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IFRS versus LUX GAAP

A comprehensive comparison

Foreword

The objective of this brochure is to provide you with a summary and a clear and practical oversight of the key differences between the requirements of IFRS and LUX GAAP. This summary takes new Standards and recent amendments regarding IFRS and LUX GAAP up to August 2017 into account.

You may have seen our first publication describing the differences between the two accounting frameworks. A lot of development and discussions have taken place since then. The issuance of IFRS 9, 15 and − to a certain extent − IFRS 16 was the result of getting many different views from those who were in favor and those who were against these standards. We believe that because of these standards, the gap between IFRS and LUX GAAP is getting larger.

In this brochure we have listed the differences between the new standards and LUX GAAP in the main part of the document, while the comparison with the old standards are included in the appendices.

This summary does not attempt to capture all of the differences that exist or that may be material to a particular entity’s financial statements. Our focus is on differences that are commonly found in practice. Moreover, the significance of these differences - and others not included in this list - will vary with respect to individual entities depending on such factors as the nature of the undertaking's operations, the industry in which it operates and the accounting policy it has chosen. As a result, reference to the underlying accounting standards is key in understanding the specific differences.

Special thanks goes to the main author of this brochure, Dr. Matthias Weimann, who contributed the last couple of months significant time to get his detailed knowledge of IFRS reflected in this document.

I would also like to thank Ana Dondera for her contribution as an experienced member of our IFRS Center of Excellence.

Also others contributed with valuable information to this brochure.

As this publication can only provide a general overview, we recommend you to approach your advisor in case you want to make an analysis of the differences between IFRS and LUX GAAP specific for your company. Although great care has been given to the publication Deloitte Audit and the authors will take no responsibility for any omissions.

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Abbreviations

AFS	Available for sale
CESR	Committee of European Securities Regulators
CNC	Commission des Normes Comptables
DIA	Date of Initial Application
EC	European Commission
ECL	Expected credit loss(es)
ED	Exposure Draft
EEA	European Economic Area (EU 28 + 3 countries)
EFRAG	European Financial Reporting Advisory Group
EIR	Effective interest rate
ESMA	European Securities and Markets Authority
EU	European Union (28 countries)
FASB	Financial Accounting Standards Board (US)
FVO	Fair value option
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GAAP	Generally Accepted Accounting Principle(s)
GDR	Grand Ducal regulation
HTC	Hold to collect (contractual cash flows)
HTM	Held to maturity
IAS(s)	International Accounting Standard(s)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee (predecessor to the IASB)
IFRSF	IFRS Foundation (parent body of the IASB)
IFRIC	International Financial Reporting Interpretations Committee of the IASB, and Interpretations issued by that committee

Abbreviations (continued)

IFRS(s)	International Financial Reporting Standard(s)
LAR	Loans and receivables
LCM/LOCOM	Lower of cost or market value
LUX GAAP	Law of 10 August 1915 on commercial companies, as amended and Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings
OCI	Other comprehensive income
PCN	Plan Comptable Normalisé
P&L	Profit or loss
PPE	Property, plant and equipment
SEC	Securities and Exchange Commission (US)
SIC	Standing Interpretations Committee of the IASC, and Interpretations issued by that committee
SPPI	Solely payments of principal and interest

Content

Content

A short history of international accounting

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Harmonizing global accounting standards

History

From its inception in 1973, the former International Accounting Standards Committee (IASC) worked towards harmonizing global accounting standards by developing standards that could serve as a model on which national standard setters could base their own requirements.

The IASC was replaced by the International Accounting Standards Board (IASB) effective in 2001. Its mission became the convergence of global accounting standards by developing a single set of enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users in making economic decisions.

The IASB has complete responsibility for all technical matters of the IFRS Foundation including:

- full discretion in developing and pursuing its technical agenda, subject to certain consultation requirements with the Trustees and the public
- the preparation and issuing of IFRSs (other than Interpretations) and exposure drafts, following the due process stipulated in the Constitution
- the approval and issuing of Interpretations developed by the IFRS Interpretations Committee

IFRS-US GAAP convergence

Background

The objective of this project is to eliminate a variety of differences between IFRS and US GAAP. The project, which is being done jointly by Financial Accounting Standards Board (FASB) and IASB, grew out of an agreement reached by the two boards in October 2002 (the "Norwalk Agreement").

This convergence project was of particular importance as:

- The US Securities and Exchange Commission (SEC) was considering whether to adopt, or allow, IFRS for use by domestic issuers in the United States, and gave consideration to the success of the convergence process as part of this assessment. As time of the writing, the SEC has not decided about the incorporation of the IFRSs into the US financial reporting system
- The Leaders of the Group of 20 (G20) issued a statement in 2009 calling for the convergence of accounting standards in the member nations by 2011. Whilst the original June 2011 deadline has not been met, subsequent G20 meetings in 2012 and 2013 reaffirmed the commitment to achieve convergence of accounting standards

Current status

The scope of the overall IASB-FASB convergence project has evolved over time. Whereas joint work on some projects has been discontinued, such as Government grants, Impairment or Income taxes, other joint projects led to converged standards, such as business combinations, consolidation, fair value measurement and revenue recognition. Other high-priority projects of both boards with divergent outcomes in some areas, have been completed by the IASB resulting in IFRS 9 *Financial Instruments* and IFRS 16 *Leases*.

As by now the convergence project is coming to an end and it is expected that no new projects will be added to the agenda.

A short history of international accounting (continued)

Use of IFRS in Europe

European Accounting Regulation effective from 2005

Listed companies

In 2002 the European Union (EU) approved an Accounting Regulation (the "IAS Regulation") requiring all EU companies listed on a regulated market (about 8,000 companies in total) to follow IFRS in their consolidated financial statements starting in 2005. The IFRS requirement applies not only in the 28 Member States of the EU but also in the three European Economic Area (EEA) countries. Most large companies in Switzerland (not an EU or EEA member) also apply IFRS.

