

ACTIVITY REPORT OF THE SECRETARY GENERAL

Eric MERCANTON-MALIKOV

Dear Colleagues,
Dear friends,

This report relates the activity of our grouping from the functional standpoint in the year 2016-2017, since our last conference in Barcelona, Catalonia.

The Board of Directors met seven times:

- 9 December 2016,
- 3 February 2017,
- 24 March 2017,
- 5 May 2017,
- 16 June 2017,
- 8 September 2017,
- 30 October 2017.

1. INTERNAL ORGANISATION

Our organisation has no employees, and relies on its office bearers and their staff for its working needs.

There has no change since last year:

- Chairman: Klaus KUCHENBUCH. With Jérôme MOYEMONT-SINGER and Yves MARGUERAT, they receive telephone calls and liaise with members, and particularly follow up communication and the website.

Secretary General: Eric MERCANTON-MALIKOV and his assistant Jérôme MOYEMONT-SINGER take care of preparing board meetings, the organisation and logistics of large events and invoicing to members.

- Treasurer: Jean-Pierre CAILLER and his assistant Isabelle JULIO look after the accounts and prepare the financial statements.

The expenses for these tasks are paid in part, but they are time consuming, particularly while preparing the high points of the year, the meeting in Paris, the conference and regional meetings.

Our thanks to all of them for all the work they do for our grouping.

2. OPERATING RESOURCES OF OUR ORGANISATION

2.1 Income:

The income of our organisation is supported by two pillars:

- **Contributions that cover the operating and development costs of the organisation.**
On 3 February 2017, the Board of Directors kept the annual amount of the contribution identical, namely 2% of the annual turnover exclusive of VAT with a minimum of €2600 and a maximum of €26,000.

In order to address the wealth disparities between countries, brackets were maintained as follows:

- A first bracket of US\$10,000: $\frac{3}{4}$ reduction
- A second bracket of US\$15,000: $\frac{1}{2}$ reduction
- A third bracket of US\$20,000: $\frac{1}{4}$ reduction

And in order to minimise exchange rate effects, the US dollar was selected as the currency for measuring GDP, which itself is an average over the last three years.

Our contribution scale has remained unchanged for several years, demonstrating the ability of our grouping to control its costs thanks to the work carried out by the members.

However, it is desirable that everyone take care to pay their dues to the organisation promptly. That would avoid a lot of work sending reminders; that time and effort could be devoted to other more important tasks.

- **Time devoted by members of the Board of Directors and commissions.**
This time is not valued and will thus not appear in the financial report of our treasurer. That generosity is very significant and must remain the life blood of our organisation. The dynamism of our grouping depends on the involvement, not only of our directors, but also of all our members.

2.2 Physical resources:

In 2016, the registered office of EuraAudit International was located in premises sublet from Cocerto, at 24 rue de Londres. EuraAudit International has an office and a right to use the meeting

room. The annual rent is €16,366 ex. VAT, plus service charges (property charges, electricity, waste removal etc.).

Those premises are at your disposal, for the needs of your firms and for receiving your clients if necessary.

However, we would like to ask you to book them in advance with Jérôme MOYEMONT-SINGER by sending an email to secretariat@euraaudit.org.

But the capacity of the meeting room is not sufficient for our board meetings. That is why the meetings of December 2016 and February and March 2017 were held in one of the rooms rented from Regus, which is located in the building next to our office. Unfortunately, logistics and stewardship problems have forced us to find more appropriate premises for our meetings. Since May, we have been meeting in hotel Edouard VII at 39 avenue de l'Opéra, but in June we were able to use the infrastructures of Chateaufort at the end of the meeting in Paris.

We would like to thank the Cocerto group for their collaboration.

3. REGULATIONS

To support the development of our grouping, the Board of Directors regularly reviews the regulations. Only one amendment was made during the period we are covering today, relating to the modification of the registered office in article 1, since the change had not been approved at the time of the move from 135 Boulevard Haussmann to 24 Rue de Londres.

Please remember that you can use the words “independent member of EuraAudit International” along with your logo in your publicity material. However, you may not use the words EuraAudit in the name of your firm or your email addresses. There is no exemption from that rule.

If in doubt, please review the regulations directly on the website or send your query to the Secretary General.

Note that the aim of the regulations is to give our grouping the most practical operating modalities. Suggestions for changes are welcome and will be examined by the Board of Directors.

