observers, Latin America looks like a modern El Dorado. We have had offices there for several years now and are currently one of the only players in the region with the capacity to serve a broad spectrum of clients. We expect to strengthen our service capabilities by building on our current positions, particularly in Mexico and Brazil.

Finally, in Africa and the Middle East, our plan is to capitalise on our current strengths in South Africa, French-speaking Africa and in Egypt, becoming one of the five leading players in a rapidly developing part of the world.

A wider range of specialist services

The expansion of our geographic coverage has to go in tandem with the reinforcement of our organic growth, linked with the optimisation of operational performance and the development of our range of services. One of our primary objectives, in all the partnership countries, is to reinforce our teams of experts on local and national tax matters. At a time when tax regimes around the world are subject to radical transformation, it is essential that Mazars be equipped in this area with some serious hitting power.

In serving the major international groups, we naturally seek to consolidate our position in the audit market and to continue expanding our scope. This has to be matched by the development of our SME and MSB services in every Group country. Similarly, exploiting the expertise in several of our offices, we are currently developing extra-financial audit and reporting services, particularly in the fields of human rights and social compliance. Furthermore, in a highly competitive market, the roll-out of our Consulting services, designed to support our clients in their operations, transformations or transactions, is a key driver in our strategy for becoming a global provider of professional services. Finally, the development of our legal services will be pursued by an integrated team within GBU Law and, in parallel, through the creation of an international alliance of law firms who share our values, which will enable us to deliver legal competence to our clients around the world, without exposing ourselves to the risk of conflicts of interest.

A growth model with proven resilience

Our projects and our objectives are ambitious. We understand our strengths, we recognise our margins of progress and we have a vision of the future of our organisation and our markets that we want to share. Like every audit and advisory organisation, we have been impacted by the crisis, but our model has proven its resilience. This year we will pass the symbolic milestone of a one billion euro turnover. Over the last three years we have made significant progress in our PIE activity, which today represents 50% of our revenue. Our clients include more than 500 listed companies around the world, nearly two-thirds of them outside France, and we have increased our audit assignments in the Middle and Small Caps segments. Although we still need to accelerate our development in these areas, we have also achieved significant success in Consulting and Financial Advisory Services, notably by specialising in certain areas – banking and insurance, energy, media and the public sector – where we are now well established and recognised, both locally and internationally.

Despite the less favourable scenario, our OMB activities have stood up equally well. We owe a lot of this to the sound relationships our teams have built up with their clients. This capacity to marry technical expertise with a personalised, attentive approach is a distinguishing feature of Mazars, one which we cultivate. We have also successfully developed specialised services, for example in Corporate Finance and Restructuring, which have acted as drivers for growth.

The globalisation of our Tax activity is a strategic priority. Action is already underway to ensure we can deliver our clients, locally and internationally, services of the highest quality.

The Group Governance Council

From left to right and from top to bottom:

- **Simone Del Bianco** (Italy)
- **François de Carbonnel*** (France)
- **Kenneth Morrison**, Vice-Chairman of the Group Governance Council (China)
- **Jean-Louis Simon** (France)
- **Mohamed Ali Elaouani Cherif** (Tunisia)
- **Tim Hudson** (United Kingdom)
- **Patrice de Folleville** (Germany)
- **Thierry Blanchetier** (France)
- **Patrick de Cambourg**, Chairman of the Group Governance Council (France)
- **Douglas A. Phillips**, Vice-Chairman of the Group Governance Council (USA)
- **Denise K. Fletcher*** (USA)
- **Anita de Casparis** (Netherlands)
- **Kathryn Byrne** (USA)
- **Kathleen Robison** (South Africa).

* External members.



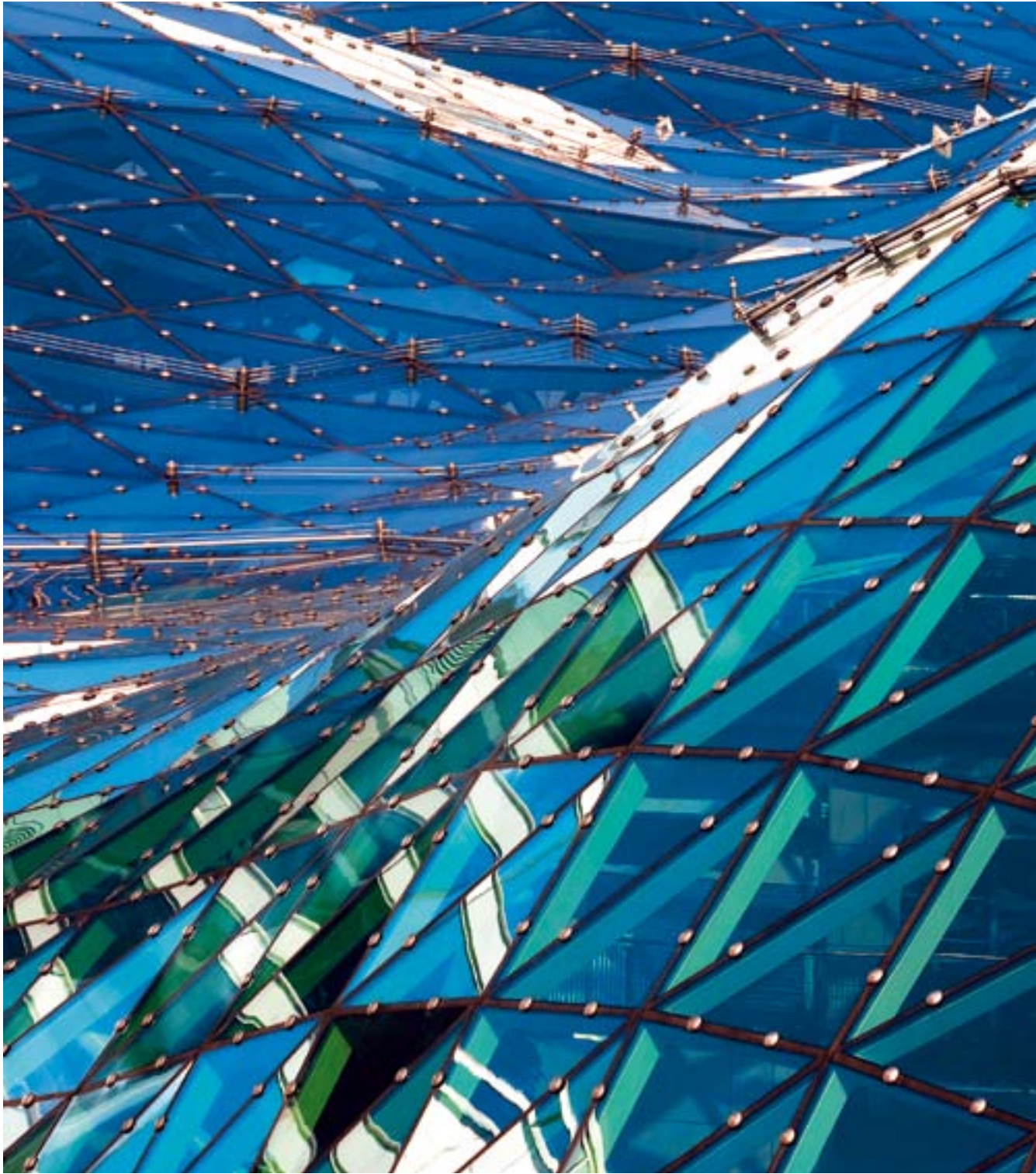
In response to the growing demand for highly specialised services, we have created a number of transnational teams of experts in the fields of Corporate Tax, Expatriate Advisory, Real Estate, Transaction Services and Transfer Pricing. In parallel, we have built up dedicated structures in twenty or so countries including France, the United States, Germany, the United Kingdom and South Africa. These initiatives have resulted in significant growth for our Tax business, which currently represents 10% of our turnover – a ratio we intend to double in the next few years.

While economic activity has suffered in mature markets, we have demonstrated our ability to survive, adapt and overcome, actually improving performance in the majority of our partnership countries. Despite a minor erosion of our profitability in 2012, we are continuing to invest in sustainable growth. Our goal for the mid-term is to expand the partnership to around

100 countries, and we are investing in training and talent development, notably with the launch of our Executive MBA, which will enable us to rapidly detect and develop the management and leadership capacities of the future partners and directors of our organisation.

These turbulent times are a challenge we will meet head on, not something to raise doubts about the validity of our model or our vision. It is by remaining true to ourselves and to what makes us unique that we will make Mazars part of a shift towards sustainable growth. And it is through stimulating all forms of collective intelligence that we will contribute to a dynamic of construction and value creation that will profit our clients and the world at large.

THE GROUP EXECUTIVE BOARD AND THE GROUP GOVERNANCE COUNCIL



DRIVING PROGRESS TOGETHER MEANS COMBINING...

...IDENTITY AND INTERACTION

Are we organised differently because our vision is different? The real strength of an international, integrated partnership like ours lies precisely in our capacity to compare different views, expertise and cultures, and use them to offer our clients, our professional communities and society as a whole, the unique insight of collective intelligence.

PROGRESS DRIVEN BY COLLECTIVE INTELLIGENCE

1 WHO ARE WE?

Independently-minded professionals eager to serve economic and social development, locally and globally.

2 WHOM DO WE SERVE?

The business community as a whole: global and large corporates, listed or not, small and medium enterprises, public sector entities and individuals.

3 FOR WHICH BENEFITS?

As advisors and auditors, we foster state of the art accountability, efficient and agile structures and organisations, enhanced performance and creation of long-term value.

4 HOW DO WE DIFFERENTIATE OURSELVES?

We provide innovative, tailored and global solutions to our clients in a market that is too conservative and either too fragmented (for SMEs) or too concentrated (for large corporates).

10 STEPS TO MAZARS' CORE IDEA

In 2012, Mazars undertook a significant exercise to assess the current reading of our brand and its attributes. A collaborative approach involving a multidisciplinary international team led us to reaffirm and to evolve certain key elements of the Mazars brand, both in terms of our visual identity and the key messages associated with it. In particular, we have built on the distinctive character of our visual identity, developing a stronger iconography – as can be seen in this annual report. Our collective thinking also resulted in refreshed line up of the brand's drivers, portrayed in this new mapping of the defining traits of our DNA, and embodied in our core idea of **progress driven by collective intelligence.**



5 HOW DO WE DELIVER?

Combining the reliability of methodologies inspired from the most advanced auditing and advisory techniques with our capacity to co-construct and think « out of the box » and our intrinsic sense of personal responsibility and responsiveness.

6 HOW ARE WE ORGANISED?

As a global partnership: people centric, participative, transparent and multidisciplinary with expertise backed by experience.

7 WHAT ARE OUR FUNDAMENTALS?

- Entrepreneurship and team spirit.
- Long-term vision and flexibility.
- Enthusiasm and robustness.

8 WHAT IS OUR DRIVING FORCE?

Our passion for building, and passing the baton to the future generations.

9 WHAT WE BELIEVE IN

A multipolar world prospering from diversity (cultural, intellectual, professional...).

10 WHAT DO WE LIKE?

- Common sense rather than pre-established models.
- Openness rather than the beaten track.

A COMPLETE RANGE OF SERVICES

Our six main fields of expertise provide our clients with a complementary range of benefits. These range from the high-level technical skills of our finance experts and the rigour of our auditors to the added value of our consultants with their capacity to inspire performance-enhancing change with fresh, insightful understanding of clients' issues. Our multidisciplinary approach is not synonymous with standardisation, but rather the very key to specialisation – by trade, by market sector, by business line – and it is always underpinned by genuine in-depth knowledge of markets.

FINANCIAL REPORTING AUDIT & ADVISORY

- Legal audit
- Contractual audit
- Technical reporting standards

FINANCIAL ADVISORY SERVICES

- Corporate Finance
- Forensic
- Project Finance
- Restructuring
- Transaction Services
- Valuation

CONSULTING

- Governance & Risk Management
- Strategy Alignment & Operations
- Corporate Social Responsibility

LAW

- Corporate law / M&A transactions
- Real estate
- Banking & finance
- Restructuring
- Private equity / venture capital
- Labour law
- Litigation & arbitration

TAX

- Business tax compliance
- Tax advisory services
- Corporate tax / International tax
- VAT / Indirect tax
- Transfer pricing services
- Employment tax
- Expatriate tax services
- Corporate structures
- R&D subventions

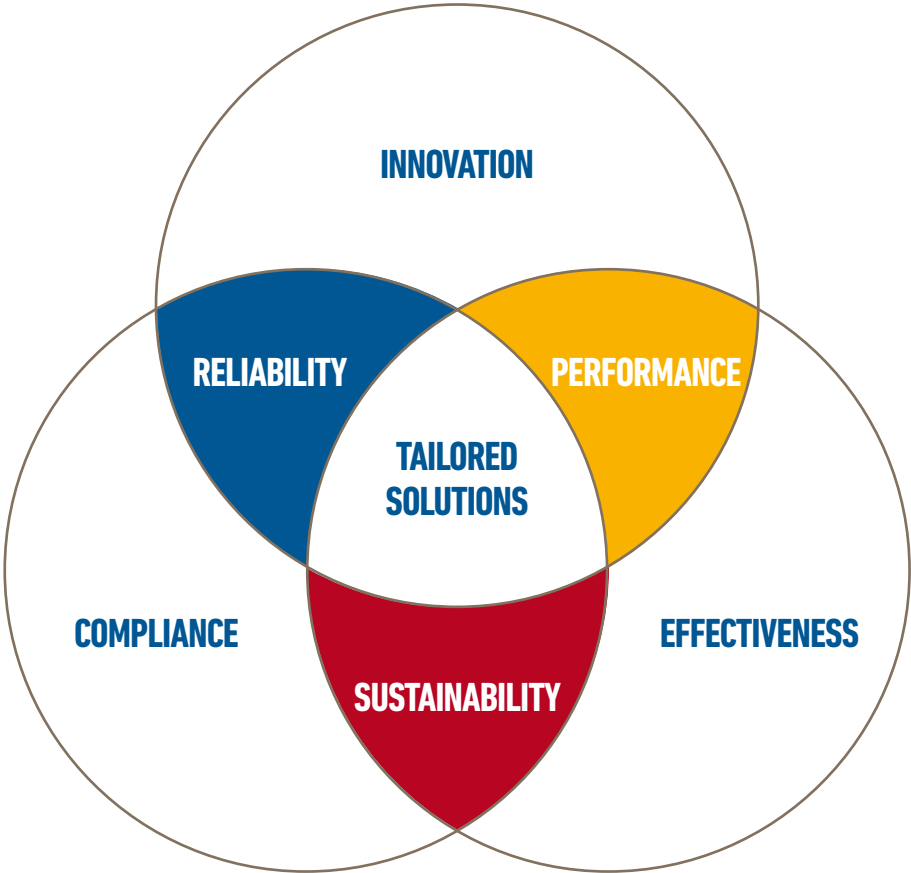
ACCOUNTING & OUTSOURCING SERVICES

- Accounting & Compliance
- Management accounting & reporting
- Payroll services

8 specialist industry sectors

- **Banking:** Banks, Capital markets and Asset management
- **Insurance:** Insurers, Mutual Insurers
- **Real Estate:** Real Estate and Public works
- **Resources:** Resources, Energy, Agri-business, Chemical

MORE THAN A SERVICE OFFER, A VALUE PROPOSITION

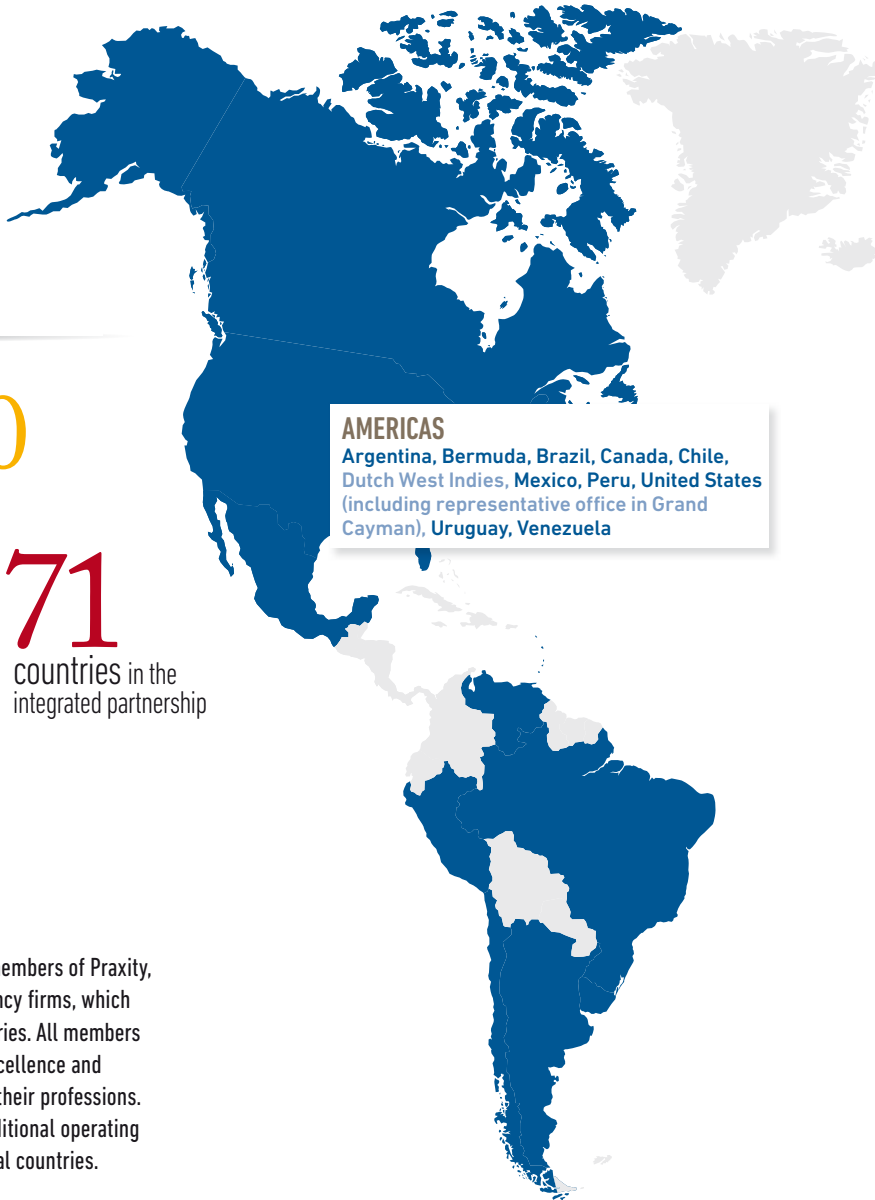


- **Manufacturing:** Manufacturing, Hi-tech, Automotive, Aviation, Pharmaceutical
- **Distribution:** Luxury, Logistics, Transport
- **Media:** Media, Telecoms, IT, Tourism, Hospitality
- **Public sector:** Public sector and government institutions, Associations, Health, Education, International Donor Agencies

SERVING OUR CLIENTS ON 5 CONTINENTS

Turnover as of
31st August 2012

€1,013m



Information including decisions taken by the Partners' General Assembly on December 2012

13,500 professionals

AMERICAS
Argentina, Bermuda, Brazil, Canada, Chile, Dutch West Indies, Mexico, Peru, United States (including representative office in Grand Cayman), Uruguay, Venezuela

71 countries in the integrated partnership

14 additional countries where we serve our clients through our correspondents and our representative offices

PRAXITY ALLIANCE

In 2007, Mazars became one of the founding members of Praxity, an alliance of independent audit and consultancy firms, which now numbers 30,000 professionals in 92 countries. All members share the same high standards of technical excellence and uphold the same ethical values in conducting their professions. As such, the Praxity Alliance offers Mazars additional operating capacity via professional teams in 17 additional countries.

● Integrated countries

● Non integrated countries: Mazars correspondents and representative offices

EUROPE

Albania, Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, France, Greece, Germany, Hungary, Ireland, Israel, Italy, Luxemburg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom and Channel Islands (including a representative office in Gibraltar)

ASIA PACIFIC

Australia, China (Mainland & Hong Kong), India, Indonesia, Japan, Malaysia, Myanmar, New Caledonia, Pakistan, Republic of Korea, Singapore, Tajikistan, Thailand, Vietnam

MIDDLE EAST

Bahrain, Egypt, Kuwait, Lebanon, Palestine, Qatar, Saudi Arabia, Sultanate of Oman, the United Arab Emirates

AFRICA

Algeria, Angola, Benin, Botswana, Cameroon (including representative offices in Chad and Democratic Republic of the Congo), Congo-Brazzaville, Djibouti, Ghana, Ivory Coast, Kenya, Libya, Madagascar (including representative offices in the Union of the Comoros), Mauritius, Morocco, Namibia, Nigeria, Senegal, South Africa, Tunisia

INSIGHT

DR. RICHARD STRAUB
PRESIDENT OF THE PETER DRUCKER SOCIETY
IN EUROPE

“

New leaders should foster collective intelligence and create an environment of constructive collaboration.”



Did the changes in the global economic framework make way for a new form of corporate organisation?

Technology has undoubtedly changed the world, as not only individuals but also organisations are more connected than they have ever been. This phenomenon has significant consequences for organisations, as they have a new set of tools with which to communicate, to operate and to learn.

These tools provide companies and their employees with a new capacity to gather expertise or to get input to help decision-making on a much broader scale, for example via crowdsourcing. The new tools open new ways of collaboration between people, who no longer need to be physically gathered to work together or bring input. Yet the technology by itself does not bring about the change required in organisations. Only managerial practice and organisation culture as shaped by leadership can achieve this by giving meaning to the new tools.



INSIGHT

A CAREER DEDICATED TO LEARNING AND INNOVATION

In his 32 years with IBM, Dr. Richard Straub has held key international executive positions such as Deputy General Manager for PC Europe and Global Chief Learning Officer. Since 2006 he has started a new career working with non-profit organisations – as part-time executive and as social entrepreneur. He is currently executive committee member at the European Foundation for Management Development (EFMD) and Secretary General of the European Learning Industry Group (ELIG). In addition he holds a strategic advisory role for the IBM Global Education Industry.

As a social entrepreneur, he founded in 2008 the Peter Drucker Society of Austria and in 2010 the Peter Drucker Society Europe. He is the president of both. The Peter Drucker Society has as its mission to be a catalyst for the improvement of Management as a vital role in modern society. As the crystallizing yearly event, the Drucker Society organises the Global Peter Drucker Forum in Vienna – the fifth such forum will be held in November 2013.

- ■ ■ Has the field of traditional management extended to gradually include all the company's stakeholders, both in day-to-day operations and in development strategy?

The field of management is evolving, because technology enables new forms of collaboration giving less power to the purely hierarchical position. Over the past 20 years, technology has enabled enormous innovation in communication, collaboration and learning. Of course, this dynamic has an impact on management practice, as it evolves towards an enabling role, more than a traditional directing and top-down leadership role using strict chains of command. Today the question becomes how managers can support a person in achieving her potential and actively contributing to the business by best using her strengths. This is certainly an important change in the making, even though management has not yet fully embraced this dynamic. However, there is movement: recent surveys conducted by IBM worldwide show that CEOs understand that they need people whose main characteristics are openness, collaboration, creativity and initiative. Professional skills are assumed to have been acquired in any case. But the personal competencies make the difference.

Does the increasing influence of new management models imply the rise of a new form of leadership? How would you describe tomorrow's leaders?

I think one of the difficult aspects of discussing leadership is that there is no single model. Leadership has a very important situational and contextual component, and very different leaders, in very different environments, can be equally successful. I would not dare to give a global portrait of what a leader should be. There may be some common characteristics though, such as integrity, creating meaning and passion for the customer.