Non-EU companies listed on an EU regulated market must file consolidated financial statements prepared using either IFRSs as adopted by the EU, IFRSs as issued by the IASB or a GAAP designated by the EC as equivalent to IFRSs. This includes companies from jurisdictions that have adopted IFRSs as their local GAAP, as long as the companies state a full compliance with IFRSs in their audited financial statements. As at April 2017, the GAAPs of the United States, Japan, Canada, China, South Korea and India have been designated as equivalent to IFRSs as adopted by the EU.

Unlisted companies and separate-company statements

EU Member States may also extend the IFRS requirement to non-listed companies and to separate (i.e. company-only) financial statements. Nearly all Member States permit some or all non-listed companies to use IFRS in their consolidated financial statements, and some permit it in separate financial statements.

Endorsement of IFRS for use in Europe

The EU Accounting Regime requires that IFRSs be adopted individually for use in the European Union ('endorsement'). The endorsement process involves the following steps:

- the European Commission (EC) translates the IFRSs into all European languages;
- the private-sector European Financial Reporting Advisory Group (EFRAG) provides endorsement advice to the EC;
- the EC's Accounting Regulatory Committee (ARC) makes an endorsement recommendation; and
- the EC submits the endorsement proposal to the European Parliament and to the 28-member Council of the EU. Both must not oppose (or in certain circumstances, approve) endorsement within three months, otherwise the proposal is sent back to the EC for further consideration.

The above mentioned process allows for amending the IASB version of IFRSs. Currently, only one such amendment ('carve-out') exists. It allows the use of fair value hedge accounting for interest rate hedges of banks' core deposits on a portfolio basis. Various reforms were implemented in 2014 to reflect recommendations of the 'Maystadt Review' of the governance of EU bodies in the field of financial reporting and accounting. However, the fundamental nature of the endorsement process was retained.

A short history of international accounting (continued)

Endorsement of IFRS for use in Europe (continued)

Besides various amendments to existing Standards and Annual Improvement Cycles also the following Standards have been endorsed lately (31 October 2017):

- IFRS 9 *Financial Instruments* (EU effective date 1 January 2018);
- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 (EU effective date 1 January 2018).

Regarding IFRS 14 *Regulatory Deferral Accounts* the EC has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

IFRS 16 *Leases* is expected to be endorsed before its effective date 1 January 2019.

Enforcement of IFRS in Europe

European securities markets are regulated by individual member states, subject to certain regulations adopted at the EU level. The most important European wide institution is the European Securities and Markets Authority (ESMA), being an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. ESMA was created by the European Commission in January 2011 and is the successor to the Committee of European Securities Regulators (CESR). In particular its main role is to promote the consistent application of IFRS and foster convergence of enforcement practices across Europe. ESMA issued guidelines on the enforcement of financial information (2014) and on Alternative Performance Measures (2015).

Other EU-wide regulations include:

- the Directive on Statutory Audit of Annual Accounts and Consolidated Accounts which was issued in September 2006. The new Directive replaced the 8th Directive and amended the 4th and 7th Directives. Among other things, the Directive adopted International Standards on Auditing throughout the EU and required Member States to form auditor oversight bodies; and amendments to EU directives that establish the collective responsibility of board members for a company's financial statements.

  In January 2011, the EC adopted a first decision in recognizing the equivalence of the audit oversight systems in 10 third countries. This decision allows for reinforced cooperation between member states and third countries which have been declared equivalent, so that they can mutually rely on each others' inspections of audit firms. The countries assessed as equivalent are Australia, Canada, China, Croatia, Japan, Singapore, South Africa, South Korea, Switzerland and the United States of America.

- The Accounting Directive 2013/34/EU that aims simplifying the accounting requirements for small companies and improving the clarity and comparability of companies' financial statements within the Union.

Brexit

The upcoming exit of the UK from the EU has triggered long lasting concerns for issuers of financial statements that are either based in the UK, or that have significant investments in the UK. The main area of concern is around the uncertainty of income tax, however also legal and operational challenges may keep managers busy.

A short history of international accounting (continued)

Use of IFRS in Luxembourg

While the application of IFRSs had already been included as an accounting option for credit institutions, insurance and re-insurance companies in Luxembourg, the Law of 10 December 2010 amending the Law of 19 December 2002 introduced this possibility also for undertakings referred to in Article 8 of the Commercial Code (i.e. sole traders, commercial companies, European economic interest groupings and economic interest groupings, with the exception of sole traders and small businesses in the form of partnerships, credit institutions and insurance or reinsurance undertakings and pension savings companies with variable capital), investment companies and investment holding companies.

These undertakings may prepare their accounts in accordance with Lux GAAP or IFRS as adopted by the EU. The application of IFRS is optional; however, it is mandatory for the consolidated accounts of companies whose securities (shares and bonds) are traded on a regulated market.

Lux GAAP also provides companies that have chosen this accounting framework with the option to value financial instruments, including derivative instruments, at fair value (fair value option).

Undertakings also have the option to value certain asset classes other than financial instruments with reference to their fair value. However the legislator has not defined such asset classes. Thus, it remains for the company, to determine to which asset classes it will apply fair value valuation.

Regardless of the option chosen, certain information required in Lux GAAP must nevertheless be disclosed in the notes to the accounts.

In addition, companies drawing up their accounts under IFRS should not file their trial balances with reference to the standard chart of accounts (plan comptable normalisé).

IFRSs continue to evolve. Since the last brochure was issued in 2013, there have been significant changes in the Standards. The most relevant changes, specifically with regards to new Standards, relate to IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, are dealt with in the following. This is important since globally, regulators have indicated that they will be paying particular attention to how entities explain the expected impact of these new Standards in annual and interim reports issued in the run-up to their implementation – so in Luxembourg. CSSF has also noted that they will be looking for both qualitative and quantitative disclosures in order for users to more fully understand the estimates and judgements made in this context.