4. ANNUAL MEETINGS

4.1 Annual meeting in Paris

On 16 June, the annual meeting was held and attended by 27 members of the organisation and two potential candidates. The morning was devoted to:

“Introduction to turnaround techniques”

That talk as given with brio by Jean-François Pansard.

As in 2016, we decided to encourage exchange between members and did not want to organise any workshops in the afternoon, so as to make free time for communication with each other.

The day ended with dinner and a show, organised at the Artishow cabaret.

4.2 Meeting of members of the Americas zone

The meeting was held from 19 to 21 January 2017 in Lima, Peru, in the presence of our Chairman, Klaus KUCHENBUCH, two Directors Leopoldo Jr RIOS (one of the regional managers), Adriano CANCELARI and several European members.

Under the chairmanship of Leopoldo Jr. RIOS, the meeting of only 14 participants from nine firms, only five of which were from the Americas, addressed the following subjects:

- Business opportunities in Peru
- Taxation in America
- Changes in the accounting profession

The atmosphere of the meeting, organised by our local member Carlos MENDOZA, was very warm and friendly. However, the small number of participants in the region is believed to be due to an inappropriate choice of date, when most members had to make submissions to their respective authorities.

The next meeting will be held from 8 to 11 February 2018 in Cancun, Mexico.

4.3 Meeting of members of the Eastern Europe zone

The third meeting of the members of the Eastern European zone was organised in Sarajevo, Bosnia Herzegovina, by our member Amina ATAGIC, from 27 to 30 April 2017.

In addition to our Chairman Klaus KUCHENBUCH, the Chairman of Interlegal Adam BOOC and one of the area managers Eric MERCANTON-MALIKOV, 16 colleagues from 10 countries were present. Due to date and visa problems and awkward airline connections, only nine members from five different countries from Eastern Europe took part in it. It must be noted that the date was selected by the members of the region at the previous meeting.

Besides, the workgroup set up in Bucharest at the meeting of 2016, which was tasked with developing audit documents, did not have the expected success. Turan FIKIRLI sent a number of emails to the 10 volunteers, but he never got any comment or reply from them. That is why Turan decided to present the auditing software that is used in his firm. It was presented to you in a demonstration yesterday afternoon.

The first subjects addressed were:

- Why develop business in Bosnia-Herzegovina?
- What is the Sarajevo Economic Forum and what are the opportunities for inter-regional collaboration?
- Transfer prices

A workshop was dedicated to the continuation of the work initiated in Barcelona in October in regard of the future of EuraAudit International. The number of participants was smaller, and each had an opportunity to speak. Some very good ideas came forward, and are being studied in the development commission. At the next meeting, in addition to the technical part and the presentations relating to the possibilities of developing business in the country visited, an important part will be dedicated to cooperation between the members. In particular, it will enable every participating member to introduce themselves for 10 minutes, as it has become clear that the members of this region do not know each other well enough. The activities will be distributed over all of Friday and Saturday morning.

Tours of the cities of Sarajevo and Mostar made the different participants better aware of the difficulties and atrocities experienced by the country in the 1990s.

That experience will be repeated from XX to XX 2018 in Minsk, Belarus, a city full of secrets, which you are invited to discover. Most of you no longer need a visa for a five-day stay.

4.4 Annual conference

The experience in Barcelona last year has forced the Board of Directors to review the organisation of the conference. That is because as the years go by, attendance is rising, which is good news. But it also creates a greater workload, for the local organisers and also for the coordinator of the Board of Directors. The specificities of each participant can no longer be managed. Besides, the terms and conditions of hotels, restaurants and other service providers are ever stricter and more constraining.

As a result, the Board of Directors has appointed a workgroup tasked with the preparation of standard terms and conditions that each member approves when they register, and must observe. It provides for several major time limits:

- 15 May: registration and payment of the totality of the cost of the conference to obtain a 10 % discount
- 30 May: registration with a copy of the passport by all those who need a visa
- 31 August: end of the registration period
- 31 August: deadline for free cancellations and changes in registration
- 20 September: deadline for paying for the conference

From 31 August, no change or cancellation is possible for no cost. No refunds shall be given and the amount invoiced shall remain due. The only possibility is replacement by another person of your choice.

The new registration form has been developed accordingly. In spite of that, not everyone completed it correctly. Please remember that all the required information is necessary for optimum organisation.

As next year's conference will be organised jointly with Interlegal and we expect over 200 participants, no allowances will be made. The standard terms and conditions will be amended by the workgroup to take account of that first experience. All your suggestions are welcome.