Large organisations tend to be busy with themselves and forget that the purpose of a business is "to create a customer", as Peter Drucker famously expressed it.

In the past, some leaders have been highly successful by being "micro-managers" and dealing with every detail personally. This model is obviously flawed in an increasingly complex world where more decisions have to be taken where the action is. A CEO of a software company recently told me that he saw his task as mainly to keep his team in a "flow". A notion that the great management psychologist Mihaly

Csikszentmihaly has described as completely involved, sense of excitement, great inner clarity, knowing the task is doable, intrinsic motivation and sense of serenity.

This may sound like a big task, but it is doable – there are examples, although unfortunately not yet enough.

In this sense leaders also need to earn their followers, much more than in the past.

The traditional model where the leader is someone one follows because he has hierarchical power is a model based on compliance. Yet, the young generation has a strong desire to follow people from whom they can learn, who can be role models – in the professional and even more the personal domains. This means the leaders who earn their followers do so because of their knowledge and their capacity to give people something more than simple day-to-day management. The new generation doesn't expect its managers and leaders to simply give directives, they want them to foster collective intelligence and create an environment for constructive collaboration.

KEY FACTS 2012



1 **BILLION EURO** turnover, a milestone the Group marked this year. Just 7 years after achieving a €500m turnover in 2005, Mazars is actively pursuing its business development in 5 continents.

4 CRITERIA FOR 1 PRIZE

Improvement in efficiency, client satisfaction, innovative nature and capacity to instill this as best practice: these are the criteria which convinced the jury of International Accounting Bulletin to award Mazars the 2011 prize for innovation in auditing, for its "Human Rights Audit" service.

59, that's the number of different indicators published

by Mazars in the Netherlands in the first edition of its report on corporate social responsibility (CSR). The indicators are all taken from the Global Report Initiative (GRI), an international standard reference, marking a first for Mazars and also setting an example that will inspire a Group-wide approach in the near future.





4 National Treasures

have been acquired by the Louvre with Mazars' help since 2007: The Flight into Egypt by Poussin, the Portrait of Count Molé by Ingres, the Three Graces by Cranach and the XIIIth century Byzantine diptych Nativity, Crucifixion and Prophets. The Group, which was awarded the title of Exceptional Patron of the Louvre Museum, was also honoured by the French Ministry of Culture and Communication as a Grand Patron of Culture, in recognition of all the work Mazars has done to support the promotion of culture in France.

BETWEEN
6 AND 12%
 That's the percentage of payroll Mazars spent in 2011-2012 on training teams in nearly all Group countries. It is a figure that, compared to the 2.7% spent on average by companies around the world for all sectors, is a strong signal of Mazars' determination to invest in its principal asset and its key for long term growth: human talent!

12 countries were visited by Charles Batte, overall winner of the Your Big Year competition, which celebrates entrepreneurship, and of which Mazars is one of the principal partners. At 24, this young ambassador for the world's entrepreneurs, originally from Uganda, went around the world to support a variety of social enterprise and solidarity projects in different countries, supported by local Mazars teams.

KEY FACTS 2012



1,011 young people of generation Y

were interviewed about their expectations, their perceptions of business and their life goals, as part of "Revolution Y?" an international study published in October 2012 by Mazars and Women'Up. From 64 different countries, these representatives of a generation that is the focus of our recruitment shared with us their thoughts about the world, and helped us better understand a group that is often misrepresented.

3 leading institutional investors in the UK and internationally

– Hermes Fund Managers, RPMi Railpen Investments and USS – and Mazars have launched the Centre for Audit Committee and Investor Dialogue to promote dialogue between FTSE350 audit committees and investors. It comes at a time of heightened awareness among investors of the critical role played by independent, high quality audits, and the need for improved understanding of the work of audit committees.

After its inaugural meeting held in September 2012, it is envisaged that in its first year the Centre will focus on a range of topics such as developing more effective communication between audit committees and investors; risk management and internal audit; protecting auditor independence; audit tendering; and ensuring the annual report is an effective communication channel.

Information including decisions taken by the Partners' General Assembly on December 2012



10

COUNTRIES

have joined the Mazars integrated partnership during 2011-2012, evidence of the dynamism of our international development policy. Bahrain, Bermuda, Ghana, Greece, Israel, Kuwait, Namibia, Norway, Oman and Qatar now strengthen Mazars' capacities on 5 continents.

60 completely redesigned internet sites

were simultaneously launched in virtually all Mazars countries as part of a major operation carried out in July 2012. With a new look and optimised ease of use for all Group websites, this launch marks the first step in the roll-out of the new Mazars visual identity.



6,100+ Mazarians

have now joined the Mazars community on LinkedIn. That's almost half the combined workforce in the 71 Group countries who've embraced the spirit of Web 2.0 by joining the Mazars community on the world's biggest socio-professional network.

30 proposals

submitted by NYSE Euronext's Strategic Directions Committee for SME/SMB, chaired by Fabrice Demarigny, Head of Capital Markets at Mazars. These proposals mark the first steps of this Committee, targeted with setting up a new stock exchange dedicated entirely to the financing of small and medium-sized businesses.



DRIVING PROGRESS TOGETHER MEANS COMBINING...

...VISION AND IMPLEMENTATION

Mazars is following a long term strategy devised at Group level and based on our dynamic of international integration and growth.

In line with our ambition to become a leading global audit and advisory services provider, delivering an integrated range of professional services to the entire business community, Mazars continues to pursue its growth strategy through its unique model of global integrated partnership, which enables us to adopt a transnational and multidisciplinary client approach. We are constantly expanding our international coverage to ensure we can operate for all our clients wherever they are on the 5 continents.

THE DEVELOPMENT STRATEGY OF AN ATYPICAL **GLOBAL PLAYER**

Backed by the resilience of its integrated partnership structure, Mazars continues to pursue the development of its geographic coverage and the expansion of its range of services, in order to serve our clients with the same levels of excellence throughout the world. Mazars' long-term strategy is geared to make the Group a leading global player, offering a comprehensive suite of integrated professional services.

“The widely participatory dimension of the partnership gives our model its democratic dynamic and makes it both demanding and effective, because it involves each partner in the Group's strategy and its performance, and the sharing of a common vision. What's good for one is good for all, and what concerns one, concerns us all.”

Philippe Castagnac, Mazars Group CEO

The choice of an integrated business model

A fully independent, international organisation, Mazars has based its development since 1995 on the structure of an integrated partnership. Promoting advanced levels of integration among its teams around the world, and thus increasing the aptness and agility of their response to our clients' needs and expectations, this model is at the same time enriched by cultural differences and local market expertise. It is similar to a system of financial solidarity, in which risks and rewards are shared by all partners, who follow a common strategy within a multiple governance framework serving the partnership dynamic. The partnership structure gives Mazars high levels of operational, technical, financial and legal integration, assuring the organisations that we serve and advise of consistency in method and approach, the sharing of knowledge and experience, and identical levels of excellence in all the 71 countries where Mazars is present.



A complete and scalable range of services

The pronounced degree of instability in the world economy and the increasingly complex regulatory environment require responses that are both global and personalised, delivering effectiveness and added-value. By offering a complete range of professional services, covering the spectrum from audit to consultancy via tax advice and more in between, Mazars is positioned as a multidisciplinary group. The natural meshing and synergies between professions facilitate the development of perfectly integrated solutions for our clients. Our mission is to improve the overall performance of businesses, through the quality and security of financial information, through the relevance of strategies implemented and the effectiveness of systems, as well as through optimisation of the legal, contractual and fiscal environments in which companies operate. This multidisciplinary approach, in deliberate contrast to the one-size-fits-all, focuses on specialisation in market sectors, client profiles, professions and areas of business activity.

An international development dynamic

With offices in 71 countries, Mazars is a genuinely international, multi-cultural group, building its service capabilities year on year with the integration of new entities. The cementation of its global coverage, enabling Mazars to follow clients across five continents, is supported by the creation of regional platforms targeted with ensuring the Group's development in areas where it detects potential for significant growth, whether in emerging markets or more economically vibrant areas such as Asia, Africa and Latin America.



Mazars continues to pursue its strategy for expansion and the international roll-out of its service offer, in order to better serve both public and private bodies and to act as a catalyst for their transformation and growth. Through the development in particular of our global and multidisciplinary consultancy service, through cultivating an innovative approach based

on bespoke solutions, and through nurturing long-term relationships with our clients within which both strategic and operational dimensions are perfectly interconnected, Mazars is ideally positioned to provide the reassurance of a leading international player: global capacity, demonstrable quality, and a genuinely human touch.

“The evolution of our organisation and governance is aimed at ensuring the long-term stability of the Group’s international integration dynamic, which is constantly nourished by cultural diversity and the contribution of new local skills. Having access to the whole array of Mazars’ international expertise is a considerable asset and a promise of genuine value for our clients.”

Patrick de Cambourg, Chairman of the Group Governance Council

Putting the client at the heart of all we do

The strength of Mazars' approach lies in this very capacity to offer bespoke solutions, adapted to local issues but informed by the global vision of the relevant experts. In this respect, the steering provided by our Global Business Units, built around international market segments and business lines, is a valuable asset in building a worldwide strategy supported by our common infrastructure, information systems and processes, sharing the best practices at country level and adapting our services to local needs. This matrix is a key strength in Mazars' personalised form of client service, lending full coherence to the Group's multi-disciplinary approach, and also forming a great attraction for new talent joining our integrated partnership.



Integrated Teams

CROSS-FUNCTIONALITY AND RESPONSIVENESS

Thanks to its fully integrated international structure, Mazars can mobilise specialist teams with strong technical, business-relevant competencies, who are accustomed to working in multi-cultural, international environments. These teams, always formed according to the sectorial specifics of our clients, are led by a partner with the right experience to take swift decisions, ensure the expected agility and effectiveness, and provide a single point of contact.

INSIGHT

JAN ELIASSON
DEPUTY SECRETARY-GENERAL
OF THE UNITED NATIONS

“

The realities of the world are a constant reminder that global action and collective efforts are now needed more than ever.”



Under which conditions can we reach a form of economic social development that benefits everyone?

We have finite resources and a planet in danger of climate change which is so obvious to us that, for the first time in history, we really have to take an existential look at the need for sustainability. This means we have a collective responsibility to create a stable framework for every country to develop, which encompasses environmental challenge, but goes beyond. There can be no real development without peace

and no peace without development, and the respect of human rights is one of the conditions of both peace and development. A process excluding them would be globally weak and would certainly not achieve long term growth.

Do you think companies also share this will to promote responsibility around the world?

I hope so, but we still have a long way to go. Corporate Social Responsibility (CSR) policies are usually ambitious and tend to



INSIGHT



prove that companies are aware of their responsibility towards society. However, these CSR policies should not only come from the communications teams, or even from a specific CSR department; they should be integrated into the corporations' global strategy. These policies should be designed at board or chief executive level, in order to influence every aspect of the company's life and operations.

There are several reasons for this. First of all, this is simply what companies should do, from an ethics and moral perspective. Besides, in the long term, companies which manage to integrate CSR into their strategy will benefit from it: making sure their corporate interests coincide with general interests in society will increase their performance. Lastly, the increasing demand for companies to act responsibly, both by consumers, who tend to act as citizens when they choose a product or a service, and by employees, who want to be proud of the company they give their time to, are two additional levers that should push economic players into taking better account of human, social and environmental issues.

Do you think the strengthening of financial transparency plays a role in the development of more socially responsible businesses?

I can only hope so, even though we cannot be certain of it. The financial crisis is far from being over, and the repartition of wealth and resources is more unbalanced today than it was yesterday. It is true that the IMF and the European Union are making efforts to increase transparency and regulation, but these efforts might prove insufficient.

We have a responsibility to create collectively a form of "responsible regulation" on a global scale, but this will take a lot of effort. I think one of the keys for success in this endeavour is to convince countries that the only real solution to their problems is an international and collective solution, and that following this path also serves their national interest. We have to work towards a true form of collective intelligence to find our way through unprecedented challenges.

Would you say you are optimistic about the possibility of facing this challenge?

I'm neither optimistic, nor pessimistic. All I want to see is tangible results. There has been some progress in the recent years, but we must not fall into self-indulgence: many areas still suffer from conflicts and human rights violations, and poverty remains a widespread curse.

A LIFE DEVOTED TO INTERNATIONAL COOPERATION

Born in Göteborg in 1940, Jan Eliasson began his career in the diplomatic corps and served in New York, Paris, Bonn, Washington and finally Harare, where he opened the first Swedish embassy in 1980. He became diplomatic advisor to the Swedish Prime Minister in 1982, then General Director for political affairs in the Swedish Foreign Ministry from 1983 to 1987. In 1988 he was named Sweden's Ambassador to the UN. He was then Secretary of State for Foreign Affairs from 1994 to 2000, and became Swedish Foreign Minister in 2006. In July 2012, United Nations Secretary-General Ban Ki Moon appointed Jan Eliasson Deputy Secretary-General of the United Nations.

Within the framework of his UN responsibilities, Jan Eliasson participated in a number of humanitarian missions, in Somalia, Sudan, Mozambique and the Balkans. More recently he acted as mediator for the Organisation for Security and Cooperation in Europe in the Nagorno-Karabakh conflict opposing Armenia and Azerbaijan. His current position involves considerable focus on political and humanitarian affairs, development and rule of law.

However it is true that we are seeing a growing awareness of global challenges among many citizens, which will in turn lead governments and companies to systematically address these issues. Pressure from the people, consumers or employees is a reality. But this reality still has to be translated into real and measurable actions, to drive progress together and everywhere.

BALANCED GOVERNANCE SERVING THE **MAZARS COMMUNITY** DYNAMIC

True to its participatory culture and its values of independence and transparency, Mazars has built a unique model of integrated partnership that ensures a genuinely democratic community. In addition, at the end of 2011, Mazars put in place a modernised governance mechanism designed to reinforce its capacities for steering and anticipation, to guarantee the stability and relevance of its institutions, and to prepare for the future, while ensuring the sustainable growth of the Group.

Mazars partners have all chosen, above and beyond their respective cultural identities, to commit to an adventure based on the sharing of common values, a certain conception of the profession, and identical demands for excellence. This model, which has proven its value in the service of Group growth, encourages initiative and diverse opinions, harnessing differences as a driver for development. Rejecting conformity to the methods or standards of any one dominant country, Mazars continues to build on its integrated and collective model, run by professionals who have chosen to share risks as well as rewards. At the heart of this democratic and collegiate system, the partners meet at the General Assembly at least once a year to approve the Group's major strategic and operational directions, the nomination of new partners and the consolidated results for the financial year. Every four years this Assembly also hosts the election of the members of governance and supervision bodies.

In line with latest standards of governance, the platform Mazars created in 2011 forms a factor of long-term stability and effectiveness in the implementation of strategy at partnership level, and in responding to the key challenges Mazars has identified for the future: building on the dynamic of organic growth and cross-functionality within the Group by optimising operations management and performance steering; mobilising the required resources to handle issues that form key levers for Mazars' development; and finally, with transmission always in mind, to progressively pass the baton to a new generation of leaders who will steer the Group wisely into tomorrow.



Operations management and performance steering

The Group Executive Board

At Group level, the direction of Mazars Scrl is performed by the Group Executive Board (GEB) under the supervision of the Group Governance Council. The direction of each national entity is in turn carried out by the Country Executive Committee duly elected by the partners of the entity concerned, candidates having been previously approved by the GEB. As the principal executive body governing Mazars, the Group Executive Board plays a key role in the operational management of the Group, within the framework of the major strategic directions that have been collectively defined. Guarantor of the development, feasibility, quality and longevity of Group activity, the GEB concentrates its efforts on the management of operations and on organic growth. Its line-up was partly renewed at the General Assembly at the end of 2011, and confirmed for a 4-year mandate in

December 2012, in the spirit of passing the baton to a new generation of leaders, and continuing to embrace the international diversity that is one of Mazars' great assets.

THE GROUP EXECUTIVE BOARD COMPRISES SIX MEMBERS, MANDATED FOR FOUR YEARS:

- **Philippe Castagnac**, Group CEO, Chairman of the Group Executive Board
- **Antonio Bover**, co-CEO, Sponsor of GBU Tax and GBU Law, Senior Partner of Mazars in Spain
- **Hervé Hélias**, co-CEO, leader of GBU PIE, Senior Partner of Mazars in France
- **Hilton Saven**, co-CEO, Senior Partner of Mazars in South Africa, Sponsor of emerging markets
- **Phil Verity**, co-CEO, leader of GBU OMB, Senior Partner of Mazars in United Kingdom
- **Victor Wahba**, co-CEO, member of the Executive Board of WeiserMazars in the United States.

Information including decisions taken by the Partners' General Assembly on December 2012

The GEB's mission is carried out in direct liaison with the four Global Business Units and the four Global Support Units to follow up on business activity, and to ensure coherence between the investment and development policies defined at global level and their deployment at local level, in the context of the day-to-day running of the business.

The dynamics of strategic development

The Global Strategic Committee

The background of tougher markets and regulatory environments means that an international player like Mazars must consolidate the strategic levers essential to our goal of long term growth and build our contribution to the growth of the markets in which we operate. Since December 2011 we have been supported in this by the expertise of the Global Strategic

Committee (GSC). The Group Executive Board and the Group Governance Council have in fact delegated to the GSC responsibility for strategic issues connected with the Group's development. The GSC's mission is to identify and lead certain merger operations in line with the Group's policy for extending its international coverage and expanding its range of services. It is also responsible for monitoring Mazars' active contribution to the structuring of the profession.

Impartial and independent

The Group Governance Council

Essential to the governance of Mazars, and committed to transparency and independence, the Group Governance Council represents the partnership in the supervision of Group management bodies. Two independent and external members, elected at the Annual General Assembly



MOBILISING SOME OF THE MOST EXPERIENCED PROFESSIONALS IN THE GROUP, THE GSC IS COMPRISED OF FOUR MEMBERS, ELECTED BY THE PARTNERS FOR A TERM OF FOUR YEARS:

- **Patrick de Cambourg**,
Chairman of the GSC
- **Douglas A. Phillips**,
Vice-Chairman of the GSC
- **Philippe Castagnac**,
Group CEO
- **Michel Barbet-Massin**,
former Chairman of the
Group Governance Council.

Information including decisions taken by the Partners' General Assembly on December 2012

Following the December 2012 CARL Conference, the Group Governance Council welcomes five new members: Simone del Bianco, Thierry Blanchetier, Anita de Casparis, Kathleen Robison and Jean-Louis Simon. Pierre Sardet and Ruud Krouwer, who did not stand for this election, both leave the Group Governance Council. Mazars wants to express its warmest thanks and gratitude to them for the time and insight they gave to the GGC during their mandates, which highly benefited the whole partnership.



of partners in December 2011, have now joined the Group Governance Council. This move towards increased openness is in line with current leading standards of governance and demonstrates Mazars' ambition to ensure that the supervision of decisions and the exercise of powers of co-decision are carried out with complete impartiality and in a constructive spirit of independence. The role of the Group Governance Council in particular includes the assessment of partnership candidates and projects for integrating new entities or mergers, as well as a special focus on monitoring the constant improvement in risk management procedures, quality control and performance enhancement.

THE GROUP GOVERNANCE COUNCIL IS COMPOSED OF 14 MEMBERS, ELECTED FOR FOUR YEARS:

- **Patrick de Cambourg**,
Chairman of the Group Governance Council
- **Kenneth Morrison**,
Vice-Chairman of the Group Governance Council
- **Douglas A. Phillips**,
Vice-Chairman of the Group Governance Council
- **Thierry Blanchetier**
- **Kathryn Byrne**
- **François de Carbonnel***
- **Anita de Casparis**
- **Simone Del Bianco**
- **Mohamed Ali Elaouani Cherif**
- **Denise K. Fletcher***
- **Patrice de Folleville**
- **Tim Hudson**
- **Kathleen Robison**
- **Jean-Louis Simon**.

Information including decisions taken by the Partners' General Assembly on December 2012

* External members.

**.At the heart of the participatory dynamic:
the partners**

The partners are pivotal to the Mazars model. They have each chosen to share a common set of values and institutions as expressed in our founding documents, particularly our Partnership Charter, and to commit to a project devised together and decided democratically. The Partnership Charter places the individual partner at the centre of the instrument for technical responsibility, with the associated entity and the Group having a controlling function. It is actually the partner who assumes responsibility for the way assignments are carried out and for the opinions or advice that are offered. In this way, each partner is responsible for ensuring that their contribution and its development feed in to the global project and its geographic or professional application. Based on self-assessment, challenged through peer review, this approach enables the individual to be part of a dynamic matching individual aspirations and abilities to the contributions necessary for the success of the collective project. This system also underpins the fairness of sharing both risks and rewards.



Denise K. Fletcher,
external member of the
Group Governance Council

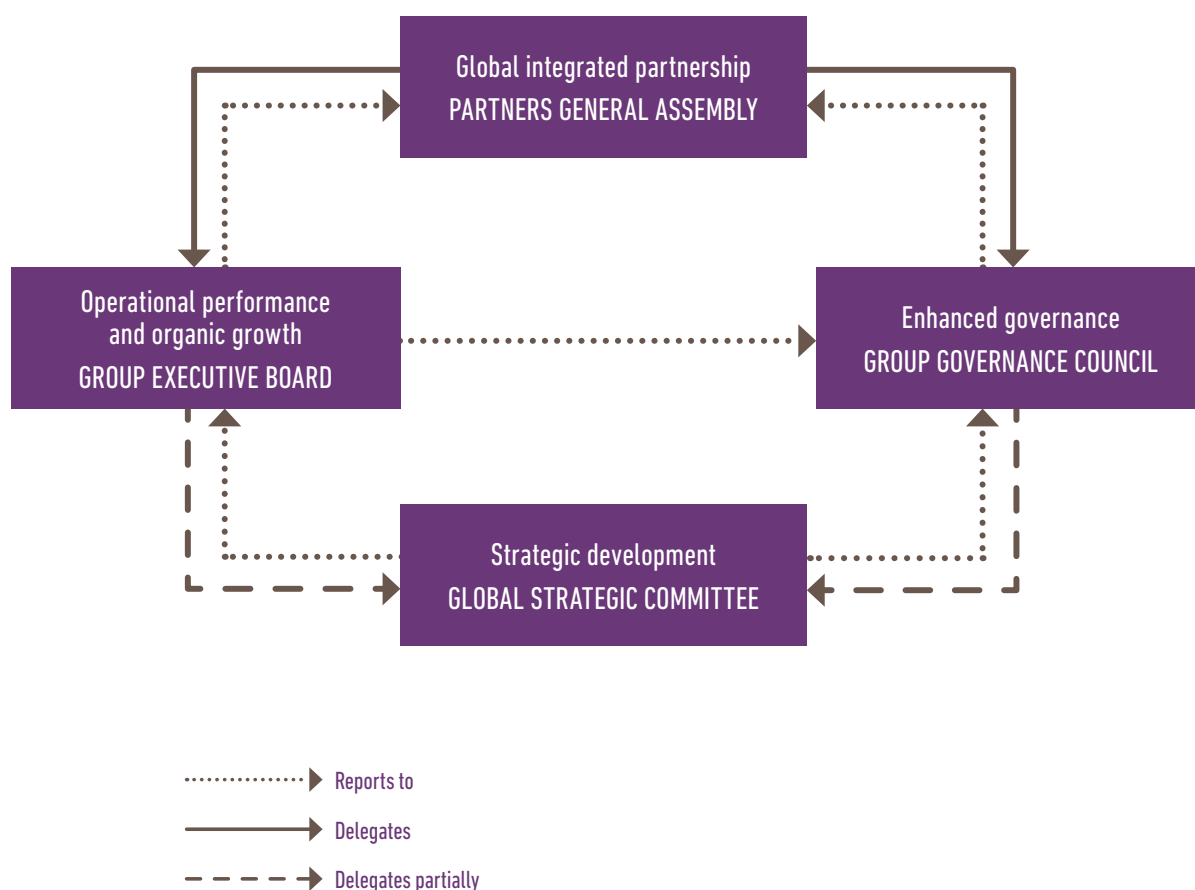
“ The Group Governance Council is very open to being questioned, to being challenged and they are responsive to new ideas and new thoughts.”