Recent changes in IFRS

Recent changes in IFRS

IFRS 9

IFRS 9 *Financial Instruments* issued on 24 July 2014 is the IASB's replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. The EU effective date aligns with the IASB effective date. As a consequence, the Standard is mandatorily effective for periods beginning on or after 1 January 2018. IFRS 9 contains the guidance on the recognition, derecognition, classification and measurement of financial instruments, including impairment and hedge accounting.

The scope of IFRS 9 and IAS 39 are substantially aligned. A major difference is IFRS 9 extends the scope of financial instruments accounting to include more non-financial contracts than are permitted in IAS 39. IFRS 9 permits, at initial recognition, to irrevocably designate as measured at fair value through profit or loss a contract to buy or sell a non-financial item that can be settled net in cash or another financial asset, or by exchanging financial instruments, as if the contract was a financial instrument, that was entered into for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements. An entity may make this designation only if doing so eliminates or significantly reduces a recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from not recognising that contract because it is excluded from the scope of IFRS 9.

A further difference between the scope of IFRS 9 and IAS 39 is that the impairment requirements of IFRS 9 apply to all issued loan commitments that are not measured at fair value through profit or loss as compared to the scope of IAS 39 which requires issued loan commitments to be measured in accordance with IAS 37 if they are not in the scope of IAS 39.

IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements) since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project.

For a comparison of IFRS 9 with LuxGAAP refer to the relevant chapter within the brochure.

For a comparison of IAS 39 and Lux GAAP refer to Appendix 1.

IFRS 15

IFRS 15 *Revenue from Contracts with Customers* outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 was issued in May 2014 and is required to be applied for annual periods beginning on or after 1 January 2018. Besides others, it supersedes IAS 18 *Revenue*.

IFRS 15 is a complex Standard, introducing far more prescriptive requirements than were previously included in IFRSs, and it may result in substantial changes to revenue recognition policies for some entities. It requires the application of significant judgement in some areas, but in other areas it is relatively prescriptive, allowing little room for judgement.

Recent changes in IFRS (continued)

IFRS 15 (continued)

Whereas IAS 18 provides separate revenue recognition criteria for goods and services, this distinction is removed under IFRS 15. The new Standard focuses instead on the identification of performance obligations and distinguishes between performance obligations that are satisfied **'at a point in time'** and those that are satisfied **'over time'**, which is determined by the manner in which control of goods or services passes to the customer. The new model means that revenue may be recognized over time for some deliverables accounted for under IAS 18 as goods (e.g. some contract manufacturing); it also means that revenue may be recognized at a point in time for some deliverables accounted for under IAS 18 as services (e.g. some construction contracts).

Specific topics on which more prescriptive requirements have been introduced include:

- the identification of a contract with a customer;
- the identification of distinct performance obligations and the allocation of the transaction price between those obligations;
- accounting for variable consideration and significant financing components;
- recognition of revenue arising from licences; and
- presentation and disclosure of revenue from contracts with customers, and other balances related to revenue.

Other changes include:

- the scope of IFRS 15 has been expanded to cover costs relating to contracts, distinguishing between costs of obtaining a contract and costs of fulfilling a contract, and providing detailed guidance on when it is appropriate to capitalise such costs;
- whereas IAS 11 provides specific requirements for accounting for construction contracts, such contracts are accounted for in accordance with the general principles of IFRS 15;
- the recognition of interest revenue and dividend revenue are not within the scope of IFRS 15. These matters are now dealt with under IFRS 9 Financial Instruments; and
- specifically excluded from the scope of IFRS 15 are non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. This scope exclusion is different from the related guidance under [IAS 18:12] which refers to exchange transactions that are not regarded as transactions that generate revenue – these are transactions in which goods or services are "exchanged or swapped for goods or services which are of a similar nature and value".

The disclosures required by IFRS 15 are likely to be much more extensive than those previously provided in accordance with IAS 11 and IAS 18, and additional disclosures are also required in interim financial reports prepared in accordance with IAS 34 *Interim Financial Reporting*. In some cases, entities may need to consider changes to existing systems and processes in order to capture the information to be disclosed.

For a comparison of IFRS 15 with Lux GAAP refer to relevant chapter within the brochure. For a comparison of IAS 18 and Lux GAAP refer to Appendix 3.

Recent changes in IFRS (continued)

IFRS 16

IFRS 16 *Leases* is the IASB's replacement of IAS 17 *Leases* and specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. As a consequence, IFRS 16 will bring the vast majority of leases onto balance sheets.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019. At the date of preparation of this brochure, the standard has not been endorsed yet by the EU.

The main changes are the following:

Definition of a lease:

IFRS 16 introduces a control model for the identification of leases, in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. It distinguishes between leases and service contracts on the basis of whether a customer controls the use of an identified asset for a period of time.

Lessee accounting:

- For lessee accounting, the distinction between operating and finance leases in IAS 17 has been removed. All leases are brought 'on balance sheet' subject to limited exemptions for short-term leases and leases of low-value assets. Leases to which these exemptions are applied are accounted for by simply recognising an expense, typically straight-line, over the lease term
- Under IFRS 16, a lessee recognises a **'right-of-use' asset** for all leases (subject to specified exemptions), which represents its right to use the underlying leased asset for the period of the lease. Therefore, there has been a shift from the approach in IAS 17 under which, for finance leases, the accounting is designed to portray the nature of the arrangement as financing the acquisition of the underlying asset.
- Right-of-use assets are initially measured at estimated cost – based on the aggregate of lease payments already paid (reduced by any lease incentives), the lease liability, incremental costs of obtaining the lease, and an estimate of restoration costs to be incurred at the end of the lease. The restriction under IAS 17, specifying that the initial measurement of an asset recognized under a finance lease could not exceed the fair value of that asset, is no longer relevant.