Please remember that these meetings offer an opportunity to exchange our know-how and respective experience. That is why we ask you to get your younger managers and future partners to attend these events, so as to prepare our future replacement.

4.5 Statistics

For several years, EuraAudit International has been taking part in the statistics of the International Accounting Bulletin (IAB). The information requested by Jérôme MOYEMONT-SINGER is thus not merely useful for calculating your contributions, but also acts as the basis for the regional and global classifications of the IAB. Recently, we were told that a change will come into force from 1 January 2018, whereby the men and women in your staff will be differentiated. Your folder contains a copy of the new form, which you are asked to complete and send back to the secretariat as promptly as possible. That is why it is important that you reply to us on time, exhaustively.

Based on the data communicated for 2015, our grouping is ranked 19th in the turnover category and 18th in the number of employees category, out of the twenty-five organisations listed.

4.6 Communication and newsletter

From the start of his chairmanship, Mr Klaus KUCHENBUCH has endeavoured to improve communication between members. Several measures were put in place, such as for example a completely new design for the website. This year, the site became accessible from all media.

We further believe that it is necessary to put in place a newsletter, which had disappeared at the same time as the position of a permanent secretary in Paris. A few days ago, you received the first edition, with information required for the conference among other things. The newsletter will be sent out several times in the year, in order to build closer links between the Board of Directors and

the members of the organisation. Please feel free to send us the information you would like to share with other members by means of this tool.

5. CHANGES IN THE BOARD OF DIRECTORS

Olivier Smague, France, has decided to step down from his position as Director, and that of the Chairman of the Auditing Standards Commission. We would like to thank him for his dedication and for all the work done to lead the Commission.

6. RENEWAL OF DIRECTORS

The terms of four directors are ending with this meeting. These are:

- Mr Jean-Marie CADREN, France
- Mr Adriano CANCELLARI, Italy
- Mr Claude CARDUNER, France
- Mr George PAPADOPOULOS, Cyprus

These directors would like you to renew their terms.

Turan FIKIRLI of Turkey is a candidate for a directorship. You will be asked to vote on that subject.

After 10 years of valuable service, Alain VEZ, our censor, no longer wishes to continue. We would like to extend our thanks for the work he has done.

As our new administrator for the approval of the accounts of 2017, we are putting forward Janin AUDAS, whom most of you know very well.

The Board of Directors will thus have 15 members (if you approve the appointments):

- | | | | |
|-----------------------|-----------|--------------------------|---------------|
| - Klaus KUCHENBUCH | (Germany) | - Jean-Marc ROUSSEAU | (France) |
| - Helmut PORN | (Germany) | - Adriano CANCELLARI | (Italy) |
| - Audace SEKARIMUNDA | (Burundi) | - John GRAHAM | (Netherlands) |
| - George PAPADOPOULOS | (Cyprus) | - Yves MARGUERAT | (Switzerland) |
| - Emili COLL | (Spain) | - Eric MERCANTON-MALIKOV | (Switzerland) |
| - Jean-Marie CADREN | (France) | - Turan FIKIRLI | (Turkey) |
| - Jean-Pierre CAILLER | (France) | - Leopoldo RIOS Jr. | (USA) |
| - Claude CARDUNER | (France) | | |

Before we move on to the vote, the activities of the Commissions representing the life of the grouping will be summarised by their Chairmen.

- ◆ The **Auditing Standards** Committee, chaired by Turan FIKIRLI and represented today by Eric MERCANTON-MALIKOV
- ◆ The **Approvals** Committee chaired by Jean Marie CADREN,
- ◆ The **Development** Committee, chaired by Emili COLL y COLLET,
- ◆ The **IAS/IFRS** Committee, chaired by Jean Marc ROUSSEAU,
- ◆ The **Taxation in Europe** Committee, chaired by Claude CARDUNER,
- ◆ The **Taxation in America** Committee, chaired by Fernando AGLIANO, and represented today by Leopoldo RIOS Jr.

With the quality and volume of their work, they spare no time, effort and even personal funds to keep our grouping going; on your behalf, I would like to express our heartfelt thanks to them and to all the participating members. For the commissions to develop and offer you the technical support you need, it is very important to get your young staff to contribute to the work of the commissions, and thus the life of our organisation.

Thanks to all. Your attendance is a great reward for the work done throughout the year by the Board of Directors and the conference hosts.