“ I’m struck by the openness of the process, the relevance of the topics and the security the GGC displays by sharing with us, externals, some of the very internal workings of the firm.”

François de Carbonnel, external member of the Group Governance Council

A BALANCED AND COLLABORATIVE PLATFORM FOR GOVERNANCE





DRIVING PROGRESS TOGETHER MEANS COMBINING...

...RELEVANCE AND INNOVATION

Our clients evolve, their environments change and become more complex. We believe it is our responsibility to support them and to deliver long-term visibility, security and effectiveness, to protect their operations and optimise their development. Different clients, different needs; but because we combine global expertise with local market knowledge, we can offer solutions tailored for each specific one. We don't offer "off the shelf" service, we work with our client to find the right approach together. We believe we have to evolve as our clients do to ensure we can always offer the right service, at the right time.

Hervé Hélias,
co-CEO,
Senior Partner
of Mazars in
France



Phil Verity,
co-CEO,
Senior Partner
of Mazars in
United Kingdom



Antonio Bover,
co-CEO,
Senior Partner
of Mazars in
Spain



Victor Wahba,
co-CEO, member
of the Executive
Board of
WeiserMazars
in the United
States



Hilton Saven,
co-CEO, Senior
Partner of Mazars
in South Africa

“Mazars’ strength lies in the uniqueness of its business model. We offer the scope of a global player, ensuring quality and responsiveness, together with the talent for listening and the personal service levels of an individual business partner.”

Phil Verity, co-CEO, Senior Partner of Mazars in the United Kingdom

VIEWS AND ANALYSES

From Antonio Bover, Hervé Hélias, Hilton Saven, Phil Verity, Victor Wahba,
members of the Group Executive Board (GEB).

The world economy has been lastingly affected by successive crises, calling for profound structural reform in terms of regulation, organisation and financing. Members of the GEB share their views of the market and compare analyses of the challenges facing companies, and what they expect. In meeting clients' expectations with appropriate and effective solutions, Mazars is able to rely on considerable assets, including its entrepreneurial dynamic, the agility and reactive capacities of its integrated partnership, and a multidisciplinary, multicultural approach that capitalises on the Group's entire spectrum of expertise.

What is your reading of the main world economic trends and how do you see the market environment evolving over the medium term?

Phil Verity: The global situation remains uncertain. Given the number of aftershocks since the 2008 crisis, this level of instability is now being viewed as the long term scenario. The effect on Western economies and on emerging markets is different, and although the latter suffered less initially, there are now signs that they are finding it difficult to maintain a steady rate of growth without

government intervention. Companies themselves seem to have accepted that uncertainty is the new reality and are therefore building this into the way they operate. These developments, however, are affecting different markets in different ways. The key challenges for the OMB market are: their capacity for internationalisation; finding new forms of collaboration in an increasingly interlinked business world; mastering an increasingly regulated environment and, finally, leveraging technology to optimise their operations.

Hervé Hélias: Any assessment of the medium term market environment needs to be on a case by case basis – country by country or region by region. In what we traditionally call the “Western” economies we clearly remain in a long term phase of economic instability as economies, governments, businesses and individuals gradually address the fall-out from the debt crisis. We have become familiar with explosive economic growth in the BRIC and other rapidly developing economies. This is no longer a given: for example, the crisis is impacting on Chinese and Indian manufacturing output; the Russian economy is at risk from global shifts in the oil and gas market. How will these economies handle the increasing demands of their domestic populations, and avoid overspending? In less mature emerging economies we are seeing dramatic growth, particularly in Africa. While political risk will undoubtedly remain a key factor in many locations, ever growing demand for natural resources and rapidly growing, economically motivated populations mean that African markets are clearly destined to play an increasingly pivotal role in global economic development.

Antonio Bover: On top of market conditions reducing their capacity to invest, threatening their competitiveness and adding pressure on their costs, companies who are globalising their business are having to deal with the need to gain even better control of their risks, and optimising their legal and fiscal environments in the context of increasing regulatory pressure in most regions of the world. They are looking for organisations capable of advising them on their expansion. What seemed to be an audit and accounting essential just a few years ago has now become one for legal and tax advice too.

In this context, what are the major issues for your clients in terms of transformation and growth?

Hervé Hélias: Regulators and governments are having an immense impact on our clients’ organisations and systems. Some of this phenomenon stems from a global reaction to the economic crisis: in the banking (Basel III) and insurance (Solvency II) sectors, our clients are facing significant reorganisation. Other pressures come from wider society – our global industrial clients have to transform their organisations to deal with legislation and guidance that covers everything from anti-bribery laws to sustainability reporting and adherence to the UN Guiding Principles on Business and Human Rights. This all comes in a context of ever increasing globalisation where our largest clients face the daily challenge of managing operations across a vast

“Times are clearly challenging. But for me, and our teams, the key message looking forward is that this environment opens up as many opportunities as it does challenges.”

Hervé Hélias, co-CEO, Senior Partner of Mazars in France

number of countries. At the same time, stakeholders expect cost reduction as an essential response to the crisis.

Hilton Saven: Companies are looking for trusted partners capable of helping them manage change, improve business performance, and safeguard their development. They need to be able to count on partners who guarantee them both reliability and flexibility, who have a global approach to business issues and a high level of technical expertise, but also specific local knowledge, for example, insight into the emerging markets that now form centres of growth for many companies that are expanding internationally.

Phil Verity: The key challenges for our clients today mostly revolve around optimising their operations. Encouraged by the acceleration of new technologies, many clients are now evolving as network organisations, including their international subsidiaries, integrated suppliers and particularly with their customers who all form part of their brand ecosystem. Clients are moving forward through a complex, uncertain, globalised environment with multiple stakeholders. This context makes delivering quality with the right cost base an imperative as well as balancing investment and profitability.

What makes the Mazars approach and Mazars solutions such a viable alternative in the marketplace, and what is the real benefit for clients?

“Our business model, which enables Mazars to master globalisation without formulaic standardisation, and which stimulates cross functionality, has widely proven its solidity and resilience in a highly uncertain economic environment.”

Antonio Bover, co-CEO, Senior Partner of Mazars in Spain

Victor Wahba: The market is looking for integrated, international players. That applies equally to big international groups, SMEs and MSBs who are expanding beyond their home market and looking for new outlets. In an increasingly complex world, where business is mostly global, companies are going to favour the kind of “one stop shop” we offer: a complete range of professional services, closely managed and delivered through a single point of contact, plus the same standards of excellence no matter what geographic zone they are in.

Hilton Saven: The Mazars promise really is above all a commitment to responsiveness, simplicity and therefore effectiveness for our clients. Our added value stems from our insistence on agility in the context of an unstable market that can be difficult to decipher. We can put the right experts in the right place to offer our clients tailored solutions based on really getting to know them and their business.

“ Mazars has integrated a new team of 70 people in Cape Town. A well-regulated, professional market meeting the highest international standards of governance, South Africa is attracting many investors and constitutes for the Group a development platform for the whole sub-Saharan continent.”

Hilton Saven, co-CEO, Senior Partner of Mazars in South Africa

Hervé Hélias: Our strategy is to develop the Mazars brand in the PIE market through high added value, innovative expert services, delivered globally, with an intrinsic sense of personal responsibility. This translates into four benefits: more security, by contributing to the reliability of financial information, more critical than ever today; increased compliance, as we can really add value to our clients in a constantly evolving global regulatory climate, through a range of expert services covering everything from tax to sustainability reporting; strengthened operational performance, for businesses under constant pressure to deal with change, in terms of procedures, process, efficiency and risk management; and the capacity to lead business transformation, in a context where businesses are being restructured, reviewed and prepared for sale, and seek advice from our experts to ensure optimal management of value. We combine methodologies honed over time in auditing and advising large corporate clients with a capacity to jointly construct and think outside of the box. It's about giving priority to common sense over pre-established models, and offering our clients an open approach to addressing their needs.

Phil Verity: Thanks to the Mazars' partnership model we can call on the highest levels of both professional and sectorial expertise. The fact that our partnership is fully integrated in geographic, structural, people and financial terms means that our clients get the full benefit of access to global expertise, with identical standards of excellence across 71 countries. Beyond our shared vision, our partnership culture ensures that we all work together, to share expertise and best practice and deliver fully coordinated solutions. I believe that this kind of collective intelligence is what makes Mazars different.

In your Business Unit or market, which events or achievements stand out in 2011-2012?

Hervé Hélias: Despite price pressure, I am delighted that we have successfully retained all large corporate audit mandates that were due for renewal during the year. Indeed, we have many examples of clients increasing the number of countries audited by Mazars: for me this is a real reflection of our maturity as a global firm. I am also particularly pleased with our continued success in Financial Services. We continue to strengthen our global capacity, and we are seeing great results in a variety of markets, with banking and insurance clients placing their confidence in Mazars as auditors and advisors.

Victor Wahba: The results of a recent client survey show an excellent level of satisfaction, and tangible appreciation of the added value of our services. While continuing to build on its poles of sectorial expertise and its professional

8%

GROWTH IN PIE BUSINESS TURNOVER IN 2011-2012

lines, WeiserMazars is making its mark in high potential niche markets. We have expanded our expertise in the food processing and spirits sectors by integrating the firm of Biscotti & Toback, and we have welcomed additional, experienced experts into our team focused on health, a promising market sector in which we are particularly well positioned. Our cross border approach and our local expertise represent real strengths in increasing our penetration of the American market.

Antonio Bover: Against the background of a tough time for law firms in Europe, our legal business has demonstrated satisfying signs of resilience in a few countries. We've recorded double digit growth in Spain and France, and made progress in Indonesia. The year also gave us the opportunity to do some in-depth thinking on the optimal coordination within Mazars between our legal activity and our other professions. We are profoundly convinced of the need to be united, in order to respond to market expectations of having access to ever more specialised service providers. Together with experts in finance and tax, legal expertise is now essential, for example in securing transactions. To optimise the synergies between professions, while still pre-empting any conflict of interest, we have decided to sharpen our mechanism by means of a tightly integrated structure within GBU Law, including the lawyers who choose to join our partnership because they share our values and our ambition, and an alliance of affiliated law firms – the Marccus Alliance – which will enable us to resource legal teams who share our standards of excellence throughout the world. In terms of our tax business, which is more than €110m, and

represents more than 10% of Mazars' global turnover, this is a development priority for the Group. The reinforcement of cross selling with the GBUs PIE and OMB is now permanently front of mind, such is the importance for our clients of fully mastering the fiscal environment of each country in which they operate.

Phil Verity: We have continued to develop our activity in the OMB market, which is up 5% on 2010-2011. We were helped in this by the partnership's geographic extension to new countries, and by the development of cross border services, particularly Corporate Finance. Mazars is genuinely in a unique position to help OMB clients, from the family SME to more complex medium-sized businesses whose scope of activity is international. We have the expertise, infrastructure and capability to deliver global solutions, but retain the personal levels of service and the commitment from our teams that you would associate with a smaller firm.

5%
GROWTH IN
OMB ACTIVITIES
IN 2011-2012

“The human factor is a key feature of Mazars. The mutualisation of expertise and the permanent training give us the capacity to mobilise the best experts worldwide. We always have something to learn from each other, and our partnership grows from this diversity.”

Victor Wahba, co-CEO, member of the Executive Board of WeiserMazars in the United States

GLOBAL SERVICE, BESPOKE SOLUTIONS

The Mazars offer is structured around a continuum of integrated professional services designed to cover the complete value chain for businesses. Our solutions are individual and effective, based on listening carefully to our clients and providing an innovative reading of the multiple issues they may face. From the technical and methodological rigour at the core of our audit profession, guaranteeing reliability and security, to the added value of our support through organisational transformation and growth, Mazars mobilises and combines the relevant expertise from across the Group to provide bespoke solutions that answer the strategic needs of companies and demonstrate genuine operational effectiveness in implementation.

“As part of the progression and harmonisation of technical competencies among all Group professionals, nearly 400 members of the Global Support Unit Technique and Innovation are working on the roll-out of tools and processes, as well as capitalising on dissemination of best practices, with the aim of guaranteeing the same levels of technical excellence, conformity with all ethical standards and with our own moral code throughout the world.”

Jean-Luc Barlet, Mazars Group Chief Compliance Officer

The client at the centre of business management

Mazars serves the economic community as a whole, supporting and advising major international groups, SMEs, mid-sized businesses (MSB), entrepreneurs and public bodies. In order to respond more precisely to the needs of companies and organisations of widely different natures, Mazars puts the client at the heart of its strategy and its operational management. Our activity is run, at international level, through four Global Business Units (GBU). Two GBUs are dedicated to our principal market sectors: the Global Business Unit Public Interest Entities (GBU PIE), which offers a wide spectrum of services to listed companies, banks, insurers and



public bodies, and the Global Business Unit Owner Managed Businesses (GBU OMB), which follows privately-owned companies from SMEs to individual entrepreneurs through every stage of their development. Two other GBUs are dedicated to fiscal and legal matters (GBU Tax and GBU Law respectively), and work in direct cross-functionality with the two client-facing GBUs. Facilitating strategic direction of operations at global level, the way we are structured also ensures we are in close touch with local markets, while maintaining optimal operational efficiency and encouraging the development of new expertise.

CLIENT *FOCUS* STATE BANK OF PAKISTAN

Creating free access to basic financial education

In 2011, the State Bank of Pakistan received an endowment from the Asian Development Bank for a major project aimed at teaching basic finance and banking to Pakistan's most underprivileged adults, enabling them to make better economic decisions and ultimately contribute to the country's development. The State Bank turned to Mazars for the design and implementation of this programme. Having defined the curriculum content, Mazars' teams made a careful study of local contexts in order to create teaching tools and materials adapted to suit various audiences. *"This was a critical step"* explains Rodney Rahman, Managing Partner of Mazars in Pakistan, *"as we need to really change people's habits. We had to create highly interactive workshops and innovative teaching materials based on the realities of everyday life."*

A multichannel programme

Launched in January 2011, the programme was rolled out through numerous different channels during the year: classroom training, workshops, plays, radio and newspapers. *"We have taught around 30,000 people directly, and reached another 15,000 through street theatre,"* adds Rodney Rahman, *"but our long term goal is to bring this knowledge to 500,000 people in Pakistan. It's a very stimulating mission, as it involves a lot of different people at every level. It has allowed us to demonstrate what we can offer, both in terms of high-level strategic thinking and our operational knowledge and experience on the ground."*

This programme received the Project of the Year 2012 award from the Project Management Institute branch in Pakistan.

**The demand for reliability,
the need for security**

From the outset at Mazars, we have cultivated technical excellence as the foundation for the added value of all our services. It is articulated through the highly technical profiles of all our staff, armed with the most refined sectorial and technical expertise, combined with the power of our multidisciplinary approach. The rigour of our methodological of clients' issues, our mastery of control mechanisms, our systematic integration of risk assessment for better risk management, all contribute to the optimisation and enhanced safety of strategic decision-making, the trustworthiness of client information and ultimately the creation of value. All our fields of expertise, whether they are particularly linked to the decoding of financial information, or mastery of the legal and fiscal environments, or yet consulting on risk management and internal controls, are driven by the same demands for excellence and impeccable ethics and share a common desire to match our services to the very best in the market.



CLIENT *FOCUS*
AIRBNB

**Outsourcing: Mazars takes off
in six different countries**

Launched in August 2008 in San Francisco, USA, Airbnb is a community platform offering unique and exceptional rental accommodation all over the world, available online or via mobile phone. Airbnb offers outstanding travel experiences in 26,000 towns and cities and 192 countries. With a constantly expanding user community – a social network of 168 million – and armed with a business model that's unique, Airbnb is currently advertising 200,000 rentals on five continents.

In touch with the local area and local team culture

To support Airbnb's outstandingly rapid growth and the development of its offices in various markets, an AOS (Accounting & Outsourcing) team headed by Mazars UK partner Elisabeth Maxwell, has been in place since early 2012. Accounts, payroll, tax and human resources support have been provided across a wide geographic area, at the head office in San Francisco, in Brazil and Spain and more recently in Italy, Denmark and France. *"We were convinced by Mazars' capacity to work in a truly integrated fashion at international level, while still ensuring we have centralised control with a single point of contact in close touch with our affairs. This 'one stop shop' approach has real added value for us, because we can develop effective collaboration based on the in-depth knowledge Mazars' teams have of our business model, our culture and our working methodology, no matter where in the world they are,"* explains Bob Forest, Airbnb CFO.

Mazars' approach, which initially materialised in sending team member Christophe Lerck to San Francisco to take part in training Airbnb teams on their international accounting software, enabled us to set up efficient client service, characterised by genuine knowledge of the group's operational realities and its strategic stakes.

CLIENT *FOCUS* GAMELOFT

Mazars expands its field of play

Gameloft is a software company specialising in mobile platforms (smartphones, tablets, etc.). It has experienced steady growth since it was founded in 1999, now operating in 31 countries and selling its products in 75 markets with a turnover which will top €200m in 2012. Gameloft's success stems from their prediction that video games would gradually move beyond the living-room as people increasingly turned to mobile platforms for playing games wherever they happened to be, especially on public transport.

Local presence, an asset for the partnership

"With a turnover close to €200m and a presence in 30 countries, Gameloft thought it was time to work with an audit partner who operates all over the world," explains Simon Beillevaire, partner in charge of the Gameloft account.

"Mazars' teams were already auditing the accounts of Gameloft's subsidiaries in Japan, Vietnam and Romania, and the quality of the human and technical support we were delivering there paved the way for us to extend the scope of our service. This is a rather unusual scenario: our local presence gave us our way in to the Gameloft head office in France, for whom we are now the statutory auditors!"

Mazars was able to convince Gameloft thanks to its considerable experience in auditing companies running major franchise operations, as Gameloft does, as well as its expertise in software and computing services companies and not least in telecommunications companies, who are Gameloft's main clients. *"This company is driven by its capacity to foster innovation in its technology and its business model,"* adds Simon Beillevaire. *"That is why they were looking for a new business partner who is both solid and agile, to follow Gameloft as they build on their strong growth and continue to expand around the world."*



CLIENT *FOCUS* PSB INDUSTRIES

Quality and care in a lasting collaboration

Established in 1904, PSB Industries – formerly Pierre Synthétique Baikowski (Baikowski Synthetic Stone) – is an international group of French origin, operating in the specialist chemicals and packaging markets, with almost two thirds of its business handling packaging for cosmetics and perfumery. It makes about 60% of its turnover from export, with production sites in France, the USA, Japan and Mexico. The group's development strategy is based on an active policy of external growth, which has enabled it to expand significantly over recent years. With 1,500 staff reputed for their know-how and a turnover of nearly €250m in 2011, PSB Industries today figures among the world leaders in cosmetic/perfumery packaging and is number one in France in made to measure thermoform packaging. Its client list features many of the major international groups, including Armani, Bonduelle, Bosch, Chanel, Clarins, Dior, Estée Lauder, Kenzo, L'Oréal Paris, Mix'Buffet, Osram and Philips.

The same demand for quality and care in every country

Mazars has long been involved with the development of PSB Industries, being one of the group's two statutory auditors. The teams led by Alain Chavance, Mazars partner in charge of the Annecy office and member of the Executive Committee of Mazars in France, audit the specialist chemicals and cosmetic/perfumery packaging business in all Group countries. *"Beyond the high level of rigour and the technical quality of Mazars' services, it's really the quality of our relationships and the attentiveness of the support we receive in each country that form the basis of our professional collaboration over time,"* emphasises Didier Mangin, Finance Director for PSB Industries. Indeed, one of the key issues for PSB Industries is ensuring the continuing quality of service in all the countries where the Group operates. *"In Mexico, for example, where our subsidiary is of moderate size and where other audit groups weren't delivering to our satisfaction, the Mazars teams are providing work of great quality and things are moving forward smoothly and efficiently, in direct coordination with the Mazars central team in Annecy. And this view of the quality of relationships is shared by our teams in the United States, in France and in Japan,"* adds Didier.

Pursuing performance, guaranteeing effectiveness

Wherever our clients need us, we mobilise the relevant skills and match the required expertise that, in our field of business, will contribute most effectively and sustainably to the development of their activities. We align a global strategy with a local country approach, enabling the sharing of teams, competencies and the best international practices. We deploy effective solutions that answer clients' strategic needs and demonstrate operational efficiency in implementation. By combining our in-depth knowledge of sectorial specifics and local markets with a global view of the strategic issues and operational functioning of organisations, we can define and lead the changes aimed at improving financial and extra-financial performance.

Innovative solutions made-to-measure

In contrast to standard "menu" services, our approach combines personalisation with innovation, within the framework of long-term co-construction based on attentiveness and ongoing dialogue. This made-to-measure support draws strength both from the way we encourage and enhance transnational collaboration, giving our teams a global view of business issues, and from our capacity for local service based on maintaining close touch with our clients and up-to-date insight into the fabric of regional economies. We continually adapt and evolve our services, our processes and our methodologies to suit the needs of our clients and the socio-economic environments in which they operate. Never seeing ourselves as part of the status quo, we prefer to push boundaries, think out of the box, look further and think differently. This kind of mindset gives us real agility and a valuable capacity for anticipating events, allowing us to respond continually to the fresh issues and sectorial metamorphoses of our clients.

Prioritising flexibility and responsiveness

With made-to-measure solutions that are immediately operational and adaptable worldwide, Mazars is positioned as a partner of trust for growing companies. Whatever the geographic boundaries of the area in which we are asked to intervene, with a single lead partner ensuring flexibility and responsiveness for our clients, Mazars can mobilise the best specialists in all its professions and areas of sectorial expertise, forming teams of high-level, multicultural experts. These effective, responsive, dedicated teams, led by a single point of contact, are well used to running projects in international environments and have a resolutely multidisciplinary client approach.

SUPPORTING OUR CLIENTS' EXTRA-FINANCIAL PERFORMANCE

Reporting including non-financial results (respect for human rights, social responsibility, governance, optimisation of carbon strategy, responsible purchasing policy, etc.), gives a wider perspective of a company's overall performance. Mazars provides these services as an integral part of its range, complementing the audit of company accounts. In this way we are helping our clients play an active part in fair and equitable development worldwide, while turning their CSR commitments into a real competitive edge and a global performance lever. Among the leading-edge services developed by Mazars since 2010 is notably our "Human Rights Audit", awarded the prize for innovation by the IAB (International Accounting Bulletin) in 2012.





DRIVING PROGRESS TOGETHER MEANS COMBINING...

...AWARENESS AND RESPONSIBILITY

Being a responsible company doesn't just mean following the rules. The notion of responsibility has always been deeply rooted in Mazars' culture and values.

What it means for us is being a committed and supportive part of the communities in which we operate. We strongly believe that sustainable development needs to follow collective principles but must be rooted in local action. No matter where in the world we are working, care and respect for the men, women, communities and environments around us are cornerstones of our philosophy.

