

Private Equity
An integrated approach



Private Equity has grown significantly since the beginning of the 21st century, a record amount of \$686bn was invested globally in 2007. This period set many new records with regard to the size and scale of buyouts. However, the fast track evolution of Private Equity markets in the Western countries and more recently in developing countries has led global private equity actors to continuously rethink and develop themselves in order to remain successful.

In a world of constant change, investors always look for the best opportunities. However, recent times have been challenging for private equity companies and the recent turmoil in financial markets has tested the industry's robustness.

After years of abundant cheap-debt, it is essential for Private Equity Houses to rethink their business model. Indeed, many players prefer currently to make smaller deals, reduce their leverage (i.e. buy back debt or swap loan/equity) and diversify into other areas such as infrastructure and corporate lending.

At the same time, greater public interest has led to the publication of the Lehne and Rasmussen reports which will most likely lead to major regulatory developments expected to reshape the industry at EU level.

The consequences of these events are twofold. Firstly, the industry will have to learn from the past and abide by more stringent regulations be they self-established or resulting from compulsory rules. Secondly, the companies wishing to succeed in the future must be ready to seize those opportunities that lie ahead of them faster than their competitors, though with a greater focus on transparency.

Luxembourg has become the destination of choice for investors wanting to gain a global outlook with a high degree of flexibility. The Luxembourg tax, legal and regulatory environment is favourable and includes many financial vehicles tailored to the private equity industry, a fact recognised by the European Private Equity and Venture Capital Association (EVCA) in many of their studies.

To be successful, skills and industry knowledge are not enough. It is important to involve specialists who understand client constraints and objectives. Our expert team blends a variety of cultures and backgrounds creating a great positive synergy. We develop and implement the quality audit, tax, accounting and advisory solutions our clients need, today and in the future.



Raymond Krawczykowski
Private Equity Leader
Deloitte S.A.

Our services



1. Audit

Deloitte's approach is partner-led, especially in the planning phase when significant audit strategy decisions are made. The depth of our industry experience allows us to design and implement an effective audit plan. This enables us to accomplish our audit objectives efficiently while maximising our contribution to the clients' business through our private equity, real estate and asset management teams.

We continue to enhance the value of our audit services. As a result we have developed and integrated numerous innovative tools and techniques to perform value-added audits.

Beside standalone audit services, Deloitte delivers advice on :

- Investment company reporting and supplemental financial reporting
- Accounting treatment for preferred return on carried interest
- IFRS accounting
- Consolidation reporting pack

2. Tax Advisory and Compliance

Deloitte will help you design the fund, develop an effective and suitable fund structure and build your investment models.

As opportunities are sourced, Deloitte will develop investment structures beneath the funds to optimize their yield, and achieve financial reporting objectives.

This includes:

- International tax planning, and unique issues related to the complexities of setting up the most efficient ad hoc structures.
- Implementation of efficient carried interest planning
- Transfer pricing review
- VAT analysis and optimisation
- Review and advices on residency, substance and potential permanent establishment risk/opportunities
- Tax compliance

3. Financial Advisory services

Deloitte will provide a range of services to assist you in the valuation of a target entity/group.

This includes:

- Performing financial and tax due diligence on investments envisaged by private equity holding companies and possibly VDD for existing structures
- Valuation advice (Company valuation, intangible asset valuation, PPA)
- Investment procedure review against best practices
- Advice on investor communication
- Review of SPA and in particular of representation and warranties

4. Distribution advisory

Distribution of funds will become even more important in the future due to requirements to source additional funding and the likely change in the regulatory framework.

Deloitte can assist in:

- Distribution of Private Equity investment vehicles and other commercial issues
- Addressing private placement rules and opportunities in different jurisdictions
- Addressing additional transparency expectations of the investors

5. Accounting services

Deloitte offers accounting consultancy services to Luxembourg Private Equity investment vehicles, from initial thoughts to implementation of the structures. This mainly includes accounting assistance when setting up the structure.

Deloitte also provides the following global compliance services:

- Accounting compliance and reporting, such as maintenance of accounting records as well as periodic and/or annual stand alone accounts under Lux GAAP and IFRS;
- Consolidation under Lux GAAP and IFRS, such as preparation of consolidated accounts using our license software "SIGMA" as well as preparation of periodic and/or annual consolidated financial statements;
- Legal and tax compliance under the supervision of our in-house corporate-legal and tax experts such as preparation and coordination of corporate compliance (board minutes and shareholders' ordinary general meetings minutes including filing of accounts) as well as preparation of tax provisions and corporate tax returns as well as check compliance with the tax clearance.

- Training sessions and hotline under Lux GAAP and IFRS framework or under specific requirements
- Outsourcing