Lessee accounting:

- The lease liability is measured initially at the present value of lease payments discounted using the discount rate implicit in the lease (or, if that rate cannot be readily determined, the lessee's incremental borrowing rate). As for the measurement of the right-of-use asset, the restriction based on the fair value of the leased asset has been removed. Subsequent measurement of the lease liability under IFRS 16 is similar to that for finance lease liabilities under IAS 17.
- The principles regarding the determination of the lease term are in line with those in IAS 17, but clarify the factors to consider in assessing whether extension options are likely to be exercised and that the assessment of break clauses is consistent with the assessment of extension options.

Recent changes in IFRS (continued)

IFRS 16 (continued)

- The lease payments to be included in the lease liability under IFRS 16 are largely in line with those recognised for finance leases under IAS 17. The new Standard provides guidance on 'in-substance' fixed payments and specifies different treatments for variable lease payments depending on their nature.
- The recognition of expenses associated with right-of-use assets (depreciation typically recognized on a straight-line basis) and lease liabilities (interest calculated using a constant rate of return method) represents probably the most significant impact of IFRS 16 on a lessee's net profit. Expectation for lessees will be:
    - more lease expenses recognized in the early periods of a lease, and less in the later; and
    - a shift in lease expense classification from operating expenses to financing costs and amortization;
- IFRS 16 introduces significantly expanded disclosure requirements as compared to IAS 17 by defining specific disclosures regarding right-of-use assets as well as lease liabilities.

Lessor accounting:

- For lessors, the requirements of IAS 17 have been carried forward largely intact, with the distinction between a finance lease and an operating lease being retained. Changes have been made in relation to the definition of a lease, and lessor disclosures.
- IFRS 16 also includes requirements and examples on subleases in the light of the new lessee accounting requirements, and requirements on lease modifications.

Sale and leaseback transactions

- Under IFRS 16, in a sale and leaseback transaction the seller must first assess whether the criteria in IFRS 15 for a sale to be recognized have been met – IAS 17 contains no equivalent requirement. If, under IFRS 15, a sale is to be recognized then the right-of-use asset leased back is measured as a proportion of the underlying asset's previous carrying amount, based on the liability for lease payments divided by the fair value of the underlying asset. This has the effect of restricting any profit recognized on disposal of the asset compared to the amount that would be recognized under IAS 17 in a sale and operating leaseback.

For a comparison of IFRS 16 with Lux GAAP refer to the relevant chapter within the brochure.

For a comparison of IAS 17 and Lux GAAP refer to Appendix 2

Use of IFRS in Luxembourg

Use of IFRS in Luxembourg

To summarize, companies(1) may now choose between different accounting rules or a combination, as follows:

Accounts type	Company type	IFRS	LUX GAAP	LUX GAAP + Fair Value Option	LUX GAAP: Information Required in the notes
Stand-alone accounts	Listed Companies	Option	Option	Option	Required
	Non-listed Companies	Option	Option	Option	Required
Consolidated accounts	Listed Companies	Required	N/A	N/A	N/A(2)
	Non-listed Companies	Option	Option	Option	Required

(1) Credit institutions, insurance and reinsurance companies and pension savings companies with variable capital shall, however, be excluded.

(2) Additional specific information needs to be disclosed in the notes.

Requirement	Luxembourg
Non-Listed Company Reporting	• LUX GAAP is the benchmark treatment for stand-alone accounts and consolidated accounts. • IFRS as adopted by the EU is permitted.
Listed Company Reporting	• IFRS as adopted by the EU is required for consolidated financial statements, and permitted for separate financial statements. • Rules are similar for subsidiaries of foreign companies and foreign companies listed on the Luxembourg Stock Exchange.
Other Considerations	• Tax considerations As Luxembourg has a dependent regime, the adoption of IFRS significantly impacts the tax position. Up to the date of this publication, the tax authorities have not yet issued an opinion on how the changes to the Law for the commercial companies will affect the tax assessment.

Use of IFRS in Luxembourg (continued)

Comparison of IFRS and LUX GAAP

- This brochure sets out the key differences between IFRS and LUX GAAP as of September 2017. This summary does not attempt to capture all of the differences that exist or that may be particular to an entity's financial statements. Our focus is on variations that are commonly found in practice.

- The significance of these - and others not included in this brochure - will vary between entities. It will depend on such factors as: the nature of the entity's operations, the industry in which it operates, and the accounting policy choices it has made. Reference to the underlying accounting standards and any relevant national regulations is essential in understanding the specific differences.

- You can keep up to date on later developments of IFRS via the IAS Plus website, which provides the most comprehensive information on the Internet about international financial reporting.

Overview of the Law of July 30, 2013 and the Law of December 18, 2015

Overview of the Law of July 30, 2013 and the Law of December 18, 2015

The aim of the Law of July 30, 2013 is to reform the CNC and to amend various provisions relating to companies' accounting and annual accounts and to the consolidated accounts of certain types of companies. Two key changes have been introduced:

- The optional scope of the principle of "substance over form" and
- Revised procedures governing the use of the fair value method;
  - Limiting the fair value option for other assets categories (only possible if it is authorized by IFRS);
  - Introducing a new requirement : accounting for deferred tax liabilities;
  - Tax implications of procedures governing the use of the fair value method;
  - Calculating distributable reserves (in case of fair value option / or adoption of IFRS):
    - to authorize the distribution of realized and substantially- realized profits;
    - to allocate unrealized profits (including related tax charges and first time adoption differences) to a non-distributable reserve.

Overview of the Law of July 30, 2013 and the Law of December 18, 2015

The Law of December 18, 2015 implements the new Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC Text with EEA relevance). The Law mainly:

- Impacts the layouts of the balance sheet and the profit and loss account;
- Introduces a materiality concept;
- Clarifies valuation methods (goodwill, research and development costs);
- Requires additional disclosure in the notes to the accounts.