RESPONSIBILITY, A PRINCIPLED COMMITMENT TO **COLLECTIVE ACTION**

The concept of collective responsibility that is central to Mazars' endeavour reflects our commitment to playing an active part in society as a whole, and therefore contributing to it and adding as much value as possible to our involvement.

This ambition translates into our policy of Partnership Social Responsibility (PSR), which is directly supported through the commitment of staff and partners in all Group countries and has been formalised as a concerted policy since 2008. Our commitment also manifests itself in the way we conceive our policies for managing talent and our range of services. Responsibility is fundamental to everything we do, internally as much as in our relationships with our clients and society.

To maximise the impact of these policies, each one is built around objectives defined at Group level, then applied according to different local contexts and needs. Each country determines what action will make the difference, where this difference will be most effective, and draws up its own action plan. Local projects also feed back into Group policy via the sharing of best practices. The promotion and adoption of a sustainable development model concerns us all and demands ongoing responsiveness. Our policies are therefore constantly monitored to ensure they remain as encompassing and effective as possible.

Views on the multiple meanings that the notion of responsibility has for Mazars, from Laurent Choain, Group Chief Human Resources Officer, Marie-Laure Soulié, Group Communications Director, and Richard Karmel, Partner at Mazars UK.



To find out more about
the Next MBA:
www.thenextmba.com

Promoting talent stimulates our growth.”

Laurent Choain,
Group Chief Human Resources Officer



Responsibility has been the backbone of the human and entrepreneurial adventure shared by everyone who has helped build Mazars since the very beginning. It is also a value at the very heart of the way we manage talent. For Mazars, offering every man and woman that joins us room to express themselves and to develop their skills, wherever in the world they are, is a major priority. Beyond sharing our expertise and building a common culture of excellence, we also express responsibility in the way we transmit certain fundamental values such as independence, integrity and respect for the individual – pillars of the united and democratic model of integrated partnership now flourishing in 71 countries. Seeing inter-generational transmission as intrinsic to a dynamic, learning organisation, we have made ongoing education pivotal to our strategy for career development and one of the strongest promises in Mazars' recruitment policy.

Education and responsibility at the heart of our HR policies

Mazars is a dynamic company, both agile and innovative. Because what we offer are not physical products but services based on intellectually demanding professions, our added value relies above all on the quality and complementarity of our teams, as well as on their capacity to work together developing innovative solutions for our clients. Technical and managerial training, international seminars and tools for knowledge sharing are all part of the skills development that is both a strategic priority and an investment in Group growth. In 2012, we created a working group dedicated to manage individual career development for all our partners worldwide. Promoting responsibility and autonomy, we enable individuals to drive their own careers at Mazars by offering rapid access to further responsibilities and opportunities for career mobility. In the same way, we place great importance on recognising the variety and mix of talents that are our strength, and in particular on promoting the right conditions for the best work/life balance.

Spotting today's talent and training tomorrow's leaders

Our organisation as a highly participative and entrepreneurial international partnership is focused primarily on the human element. Mazars thrives on the diversity of individuals and cultures that form such a valuable melting pot of collective intelligence, and from the earliest opportunity we seek to detect and develop the potential of tomorrow's leaders. To do this, we set up international training programmes focusing on the development of managerial and leadership capacities, and aimed at guaranteeing an excellence that transcends all cultural differences. The programmes are run at Mazars University and, since the end of 2011, form part of a highly selective, two-year Executive MBA degree, which we initially set up to advance the management training of Mazars' own professionals. This programme, called The Next MBA will be open to external candidates from autumn 2013.



“Leading the way in extra-financial reporting, just as we were pioneers in financial transparency.”

Marie-Laure Soulié,
Group Communications Director

Our Partnership Social Responsibility strategy, which embodies our CSR commitments, is by nature evolutionary and shaped by empirical data. The first steps consisted in identifying the key trends in each country in order to highlight and share the best practices, and in defining recommendations for improving the way we organise our commitments and actions at Group level. This process helped us to develop and deploy a policy, which became a reality with our PSR strategy, to assist Group countries as they were starting to develop their own approaches. Our approach not only echoes our key values but also expresses our ambition to become a leading business player in helping companies in the field of CSR. Our civic commitment is by its very nature long term, and underpinned by the keen desire to make what we're doing part of our demand for transparency and continuous progress. Following this line of thinking, we are planning to set up a system of indicators to measure our progress

at international level, bearing in mind the need to define and communicate the clear and precise objectives that must be linked to each indicator.

A long term commitment

Just as Mazars was – and continues to be – a pioneer, in being the only audit and advisory group to publish its co-audited Group results, consolidated to IFRS standards, in its annual report 2004-2005, we believe that today it is both logical and necessary to continue our efforts to lead by example, and apply to ourselves the same discipline and rigour we help our clients to observe. From now on, this means Mazars must be leading the field in terms of best practice in extra-financial reporting.

A telling illustration of our commitment to this path is our adherence to the United Nations Global Compact, which we signed in 2011. Our first COP (Communication On Progress) was then published in December 2012.

Being constantly concerned to improve the transparency of our organisation, the Group Executive Board also recently decided that Mazars would start working on the production of extra financial information matching the standards of the Global Reporting Initiative, an international non profit organisation creating and broadcasting standards in extra-financial reporting. This means setting up a multidisciplinary transnational project team targeted with identifying the most relevant indicators for the Group as a whole and organising a system for collecting data in different countries over the next few years.

For more information about the GRI:
www.globalreporting.org

“Social responsibility is gradually entering the field of certification.”

Richard Karmel,
Partner at Mazars in the United Kingdom,
in charge of the Human Rights compliance services



It is now some time since the United Nations first recognised the need to work together with businesses in promoting human rights and, more broadly, social responsibility. After several years, respect for these rights is beginning to gradually form part of the good governance obligations for companies in more and more countries. Many international companies have hastened to apply these principles to their procedures around the world, most often by following recently created standards such as the Global Reporting Initiative or the United Nations Global Compact. In our view, a company like Mazars has a duty to be actively involved in these developments, and we took advantage of our proven knowledge of audit methodologies in the field of finance to create audit processes for social responsibility, particularly in the matter of human rights.

Duty as opportunity

Creating and then helping businesses to apply these new approaches has a dual significance for Mazars. Firstly, it represents one of the most appropriate ways for Mazars to put CSR into practice, in our own organisation and in our clients', and therefore fully meet the objectives of the Global Compact to which we are signatories. Secondly, our experience and our recognised integrity put us in a good position to offer genuinely independent certification on these matters.

For our clients, it is also another facet of the support we offer in terms of risk management. On human or environmental questions, the possibility of a breach resulting in a scandal means twice the risk for a company's image and share value. This is where our organisation forms a real asset: the service and the method were first developed by our teams in Indonesia for companies and their subcontractors, right in the areas where this risk exists, and was then rolled out across the Group. Today we are in a position

to offer this service directly to the management of Western companies who, appreciating this global approach to risk, seek to apply it in their own zones of operation and to conform to existing and future international standards.

INSIGHT

MARZUKI DARUSMAN
DIRECTOR OF THE HUMAN RIGHTS
RESOURCE CENTRE FOR ASEAN

“

We need to encourage companies to know and show human rights compliance.”



Why is extra-financial performance becoming a more and more important criterion in the way we evaluate companies?

There does appear to be a growing sense of genuine unease that the more traditional public reporting of financial information is just not telling the whole story. There have been far too many 'unexpected' failures this past decade for people not to be worried and while some such as Enron were a result of corporate malfeasance, even the major ratings agencies were totally unprepared for the various international banking and financial crises that followed the 2007 US subprime mortgage meltdown. So, as the deficiencies of the current reporting system are increasingly exposed, people are looking for something more that can provide them with greater assurance as to the safety of their own financial security.

In this context, what role do human rights, and more broadly social compliance, play?

As with any segment of life, business can never be without risk; it's the preparation for that risk which matters. Thus in setting up and running a business, considerations should extend to ensuring that there is no infringement of the human rights of employees or other stakeholders, plus provisions should also be put in place so that this continues to apply even in the event of business closure.

But how can the public know if such measures exist? This is where extra-financial reporting comes in, for if a company is prepared to share how it feels about its employees, customers and local community, then this adds a more human persona to the bare financial data. And for sure the general public will be more willing to put their trust in a company that openly demonstrates its commitment to respecting human rights and being socially compliant.

As you play a major role in the ASEAN, how would you say emerging economies and new economic powerhouses such as China or India integrate Human Rights in their development?

While some have claimed that the first charter of human rights was the Cyrus cylinder of 539 BCE, the concept of human rights being universal and egalitarian is far more modern, dating from December 1948 when the Universal Declaration of Human Rights was adopted. However, the integration of human rights into a nation's ethos has proven to be a gradual, ongoing process, the timing of which being totally dependent on its people's readiness to accept the individual tenets, which themselves continue to evolve. In regard to India and China, their styles of government could not be more contrasting, India being the world's largest democracy, whilst China's form of communism



INSIGHT

A CAREER DEVOTED TO PUBLIC POLITICS AND HUMAN RIGHTS

Marzuki Darusman is the former Attorney General of Indonesia, serving from 1999 to 2001 under Indonesia's first democratically elected President Abdurrahman Wahid. He is a veteran Indonesian human rights campaigner with a distinguished career in public service. Mr Darusman served as a Member of the House of Representatives for 20 years, representing the ruling Golkar party. He then accepted the role of Deputy Chairman of the National Commission on Human Rights when it was formed in 1993 and became the Commission's Chairman during the last months of the Suharto regime. As Attorney General, he led a wide-ranging corruption investigation of former President Suharto and family and he prosecuted cases of corruption, mass murder and human rights abuses.

Mr. Darusman then assumed the role of Director of the Human Rights Resource Centre (HRRCA) for ASEAN, a network of academic and civil society institutions that seek to promote human rights research, capacity building, human rights training and education in the ASEAN region. Subsequent to his last term as Member of Parliament which ended in 2009, Darusman was appointed by UN Secretary General Ban Ki-Moon to a UN Commission of Inquiry to investigate the assassination of former Pakistani Prime Minister Benazir Bhutto. In 2010 he was assigned as Chair of the UN Secretary-General's Panel of Experts on Sri Lanka and he is currently the UN Secretary-General's Special Rapporteur for North Korea.

... continues to evolve. As such, their paths to implementation of human rights vary, but it is fair to say there are areas in both countries, as for many other countries, where improvements could be made. However, one does have to appreciate the difficulties both faced in having countless ethnic groups spread across large land masses, as together they account for one third of the total world population. This hampers enforcement of implementation, especially when there is conflict with traditional beliefs. As elsewhere in Asia, while several high profile cases have resulted in Western pressures, in general the integration of human rights has been home grown and introduced as and when politically, socially and economically prudent. Moreover, this has often taken into account local norms and practices, which raises the interesting point that even universal human rights can have a local flavour.

What is the current progress on the creation of international standards to evaluate Human Rights compliance and who are the main stakeholders involved in this process?

The ASEAN region is currently very active on both the economic and political fronts as the ideals of democracy become more solidly established. However, this has led to genuine concerns about human rights in certain areas, particularly in regard to land ownership and we are working hard both as individual nations and as a regional grouping to address such matters. In this context, the Human Rights Resource Centre

is delighted to be the primary research and outreach partner to the two-year project recently announced by Mazars and Shift* to develop a global framework for auditing companies in line with The UN Guiding Principles on Business and Human Rights. We believe that the region forms an ideal setting in which to develop the twin set of standards envisaged by the project. In order to ensure the success of the project it will be necessary to engage a wide range of stakeholders and other interested regions around the world. These will include governments and NGOs, other regulatory bodies such as stock markets, companies operating in diverse business sectors, and of course, members of the audit community; all will have their part to play in providing the necessary input to assist in the formulation of viable standards.

* Shift is an independent non profit organisation designed to help companies implement the UN Guiding Principles in terms of Human Rights.

“And for sure the general public will be more willing to put their trust in a company that openly demonstrates its commitment to respecting human rights and being socially compliant.”

What are the key improvements required to reconcile international economic development with Human Rights compliance?

The key issue is for us all to realise that we live on one small planet and what each of us does radically affects our neighbour. Respect for human rights falls neatly into place after that, for it involves each one of us interacting positively with our neighbours in maximising the utilisation of our planet's limited resources. However, that's more of a long-term utopian ideal and there are far more practical measures we can pursue in the more immediate future. One is education and I don't just mean schools and universities. We must do a better job of explaining to society at large what human rights are all about and how they enter into the very fabric of life based on the three pillars of Protect, Respect and Remedy. Moving forwards, governments must continue to be vigilant in protecting citizens from potential human rights abuses, while the corporate world must embrace its responsibility to act with due diligence in respecting the rights of all its stakeholders and to address adverse impacts with which it may be involved. Above all though, we must improve access for victims so that they can obtain effective remedy in the case of abuse. Nevertheless, all this must be accomplished in an atmosphere of togetherness and inclusion rather than isolation as has often happened in the past. For the economic sector this means the old adage of "shame and blame" being replaced by encouragement for companies to "know and show" human rights compliance in their operations.

A LONG TERM COMMITMENT

Since its inception in 2008, our PSR policy has continued to evolve, enriched every year with fresh initiatives and new tools. In order to best structure our approach, and to demonstrate the strength of our commitment, we have been a signatory of the United Nations Global Compact since December 2011. As a reflection of this, we have chosen to present here our key PSR directions, and illustrate them by highlighting the most outstanding examples of local action.

Focusing on four key areas, the PSR initiative enables us to intervene in areas where Mazars' involvement can contribute to the general good, and to promote policies for controlled and sustainable development.



This year, Mazars also launched a major operation to harmonise its standards for extra-financial reporting, in preparation for compliance with the Global Reporting Initiative in a forthcoming edition of the annual report.

DEVELOPING A RANGE OF RESPONSIBLE SERVICES FOR OUR CLIENTS

The development of the concept of integrated reporting and the increasing recognition of corporate citizenship has evolved perceptions of company performance, which is no longer measured by purely financial criteria. Mazars now supports these developments with its expertise, and we have created innovative methodologies to help clients build the concept of responsibility into the core of their development policies.

Auditing CSR policies and extra-financial reporting

Two kinds of business can have a concrete need to audit their corporate, social and environmental impacts: companies seeking to ensure their compliance with international standards, and the subsidiaries of international groups whose CSR demands must be respected around the world. New legislation is increasingly restrictive regarding the publication of extra-financial reporting indicators, an obligation which now affects all companies.

Beyond their legal obligations, groups worldwide are more often adopting a voluntary reporting approach, mainly referring to international standards, and most frequently the Global Compact or the GRI. Our Human Rights compliance services, originally created by Mazars teams in Indonesia and awarded the IAB prize for the most innovative service in December 2011, meets the demands of the Global Compact particularly well. In 2011 Mazars teams went on to launch a vast survey of respect for Human Rights among listed companies in the mining sector in the United Kingdom, South Africa, Canada and Australia (<http://www.mazars.co.uk/Home/News/Latest-news/Survey-Results-Mining-companies-UN-Human-Rights>).

Serving and consulting for our clients on the implementation of their CSR policies

These exercises are based on the audit expertise at the core of the Mazars DNA. However, the scope of expertise our teams actually offer is much broader, and we advise our clients on the implementation of strategies adapted to measure and control their CSR performance, as well as on defining and structuring references for staff, suppliers and partners. Responsibility must really be central to all business strategies and processes, not merely a communications tool. With this in mind, the Mazars offer includes an element of personal development dedicated to supporting the growth of companies by prioritising the human values of individual and social advancement.

Mazars: measuring up to the standards it sets the world

In the context of the global roll-out of our Human Rights Audit service, Mazars in the United Kingdom decided to not only test the methodology but to confirm its adherence to the principles of the Global Compact by launching a Human Rights compliance of its own practices.

7

COUNTRIES OFFERING HUMAN RIGHTS COMPLIANCE SERVICES: FRANCE, INDIA, INDONESIA, SOUTH AFRICA, NETHERLANDS, UNITED KINGDOM, UNITED STATES.

RESPECT FOR EMPLOYEES AND WELL-BEING AT WORK

Collective intelligence is more than the sum of the individual intellects possessed by every member of Mazars. It is a state of mind, enriched by each person's abilities, as well as by their culture, their knowledge and what makes them different from everyone else. A management approach centred on difference aims to enhance respect for the individual and their rights and at the same time to enable staff to unite their personal values with the company's values, thus improving performance.

Diversity and work-life balance

During the course of the year Mazars carried out a new audit of diversity practices and employee expectations across the Group, covering 10,000 staff in 55 countries. This report on the state of affairs showed that in comparison to the first audit carried out in 2008, the Group overall is more aware of the issues. The percentage of women in the Group has progressed from 42% to 53% among staff, although progress has been less swift at partner level, with only 14% of women, compared to 9% in 2008. Mazars has consequently established the two main goals of its policy: equality and life/work balance.

These policies are supported by methodological guides and tools that enable each country to identify the most important problem areas and the required actions, and finally to judge their effectiveness.

Different countries need different drivers

Illustrating the point, Mazars in France signed the Parenthood Charter and launched audits on diversity and work/life balance, while countries including Russia and the United States established policies regarding flexible working. The United Kingdom and the Netherlands decided to emphasise training on these issues, launching a one-year awareness-building programme. Two Eastern European countries, Czech Republic and Poland, are favouring a more institutional approach via partnerships with the Ministry of Employment.

Mazars, a partner for tomorrow's leaders

At the Women's Forum in autumn 2012, Mazars presented a study analysing the expectations of "Generation Y". Based on research carried out in 64 different countries in partnership with Women'Up, this aimed to get a better understanding of the differences and similarities in a generation that is central to our recruitment issues and the future of the Group.

This led to the creation of two policies which were developed at Group level and then locally applied. *"Each country has a different approach to addressing diversity, but as far as equality between men and women goes, this subject is universal and must be addressed as such"*; reflects Muriel de Saint Sauveur, Group Diversity Director.

24%

OF WOMEN AMONG
THE NEW PARTNERS COOPTED
IN DECEMBER 2012

69

PARTNERS ENROLLED
ON THE E-MBA
PROGRAMME

COMBATTING CLIMATE CHANGE

The fight against climate change is the natural extension of our desire to support our clients in their deployment of sustainable development models. In this context, the articulation between global policy and local implementation is especially relevant, helping Mazars adapt its efforts to protect the environment to national situations, always in accordance with our will to respect all communities, both human and natural.

6
PROGRAMMES
FOR GHG
EMISSIONS
REDUCTION

Carbon footprint audits and offset schemes

Conducting carbon footprint assessments has a dual objective. By measuring the effect of greenhouse gases (GHGs) generated by their activities, organisations not only benefit from the opportunity to take corrective action and diminish their environmental impacts, but the chance to set clear targets for GHG reduction. Calculating the carbon footprint of certain Mazars events, for example, can also lead to the implementation of plans to reduce or compensate the emissions.

Every year, the Group establishes the Carbon Balance for its annual partners' Conference to progressively reduce its impact and offset it. Offsetting the London Conference in 2011 also resulted in the renewal for a second year of our offsetting partnership with a reforestation initiative, the Million Tree Program in China.

Practical action plans, in each country

Protecting the environment is primarily led at local level, in order to focus on the key levers according to local priorities. This is why many Mazars countries have developed local environmental protection programmes. These include diagnostics, such as the Carbon Audit of key facilities, as carried out in 2011 by Mazars teams in France, the Netherlands and China, and corrective measures, such as employing local suppliers, using "green" partners for transport or mail

services, and choosing distributors of organic and fairtrade products offering recyclable containers and packaging. The same thinking applies to office equipment and consumables, in particular as regards reducing the number of printers and photocopiers, choosing more eco-friendly materials and adopting an optimised printing policy which reduces the consumption of paper.

Mazars teams in the Netherlands took their efforts one step further by transparently publishing their key indicators and objectives in the first national PSR report which also meets the criteria of the GRI. The Group then capitalised on this experience in the global roll-out of its PSR policy.



OUR COMMITMENT TO SOCIETY AND THE COMMUNITY

The way we see collective intelligence is not as some force unique to Mazars. Making what we do part of the bigger picture and actively contributing to the progress of communities in which we work are two pillars of our social responsibility policy. We fulfil this by participating in debates on the most current social issues, and by making practical efforts to ensure the success of initiatives that favour unity and the transmission of knowledge and values.



Chambre 109, Compagnie Sylvain Groud, photo credit David Morganti.

Getting involved in the great debates

Mazars is involved with various think tanks and debates on aspects of society that have far wider significance than our particular fields of expertise. Since 2006, for example, we have sponsored City of Success (*Cité de la Réussite*), an event organised in France at the Sorbonne drawing hundreds of academics, economists, directors, politicians, artists and philosophers. In October 2012, the key theme for this event was particularly close to our hearts. Headlined "Sharing", it gave Mazars the opportunity to take part in four round table discussions: "Between duty and passion, we're all sponsors now"; "Would a world run by women be better?"; "How can we improve power sharing in organisations?"; and "How can we share knowledge?"

Since 2010, when Mazars joined the Montaigne Institute, a think tank renowned in France for its civic influence, some of the Group's partners have been able to make active contributions to various working parties, notably on the future for universities, corporate financing, and financial regulation.

Mazars is also active in cultural sponsorship, which is another way of taking part in the exchange of ideas and in sharing our cultural heritage with the widest possible audience. In 2012, the Group joined the ranks of the Exceptional Patrons of the Louvre for its continued support in the acquisition of national treasures: *The Flight into Egypt* by Poussin, the *Portrait of Count Molé* by Ingres and Lucas Cranach's *Three Graces*. Similarly, following the Annual Conference of Group Partners reception held at the Tate Modern Gallery in London to view the Gerhard Richert exhibition in December 2011, the teams from Mazars in the UK decided to further this partnership with the Tate by organising a number of client events during 2012: private views, guided tours of the collections, etc.

Back in France, Mazars became one of eleven companies supporting the 2011 launch of a private foundation called INPACT (Initiative for cultural access), following an appeal by the Ministry of Culture and Communication.

Unlike the more classic sponsorship vehicles, INPACT works by financing initiatives for the

28 PROJECTS SUPPORTED BY THE MAZARS FOUNDATION

democratisation of culture. The foundation prioritises innovative projects to steer both public and private action, and aims to set up a network of businesses and project leaders that will help create leverage, and make culture one of the vectors for building a fairer society.

Promoting solidarity and the transmission of values

Transmission and solidarity are necessarily key values for a company whose model is based on sharing. As with all the other elements of our PSR policy, it seems to us crucial that the projects we carry out with different partners should contribute to the creation of collective value. That's why all our offices and staff are given the opportunity to make a daily difference on a local level, helping under-served or underprivileged members of the community gain access to the services or solutions that they need.

In Ireland, for example, Mazars continues to combine its contribution to charitable causes with the creation of team-building events that focus on sport, leisure or culture. Through the many activities organised during the course of the year, including marathons, action days and festivities, the Mazars team raised funds for medical research (Irish Heart Foundation, Irish Cancer Society) and sick children (Ronald Macdonald Houses).



Mazars in South Africa decided to celebrate their involvement in their communities annually, dedicating one whole day for staff from all the offices to be able to take part in the charitable activity of their choice, as a team, and in their own neighbourhood. The initiative was widely publicised both internally and externally, building on team ties with the community and ultimately improving Mazars' standing in the eyes of the local population.

Mazars Corporate Foundation for Childhood, Health, Solidarity and Sustainable Development

Set up in 2009, Mazars' corporate Foundation follows in this line of thinking. Every year it enables various organisations to further their aims in combatting vulnerability, helping families in difficulty, improving access to education and culture, or assisting individuals with disabilities, thanks to targeted financial donations.