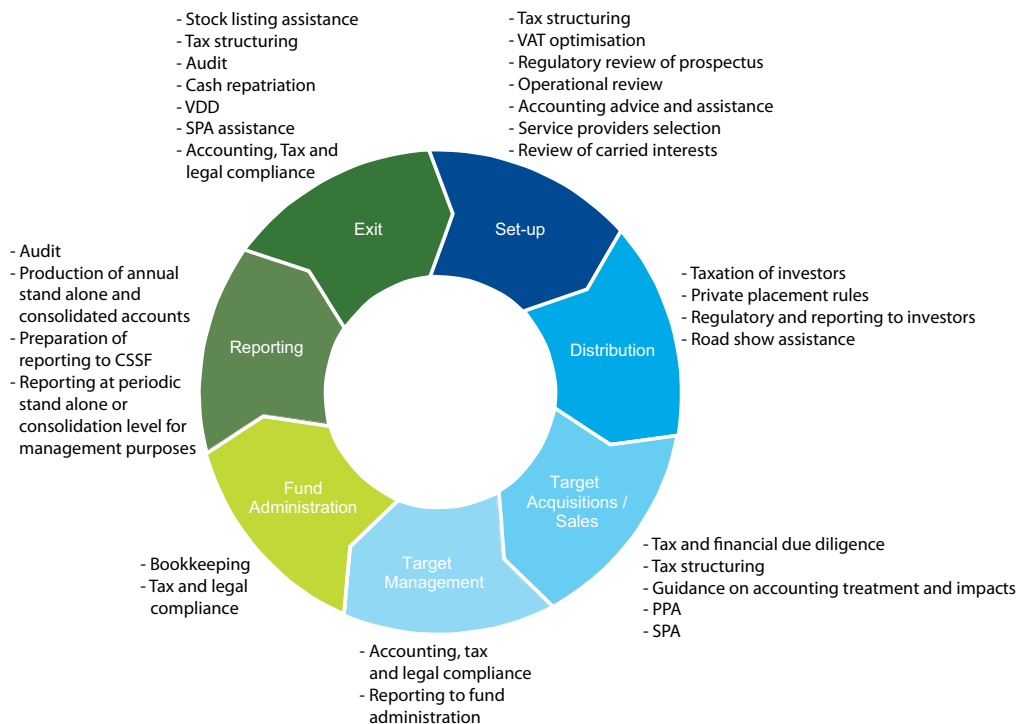
Such accounting services would be monitored by one key contact who provides the entity with a cross practice support, follow up of its day-to-day operations and ensures compliance with Luxembourg tax and regulatory requirements at all stages of its lifecycle.

6. Transactional services

With respect to the engineering of tax-efficient corporate structures, Deloitte evaluates client opportunities and offers strategic solutions related to the implementation or enhancement of corporate structures.

A handpicked and seasoned team of corporate lawyers co-ordinates with our tax specialists the setting-up of companies and the implementation of complex international structures within the context of restructurings, investments or mergers and acquisitions.

Deloitte Services



Our private equity management team



Raymond Krawczykowski

Tax Partner – Alternative Investment Funds – Private Equity Leader

Raymond has over 15 years of tax experience and is focused on alternative investment funds and specifically funds of private equity, real estate and infrastructure funds. He spent four years in London in the investment fund team. He advises clients on debt push down and yield optimisation through tax efficient planning. He also advises on carried interest and promotes tax implications.

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David Capocci

Tax Partner – Alternative Investment Funds

David is qualified as a Luxembourg Chartered Accountant and Tax Adviser and has over 10 years experience in international tax. He is specialised in advising and structuring international deals for both listed and private clients and particularly for Pan-European real estate and sovereign funds.

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Christian Deglas

Tax Partner – Indirect Taxes

Christian is qualified as a Chartered Accountant and Tax Adviser in Luxembourg and in Belgium. Along his more than 15 years experience in international VAT, he focused on indirect tax issues (Value Added Tax, Customs, Registration and Stamp duties) in various industries, including regulated and unregulated private equity funds, real estate, retail, telecommunications, entertainment industry, transport and logistic services.

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Jean-Philippe Drescher

Tax Partner – Transactional Services

Jean-Philippe is a qualified lawyer and a former member of the Luxembourg Bar Association and has over 12 years experience in cross-border structuring. He is specialised in advising local banks on investment fund issues and provides inter alia corporate advice on big-scale cross-border transactions such as group restructurings, investments and M&A.

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Jean-Philippe Foury

Partner – Head of Accounting Services

Jean-Philippe is a Luxembourg Chartered Accountant, with more than 15 years experience in accounting expertise and audit of commercial and financial industries. He leads the Accounting Services specialised in real estate and private equity. He provides accounting advice on complex instruments, cross-border transactions and restructuring of multinational groups.

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Benjamin Lam

Audit Partner – Alternative Investments Funds

Benjamin is a Luxembourg 'Réviseur d'entreprises' and Chartered Accountant in England and Wales with over 19 years' experience in the private equity and financial services industries. His expertise lies in providing advice in the operational and financial set up of regulated and unregulated private equity funds and fund of private equity funds operating on a cross border basis.

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Sophie Mitchell

Audit Partner – IFRS and Consolidation

Sophie is a Luxembourg "Réviseur d'Entreprise" with over 17 years of experience. She is specialised in real estate and private equity activities as well in audit of consolidated accounts under Lux GAAP and IFRS. Her client base includes a number of private equity local and international developers, financial structures of international groups.

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Dan Arendt

Partner – Corporate Finance

Dan has over 25 years experience in Corporate Finance including M&A, Transaction Services, Valuations, CFO services and Specialised Finance. Before joining Deloitte he acted as Group CFO within the Executive Board of RTL Group. He is also a Luxembourg 'Réviseur d'entreprises' specialised in Contribution in Kind and Merger & Demerger reports.

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Manuel Baldauff

Partner – Corporate Finance – Due diligence

Manuel has more than 14 years of experience in banking and consulting. He specialises in particular in corporate strategy, M&A, valuations, due diligence and financial modeling.

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About Deloitte Touche Tohmatsu:

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 165,000 professionals are committed to becoming the standard of excellence. Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities. Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.