The Law requires large undertakings and public-interest entities which are active in the extractive industry or logging of primary forests to draw up report on payments made to governments.

The Grand-Ducal Decree of December 18, 2015 prescribes the layouts of the balance sheet and the profit and loss account for financial years starting on or after January 1, 2016. The profit and loss account has been completely redesigned and is presented in the form of a list.

Qualitative characteristics of financial statements

Qualitative characteristics of financial statements

The objective of IFRS reporting is to provide useful financial information
Decision-usefulness is dependent on the following principles:

- Relevance of financial information:
- Financial information is relevant when it is capable of making a difference in the decisions made by users
- Materiality of information, as entity-specific aspect, must be taken into account
- Faithful representation of financial information (or "substance over form") to the extent possible:
- Complete: include all information required to understand what is being reported
- Neutral: no bias in the selection or presentation of financial information
- Free from error: no errors or omissions in the information reported and in the process used to produce it
- Comparability, verifiability, timeliness and understandability
- Cost constraint of financial reporting

Lux GAAP provides less detailed guidance:

- The annual accounts shall be drawn up clearly and give a true and fair view of the assets, liabilities, financial position and results of an entity,
- Financial information reported must be comparable and presented consistently,
- Financial information must be drawn up by applying consistent and prudent valuation methods,
- "Substance over form" is an option.

Notes

Presentation of Financial Statements

Presentation of Financial Statements

IAS/IFRS	IFRS	LUX GAAP
IAS 1 [IAS 1.15]	Purpose of financial statements Financial statements shall present fairly the financial position, financial performance and cash flows of an entity.	The annual accounts shall give a true and fair view of the undertaking's assets, liabilities, financial position and results [art 26 (3)].
IAS 1 [IAS 1.10]	Set of financial statements A complete set comprises 5 elements: • Statement of financial position, • Statement of profit or loss and other comprehensive income (OCI), • Statement of changes in equity, • Statement of cash flows, • Notes.	A complete set of annual accounts comprises 3 elements: • Balance sheet, • Profit and loss account, • Notes. Undertakings may include other financial statements in addition to the elements above [art 26 (1)]. Undertakings are also required, if conditions are met, to draw up a management report [art 68].
IAS 1 [IAS 1.25]	Going concern Financial statements should be prepared on a going concern basis unless management intends either to liquidate the entity or to cease trading, or has no realistic alternative but to do so.	In line with IFRS [art 51 (1)a].
IAS 1 [IAS 1.32]	Offsetting Offsetting assets and liabilities or income and expenses is forbidden except when required or permitted by an IFRS (e.g. refer to IAS 32.42).	Any offset between asset and liabilities or income and expenditure is prohibited unless an entity has a legally enforceable right to offset. In cases where such an offset has been performed, the amounts set-off shall be specified as gross amounts in the notes to the accounts [art 33 as modified by the Law of December 18, 2015].
IAS 1 [IAS 1.38] [IAS 1.38C]	Comparative information Except when IFRS permit or require otherwise, comparative information in respect of the preceding period should be presented for all amounts reported in the financial statements. Additionally an entity may present comparative information (including related note information), for example: • Voluntary information • Information that is required by law or other regulations	In line with IFRS. In respect of each balance sheet and profit and loss account item, comparative information must be shown [art 29 (2)].

Presentation of Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 1 [IAS 1.45]	Consistency of information Presentation and classification of items in the financial statements should be retained from one period to the next unless: • it is apparent that another presentation or classification would be more appropriate (due to significant change in the entity's operations or due to a review of the financial statements) • an IFRS requires a change in presentation	In line with IFRS. The mandatory layout of the balance sheet and the profit account is fixed by the Grand-Ducal Regulation of December 18, 2015. A deviation from the official layout is not allowed.
IAS 1 [IAS 1.54] [IAS 1.55]	Statement of financial position No fixed format, but requirement of line items to be presented as a minimum. Additional line items, headings and subtotals to be presented if relevant to an understanding of the financial position.	Fixed layout as required by the Law [art 34]. Abridged layout for undertakings below criteria [art 35].
IAS 1 [IAS 1.60]	Statement of financial position Current/non-current distinction, but liquidity order is permitted as well, if reliable and more relevant information provided (might be appropriate for financial institutions).	Fixed layout where assets are disclosed in order of increasing liquidity and liabilities in order of increasing refundability. Assets are split between fixed assets and current assets [art 34].
IAS 1 [IAS 1.61]	Statement of financial position Disclosure required of amount expected to be recovered or settled after more than 12 months.	The official layout of the balance sheet makes the distinction between amounts becoming due and payable within one year and those becoming due and payable after more than one year, except for financial fixed assets. Amounts owed by the undertaking and becoming due and payable after more than five years need to be disclosed in the notes to the accounts [art 65 1) 6°].
IAS 1 [IAS 1.81A] [IAS 1.81B]	Statement of profit or loss and other comprehensive income The statement shall present, in addition to the profit or loss and OCI sections, the profit or loss, the total OCI and the comprehensive income for the period, being the total of profit or loss and other comprehensive income. Moreover, the allocation of profit and loss as well as of OCI to non-controlling interests and owners of the parent shall be presented.	Includes the income and the charges of the entity [art 46].

Presentation of Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP

IAS 1
[IAS 1.10A]
	Statement of profit or loss and OCI
	An entity may present:
	• a single statement of profit or loss and OCI,
	• or in two separate statements :
	  • a statement displaying components of profit or loss (separate income statement),
	  • a second of other comprehensive income (statement of comprehensive income).
		Fixed layout as required by and included in the Law [art 46].
		Abridged layout for undertakings below criteria [art 47].