Follow the link for more information about the Mazars Foundation:
<http://eng.mazars.fr/Page-d-accueil/About-us/Notre-engagement/The-Mazars-Foundation>



DRIVING PROGRESS TOGETHER MEANS COMBINING...

...PERFORMANCE AND ACCOUNTABILITY

Being honest about our performance and about our financial statements is a core principle of our commitment as a socially responsible organisation. In order to be a key actor of financial transparency, one needs to apply the latest and most stringent standards to oneself. Publishing our financial information, consolidated at Group level and independently certified, is also a token of our desire to work “in collective intelligence” with our clients: our solutions are based on our own experience of their issues.

GROUP EXECUTIVE BOARD REPORT

The decision in 2004/2005 to prepare and publish an annual report, including our consolidated financial statements under IFRS and audited by two external auditors remains a distinctive feature of our integrated global Partnership. We are therefore pleased to present you, as an evidence of our commitment to transparency, the annual Fiscal Year 2011-2012 report on our business and earnings.

Rolling out our Global strategy

Throughout Fiscal Year 2011-2012 the Group has had to adapt to the very slow economic recovery and some of our major operations have had some hard times. The crisis led to an unprecedented fee pressure, as a consequence of all businesses launching overheads reduction programmes. It has also made it far more difficult to implement strategy, especially the implementation of new services in Channel 2 where the payback period is now longer (projects delayed or postponed; clients cautious in engaging consultants; reduced budgets and more precise demands for niche skills with high added value).

And with even tighter auditing regulations, there is a good chance that fee pressure – from clients and competitors – will persist for some time to come.

In this difficult and competitive environment, our consolidated Fee Income of €1,013.4m has increased by 5.9% compared to previous year which is quite an achievement. This increase includes an external growth factor of +1.8%. Reaching the €1 billion Fee Income milestone represents an important step in our development and growth strategy.

The exchange rates impact on the growth percentage is of +0.6%. Certain Asian currencies, the USD and the GBP appreciated quite significantly this year against the Euro. Our organic

growth represents +3.5% which is slightly higher than the one we experienced last year (+3.4%). This is a strong growth rate considering the overall market conditions but there are some disparities within the areas in which we operate. Partly as a result of suffering Western economies, the balance of the world economy is progressively shifting to new economies. Most of our large industrial clients have significantly increased their revenues in developing economies. On top of that, there is no question about China and India being among the medium to long term leading economies in the world, with scenarios of takeovers by Chinese and Indian business of companies based in mature economies now increasingly common. Our major external growth operations were carried out in the US and Europe through the integration of Norway and through fairly large mergers and new offices in the UK, France and Italy. There are still significant opportunities in mature markets, as the crisis calls for reinforced services in certain areas: special audit procedures for restructured businesses, insolvency and turnaround, performance optimisation; actuarial services, valuation and PPP financing are growing very fast, while financial modelling has become key to many businesses.

Our global footprint has increased in 2011-2012 as we now operate in 69 countries.

Geography/Areas

<i>Fee Income in € million</i>	FY 2011-2012	FY 2010-2011	%
Africa	52.5	52.2	+0.6%
Asia/Pacific	65.5	56.2	+16.6%
Eastern & Central Europe	34.6	33.1	+4.5%
Latin & Central America	29.8	26.2	+13.9%
Middle East	10.5	8.0	+30.1%
North America	112.1	98.3	+14.0%
Western Europe	708.4	682.6	+3.8%
TOTAL	1,013.4	956.7	+5.9%

■ AFRICA

We are now present in 16 countries across Africa.

Our growth in Africa has significantly slowed down this year to reach the rate of +0.6%. This growth rate includes our new operations in Ghana and Namibia. The fee income has significantly been hit by the evolution of the South African Rand. On a like-for-like basis, organic growth is +4.1%.

■ ASIA/PACIFIC

This year, we have not increased our geographical footprint in Asia and remain present in 11 countries.

The area growth was strong pulled by Mainland China, Hong Kong, Thailand, Pakistan and Japan, who all enjoyed growth rates in excess of 20%; by contrast Vietnam and Indonesia saw a fall in their fee income. Overall, Asia confirms being a strong area of development for Mazars with a growth of 16.6% replicating the previous year performance.

■ EASTERN & CENTRAL EUROPE

The Area grew by +4.5% driven by our expansion in Russia.

■ LATIN & CENTRAL AMERICA

The organic growth was +9.7% largely due to our development in Brazil. With the inclusion of Chile as a new country, the area grew by +13.9%.

■ MIDDLE EAST

With the addition of 3 new countries (Bahrain, Oman and Qatar), the area growth was of +30.1%. The organic growth was of +8.8%.

■ NORTH AMERICA

We opened an office in Bermuda and integrated two new companies in the US for fee income \$7.4m. The overall growth was of +14% partly driven by a positive Forex impact.

■ WESTERN EUROPE

We added this year Norway, two new locations in France, integrated three practices in the UK and one in Italy. We managed to grow organically in a depressed and mature market by +2.9%.

Global Business Units (GBUs)

<i>Fee Income in € million</i>	FY 2011-2012	FY 2010-2011	%
PIE	503.7	465.6	+8.2%
OMB	385.7	367.8	+4.9%
TAX	110.5	106.0	+4.2%
LAW	13.5	17.3	-22.0%
TOTAL	1,013.4	956.7	+5.9%

PIE

Whilst we are seeing the impact of challenging European economic conditions in our core markets, we are delivering strong, sustainable organic growth across our global PIE practice.

■ STRONG TOP LINE PERFORMANCE IN MATURE AND DEVELOPING MARKETS

Targeted investments in specific areas of expertise continued to drive success during the year, with significant client gains in the Public Sector and Financial Services sector. In line with our strategy, we continue to strengthen our profile as an alternative to the Big Audit Firms in our chosen markets.

In France, Mazars is not only being consistently re-appointed as joint auditor when our major mandates come up for renewal, but we are also increasing geographical coverage, as clients recognize our constantly increasing international strength. Our largest clients, representing a wide spectrum of industries, are now served by Mazars teams in up to 40 of their markets.

In the UK, we have continued to develop our financial services capabilities and have gained a significant five year public sector audit contract.

In the USA, expansion of our healthcare and insurance advisory business contributed to double digit growth at national level.

Our BRIC practices have again enjoyed double digit growth, with China (mainland and Hong Kong) performing remarkably well. Whilst the global economic slowdown and domestic challenges mean that the BRIC economies are perhaps less buoyant than in recent years, we continue to see strong demand in Brazil, Russia, India and China from international groups, which we are well positioned to serve through the strength and depth of our integrated international organization. Distinctive services such as our international accounting and payroll outsourcing offer are attracting domestic large corporate clients, as our brand continues to gain traction in local markets.

We also saw strong growth in other rapidly developing economies, in particular South America and all regions of Africa, and we see continued potential for development as these economies mature.

■ PRICE PRESSURE INTENSIFYING

The European audit market is under significant pressure from two main angles: price renegotiation in the large corporate market as a response to the financial crisis and intense price and margin competition to secure audit mandates among a very limited number of audit firms. Our large European audit practices, in line with our peers in the PIE audit market, have experienced the impact of these pressures during the year.

In the advisory market, the financial crisis has also increased price and margin competition. Large corporates are cutting consulting and advisory spend, whilst rightly demanding ever higher levels of expertise and added value from the teams they select for specific assignments.

In this environment, the maintenance of the highest levels of partner driven quality, efficiency and added value is more important than ever to our clients and continues to underpin Mazars' strategy in the PIE market.

OMB

■ A ROBUST PERFORMANCE IN A CHALLENGING AND COMPLEX MARKETPLACE

The economic context in which the OMB marketplace resides has, at best, been mixed in 2011-2012. Growth in the more developed countries of Western Europe and North America has been scarce and political turmoil in MENA has constrained market development for example. Nevertheless our clients and our teams have responded and continue to expand their activi-

ties. Revenue growth of 5%, the majority of which is organic, is a strong performance against this backdrop.

Despite uncertain and complex market conditions our clients continue to innovate, restructure and develop, often seeking growth in emerging markets where domestic demand is limited. The breadth and depth of our service offering combined with our global coverage allows us to support our clients both on the domestic and international front. As part of the expansion of our international footprint it was a pleasure to integrate new partners in Bahrain and Ghana during the year.

Competitive pressures and regulatory developments remain significant but the strength of teams and our commitment to invest in advisory services such as Corporate Finance and Restructuring have and remain beneficial. Outsourcing has also performed strongly in all parts of our business as companies seek to collaborate with a partner in order to maximise cost efficiency.

More than ever we recognise that it is crucial to remain close to our clients, to understand their challenges and opportunities and to retain a personal service focused on core business issues and relevant sector insight. Our teams are committed to making a tangible difference to our clients and provide them with the solutions to grow their businesses.

TAX

Over the last three years critical steps have been taken by the GBU Tax to create the foundations of a fully-fledged global tax practice aimed at offering high standard national and international tax advice to OMB and PIE clients and high net worth individuals.

Two key issues are impacting the tax services market:

- our clients increasingly demand specialized services; progressively leaving behind the concept of the general advisor;
- we are experiencing pressure on fees that does not always sit well with the demand for specialized service offers.

These trends will not decrease in the near future and therefore we must be able to adequately manage this apparent contradiction, if we want to be a player with influence in the Tax field.

Despite market conditions, recent growth has been significant: between the period 2009-2010 and 2011-2012, tax revenues increased to €110.5m. Yet this still only represents just over 10% of Group revenue and we need to break out of this ratio. In

order to do so, during 2011-2012 GBU Tax thus reviewed its strategic priorities to give greater focus on the three key pillars.

Firstly, developing our infrastructure to ensure we have adequate coverage of tax advisory services in all strategically important countries resourced by highly capable staff, in more countries every year: USA, UK, Netherlands, France, Germany, Spain, Ireland, Turkey, Romania, Argentina, South Africa, Egypt, Hong Kong, Malaysia, Korea, Belgium, Czech Republic and Hungary.

Secondly, promoting international business development and facilitating greater cooperation with OMB and PIE to develop joint marketing approaches. A transnational organisational approach has been set up, to add real value to our service offers and work groups: Business Tax Advisory, Corporate Structures, Expatriates, Financial Services, Real Estate, Transaction Services, Transfer Pricing, and VAT.

The third pillar is to develop our external tax brand to ensure that the market recognises our strong tax credentials alongside our existing audit based reputation. This effort includes repackaging the outline of services and products, to make sure it is adapted to the market.

LAW

The development of a legal practice that delivers global services to global clients has proved challenging in the integrated partnership environment.

The main issue faced has been regulatory incompatibility of services for existing global group clients. Over and above this, we faced too many conflicts of interest as a result of Mazars' audit client portfolio. During the year, the group reflected on the way to revitalize our relationship with our lawyers due to the Group Audit portfolio and the constraints of regulation that could limit the law practice development in some countries.

Given this context, we are pleased to see the resilience of some of our Practices such as Spain and France. There was a sharp increase of revenues in Indonesia and a law practice has been incorporated in Thailand.

On the other hand, the deconsolidation of a part of our Law Firm in Germany impacted our overall GBU results.

Profitability and financing

Our Global Gross Margin has increased by +1.9% to reach €511m that is 50.4% of our Fee Income. This is 2 points lower than last year (52.4%). Fee pressure, technical requests and investment in quality are part of the explanation. Our Technical staff payroll progressed by +10.4%, due to an increase in headcount by +5.8% consistent with the top line growth and with our commitment to sustain investment in spite of the difficult economic environment.

The overheads have increased by +6.0% (excluding €7m exceptional costs in FY2012).

We are therefore facing contraction in our overall profitability (surplus). Surplus is defined as the profit before any direct or indirect form of partners' remuneration, including their share of corporate income tax, in case of dividends.

The financing of our activities is essentially brought by the Partners. It may translate in different forms (equity shares, loans, current accounts, deferred compensation ...). In total this year financing by the partners represented 17 months of their total earnings. Our work in progress and receivables ratio remained under good control at 3.5 months of annual Fee income against 3.6 months last year.

The increase of our intangible assets by €31m, mainly driven by external growth explains the evolution of the net financial debt from 57 to €74m representing a reasonable 30% of the partners' financing.

Challenges

In a still uncertain economic environment, our ambition next year is to keep on investing for the future of our integrated Partnership.

Our emphasis in 2012-2013 will be, with the active involvement of the GBUs and the GSUs, to continue to grow while sustaining our profitability.

We have some tremendous opportunities in developing markets but also in mature ones such as Europe and the United States. The GEB will keep working on adapting our structure to design a multipolar concept that enables us to fully benefit from these opportunities, the first step being the launch of a holding structure in the European Union.

Our business model is strong and we are convinced that together we will continue to write the Mazars story in a very positive way.

THE GROUP EXECUTIVE BOARD

GROUP GOVERNANCE COUNCIL REPORT

At the heart of the renewed governance platform elected in December 2011 in London, the Group Governance Council (GGC) met 11 times prior to the 2012 CARL Conference meeting, including eight meetings held by conference call. In addition, the three GGC sub-committees (Audit and Finance, Risks, Partnership development and Remuneration Committees) met regularly and reported to the GGC. Meetings took place either physically or by conference call.

The Council followed on its supervision missions, in reviewing finances under a risk management angle, as well as analysing new partners' applications and potential growth operations. It also exchanged extensively on both key strategic issues and operational matters with the newly created Global Strategy Committee (GSC) and the Groupe Executive Board (GEB).

A renewed governance platform deployed in 2012

The new platform introduced in December 2011 has been at the cornerstone of the GGC functioning over the period. The audit and finance function was examined from a risk management perspective. The GGC members worked to strengthen the Audit Committee's role and to harmonise quality control procedures throughout the Group.

Denise Fletcher and François de Carbonnel were welcomed as independent members into the GGC at our 2011 Carl Conference in London, in accordance with best governance practice and with the UK Governance Code for Audit firms. They participated actively to all the meetings held by the GGC since January 2012 and François de Carbonnel has been involved as rapporteur to the GGC on a development project in the consulting activities, while Denise Fletcher has met, as required by the UK governance code, investors in that country to exchange on her role as independent member.

Environment and strategic projects

In its role of expressing an opinion on projects having a significant impact on the future of the Partnership, the GGC has been particularly active on several strategic issues over the past year:

- the establishment of a development model which would fit both Mazars ambition and fundamental principles, leading to a multipolar approach;
- the proposed development strategy of Mazars in the US elaborated by the GSC;
- the evolution of the discussions held in the context of the audit reform in Europe and the possible outcomes;
- the work performed by the Technique and Innovation team, in particular regarding risk assessment and quality control, and particularly the Group-wide mapping of risks;
- the review of external growth operations proposed throughout the year: RPS in Greece, former Grant Thornton practices in South Africa (Capetown and East London) and Biscotti Toback in the US.

Partnership environment

Structural evolutions

Mazars' integrated partnership model was created in 1995 and is one of the pillars which brought successfully the organisation to its current position as a rising global player. The evolution of the competition, the necessity to pursue Mazars' international development in the current global economic context and the evolving regulations convinced the GGC that Mazars might need to make its global integrated model evolve. The GGC has discussed extensively with the GSC and GEB the institutional strategy devised, more specifically to reinforce Mazars' structure in Europe in a first step.

Partners path

In 2012, the GGC reviewed all new Partnership applications. The number of candidates has slightly increased, 63 files were reviewed, compared with 58 in 2011. The proposed co-optations originate from every geographic zone, reflecting the ongoing international development dynamic and Mazars diversity.

The Council noted the highest proposition of women among the applicants (24%), and a significant growth of the number of partners in Asia, leading to a better balance with high number of employees and reflects the spread of the countries of this region. The split of candidates between the various Global Business Units demonstrates the shift in the balance between the various activities, with more partners specialising in consulting activities. Although the average age of partners has not changed significantly, there is a better spread across the age pyramid, as many partners have a relatively young, high-potential profile and already hold positions of significant responsibility in countries with strong economic growth.

Operational performance

The monitoring of financial performance continues to be one of the key roles of the GGC. The economic backdrop has been challenging in our mature markets particularly Western Europe but with growth continuing in emerging markets notably Asia. The performance of the Group reflects these contrasting economic conditions.

The GGC has taken a specific interest in the reporting systems and financial disciplines tools as well as the action plans and suggested several improvements to be put in place next year, to ensure the sustainability of the Group financial robustness and ensure that the countries remains "business oriented" in a difficult economic period in which a lean and efficient organisation is required to gain a competitive advantage.

Perspectives

This first year of the Group Governance Council under its new composition and the new governance platform was very rich and led to many fruitful discussions. Looking ahead, the Group Governance Council will continue to work closely with the GSC and the GEB, most significantly on several key topics: Financial performance monitoring, strategic and business development, the partners remuneration review, the group-wide risk and quality assessment and in particular the group risk cartography, and any development project which would require its approval.

THE GOVERNANCE COUNCIL

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH IFRS

2011-2012 FINANCIAL YEAR ENDED ON 31 AUGUST 2012

(Figures expressed in thousand euros)

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FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Notes	2011-2012	2010-2011
Turnover	5	1,013,424	956,652
Cost of technical staff	6	-502,421	-455,151
GROSS MARGIN		511,003	501,501
Cost of administrative staff		-84,417	-77,363
Other costs	7	-230,719	-207,313
Depreciation and provisions	9, 10 & 12	-16,016	-19,572
OPERATING SURPLUS		179,851	197,253
Amortisation of client relationships and impairment of goodwill	9	-4,386	-3,321
Financing costs		-4,484	-6,570
SURPLUS BEFORE PARTNERS' REMUNERATION		170,981	187,362
Partners' remuneration	23.2	-170,901	-187,302
PRE-TAX RESULT		80	60
Corporate income tax	16	-57	-29
POST-TAX RESULT		23	31
Result per share (in €)			
– basic		0.20	0.29
– fully diluted		0.20	0.29

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2011-2012	2010-2011
Post-tax result		23	31
Other comprehensive income			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		23	31

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	31 August 2012	31 August 2011
Non-current assets			
Intangible assets	9	131,336	110,203
Property, plant and equipment	10	44,104	39,072
Other non-current assets		18,087	15,450
Total non-current assets		193,527	164,725
Current assets			
Trade and other receivables	11	292,706	286,419
Other current assets		63,738	55,615
Cash and cash equivalents		52,375	55,244
Total current assets		408,819	397,278
TOTAL ASSETS		602,346	562,003
EQUITY AND LIABILITIES			
	Notes	31 August 2012	31 August 2011
SHAREHOLDERS' EQUITY			
		551	504
Non-current and current liabilities due to partners			
Non-current portion	23.1	181,611	159,271
Current portion	23.1	60,948	82,630
TOTAL NON-CURRENT AND CURRENT LIABILITIES DUE TO PARTNERS		242,559	241,901
Other non-current liabilities			
Long-term borrowings (in excess of one year)	14	41,967	42,224
Long-term provisions	12	7,058	6,963
TOTAL OTHER NON-CURRENT LIABILITIES		49,025	49,187
Other current liabilities			
Current portion (less than one year) of long-term borrowings	14	30,193	28,663
Current bank financing		54,530	41,463
Trade and other payables	15	216,021	192,741
Current provisions	12	9,467	7,544
TOTAL OTHER CURRENT LIABILITIES		310,211	270,411
TOTAL EQUITY AND LIABILITIES		602,346	562,003

CONSOLIDATED STATEMENT OF CASH FLOWS

	2011-2012	2010-2011
I- Operating activities		
Net result	23	31
Adjustments for depreciation, amortisation and provisions	19,140	22,620
Gains and losses on disposal	187	527
Self-financing capacity	19,350	23,178
Changes in current and other assets	-14,409	-4,211
Changes in current and other liabilities	22,569	10,613
Changes in current liabilities due to partners	-21,682	-1,749
Changes in working capital requirements	-13,522	4,653
NET CASH GENERATED BY OPERATING ACTIVITIES	5,828	27,831
II- Investing activities		
Purchases of property, plant and equipment and intangible assets	-21,478	-25,098
Disposals of property, plant and equipment and intangible assets	829	1,935
Changes in other non-current assets	-2,637	-770
Net cash flows from acquisition and disposal of subsidiaries	-6,230	-54
NET CASH USED IN INVESTING ACTIVITIES	-29,516	-23,987
III- Financing activities		
Changes in non-current liabilities due to partners	6,357	5,595
Capital increase	23	39
Net changes in borrowings	1,273	-875
NET CASH FROM FINANCING ACTIVITIES	7,653	4,759
CHANGES IN CASH FLOWS	-16,035	8,602
Impact of exchange rate changes	99	-420
Cash and cash equivalents at the beginning of the year	13,781	5,598
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	-2,155	13,781
Cash and cash equivalents	52,375	55,244
Current bank financing	-54,530	-41,463
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	-2,155	13,781

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31 August 2012	31 August 2011
Shareholders' equity at the beginning of the period	504	434
<i>(of which share capital)</i>	<i>(271)</i>	<i>(232)</i>
<i>(of which reserves)</i>	<i>(233)</i>	<i>(202)</i>
Capital increase	23	39
Total comprehensive income	23	31
Shareholders' equity at the end of the period	551	504
<i>(of which share capital)</i>	<i>(294)</i>	<i>(271)</i>
<i>(of which reserves)</i>	<i>(257)</i>	<i>(233)</i>
NUMBER OF SHARES, VALUED AT 2.5 EUROS EACH, AT THE END OF THE PERIOD	117,465	108,598

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

The financial statements together with the attached notes for the financial year ended 31 August 2012 have been prepared in accordance with IFRS as adopted by the European Union.

The financial statements are also in accordance with IFRS as published by the IASB. It should be noted that application of the amendment to IFRS 1 in respect of severe hyperinflation, required by the IASB with effect from accounting periods beginning on or after 1st July 2011 but which amendment has not yet been adopted by the European Union, would be without effect for Mazars' consolidated financial statements inasmuch as the amendment is only applicable in the context of first-time adoption of IFRS.

The financial statements were approved by the Group Executive Board on 15 November 2012 and submitted for review to the Group Governance Council on 19 November 2012. They will be submitted for approval of the General Assembly of Mazars Srl on 8 December 2012.

NOTE 2: SIGNIFICANT EVENTS

No significant events occurred during the financial year. Changes in the scope of consolidation are presented in note 4.

NOTE 3: ACCOUNTING POLICIES

■ NEW STANDARDS AND INTERPRETATIONS APPLICABLE TO THE 2011-2012 FINANCIAL YEAR

The new standards and interpretations applicable to the financial statements for the 2011-2012 financial year, and which are considered to be relevant to Mazars, have had no significant impact on the consolidated financial statements as at 31 August 2012:

- IAS 24 (revised), *Related Party Disclosures*;
- The amendment to IFRS 7 relating to transfers of financial assets;
- The annual improvements for 2010;

- The amendment to IFRIC 14 relating to voluntary prepaid contributions.

Mazars has not applied the following standards and interpretations for which application is mandatory only for periods commencing after 31 August 2012 or are subject to final approval by the European Union:

- IFRS 9, *Financial Instruments*;
- IFRS 10, *Consolidated Financial Statements*;
- IFRS 11, *Joint Arrangements*;
- IFRS 12, *Disclosure of Interests in Other Entities*;
- IAS 27 and IAS 28 (revised for the purposes of issuance of IFRS 10, IFRS 11 and IFRS 12);
- IFRS 13, *Fair Value Measurement*;
- IAS 19 (revised), *Employee Benefits*;
- Amendment to IAS 1 relating to the presentation of other comprehensive income;
- Amendments to IFRS 1 relating to severe hyperinflation and government loans;
- Amendment to IAS 12, *Income Taxes*;
- Amendments to IAS 32 and IFRS 7 relating to the offsetting of financial assets and financial liabilities;
- The annual improvements for 2012;
- IFRIC 2, *Stripping Costs in the Production Phase of a Surface Mine*.

The process to assess the potential impacts of these new standards and interpretations on the consolidated financial statements, when they become effective, is in progress. At this stage of the assessment however, Mazars does not expect there to be a significant impact on its consolidated financial statements, with the exception of IAS 19 (revised).

■ PRESENTATION CURRENCY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

■ SCOPE OF CONSOLIDATION

The entities forming the Mazars organisation have a range of legal forms. Some are general partnerships, some are limited liability partnerships and others are limited liability companies, depending on what is usual or the legal requirements of the national jurisdictions under which they are regulated. They are also subject to professional, technical and ethical standards under both Mazars' internal regulations and national legislation and regulations. The articles of association and other institutional documents of Mazars Scrl (the "Mazars agreements") include conditions regarding the control of entities and provisions whereby the rules resulting from the Mazars agreements are subordinated to national legislation and regulations.

In that context, and on the basis of the Mazars agreements, the shareholders in Mazars Scrl (the "partners"), all of whom are practising partners in Mazars entities (the "entities"), have deemed that, for financial reporting purposes, Mazars Scrl be the consolidating entity for all entities under the control of Mazars' partners, and that IFRS, as applicable in the European Union, constitute the applicable accounting framework.

The consolidated financial statements comprise the financial statements of Mazars Scrl (the "parent entity") as well as those of the entities in which Mazars' partners carry out their professional activities and of companies which are majority owned (either directly or indirectly) by those entities. The list of the main applicable countries, whose entities fall within the scope of consolidation, is provided in note 4.

■ MAIN ASSUMPTIONS AND ACCOUNTING ESTIMATES AS AT 31 AUGUST 2012

The main balance sheet items as at 31 August 2012 subject to material potential adjustment, by reason of their bases of measurement, are as follows:

- Provisions: professional risks mainly relate to Spain, Italy, the Netherlands, the United Kingdom, France and Switzerland for a total amount of €3,954 thousand. In addition, specific country risk of €780 thousand has been recognised in respect of Ivory Coast and Mexico;
- Post-employment benefit obligations: the applicable actuarial assumptions and calculations for each country concerned are set out in note 13. The total year-end provision amounts to €4,715 thousand.

The bases of measurement of each item are set out in the notes below.

■ PRESENTATION OF THE NET RESULT BEFORE AND AFTER TAX

The result before and after tax in the financial statements of Mazars Scrl, together with the tax itself, relates solely to the operations of Mazars Scrl. It should be noted that all sums payable, whatever their form, to Mazars' partners at the level of entities or their subsidiaries are classified as partners' remuneration. Due to differences in Mazars partners' legal, tax and corporate status (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, benefits in kind, etc. With regard to corporate income tax payable on the profits of limited liability companies liable, please refer to the note 16.

In certain entities, dividends are paid to employees who do not have the status of Mazars partners: these, along with the related tax, are considered as an element of their remuneration and included under "Cost of technical staff" or "Cost of administrative staff" depending on the circumstances.

Mazars Scrl does not engage in any professional activities directly and has no employees. The entity 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 Mazars agreements it is not intended to generate significant profits.

■ OTHER COMPREHENSIVE INCOME

Other comprehensive income is ascribed a nil value because of the particular presentation of income in the financial statements. The components of comprehensive income, including translation differences and the hedging of financial instruments, are reclassified and presented as part of "Non-current liabilities due to partners".

■ INTERMEDIATE SUB-TOTALS IN THE INCOME STATEMENT

In addition to the result before and after tax, as defined above, the income statement includes the following intermediate sub-totals:

- Surplus before partners' remuneration: in accordance with terms of 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 calcu-

lated which allows the organisation's performance to be measured before any form of remuneration is paid to the partners;

- Operating surplus: the operating surplus is calculated by subtracting the amortisation of client relationships, financing costs and the results for entities excluded from the scope of consolidation from the surplus before partners' remuneration;
- Gross margin: gross margin is derived from turnover less the cost of technical personnel alone (both employees of the organisation and technical sub-contractors).

■ **SHAREHOLDERS' FUNDS AND NON-CURRENT AND CURRENT LIABILITIES DUE TO PARTNERS**

Due to the structure of the organisation, shareholders' funds comprise solely of the share capital and reserves of the consolidating entity, Mazars Scrl. Partners' contributions to the permanent financing of entities are included in the balance sheet under "Non-current and current liabilities due to partners", in the non-current portion. The portion of their remuneration deferred until after the balance sheet date is included in the balance sheet under "Non-current and current liabilities due to partners", in the non-current portion.

■ **FOREIGN CURRENCY TRANSACTIONS**

Transactions carried out by entities in currencies other than their functional currencies are accounted for at the exchange rates prevailing at the transaction dates. Subsequent gains and losses are recognised as part of profit or loss for the period.

Assets and liabilities in currencies other than entities' functional currencies are converted at the exchange rates prevailing at the year-end. The resulting translation differences are recognised as part of profit or loss for the period.

■ **CONVERSION OF FINANCIAL STATEMENTS DRAWN UP IN CURRENCIES OTHER THAN THE EURO**

The financial statements of entities located outside the euro zone 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 exchange rate prevailing at the year-end;
- The income statement is converted at the average exchange rate for the period;
- The resulting conversion differences are included in "Non-current and current liabilities due to partners". It should be noted that the option under IFRS 1 allowing such differences to be set at zero was adopted with 31 August 2003 as the date of reference.

Goodwill relating to the acquisition of non-euro zone entities is accounted for in the functional currency of the acquired entity and converted at the exchange rate prevailing at the year-end.

■ **BUSINESS COMBINATIONS AND GOODWILL**

The requirements of IFRS for business combinations were applied retrospectively to 1st September 1995, when Mazars Scrl was created and Mazars merged with Guérard Viala in France. These were the founding events of the organisation as it exists today and of its institutional, operational and financial characteristics.

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

The goodwill included in the balance sheet under "Intangible assets" is thus derived from external growth transactions entered into by the organisation.

Goodwill recognised represents the difference between the cost of shares acquired (including any anticipated additional consideration accounted for as other liabilities) and the acquired portion of the fair value of the assets and liabilities identified at the date of acquisitions.

The fair value of assets identified at the date of acquisitions comprises the fair value of contracts and appointments in progress, included in "Intangible assets", together with the fair value of client relationships measured according to the principles set out below.

Goodwill, like other non-current assets, is subject to annual impairment testing.

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

The smallest independent cash generating unit is considered to be the country in which the external growth transaction took place.

The recoverable amount of a cash generating unit is the higher of fair value (usually market value) net of selling costs and value in use. Value in use is determined by discounting future cash flows to their present value. 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 the cash generating unit.

When the carrying amount of a cash generating unit exceeds its recoverable amount, the assets of the cash generating unit are written down to their recoverable value. Any impairment is recognised first against goodwill and is accounted for in the income statement.

At 31 August 2012, the Mazars organisation had received a commitment to acquire/sell shares held by certain third parties who do not have the status of Mazars partners and who are shareholders in certain consolidated entities. These shareholders are the historical shareholders of the entities. The value of the shares, measured at the applicable option prices, is disclosed in "Other current liabilities" under "Trade and other payables" in the consolidated balance sheet, with the contra entry recognised as goodwill.

■ INTANGIBLE ASSETS OTHER THAN GOODWILL

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 organisation'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 eight and twenty years.

■ PROPERTY, PLANT AND EQUIPMENT

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 being 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;
- Furniture and office equipment: 3 to 10 years.

■ LEASES

Leases which transfer nearly all the risks and rewards related to ownership of the rented asset to the lessee are recognised in the balance sheet at the start of the lease at the lower of the fair value of the rented asset and the discounted value of the minimum lease payments. Such assets are included under "Property, plant and equipment" with the corresponding liability to the lessor included in the balance sheet as a finance lease obligation. They are subject to depreciation over the periods listed above for each class of asset. Lease payments are apportioned between finance charges and a reduction of the lease obligation.

Leases for which the owner does not transfer the majority of the risks and rewards related to ownership of the assets are treated as operating leases. Lease payments under these contracts are recognised under "Other costs" in the income statement, on a straight-line basis over the duration of each contract.

Commitments under non-cancellable operating leases are shown in note 21.

■ TRADE AND OTHER RECEIVABLES (WORK IN PROGRESS)

Work in progress covers services provided which have not yet been invoiced. Calculation of work in progress, 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. Work in progress is valued at its probable sales value (net of taxes) and included in the balance sheet with client debtors.

Unless exception is justified, client debtors are stated at their estimated realisable value and are fully provided against when they are more than one year old and are thus considered irrecoverable.

■ **FINANCIAL INSTRUMENTS**

Financial instruments are held, or issued, in order to finance the activities.

The main instruments held or issued are:

- Cash and cash equivalents;
- Funding provided by the partners;
- Short or medium-term bank loans.

A collar-type contract has been implemented to manage risk on interest paid on a floating interest bank loan, thereby neutralising any variability in the interest paid on the loan resulting from changes in interest rate conditions.

The accounting and measurement applied by the Mazars organisation meet the requirements of IAS 39. Variations with an impact on equity are presented in “Non-current liabilities due to partners”.

■ **EXCHANGE RATE RISK MANAGEMENT**

Each entity in the Mazars organisation undertakes the majority of transactions in the local currency of the environment in which it operates, and accordingly, exposure to exchange rate risk is therefore considered to be negligible.

■ **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash at bank, cash in hand and short-term investments (not exceeding three months) that can easily be converted into a known amount of cash and are subject to negligible risk of changes in value.

For the purposes of the consolidated statement of cash flows, net cash and cash equivalents include cash and cash equivalents as defined above, less current bank financing.

■ **PROVISIONS**

A provision is recognised when:

- there is a current 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;
- 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 finance cost.

■ **POST-EMPLOYMENT BENEFITS (PARTNERS AND NON-PARTNERS)**

In certain countries, the Group’s employees and partners 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.

The provisions recognised for defined benefit plans are computed on the basis of the projected unit credit method, taking into account:

- status, age and past service periods for each beneficiary and category of beneficiary;
- average staff turnover for each category of beneficiary;
- average remuneration including bonuses and benefits in kind, augmented if appropriate by the current loading rate for employer’s social security contributions;
- a discount rate equating with the horizon of the benefit obligation;
- life expectancy based on mortality tables recognised in each applicable country.

The following countries are subject to significant defined benefit arrangements:

	Lump-sum retirement benefits	Pension plans	Other long-term benefits
France	x	x	
Germany	x	x	
India		x	x
Ivory Coast	x		
Mexico	x	x	
South Korea		x	
Turkey	x		
United Kingdom		x	

The portion of provisions relating to partners’ benefits is included in “Non-current liabilities towards partners”.

Changes in benefit obligations arising as a result of changes in actuarial hypotheses, or in the structure of the applicable populations, are recognised in accordance with the optional “corridor” method taking 31 August 2003 as the date of reference.

On 16 June 2011 the IASB published a revised version of IAS 19, "Employee Benefits", which was adopted by the European Commission on 5 June 2012. The standard takes obligatory effect on 1st January 2013 but earlier adoption is authorised. Mazars has not as yet decided to anticipate application of the standard, but it may be noted that its adoption with effect on 31 August 2012 would result in a decrease of about €7 million in the Group's equity with a corresponding adjustment to "Non-current liabilities towards partners".

■ TURNOVER

Turnover represents the fair value of services rendered to clients over the course of the year. It includes amounts received or receivable for the provision of services to clients, subject to deduction of costs related to the provision of services (notably travel and hotels), after taking into account changes in work in progress.

■ CORPORATE INCOME TAX

The surpluses before partners' remuneration are taxed according to the regulations of the countries in which they are generated; in other words, 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). In the former case, corporate income tax is considered as an element of partners' remuneration, as explained in "Presentation of the result before and after tax" above.

Deferred tax resulting from temporary differences arises on certain assets and liabilities. The carrying amount of deferred tax assets is reviewed at each 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.

With the exception of tax on the profits of Mazars Scrl, the tax due on the profits of entities that are subject to corporate income tax is included under "Partners' remuneration" and, for the portion payable by the organisation, "Other costs".

Consequently the tax disclosed is only tax on the profits of Mazars Scrl and so no tax proof is presented.

Deferred tax assets and liabilities are thus disclosed in the non-current portion of "Non-current and current liabilities due to partners" and details are given in the relevant note.

Segment reporting

The current organisational structure emphasises the transnational development of our service offerings.

Operational teams are grouped under the designation Global Business Units (GBU) and deliver the following services:

- for the PIE (Public Interest Entities) GBU, audit, certification of financial statements and consulting mainly for listed companies;
- for the OMB (Owner-Managed Businesses) GBU, consulting and audit for non-listed companies;
- for the TAX GBU, a whole range of tax consulting services;
- for the LAW GBU, legal services compatible with our professional standards and the avoidance of any conflicts of interest.

In accordance with IFRS 8, the presentation per GBU is based on the organisation's functioning in line with our internal reporting systems.

■ SEGMENT REPORTING BY GEOGRAPHICAL REGIONS

Geographical reporting is based on our activities and workforce. The presentation by geographical zone allows for evaluation of the results of the organisation's efforts with regard to territorial coverage.

NOTE 4: SCOPE OF CONSOLIDATION

In addition to the parent entity, the consolidation scope includes operational entities in 69 countries.

The main contributing entities are shown in the table below:

Country	Scope of consolidation for 2011-2012
Consolidating entity	
Belgium	Mazars SCRL ■ Avenue Marcel Thiry, 77 – box 4 – B-1200 – Bruxelles
Operating entities	
France	Mazars SA ■ 61, rue Henri Regnault – 92075 Paris La Défense
Germany	Mazars GmbH ■ Rennbahnstrasse 72-74 – 60528 Frankfurt am Main
Ireland	Mazars ■ Block 3 – Harcourt Centre – Harcourt Road – Dublin
Italy	Mazars SpA ■ Corso di Porta Vigentina, 35 – 20122 Milano
Netherlands	Mazars Paardekooper Hoffmann NV ■ Mazars building – Rivium Promenade 200 – 2909 LM Capelle a/d IJssel – P.O box 23123 3001 KC Rotterdam
South Africa	Mazars ■ Rialto Road – Grand Moorings Precinct – 7441 Century City – Cape Town
Spain	Mazars Auditores SLP ■ Calle Diputación, 260 08007 – Barcelona
Sweden	Mazars SET ■ Mäster Samuelsgatan 56 – SE-111 – 83 Stockholm
United Kingdom	Mazars LLP ■ Tower Bridge House – St Katharine’s Way – E1W 1DD London
United States	WeiserMazars ■ 135 West 50th Street, New York – 10020 New York
Other European Union countries	12 countries
Rest of the world	Europe (4), North America (2), Central and Latin America (7), Asia-Pacific (11), Africa and the Middle East (23)

Newly consolidated countries are as follows: Bahrain, Bermuda, Ghana, Namibia, Norway, Oman and Qatar.

External growth transactions also took place in the United States, Italy, France and the United Kingdom.

The impact of these changes is outlined in note 24.

NOTE 5: TURNOVER

	2011-2012	2010-2011
Fee notes rendered	1,061,489	988,288
Rebillable costs	-44,727	-38,315
Change in work in progress	-3,337	6,678
TOTAL	1,013,424	956,652

2011-2012 was marked by an increase in turnover approaching 6%, or 4.1% on a like-for-like basis.

NOTE 6: COST OF TECHNICAL STAFF

	2011-2012	2010-2011
Personnel costs	487,897	442,644
Subcontracting costs	14,524	12,507
TOTAL	502,421	455,151

NOTE 7: OTHER COSTS

	2011-2012	2010-2011
General expenses		
Property costs	70,364	68,578
Tax, insurance and professional contributions	29,058	26,743
General services	35,644	33,853
Other expenses	88,754	79,405
Sub-total	223,819	208,580
Exceptional costs (net)	6,900	-1,267
TOTAL	230,719	207,313

The increase in general expenses reflects about €5 million of expenses attributable to the changes in consolidation scope, about €2.5 million of costs of management of the Group and the cost of partnership events.

Net exceptional costs include about €2.5 million of restructuring costs, €1.9 million of IT development costs following a change in strategy and €0.6 million of costs associated with the reconfiguration of our office network.

In "Property costs", an amount of €1.5 million corresponds to rents invoiced by lessors sharing interests with partners in key management positions. The rents invoiced reflect normal market conditions.

NOTE 8: SEGMENT REPORTING

The organisation presents segment reporting information in accordance with IFRS 8, i.e. based on the organisation's functioning in line with our internal reporting systems.

Mazars' assets mainly comprise work in progress and amounts billed to clients, as well as intangible assets such as goodwill and client relationships.

The geographical distribution of intangible assets is presented in note 9.

■ BREAKDOWN BY OPERATING SEGMENT

From an operational point of view, Mazars' organisation is structured around GBUs (Global Business Units). Two of these GBUs are focused on client segments (PIE, OMB) and the other two are focused on specific service offerings (TAX, LAW).

The data for 2010-2011 has been restated in order to allow comparison with 2011-2012.

BALANCE SHEET

	31 August 2012			31 August 2011		
	Client debtors	Work in progress	Total	Client debtors	Work in progress	Total
PIE	122,459	21,091	143,551	126,197	21,437	147,634
OMB	85,035	31,662	116,696	72,719	31,506	104,225
TAX	20,612	9,141	29,753	19,133	8,523	27,656
LAW	2,330	377	2,706	5,112	1,792	6,904
TOTAL	230,436	62,271	292,706	223,161	63,258	286,419

INCOME STATEMENT

	2011-2012			2010-2011		
	Turnover	Cost of technical staff	Gross margin	Turnover	Cost of technical staff	Gross margin
PIE	503,708	-250,730	252,978	465,573	-219,503	246,070
OMB	385,653	-186,075	199,578	367,772	-176,080	191,692
TAX	110,542	-59,358	51,183	105,962	-51,285	54,677
LAW	13,522	-6,258	7,264	17,344	-8,282	9,062
TOTAL	1,013,424	-502,421	511,003	956,652	-455,151	501,501

■ BREAKDOWN BY GEOGRAPHICAL ZONE

	2011-2012	2010-2011	Change
TOTAL ACTIVITY*	1,013,424	956,652	5.9%
Europe - euro zone	521,784	516,339	1.1%
Europe - except euro zone	221,276	199,400	11.0%
North & South America	141,922	124,497	14.0%
Asia	65,485	56,180	16.6%
Africa & Middle East	62,957	60,236	4.5%

* Of which France 306,653 (+5.1%), United Kingdom 128,027 (+8.7%), Netherlands 73,117 (-7.0%), United States 101,689 (+12.2%).

	2011-2012	2010-2011	Change
TOTAL AVERAGE PERSONNEL – STAFF NUMBERS	13,161	12,508	5.2%
Europe - euro zone	4,722	4,597	2.7%
Europe - except euro zone	2,524	2,233	13.0%
North and South America	1,569	1,598	-1.8%
Asia	2,200	1,993	10.4%
Africa & Middle East	2,146	2,087	2.8%

NOTE 9: INTANGIBLE ASSETS

	Net value 31 August 2012	Net value 31 August 2011
Client relationships		
Bermuda	1,070	-
Canada	124	118
Denmark	1,143	1,258
France	8,910	5,241
Netherlands	442	845
Singapore	2,556	2,454
Sweden	317	528
United Kingdom	3,123	3,419
United States	9,475	7,815
Other countries	112	101
Sub-total client relationships	27,271	21,779
Goodwill		
Bermuda	1,189	-
Botswana	1,105	1,122
Canada	700	618
Chile	880	-
Egypt	654	579
France	34,070	26,744
Germany	4,450	4,731
Hong Kong	1,147	996
Hungary	285	310
Ireland	677	727
Netherlands	3,362	3,571
Singapore	3,140	2,724
Thailand	793	725
United Kingdom	8,960	6,921
United States	32,808	26,325
Other countries	13	206
Sub-total goodwill	94,232	76,300
TOTAL CLIENT RELATIONSHIPS AND GOODWILL	121,503	98,079
Other intangible assets	9,832	12,124
TOTAL	131,336	110,203

The change in the year in client relationships and goodwill can be analysed as follows:

Gross value	Client relationships	Goodwill	Total
Balance - 1 September 2011	40,454	78,237	118,691
New entities entering the scope of consolidation	1,070	2,069	3,140
Acquisitions	5,599	11,547	17,147
Disposals	-	-	-
Exchange differences	3,077	5,556	8,633
Final apportionment adjustments	-38	-52	-90
Gross sub-total	9,709	19,121	28,829
BALANCE - 31 AUGUST 2012	50,163	97,358	147,521
Amortisation & impairment	Client relationships	Goodwill	Total
Balance - 1 September 2011	-18,676	-1,938	-20,613
New entities entering the scope of consolidation	-119	-	-119
Amortisation	-3,072	-	-3,072
Impairment	-	-1,195	-1,195
Disposals	4	7	11
Exchange differences	-1,030	0	-1,029
Amortisation & impairment sub-total	-4,217	-1,187	-5,405
BALANCE - 31 AUGUST 2012	-22,893	-3,125	-26,018
Net book value, 1 September 2011	21,778	76,299	98,078
Net change	5,492	17,933	23,425
NET BOOK VALUE, 31 AUGUST 2012	27,270	94,233	121,503

Most of the change results from the external growth transactions entered into in France, the United States, the United Kingdom and in Bermuda.

The exchange movements are primarily related to assets registered in the United States and the United Kingdom.

"Other intangible assets" largely comprise software amortised on a straight-line basis over one to five years.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings	Vehicles and other items	Furniture and office equipment	Total
Gross value at the beginning of the year - 1 September 2011	45,790	7,078	57,877	110,745
Acquisitions	5,815	2,762	9,095	17,672
Disposals	-3,198	-2,022	-1,597	-6,818
Changes in scope of consolidation & exchange differences	1,234	748	3,907	5,889
Gross value at the end of the year - 31 August 2012	49,641	8,566	69,282	127,489
Depreciation at the beginning of the year - 1 September 2011	-26,230	-5,641	-39,801	-71,673
Charge and impairment loss for year	-4,686	-1,778	-7,543	-14,008
Reversal of depreciation on disposals	2,899	1,467	1,412	5,778
Change in scope of consolidation	-1,176	-676	-1,631	-3,482
Depreciation at the end of the year - 31 August 2012	-29,193	-6,628	-47,565	-83,385
NET BOOK VALUE, 1 SEPTEMBER 2011	19,560	1,437	18,075	39,072
NET BOOK VALUE, 31 AUGUST 2012	20,448	1,938	21,717	44,104

NOTE 11: TRADE AND OTHER RECEIVABLES

	31 August 2012	31 August 2011
Client debtors (net of impairment)	230,435	223,161
Work in progress net of payments on account	62,271	63,258
TOTAL	292,706	286,419

NOTE 12: PROVISIONS

	31 August 2011	Reclassification/ new entry to scope of consolidation	Additional provisions recognised	Utilisation of provisions	Unused amounts reversed	31 August 2012
Professional risks	3,215	-447	1,947	-493	-268	3,954
Post-employment benefit liabilities (except partners)	3,353	-16	748	-921	-369	2,795
Properties	1,845	85	885	-639	-343	1,833
Other risks	6,094	1,737	3,449	-2,992	-344	7,944
TOTAL	14,507	1,359	7,028	-5,045	-1,323	16,525

	Current portion	Non-current portion	Total
Professional risks	2,084	1,870	3,954
Post-employment benefit liabilities (except partners)	1,102	1,693	2,795
Properties	1,584	249	1,833
Other risks	4,697	3,247	7,944
TOTAL	9,467	7,058	16,525

The provision for vacant properties at the end of the financial year mainly concerns two countries: Germany (€690 thousand) and the United Kingdom (€734 thousand).