IAS 1 [IAS 1.10A] [IAS 1.81A]	Statement of profit or loss and OCI If an entity presents a separate statement of profit or loss it does not present the profit or loss section in the statement presenting comprehensive income. The separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.	Fixed layout as required by and included in the Law [art 46]. Abridged layout for undertakings below criteria [art 47].
IAS 1 [IAS 1.82]	Statement of profit or loss and OCI No fixed format, but minimum requirements of line items to be presented. If IFRS 9 is applied, entities are also required to disclose: • interest revenue calculated using the effective interest method separately from other revenue • gains and losses arising from derecognition of financial assets measured at amortised cost • impairment losses determined in accordance with section 5.5 (impairment) of IFRS 9 • gains or losses arising from reclassifications (including cumulative gains or losses previously recognized in OCI that is reclassified to profit or loss)	Fixed layout as required by and included in the Law [art 46]. Abridged layout for undertakings below criteria [art 47].

Presentation of Financial Statements (continued)

<table>
<tr><th>IAS/IFRS</th><th>IFRS</th><th>LUX GAAP</th></tr>
<tr><td>IAS 1
[IAS 1.7]</td><td>Statement of other comprehensive income:
OCI comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss and includes:
• changes in revaluation surplus;
• remeasurements of defined benefit plans;
• gains and losses arising from translating the financial statements of a foreign operation.
If IFRS 9 is applied :
• gains and losses from investments in equity instruments designated at FVTOCI in accordance with [IFRS 9:5.7.5];
• gains and losses on financial assets measured at FVTOCI in accordance with [IFRS 9:4.1.2A];
• effective portion of gains and losses on hedging instruments in a cash flow hedge and gains and losses on hedging instruments that hedge investments in equity instruments measured at FVTOCI in accordance with [IFRS 9:5.7.5];
• for particular liabilities designated as at FVTPL, amount of change in fair value that is attributable to changes in the liability’s credit risk.</td><td>Where a financial instrument is valued at fair value, each change in the value shall be included in the profit and loss account. However, such a change shall be included directly in equity, in a fair value reserve, where:
• the instrument accounted for is a hedging instrument under a system of hedge accounting that allows some or all of the change in value not to be shown in the profit and loss account; or
• the change in value relates to an exchange difference arising on a monetary item that forms part of a company's net investment in a foreign entity.

A change in the value on an available for sale financial asset, other than a derivative financial instrument, may be included directly in equity, in the fair value reserve.

The fair value reserve shall be adjusted when amounts shown therein are no longer necessary [art 64 quater].</td></tr>
<tr><td>IAS 1
[IAS 1.87]</td><td>Statement of other comprehensive income:
An entity shall not present any items of income or expense as extraordinary items, in the statement(s) presenting profit or loss and OCI or in the notes.</td><td>In line with IFRS.</td></tr>
</table>

Presentation of Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 1 [IAS 1.99]	Information presented in statement of profit or loss and OCI or the notes An analysis of expenses recognised in profit or loss should be provided using a classification based on either the nature of the expenses (e.g. depreciation, employee costs etc.) or their function within the entity (e.g. cost of sales, administrative expenses etc.). The choice of classification method should be based on whichever provides information that is reliable and more relevant.	Expenses are presented by nature [art 46], as classified in the layout fixed by the Grand-Ducal Regulation of December 18, 2015.
IAS 1 [IAS 1.106] [IAS 1.106A]	Statement of changes in equity Minimum information to be presented and additional information that can be also disclosed in the notes.	Not required but allowed as undertakings may include other financial statements in the annual accounts, in addition to the balance sheet, the profit and loss account and the notes to the accounts [art 26 (1)].
IAS 1 [IAS 1.111] [IAS 7.18]	Statement of cash flows Cash flows from operating, investing and financing activities to be presented separately. Cash flows from operating activities are presented either by direct or by indirect method.	Not required but allowed as undertakings may include other financial statements in the annual accounts, in addition to the balance sheet, the profit and loss account and the notes to the accounts [art 26 (1)].
IAS 1 [IAS 1.114, IAS 1.117 and following]	Notes • Statement of compliance with IFRS, • Accounting policies, • Information about key sources of estimation uncertainty, • Supporting information for items presented in statements above, • Other required by separate sections.	Accounting policies and valuation methods applied as well as other information required by the Law. Requirements are far less detailed than under IFRS [art 65 to 67].

Presentation of Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 1 [IAS 1.134]	Notes An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.	Not required, not addressed.
IAS 1 [IAS 1.136A]	Notes An entity shall disclose for puttable financial instruments classified as equity instruments quantitative information as well as information on expected cash flows on redemption or repurchase.	Not directly addressed. However, the existence of any profit units, convertible bonds, warrants, options or similar securities or rights, with an indication of their number and the rights they confer needs to be disclosed in the notes to the accounts [art 65 (1) 5°].
IAS 1 [IAS 1.137]	Notes An entity shall disclose the amount of dividends proposed or declared before the financial statements were authorized but not recognized as a distribution during the period and the related amount per share as well as the amount of any cumulative preference dividends not recognized.	Not required, not addressed.
IAS 1 [IAS 1.138]	Notes Unless disclosed elsewhere in information published with the financial statements, the following details should be disclosed: • the domicile and legal form of the entity; • its country of incorporation; • the address of its registered office (or principal place of business, if different); • a description of the nature of the entity's operations and its principal activities; • the name of the parent and the ultimate parent of the group; and • if the entity is a limited life entity, information about the length of its life.	Not directly addressed by the accounting law, except certain information regarding the entity drawing up consolidated accounts, if the entity itself is a subsidiary undertaking [art 65 (1) 16°]. It is common practice in Luxembourg to disclose the information required by IAS 1.128.