Other risks include provision for specific economic risks (Ivory Coast, Mexico) and litigation relating to staff.

NOTE 13: POST-EMPLOYMENT BENEFIT AND SIMILAR OBLIGATIONS

Post-employment benefit and similar obligations are determined and accounted for in accordance with the accounting policies described in note 3. They apply both to employees and partners of the Group.

The Group's main obligations under defined benefit plans for retirement and similar benefits are as follows:

- Lump-sum retirement benefits (France, Ivory Coast, Mexico, South Korea, Turkey);
- Supplementary pensions complementing national arrangements (Germany, United Kingdom, India);
- Other long-term benefits (India).

■ ASSUMPTIONS

The financial assumptions retained as at 31 August 2012 for each of the benefit plans mentioned in note 3 on accounting policies are as follows:

	Discount rates	Expected returns on plan assets	Inflation rates
France	3.00%	3.50%	2.00%
Germany	4.00%	5.00%	2.00%
India (K&M)	8.50%	8.60%	6.00%
Ivory Coast	6.50%	NA	3.00%
Mexico	7.04%	NA	4.60%
South Korea	3.00%	NA	2.50%
Turkey	10%	NA	4.40%
United Kingdom	4.00%	4.30%	2.90%

The expected long-term returns on plan assets have been calculated taking into account the structure of each country's investment portfolio.

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 of the main obligations to a 0.25% increase or decrease in the discount rates applied.

	Euro zone	United Kingdom	Other countries	Total
Obligation as at 31 August 2012	8,242	32,283	1,214	41,739
Impact of an increase of 0.25%	-168	-804	-27	-998
Impact of a decrease of 0.25%	175	814	28	1,017

■ INFORMATION PERTAINING TO PLAN ASSETS

The benefit obligations are partially financed by dedicated funds with the following allocations for the main plans so financed:

	As at 31 August 2012			As at 31 August 2011		
	Equity securities	Debt securities	Cash	Equity securities	Debt securities	Cash
France	31%	69%	0%	34%	66%	0%
United Kingdom	49%	49%	2%	51%	47%	2%

PERFORMANCE

■ AMOUNT OF PROVISIONS

	31 August 2012				31 August 2011			
	Euro zone	United Kingdom	Other countries	Total	Euro zone	United Kingdom	Other countries	Total
Present value of benefit obligations	-8,242	-32,283	-1,214	-41,739	-7,093	-23,389	-1,357	-31,839
Fair value of plan assets	3,052	26,839	129	30,020	2,883	21,758	97	24,738
Surplus or (deficit)	-5,191	-5,444	-1,085	-11,719	-4,210	-1,631	-1,261	-7,101
Unrecognised actuarial differences	91	7,341	-428	7,004	-1,478	2,867	-248	1,141
Unrecognised past service cost	-	-	-	-	-	-	-	-
NET (PROVISIONS)/ASSETS RECOGNISED IN THE BALANCE SHEET	-5,100	1,897	-1,512	-4,715	-5,688	1,236	-1,508	-5,960

Movements in provisions during the year were as follows:

	31 August 2012				31 August 2011			
	Euro zone	United Kingdom	Other countries	Total	Euro zone	United Kingdom	Other countries	Total
Opening provision	-5,688	1,236	-1,509	-5,960	-5,164	1,157	-1,483	-5,490
Charge for the year	351	-130	-218	2	-766	-449	-75	-1,290
Benefits paid	237	791	267	1,295	242	528	50	820
Change in consolidation scope	-	-	-52	-52	-	-	-	-
NET (PROVISIONS)/ASSETS RECOGNISED IN THE BALANCE SHEET	-5,100	1,897	-1,512	-4,715	-5,688	1,236	-1,509	-5,960

The amount of provision excluding partners' benefits may be calculated as follows (cf. note 12):

	31 August 2012	31 August 2011
Net closing post-employment benefit obligation	4,715	5,960
Less: amount disclosed as part of non-current liabilities due to partners	-1,919	-2,607
CLOSING RESTATED POST-EMPLOYMENT BENEFIT OBLIGATION	2,795	3,353

■ CHANGES IN BENEFIT OBLIGATIONS AND PLAN ASSETS

Movements in benefit obligations

	31 August 2012				31 August 2011			
	Euro zone	United Kingdom	Other countries	Total	Euro zone	United Kingdom	Other countries	Total
Present value of opening benefit obligations	7,093	23,389	1,357	31,839	7,123	25,124	1,348	33,595
Past service cost for the period	341	-	152	493	362	-	119	480
Unwinding of discount	353	1,332	98	1,783	318	1,242	92	1,651
Acquisitions/disposals	13	-	57	70	266	-	-	266
Impact of curtailments and settlements	-739	-	-	-739	-	-	-	-
Actuarial gains and losses	1,349	5,781	-210	6,920	-797	-410	-51	-1,258
Benefits paid	-167	-1,078	-237	-1,483	-178	-842	-44	-1,064
Foreign exchange impact	-	2,859	-4	2,855	-	-1,724	-106	-1,830
PRESENT VALUE OF CLOSING BENEFIT OBLIGATIONS	8,242	32,283	1,214	41,739	7,093	23,389	1,357	31,839

Movements in plan assets

	31 August 2012				31 August 2011			
	Euro zone	United Kingdom	Other countries	Total	Euro zone	United Kingdom	Other countries	Total
Opening fair value of plan assets	2,883	21,758	97	24,738	2,745	22,030	92	24,867
Expected return on assets	142	1,095	7	1,244	135	1,015	7	1,158
Net premiums invested	76	-	43	119	72	528	22	622
Employee contributions	-	791	-	791	-	-	-	-
Actuarial gains and losses	-43	1,717	1	1,674	-61	587	1	528
Benefits paid	-6	-1,078	-14	-1,098	-9	-842	-15	-866
Foreign exchange impact	-	2,556	-5	2,551	-	-1,560	-10	-1,570
CLOSING FAIR VALUE OF PLAN ASSETS	3,052	26,839	129	30,020	2,883	21,758	97	24,738

■ EXPENSES RECOGNISED

The net expense for the 2011-2012 financial year may be broken down as follows:

	2011-2012				2010-2011			
	Euro zone	United Kingdom	Other countries	Total	Euro zone	United Kingdom	Other countries	Total
Cost of services rendered	341	-	152	493	362	-	119	480
Interest expense	353	1,332	98	1,783	318	1,242	91	1,651
Expected return on plan assets	-142	-1,095	-7	-1,244	-135	-1,015	-7	-1,158
Change in consolidation scope	13	-	-	13	266	-	-	266
Amortisation of actuarial differences	-107	50	-24	-80	-44	137	-6	87
Impact of curtailments and settlements	-809	-	-	-809	-	-	-	-
Foreign exchange impact	-	-157	-1	-158	-	86	-121	-36
NET EXPENSE FOR THE PERIOD	-351	130	218	-2	766	449	75	1,290

NOTE 14: BORROWINGS AND OTHER FINANCIAL LIABILITIES

Borrowings and other financial liabilities	31 August 2012	31 August 2011
Maturing in less than one year	30,193	28,663
Maturing in more than one and less than five years	39,490	33,530
Maturing in more than five years	2,477	8,693
Sub-total in excess of one year	41,967	42,224
TOTAL	72,160	70,887

€6 million of the original liability was hedged against the risk of fluctuation in the benchmark interest rate index (3 month Euribor) below 3.90% and above 5%.

Following effectiveness testing of the hedge, no loss has been recognised in respect of the period but a €58 thousand adjustment of the net equity of the applicable entity has been recognised in "Permanent financing" of non-current liabilities due to partners (cf. note 23.1).

NOTE 15: TRADE AND OTHER PAYABLES

	31 August 2012	31 August 2011
Trade and other payables	107,841	97,121
Social contributions	64,608	50,909
Tax payable	43,573	44,711
TOTAL	216,021	192,741

Trade and other payables include liabilities contracted by the organisation from acquiring shares in certain consolidated entities. As at 31 August 2012, this liability amounts to €2.3 million.

NOTE 16: CORPORATE INCOME TAX

Tax payable breaks down as follows:

	2011-2012	2010-2011
Tax payable		
Tax payable by partners (included in "Partners' remuneration")	7,633	8,979
Tax payable by the organisation	1,562	1,320
Mazars Scrl tax	57	29
TOTAL	9,252	10,328

The amount of deferred tax is as follows:

	2011-2012	2010-2011
Deferred tax		
Deferred tax assets	5,948	7,627
Deferred tax liabilities	-2,049	- 1,014
TOTAL	3,899	6,613

The deferred tax assets are primarily generated by elements of partners' remuneration (post-employment benefits).

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 liabilities due to partners".

NOTE 17: CONTINGENT LIABILITIES

There were no contingent liabilities at 31 August 2012 or 2011.

NOTE 18: AUDITORS' FEES

For the financial year ended 31 August 2012, the auditors' fees are as follows:

	2011-2012	2010-2011
BDO member firms	434	417
Crowe Horwath International member firms	474	482
Other firms	385	420
TOTAL	1,293	1,319

The auditors BDO and Crowe Horwath International have not provided any services to Mazars Scrl or its subsidiaries other than those involved in auditing their financial statements.

NOTE 19: REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD AND THE GOVERNANCE COUNCIL

The remuneration planned to be due to the six members of the Executive Board, executive body of Mazars Scrl, and the eleven members of the Governance Council amounted to €7,417 thousand for the 2011-2012 financial year. It was either paid during the year or constitutes a current liability.

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

NOTE 20: PERSONNEL

	2011-2012	2010-2011
Average full-time equivalent employees		
Partners	727	705
Technical staff	10,413	9,844
Administrative staff	2,021	1,959
TOTAL	13,161	12,508

NOTE 21: OPERATING LEASE COMMITMENTS

	31 August 2012	31 August 2011
Non-cancellable lease commitments		
Less than one year	43,156	46,591
Over one year and less than five years	137,218	138,876
Over five years	77,898	63,600
Sub-total	258,271	249,067
AMOUNTS RECEIVABLE UNDER NON-CANCELLABLE SUB-LEASES	10,393	7,047
GUARANTEES PROVIDED	16,178	15,530

NOTE 22: EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the balance sheet date that might have had an impact on the 2011-2012 financial statements.

With effect from 1st September 2012 new entities have been acquired and included as part of the Mazars organisation in the following countries: South Africa, France and, subject to the partners' approval, Greece. They represent fee income of approximately €14 million.

With effect from the same date, the Mazars organisation has reorganised its law operations in France.

NOTE 23: PARTNER FINANCING AND REMUNERATION

23.1 NON-CURRENT AND CURRENT LIABILITIES DUE TO PARTNERS

	31 August 2012	31 August 2011
Non-current liabilities		
Permanent financing	124,357	112,371
Provisions for post-employment benefits	46,064	38,405
Bond issues	15,089	15,108
Deferred tax (net)	-3,899	-6,613
	181,611	159,271
Current liabilities		
Deferred remuneration	60,948	82,630
TOTAL	242,559	241,901

The financing of each entity and any subsidiaries is the ultimate responsibility, in accordance with the Mazars agreements, of the partners who control them.

Bond issues relate to financing in France by partners and, to a lesser extent, experienced managers.

Two elements without any impact on profit or loss are included in "Permanent financing":

- Hedging of financial instruments (€58 thousand) (cf. note 14);
- Variations due to the conversion of financial statements expressed in currencies other than the euro (+€496 thousand).

23.2 PARTNERS' REMUNERATION

	2011-2012	2010-2011
Dividends	25,830	23,924
Tax paid and payable by partners	7,633	8,979
Salaries and social contributions	51,830	93,117
Fees and partnership profits	85,607	61,282
TOTAL	170,901	187,302

NOTE 24: ENTITIES NEWLY CONSOLIDATED DURING THE YEAR

	France	Bermuda	Chile	Qatar	Norway	Other countries	Total
Merger date	31-Aug-2012	1-Sept-2011	1-Jul-2011	1-Sept-2011	1-Sept-2011		
Full-time equivalent employees							
Partners	-	1.0	-	1.0	3.0	3.0	8.0
Technical staff	-	5.0	34.0	27.0	12.0	28.0	106.0
Administrative staff	-	1.0	3.0	3.0	1.0	11.0	19.0
TOTAL	0.0	7.0	37.0	31.0	16.0	42.0	133.0
Consolidated income statement							
Turnover	-	1,344	1,097	1,578	3,629	916	8,564
Operating surplus	-	338	7	335	898	243	1,822
Assets at 31 August 2011							
Total non-current assets	7,269	2,320	888	57	116	69	10,719
Total current assets	4,242	489	469	339	1,482	243	7,264
TOTAL	11,511	2,808	1,357	397	1,598	312	17,983
Liabilities at 31 August 2012							
Non-current and current liabilities due to partners	-	1,579	27	233	564	395	2,798
Other non-current liabilities	3,339	984	352	163	-	2	4,840
Other current liabilities	1,853	245	977	1	1,034	-85	4,026
TOTAL	5,192	2,808	1,357	397	1,598	312	11,664

In the absence of finalised accounts at 31 August 2011 for certain entities, twelve month pro-forma information could not be produced. The income statement therefore reflects the impact of newly consolidated entities for 2011-2012 from the date of their integration.

The amounts shown in "Non-current assets" include in particular goodwill for the applicable operations, computed as the residual amount after recognition of the fair value of client relationships comprising audit appointments, contracts (for accounting services in particular) and a portfolio of client relationships of finite duration.

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 balance sheet as at 31 August 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 31 August 2012, 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, 30 November 2012

BDO

André Killesse
Belgium

**Crowe Clark Whitehill LLP**

Steve Gale
United Kingdom





DRIVING PROGRESS TOGETHER MEANS COMBINING...

...TRANSPARENCY AND CLARITY

Since 2008, Mazars has been pursuing a self-determined approach to transparency reports. In compliance with the European Directive on the legal supervision of accounts, Mazars publishes country-focused transparency reports, but also offers through its Annual Report, a complete overview on the Group's transparency. We also encourage the entities within our partnership to voluntarily publish their own transparency reports, even where they have no legal obligation.

GROUP TRANSPARENCY REPORT

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Specialising in audit, advisory, accountancy, tax and legal services, Mazars is a leading integrated and independent organisation whose international dimensions are expanding every year. As at 31st August 2012, Mazars is present in 69 countries around the world, with more than 13,000 highly qualified professionals. Our consolidated turnover for the year 2011-2012 is €1,013m, an increase of near 6% on last year's result, at constant exchange rate.

DRIVING PROGRESS TOGETHER

Mazars' development model has been nourished since the very beginning by the diversity of talented people who join us and the complementarity between our various sets of expertise, all of which contribute to constant enrichment in the added value we create for our clients. We approach our relationships with our clients in the conviction that collective intelligence forms a meaningful dynamic that counts for more than the sum of all individual contributions and is a driving force for progress. We all listen to our clients; we stay in constant touch with them, and work alongside them to co-create innovative, purpose-built solutions that effectively address their issues. In the same spirit, we strive to actively contribute to current thinking on our professional environment or the norms that regulate our activity.

In line with this, we were heavily involved in the public debate opened by the European Commission on the structure of the audit market in Europe, following the publication in autumn 2010 of the Green Paper: "Audit Policy: Lessons from the Crisis". Our contribution took the form of a detailed paper built around a certain number of proposals that, in our view, constitute a consistent and practical programme of reform.

In addition, we are committed to:

- playing an active part in the work of international professional bodies and contributing regularly to their think-tanks, and the regulatory developments affecting our activities (IFAC, IESBA...);
- recruiting and developing the best people to work in synergy with our clients' teams;
- constantly evolving our methodologies and our service offer to meet and anticipate our clients' needs;
- being a responsible member of society by regularly reaffirming our CSR commitments, for instance with the signing of the United Nations' Global Compact in December 2011. Besides, we are constantly developing a line of "responsible"

services for our clients, in particular to help them in their approach to non-financial reporting. We also support a number of projects around the world tackling climate change (programmes for reducing or offsetting our carbon footprint) as well as projects promoting respect for human and cultural diversity. Our commitment to society is, of course, on-going, driven notably through the Mazars Foundation, and we also strive to improve access to culture for all through our sponsorship and patronage policy.

Our intention is to make a significant contribution in the area of transparency. Firstly with the publication of our Group Annual Report, initiated in 2004-2005, which includes consolidated financial results complying with IFRS standards, and certified by two independent auditors. Secondly, through a self-determined approach to transparency reports. This initiative, conforming to the European Directive on the legal supervision of accounts, was launched in 2006. Since 2009, we have chosen to publish the countries' reports, as well as a complete transparency report for the whole Group and we also encourage all the entities in our integrated partnership who are not legally obliged to do so, to publish a "country" transparency report voluntarily.

Philippe Castagnac
CEO, Mazars Group

Jean-Luc Barlet
Chief Compliance Officer,
Mazars Group

THE MAZARS GROUP

Since 1995, Mazars has been building a unique form of integrated partnership that remains faithful to the values and beliefs professed and defended by its founders, and is the basis of a truly democratic organisation.

The democratic partnership gives each partner the right to vote on the strategic decisions involving the future of the partnership. This sharing of responsibility is central to Mazars' principles and practices.

We established an integrated international partnership with the principal objective of guaranteeing consistency in the quality of our service to clients.

1.1 Presentation of Mazars SCRL

1.1.1 INSTITUTIONAL INTEGRATION

The Mazars organisation comprises all the member entities who have signed a co-operation agreement with Mazars Scrl. Mazars Scrl is a Limited Responsibility Cooperative Company headquartered in Belgium, which in itself has no professional activity, and whose shareholders are partners in the member entities. In this respect, they are the only owners of Mazars' capital. The mission of Mazars Scrl is to define the strategic objectives of the organisation, and to coordinate their implementation at member firm level. The organisation also has specific responsibility for promoting and protecting the Mazars brand throughout the world.

Once appointed, all Mazars partners sign a contract that allows them to transfer their interests only to parties approved or designated by Mazars Scrl. The shares in member firms can, in principle, only be owned by the partners of Mazars Scrl. The consolidated financial results of Mazars Scrl include those of the member entities and are prepared in compliance with IFRS standards (IFRSs) and are jointly audited by two independent auditors, BDO and Crowe Clark Whitehill.

The Group Executive Board (GEB), directly elected by the partners, assumes ultimate responsibility for the framework of the Mazars organisation. Mazars is not simply a collection of national firms, but an integrated organisation of professionals sharing

growth goals, commitments to investment and technical excellence, bearing risks and sharing profits.

1.1.2 OPERATIONAL INTEGRATION

In order to serve its clients in the best way at a global level, Mazars has developed an international, homogenous and integrated approach to the markets in which the Group operates.

To this end, Mazars is structured internationally around two main market sectors – Public Interest Entities (PIE) and Owner Managed Businesses (OMB) – and two other professional service lines dedicated to Tax and Law respectively, as well as four Global Support Units (GSUs) helping the activities' development. All four PIE, OMB, Tax and Law business units, as well as the four support units, are represented at Group level through Global Business Units (GBUs) and Global Support Units (GSUs), but also at national level through Country Business Units (CBUs) and Country Support Units (CSUs).

The main responsibility of the GBUs is to define the overall market strategic vision, to monitor and support implementation at country level and to ensure the Group's operational efficiency. In this sense, the GBUs are accountable for overall strategic delivery (i.e. growth and profitability). The GSUs support our business in a joined up way for the benefit of our clients in areas such as policies, information systems, and talent management.

Mazars is structured in such a way as to ensure that the countries, the GBUs, the GSUs and the Group are aligned.

It has a management structure which facilitates the bringing together of Senior Partners or Managers of all integrated entities and leaders of global units in periodic meetings, taking place at least three times a year.

The integrated international partnership permeates through every aspect of the Mazars organisation:

- each global or international assignment is managed and carried out by an integrated team, coordinated by an engagement partner in charge who takes final responsibility for reporting to the client;
- each global business unit is represented in every country where the organisation operates in order to optimise the coordination of assignments and cross border relations between teams;
- partners and the national member entities in which they work are linked by a series of agreements intended to achieve maximum consistency within the Group. They all report to the elected representatives of the Group.

All the entities of the Mazars integrated international partnership are thus committed to enhance the quality of services provided to large, cross-border groups, in a more complex and global environment.

1.2 Governance of Mazars Scrll

During the Annual Partners Conference in December 2011, the Group established a revisited governance platform for the coming five years to ensure the long-term security and efficiency of the organisation. On the basis of a combination of generations and balanced allocation of responsibilities, it provides a stable foundation for the long-term implementation of the Group's strategy, thus meeting the major internal and external challenges that Mazars has identified:

- strengthening the Group's organic growth and managing cross-disciplinary operations with the Group Executive Board (GEB) for the key decisions and the Global Executive Committee (GEC) for the daily operational issues;
- dedicating experienced resources to strategic issues with the Global Strategic Committee (GSC);
- introducing independent members within the Group Governance Council (GGC) in order to meet the most demanding standards in terms of supervision;
- organising the passing of the baton to a new generation of leaders.

The management of the member entities of the Mazars organisation is the responsibility of their respective Country Executives.

1.2.1 GROUP EXECUTIVE BOARD (GEB)

The Group Executive Board (GEB), directly elected by the partners, assumes ultimate responsibility for the framework of the Mazars organisation. The GEB works under the supervision of the Group Governance Council (GGC), which decides on GEB members' remuneration. It comprises 3 to 9 members appointed by the General Assembly of Partners for a four-year mandate, according to a 2 step process: election of the Chairman; then election of the other members on the basis of the proposition from the elected Chairman.

The Group Executive Board, whose mandate expires at the end of 2012, currently comprises six members:

- Philippe Castagnac, Group CEO, Chairman of the GEB and the GEC
- Antonio Bover, co-CEO
- Hervé Hélias, co-CEO
- Hilton Saven, co-CEO
- Phil Verity, co-CEO
- Victor Wahba, co-CEO.

And four Senior Advisors (former GEB members):

- Frédéric Allilaire, in charge of Americas, Middle-East and North Africa
- David Evans, Sponsor of GSU Talents
- John Mellows, in charge of the Asia-Pacific region
- Jos van Huut, Chairman of the Praxity Alliance.

The GEB meets on a regular basis, 2 to 3 times a year, with Country Executives through the Country Forum. It is supported in its day to day task by:

- the Global Executive Committee (GEC), regrouping leaders of Global Business Units (GBU) and Global Support Units (GSU);
- the Country Executives.

1.2.2 GLOBAL EXECUTIVE COMMITTEE (GEC)

The Global Executive Committee meets 4 to 6 times a year to report key business issues and progress status of Global Business Units/Global Support Units' (GBUs/GSUs) projects and validate key decisions on an international and transversal level. The GEC currently comprises:

- GEB members and Senior Advisors

- Global Business Units leaders (who are not already GEB members) and Global Support Units leaders:
 - Ton Tuinier, GBU Tax
 - Jean-Luc Barlet, GSU Technique and Innovation
 - Laurent Choain, GSU Talents
 - Thierry Colin, GSU Performance and Systems
 - Caroline Van Troeyen, GSU General Secretariat and Communications
- Miguel de Fontenay, Global Head of Consulting
- Eric Albrand, Group Chief Financial Officer
- Loïc Wallaert, Partner in charge of Country Forums.

1.2.3 GLOBAL STRATEGIC COMMITTEE (GSC)

In a demanding environment that requires a global player like Mazars to strengthen the strategic tools that are key to its long-term growth objectives, Mazars calls on the expertise of the Global Strategic Committee (GSC). The Group Executive Board and Group Governance Council have thus delegated responsibility to this committee for strategic issues related to the Group's development. Its role is to identify and oversee merger and associative growth operations that fulfill the policy of expanding the Group's international coverage and service offerings, as well as making an active contribution on behalf of Mazars to organizing the profession and the market. Its proposals are discussed with the GEB and submitted for decision to both the GEB and GGC, then ratified by the partners General Assembly.

The GSC reinforces Mazars' governance platform as it gathers the most experienced resources in the Group. It comprises four members:

- Patrick de Cambourg, Group Chairman, Chairman of the GSC and the GGC
- Douglas A. Phillips, Vice-Chairman of the GSC and the GGC
- Philippe Castagnac, Group CEO
- Michel Barbet-Massin.

Other internal and external contributors will be gradually invited to participate in the work of the Global Strategic Committee.

1.2.4 GROUP GOVERNANCE COUNCIL (GGC)

The Group Governance Council (GGC) exercises a general supervisory function over the management actions of the GEB, decides or co-decides on certain matters (for example: validating merger, acquisition or sales operations, opinion on projects with significant impact on the Group...), and reports to the partners General Assembly. The GGC meets at least once every four months. It is composed of 8 to 16 members appointed by the General Assembly of partners for a four-year mandate, with the introduction in December 2011 of 2 external independent members. One GGC member also chairs the Audit Committee.

The GGC currently comprises 11 members:

- Patrick de Cambourg, Group Chairman, Chairman of the GGC
- Douglas A. Phillips, Vice-Chairman of the GGC
- Pierre Sardet, Vice-Chairman of the GGC
- Kathryn Byrne
- François de Carbonnel*
- Mohamed Ali Elaouani Cherif
- Denise K. Fletcher*
- Patrice de Folleville
- Tim Hudson
- Ruud Krouwer
- Kenneth Morrison.

1.2.5 COUNTRY EXECUTIVE COMMITTEES

Country Executive Committees have authority to manage the member entities and lead the local business on a daily basis, within the framework established by the Organisation and in terms of the strategic and operational coordination they provide. They are elected by the partners of the member entity, their candidacy being subject to the agreement of the GEB.

* External members.

1.2.6 PARTNERS GENERAL ASSEMBLY

The General Assembly of partners is held at least once a year within six months following the closing of the accounting period and is the pivotal point in the governance and decision making processes of Mazars Scrl. It is at this meeting that, collectively, the partners of Mazars elect the governing bodies (every four years) and approve the major strategic directions and operations of the Group, the admission of new partners and the yearly audited financial statements of the Group.

1.3 Mazars' worldwide presence as of 31 August 2012

Mazars serves its clients throughout the world via:

- integrated member entities in 69 countries;
- non-integrated entities in 14 countries.

Within the non-integrated entities are correspondents of Mazars Scrl, and country local correspondents. Representative desks/offices are often limited in terms of scope of services offered.

While the member entities constitute the integrated partnership, the non-integrated entities constitute the Mazars network. They are all committed to the risk management policy as described in section 2 of this report.

Furthermore, Mazars (including all its integrated entities) is one of the founding members of Praxity, an international alliance of Independent Firms created in 2007 as a non-profit-making International Association regulated under Belgium law (AISBL).

Praxity is present in 87 countries. Chosen after a thorough self-evaluation process, each Praxity participating firm delivers state of the art accounting services and in-depth local knowledge. Participating firms bring their collective commitment to quality and ethical accounting solutions.

In line with the Praxity vision that one size does not fit all, firms join the alliance in one of 3 classifications: member firm, associate firm and correspondent firm. Mazars is a member firm of Praxity. Through Praxity, Mazars is able to accompany its clients in 17 additional countries.

MAZARS' QUALITY ASSURANCE AND RISK MANAGEMENT POLICY

The Group Executive Board of Mazars takes overall responsibility for internal quality control including a periodic review of its effectiveness. To this effect it has set up a Technique and Innovation Global Support Unit (T&I GSU).

This Technique and Innovation Global Support Unit:

- defines the procedures and the quality assurance system that entities and all business and management units have to implement, in order to meet the defined principles. These standards are presented in the Mazars Quality Assurance Manual and Risk Management Manual, which both constitute the benchmark for all entities;
- supervises jointly with the GEB the monitoring of the quality assurance system. This monitoring is organised by an International Quality Control Committee (IQCC), which relies on globally coordinated inspections to monitor compliance with International Standards on Auditing (ISAs), the IFAC Code of Ethics and International Standard on Quality Control (ISQC1). Each year there is a follow-up of the action plans that have been defined jointly with the Mazars firm's Risk Management and Quality Leaders and approved by the Managing Partners. There is also a review of each member firm's own annual self-assessment and of the results of their internal and national external quality assurance reviews.

The management of each member entity has the primary responsibility for the implementation of the quality assurance system. They must promote the Mazars internal culture of quality, reinforced by clear, consistent and frequent messages and initiatives, at all levels of the entity. These must remind everyone of the existence of the quality assurance system and underline the importance of respecting legal and regulatory obligations, particularly with regards to the professional code of ethics and professional standards of practice when it comes to accepting and carrying out new assignments.

Mazars' quality assurance and risk management policies are based on the International Federation of Accountants (IFAC) standards. They are available online and are regularly updated to reflect changes in regulations.

Mazars is a member of the Forum of Firms and has declared annually since 2007, based on the results of the quality control system, that the organisation meets the membership criteria as set out by the Forum. These criteria are as follows: the implementation of a quality control programme coordinated across the world and the application of the IFAC Code of Ethics and of ISAs to all transnational audits.

Formally established in 2002, the Forum of Firms quality label is held by international networks of accounting firms that perform audits of financial statements that are or may be used across national borders, and that commit themselves to promoting worldwide auditing best practices in order to raise the standards of the international practice of auditing in the interest of users of the profession's services. The Forum of Firms' positive and structured role is regularly recognised by international stakeholder organisations and national and international regulatory bodies.

Mazars is actively involved in the IFAC with a strong presence in three of its boards and committees:

- the International Ethics Standards Board for Accountants (IESBA);
- the Small and Medium Practices Committee (SMP); and
- the Transnational Auditors Committee (TAC), executive committee of the Forum of Firms.

2.1 Independence

As at 31 August 2012, Mazars is the legal auditor of more than 500 listed companies in the 69 integrated and 14 countries where Mazars serves its clients through non-integrated firms. Maintaining independence is of utmost importance for audit firms.

2.1.1 MAZARS' INDEPENDENCE PRACTICES

The Mazars Code of Conduct for Objectivity and Independence

In order to form a basis for the widespread adoption of its core values throughout the Group, Mazars has adopted a Code of Conduct for Objectivity and Independence (CCOI), which is compliant with the revised IESBA Code effective on January 1, 2011.

Each national Mazars entity evaluates the equivalence of national rules with the measures contained in the CCOI, and communicates, if necessary, to the other members of the organisation, the more restrictive national measures, which are documented as Country Specific Provision (CSP).

The Code is distributed to all partners and staff. Ethics form an integral part of the entities' professional training programmes.

Mazars states in this code its pluri-disciplinary strategy through the observance of the regulation in terms of financial communication and identifies clearly any other services that are allowed to be provided to audit clients.

Systems to safeguard independence

These systems involve the following key procedures:

- A procedure for acceptance and continuance of clients and engagements which enables evaluation of the level of the client related risks, the entity's ability to perform the engagement and ethical risks in terms of independence and conflicts of interest at a global level. Provision of additional services to an audit client is subject to prior authorisation from the lead group audit partner and, in some cases, to the opinion of the head of ethics. It is also subject to authorisation of the client's audit committee, where required by auditing standards or when the client has put in place a procedure for the prior approval of such services.
- A complete list of non-audit services rendered to audit clients. For group audits, this list forms part of the audit instructions sent out by the coordination team. These non-audit services are subject to a priori communication and a posteriori

inventory and confirmation of independence to the group audit engagement and to the partner who signs the client group accounts.

- An annual declaration of independence by partners and staff and thorough review of all situations that could compromise independence. In this respect, all partners of the Mazars' organisation or their immediate family cannot hold a direct or an indirect financial interest in a listed assurance client of the organisation. Personal or family relationships between a member of the audit team and a member of management of the audited company or a person holding a key position for the audit are also prohibited. Lastly all firms, partners and staff working on the audit engagement, must not have any financial or commercial relations with an audit client except for normal financial relations with a banking client.
- Access for all in-house professionals to a list of clients subjected to specific ethical requirements.
- Training for technical staff on ethical rules and in the organisation's procedures in the area of ethics.
- Technical consultation with experts on technical matters, ethics and other areas.
- Limits on fees per client in order to avoid financial dependence on one or several clients.
- Clear rules regarding conflicts of interest. When there is such a threat, either the assignment is refused, or appropriate safeguards are implemented.
- A method of remunerating partners that is not solely related to the level of fees billed, new clients obtained or additional engagements performed for their clients and/or to financial performance, but taking into consideration the quality of the engagement.

The Ethics and Acceptance Committee, under the supervision of the T&I GSU Board, is responsible for considering any problematic situations that may be brought to its attention, reviewing any proposed departures from the CCOI by country and verifying that all changes in international ethical standards are taken into account by the organisation.

The T&I GSU Board ensures that risk management procedures are in place and are monitored by each member entity.

Two-partner teams and rotation to strengthen both independence and quality of services

Except for specific situations which are approved by the Executive Committee of the entity, very large engagements are placed under the responsibility of a team of at least two partners, one of whom naturally assumes the leadership of the engagement.

Having a team of partners strengthens independence and enables broader technical expertise to be available to the engagement. The responsible partners assist with key stages of the engagement and remain the key contact for all parties and professional staff, whether internal or external to the entity.

Within Mazars, rotation is applied to Public Interest Entity engagements on which key audit partners should rotate after seven years and not return to the audit team for at least two years, in compliance with the European Directive on Statutory Audit and the IESBA Code of Ethics.

This rotation of partners is in place in order to reduce the risk of "closeness" to the audited company which may impair independence. It enables the auditor to have greater independence of mind in dealing with clients' issues and in expressing opinions on financial statements.

The allocation of responsibilities to partners in respect of recurring audit engagements and major special engagements is decided at the level of the entity's Executive Committee in order to ensure that partners have the ability to effectively conduct and supervise engagements under their responsibility. This allocation is reviewed annually on the basis of changes in each partner's situation and any particular difficulties encountered on their engagements.

The Mazars partnership model gives the two-partner team the liberty to organise the audits of their subsidiaries in France and abroad.

In case of disagreements with the technical department's positions, which is something that rarely happens within our organisation, the Executive Committee is called upon to arbitrate. In the context of our quality assurance standards and procedures the two-partner team in charge remains the final decision maker.

This point is of paramount importance in preserving each partner's personal commitment and sense of responsibility as well as responding to each audited companies' specific.

2.1.2 STATEMENT ON THE EFFECTIVENESS OF THE QUALITY CONTROL SYSTEM

The internal systems described above were established so as to identify circumstances whereby Mazars' independence could be impaired and to take appropriate safeguarding measures. The management of each member entity commits to implementing these measures and the persons in charge confirm the presence of these systems guaranteeing independence.

2.2 Quality control system

2.2.1 INTERNAL QUALITY CONTROL SYSTEM

The policies and procedures adopted by Mazars are in compliance with IFAC standards on quality control: ISQC1 "Quality control for firms that perform audits and reviews of financial statements and other assurance and related services engagements" and Revised ISA 220 "Quality control for an audit of financial statements". They are documented in a Quality Assurance Manual available in electronic format.

These policies and procedures are complemented by audit methodology and audit support techniques which are shared among members of the Organisation and by joint training initiatives. Specific audit software has been developed which allows a structured audit approach in accordance with the most recent and comprehensive auditing standards (IFAC clarified standards, supplemented by national requirements).

Compliance with the organisation's policies and procedures is regularly controlled through reporting by the entities on the results of their internal and external quality control and through periodic quality assurance reviews by trained and experienced reviewers from other countries.

Maintaining quality

Quality of people: The exacting standards of quality for our work require that we recruit highly talented individuals, who have the ability to take on ever increasing responsibilities. Our ability to attract and keep talent is one of the key elements in maintaining these standards.

Mazars' strategy in terms of training (refer to section 4.4), counselling and remuneration strongly emphasises this high standard of audit quality.

The Quality Control System includes policies and procedures in the following areas which are set out in detail in our Quality Assurance Manual:

- responsibility and leadership
- independence and objectivity
- audit policies and methodology
- acceptance and continuance of engagements
- human resources
- engagement performance including:
 - planning and supervision of engagements
 - technical consultation
 - audit documentation
 - independent review
- confidentiality
- quality control system supervision
- managing cross-border engagements
- and complaints and allegations.

These processes are presented in the Mazars' Risk Management and Quality Assurance Manuals and are regularly updated to include changes in international standards and users' suggestions which have the objective of improving the effectiveness and the relevance of the Quality Control System.

A Global Assurance Programme and internal inspections

Mazars has put in place an International Quality Control System destined to all entities in the organisation, whether they are integrated members or correspondents.

Quality control is operationally managed by an International Quality Control Committee (IQCC) which reports to both the Group Executive Board and the T&I GSU Board.

Two types of quality assurance reviews are in place:

- a reporting including a self-assessment by the countries on their compliance with IFAC standards, completed by the results of internal and external quality control and an action plan in respect of the main areas identified for improvement. This report, which is called ReQAR (Report on Quality Assurance Review), covers aspects relating to audit methodology, ethics and the internal Quality Assurance and Control System;
- a periodic inspection, which is called IQAR (International Quality Assurance Review), performed by trained and experienced Mazars reviewers from different countries.

Each reviewer or quality control manager prepares an action plan addressing the findings of the IQAR or the ReQAR. The action plan is submitted for approval to the entity's Executive Committee. The partners in charge of monitoring geographical zones are informed of these action plans and follow up the implementation with the help of the IQCC.

Each year the entities critically assess their Quality Control System by implementing a monitoring programme which involves an assessment of the adequacy and effectiveness of the entity's procedures and a review of assignment files. Each partner is reviewed at least every three years. The results of the assignment file reviews are taken into account in determining the partners' compensation.

Once a year, the entity communicates the results of internal and external quality control reviews (ReQAR/IQAR/national oversights and peer reviews) to partners and managers, including to the entity's Executive Committee.

This communication is sufficiently detailed to enable the necessary corrective measures to be taken, both at the entity level and with the partners in question.

This summary includes as a minimum:

- a description of the procedures applied and of the scope of the quality control review;
- conclusions of the reviews pertaining to the entity's procedures and to the audit assignments; and
- action plans, if required.

Entities that are candidates for admission into the Mazars partnership undergo a technical review by the IQCC. The quality control review report is included in the admission file submitted to the GEB and the GGC for approval before the vote by the partners. It can be accompanied by an action plan which is naturally monitored by the IQCC and the head of monitoring of the geographical region to which the new member belongs.

2.2.2 STATEMENT ON THE EFFECTIVENESS OF THE QUALITY CONTROL SYSTEM

Mazars became one of the first full members of the IFAC's Forum of Firms in January 2008 after reporting it had implemented a globally coordinated quality assurance programme, committed to the use of International Standards on Auditing (ISAs) and met other specific ethical requirements.

Commitment to the obligations of membership in the Forum of Firms contributes to raising the standards of the international practice of auditing in the interest of users of the profession's services.

In this respect, Mazars is committed to:

- maintaining appropriate quality control standards in accordance with International Standards on Quality Control issued by the IFAC International Auditing and Assurance Standards Board (IAASB) and relevant national quality control standards and, to the extent not prohibited by national regulation, conducting regular globally coordinated internal quality assurance reviews;
- implementing policies and methodologies based, to the extent practicable, on the ISAs issued by the IAASB for the conduct of transnational audit assignments;
- implementing policies and methodologies which comply with the IFAC Code of Ethics for Professional Accountants and national codes of ethics.

On the basis of its Quality Control monitoring conclusions, Mazars confirmed in December 2011 that it met the membership obligations of the Forum of Firms in all material respects.

2.3 Our contribution to the standard-setting process

We believe that the voice of the audit profession brings value to the standard-setting debate. As a consequence, at the level of the Group, we are committed to the improvement of financial reporting, corporate governance and overall confidence in the capital markets on a global level. For example:

- Mazars response to the European Commission (EC) Green Paper on Audit Policy: Lessons from the Crisis of October 2010, which covers a wide variety of audit and auditors reporting related topics, can be accessed at: <http://www.mazars.com/Home/News-Media/Latest-news2/Mazars-contribution-to-the-Green-Paper>;
- Mazars responds to consultations on auditing, corporate governance, financial reporting and relevant laws, regulations and standards changes issued by various regulatory or professional bodies such as the European Commission, IFAC and its committees and boards, FEE, EAIG, PCAOB, IASB;
- Mazars takes part directly, as stated above, in international professional bodies such as IFAC, FEE, ESMA, EFRAG, IASB.

Our professional staff receives regular training in both actual and potential future developments. This enables audit teams to anticipate these changes and work with their clients on complying with them.

In each country, Mazars' entities are also active in accounting and auditing professional bodies and organisations.

OUR CLIENTS

3.1 Service offering and turnover

As previously mentioned, Mazars' services fall into four global business units, two of which are focused on Clients and two on Services. This structure is mirrored by each member entity. The four Global Business Units are:

- GBU PIE (Public Interest Entities). This covers statutory and contractual auditing, and other advisory or compliance services mainly for listed companies.
- GBU OMB (Owner Managed Businesses). This covers advisory and audit services for privately-owned companies of all sizes.
- GBU Tax. This covers a complete range of tax advisory services.
- GBU Law. Legal counselling in some countries.

The consolidated accounts of Mazars Scrl for the year to 31 August 2012 are due to be approved at the General Assembly of partners on 8 December 2012. Once published, they will be available on the Group website (www.mazars.com).

3.2 List of public interest entities for which the firm has issued an audit report during the preceding financial year

The list of engagements as of August 31, 2012 includes engagements for companies that have issued transferable securities admitted to trading on a regulated market and for which statutory audit reports have been issued by Mazars member entities during the transparency Report period (from September 1, 2011 to August 31, 2012) and is available on the concerned member entity's website.

TURNOVER PER GLOBAL BUSINESS UNIT

(€ Million)	2011-2012	2010-2011	%
PIE	503.7	465.6	+8.2%
OMB	385.7	367.8	+4.9%
Tax	110.5	106.0	+4.2%
Law	13.5	17.3	-22.0%
TOTAL	1,013.4	956.7	+5.9%

HUMAN RESOURCES

4.1 Quality through talent

We are deeply convinced that the quality we bring to our clients and to the market in general is dependent on the talent of our people.

Several key areas form the backbone of our strategy for talent development:

- our culture;
- our sense of commitment;
- our diversity of talents;
- our transparent and effective assessment system.

Based on our common values and management principles, and within a working environment which is intended to be fulfilling, our Talent management policy is based around 3 main principles:

- recruiting the most talented individuals;
- developing long life training, on both technical and managerial issues (refer to § 4.4. continuing education);
- offering attractive career opportunities, particularly internationally, within our fast-growing organisation.

All our people have clear objectives, receive feedback and talk about their performance regularly. Our Global Talent and Performance Management Programme covers all grades and is being monitored in all the Mazars countries. This programme provides us with qualitative information on the expectations and competencies of our professionals which in turn enables us to gauge the effects on our long term development ambitions.

Each employee has their own special role and their own chance to play a defining part in our success.

4.2 International staff

As of August 31st 2012, more than 13,000 people work in Mazars' offices in the 69 integrated countries including around 1,700 new recruits that have joined the Mazars teams in 2011-2012.

4.3 Partners

4.3.1 OUR PARTNERS ON AN INTERNATIONAL LEVEL

As of August 31st 2012, Mazars Scrl has a total of 727 partners spread across 69 countries.

4.3.2 INFORMATION CONCERNING THE BASIS FOR PARTNERS' REMUNERATION

Partners are remunerated in equal proportion according to the performance of the national member entity to which they contribute, and to the performance of the Mazars organisation overall.

At Group level, the measure is the "operational performance", after the deduction of any unforeseen expense such as litigation which remains the sole responsibility of the national entity concerned.

Profits are shared between partners in proportion to the number of shares (or "base points") they hold. Financing business activity depends exclusively on each national member entity and follows the same logic of proportionality as the division of profits.

Several countries have also opted for a bonus system based on individual performance, awards being made from a pot representing up to 12% of the profits of the country concerned.

Ratified by the Governance Council on advice from the Group Executive Board, base points are allocated every three years to partners according to the collective performance of their country and individual performance of each partner, which is assessed against various criteria: professionalism and technical contribution, importance and complexity of assignments, contribution to the general development of local entities and of the Group, level of managerial responsibility, performance in financial management, partnership spirit. None of the criteria

listed above is evaluated in isolation, but the greatest importance is placed on technical competence and partnership spirit.

4.4 Mazars' policy on the continuing education of statutory auditors

The Group considers its internal training programme to be of strategic importance, not only due to its content (experience sharing and updating of technical knowledge), but also because it is a key means of communicating with staff in respect of requirements in the areas of professional conduct and ethics.

Each member entity of the group keeps a record of all the training courses attended by each partner and member of staff, in order to ensure that each individual benefits from the complete training programme and so that the training received is in line with their responsibilities and with their work.

Each member entity's training programme has to include a general syllabus to be followed by all staff at each level. The objective of this programme is to enable each staff member to obtain and develop his or her expertise in auditing standards, accounting standards, auditing techniques and engagement management principles. The programme also includes a sector-specific syllabus (particularly insurance, banking, the public sector and high technology).

Audit professionals involved in transnational audits learn about the following subject areas concerning the jurisdictions where the transnational audit is conducted:

- financial information and auditing standards;
- group audit coordination of multi-locations;
- the standards relevant to companies listed on the stock market;
- corporate governance standards;
- the local and international economic and business environments.

The internal training programme is enhanced with complementary external seminars which respond to certain client requirements or specific economic environments.

Internal technical meetings are held on a regular basis in order to raise awareness, to share experiences on specific assignments and to discuss topical issues. Mazars University was created in 2008, with a threefold objective:

- to position Mazars as one of the key players in the future in its markets;
- to focus on Mazars' values (Mazars Way);
- to contribute to Mazars' commitment to social issues.

Mazars University coordinates all the Group-wide training and promotes and encourages the sharing of professional knowledge, of professional experience and the best professional practices.

Statement of compliance with professional training obligations

The Mazars group expects its member entities to comply with IES 7 international standards, for qualified professionals.

Registered statutory auditors have to complete at least 120 hours or equivalent learning units of relevant professional development activity in each rolling three-year period, of which 60 hours or equivalent units should be verifiable. They also have to complete at least 20 hours or equivalent learning units in each year. Mazars has established its own policy with regards to continuing professional education that includes the organisation and delivery of technical in-house and external seminars, the active participation and involvement of professional staff in major national and international professional accounting and auditing organisations, as well as extensive opportunities to attend technical seminars and conferences.

Each year, member entities must compile an inventory of the training attended by its professionals, and membership of professional bodies/institutes, in order to ensure its compliance with the above-mentioned requirements on a multi-year basis.

Mazars

Group Communications Department

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GROUP

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