Principles and Policies

Principles and Policies

IAS/IFRS	IFRS	LUX GAAP
IAS 8 [IAS 8.7]	Selection of accounting policies: If the issue is specifically addressed by an IFRS, the accounting policy or policies applied to that item shall be determined by applying the IFRS.	No guidance is given. The annual accounts shall be drawn up clearly and give a true and fair view of the undertaking's assets, liabilities, financial position and results [art 26 (2) and (3)].
IAS 8 [IAS 8.10]	Selection of accounting policies: If it is not specifically addressed, management shall use its judgment in developing and applying an accounting policy.	Where in exceptional cases the application of a provision of the accounting law is incompatible with the true and fair view requirement, that provision must derogated from in order to assure the true and fair view and be disclosed in the notes to the accounts together with an explanation of its reasons and a statement of its impacts on the financial data [art 26 (5)].
IAS 8 [IAS 8.11]	Selection of accounting policies: Management shall refer to, and consider: • The requirements and guidance in IFRS dealing with similar and related issues, • The definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.	In line with IFRS.
IAS 8 [IAS 8.12]	Selection of accounting policies: Management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices to the extent that these do not conflict with IFRS and the Framework.	No guidance is given. The annual accounts shall be drawn up clearly and give a true and fair view of the undertaking's assets, liabilities, financial position and results [art 26 (2) and (3)].
IAS 8 [IAS 8.13]	Consistency of accounting policies An entity shall select and apply its accounting policies consistently for similar transactions, unless an IFRS specifically requires or permits categorization of items for which different policies may be appropriate.	The layout of the balance sheet and of the profit and loss account may not be changed from one financial year [art 28]. Accounting policies and measurement basis may not be modified from one financial year to another [art 51 (1) b].

Principles and Policies (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 8 [IAS 8.14(a)] [IAS 8.14(b)] [IAS 8.15] [IAS 8.19(a)] [IAS 8.19(b)]	Changes in accounting policy: To keep comparability over time within the financial statements an entity shall change an accounting policy only if the change: • is required by an IFRS; or • results in more reliable and more relevant information on the entity's financial position, financial performance or cash flows. When an entity initially applies an IFRS, the change is accounted for in accordance with the specific transitional provisions of that IFRS. When an entity changes an accounting policy upon initial application of an IFRS that does not include specific transitional provisions, or changes an accounting policy voluntarily, it shall apply the change retrospectively.	The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year [art 51 (1) f)], meaning that retrospective application is not allowed. Where the figures from one year are not comparable to figures of the next year and where figures of the preceding year have been adapted, this must be disclosed in the notes to the accounts, with relevant comments [art 29 (2)].
IAS 8 [IAS 8.36] [IAS 8.38]	Changes in accounting estimates: The effect of a change in an accounting estimate is recognized prospectively by including it in the profit or loss in: • the period of the change, if the change affects that period only; or • the period of the change and future periods, if the change affects both.	In line with IFRS.
IAS 8 [IAS 8.43 to IAS 8.46]	Correction of prior period errors: A prior period error is corrected by retrospective restatement, except to the extent that it is impracticable to determine either: • the period-specific effects; or • the cumulative effect of the error. The correction of the prior period error is excluded from the profit or loss in the period of discovery.	The opening balance sheet for each financial year must correspond to the closing balance sheet for the preceding financial year [art 51 (1) f)], meaning that restatement is generally forbidden. The impact of such a prior year adjustment would be reallocated to the concerned account and commented in the notes to the accounts [art 29 (2)].

Fair Value Measurement

Fair Value Measurement

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.5 and IFRS 13.6]	Scope IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: • share-based payment transactions within the scope of IFRS 2 *Share-based Payment*; • leasing transactions within the scope of IAS 17 *Leases*; and • measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.	Fair value measurement is an option in Lux GAAP. As regards the measurement of financial instruments not qualifying for fair value measurement under Lux GAAP, the measurement of financial instruments in accordance with IFRS is permitted in combination with the respect of the associated disclosure requirements [Art. 64bis (5bis)]. Undertakings may also measure specified categories of assets other than financial instruments at fair value if authorized by IFRS [Art. 64 (sexies)].
IFRS 13 [IFRS 13.9] [IFRS 13.24]	Definition The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As a result fair value is an exit price.	Fair value shall be determined by reference to [Art. 64 ter]: • a market value for those financial instruments for which a reliable market can be readily identified. Where a market value is not readily identifiable for an instrument, but can be identified for its components or for a similar instrument, the market value may be derived from that of its components or of the similar instrument; • a value resulting from generally accepted valuation models and techniques, for those instruments for which a reliable market cannot be readily identifiied. Such valuation models and techniques shall ensure reasonable approximation of the market value.

Fair Value Measurement (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.11]	The asset or liability A fair value measurement is for a particular asset or liability. This means that fair value shall be measured by an entity taking into account the characteristics of the asset or liability that market participants would take into account when pricing it at the measurement date, such as condition or location of the item, or restriction, if any, on sale or use of the item.	Not specified in Lux GAAP.
IFRS 13 [IFRS 13.15]	The transaction A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.	Not specified in Lux GAAP.
[IFRS 13.16]	A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.	
[IFRS 13 Appendix A]	The principal market is the market with the greatest volume and level of activity for the asset or liability.	
[IFRS 13 Appendix A]	The most advantageous market is the one that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.	
[IFRS 13.19]	The entity must have access to the principal (or most advantageous) market at the measurement date.	

Fair Value Measurement (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13 Appendix A]	Market participants Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability, being independent of each other and knowledgeable, able and willing to enter into the transaction and willing.	Not specified in Lux GAAP.
[IFRS 13.22]	Fair value shall be measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.	
IFRS 13 [IFRS 13.27 and 28]	Non-financial assets – highest and best use Non-financial asset fair value shall be determined on the basis of its highest and best use that is physically possible, legally permissible, and financially feasible.	Not specified in Lux GAAP.
[IFRS 13.29]	Highest and best use is determined from the perspective of market participants, although the entity might intend a different use. Nevertheless, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market suggests that a different use by market participants would maximise the value of the non-financial asset.	
IFRS 13 [IFRS 13.61 and IFRS 13.67]	Valuation techniques An entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.	Not specified in Lux GAAP.

Fair Value Measurement (continued)

IAS1/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.62] [IFRS 13 Appendix A] [IFRS 13.63]	Valuation techniques The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants and the measurement date under current market conditions. Three widely used valuation techniques are: • market approach: uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business) • cost approach: reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost) • income approach: converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts In some cases, a single valuation technique will be appropriate, whereas in others multiple valuation techniques will be appropriate.	Not specified in Lux GAAP.
IFRS 13 [IFRS 13.65]	Changes in valuation techniques Once a valuation technique has been selected, it should be applied consistently. A change in a valuation technique or its application (e.g. a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is only appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. IFRS 13 provides the following examples of events that might appropriately lead to a change in valuation technique: • new markets develop; • new information becomes available; • information previously used is no longer available; • valuation techniques improve; or • market conditions change.	Not specified in Lux GAAP.

Fair Value Measurement (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.72]	Fair value hierarchy – Overview IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a fair value hierarchy. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.	Not specified in Lux GAAP.
[IFRS 13.73]	If the inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement).	
IFRS 13 [IFRS 13.76]	Fair value hierarchy – Level 1 inputs Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.	Not specified in Lux GAAP.
[IFRS 13.77]	Such an adjusted price is the most reliable evidence of fair value and is used to measure fair value whenever available, with limited exceptions.	
[IFRS 13.80]	If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.	

Fair Value Measurement (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.81]	**Fair value hierarchy – Level 2 inputs** Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.	Not specified in Lux GAAP.

[IFRS 13.82]	Such inputs include:
	• quoted prices for similar assets or liabilities in active markets
	• quoted prices for identical or similar assets or liabilities in markets that are not active
	• inputs other than quoted prices that are observable for the asset or liability, for example
	    • interest rates and yield curves observable at commonly quoted intervals
	    • implied volatilities
	    • credit spreads
	• inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs)	

IFRS 13 [IFRS 13.86]	**Fair value hierarchy – Level 3 inputs** Level 3 inputs are unobservable inputs for the asset or liability.	Not specified in Lux GAAP.
[IFRS 13.87 to IFRS 13.89]	Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available.	

Fair Value Measurement (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.91]	Disclosure IFRS 13 requires an entity to disclose information that helps users of its financial statements assess both of the following: • for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements • for fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period	Where fair valuation of financial instruments has been applied the notes to the accounts shall disclose [Art. 64 quinquies] : • the significant assumptions underlying the valuation models and techniques used to determine fair value when it has not been determined by reference to a market value; • per category of financial instruments, the fair value, the changes in value included directly in the profit and loss accounts as well as changes included in the fair value reserve; • for each class of derivative financial instruments, information about the extent and the nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows; and • a table showing movements in the fair value reserve during the financial year. When fair valuation of assets other than financial instruments has been applied the notes to the accounts shall disclose [Art. 64 octies] : • the significant assumptions underlying the valuation models and techniques used to determine fair value when it has not been determined by reference to a market value; • per category of asset, the fair value at closing date and the changes in value that occurred during the financial year; • for each class of asset, information about significant terms and conditions that may affect the amount and certainty of future cash flows. As regards the measurement of financial instruments not qualifying for fair value measurement under LUX GAAP, the measurement of financial instruments in accordance with IFRS is permitted and the associated IFRS disclosure requirements apply [Art. 64bis (5bis)].

Fair Value Measurement (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 13 [IFRS 13.93]	**Disclosure** IFRS 13 requires various disclosures depending on the nature of the fair value measurement, including among others: • the fair value measurement at the end of the reporting period; • the level of the fair value hierarchy within which the fair value measurements are categorised in their entirety; • for non-recurring fair value measurements, the reasons for the measurement; • information about transfers between levels 1 and 2 (e.g. amounts, reasons); • for fair value measurements categorised in levels 2 and 3, information on valuation technique(s) and inputs used, as well as on changes in the valuation techniques, if any; • for fair value measurements categorised in level 3, a reconciliation from the opening balances to the closing balances, quantitative information about the significant unobservable inputs used, a description of the valuation processes used by the entity and information on the sensitivity of the fair value measurement to changes in unobservable inputs; • if the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.	Where fair valuation of financial instruments has been applied the notes to the accounts shall disclose [Art. 64 quinquies] : • the significant assumptions underlying the valuation models and techniques used to determine fair value when it has not been determined by reference to a market value; • per category of financial instruments, the fair value, the changes in value included directly in the profit and loss accounts as well as changes included in the fair value reserve; • for each class of derivative financial instruments, information about the extent and the nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows; and • a table showing movements in the fair value reserve during the financial year. When fair valuation of assets other than financial instruments has been applied the notes to the accounts shall disclose [Art. 64 octies] : • the significant assumptions underlying the valuation models and techniques used to determine fair value when it has not been determined by reference to a market value; • per category of asset, the fair value at closing date and the changes in value that occurred during the financial year; • for each class of asset, information about significant terms and conditions that may affect the amount and certainty of future cash flows. As regards the measurement of financial instruments not qualifying for fair value measurement under LUX GAAP, the measurement of financial instruments in accordance with IFRS is permitted and the associated IFRS disclosure requirements apply [Art. 64bis (5bis)].
[IFRS 13.99]	Quantitative disclosures are required to be presented in a tabular format unless another format is more appropriate.	

Property, Plant and Equipment

Property, Plant and Equipment

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.6]	Definitions Property, plant and equipment are tangible items that are: • held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and • expected to be used during more than one period. Investment property, including property being constructed or developed for future use as investment property, is within the scope of IAS 40 *Investment Property*.	Tangible fixed assets shall comprise assets which are intended for use on a continuing basis for the purposes of the undertaking's activity [art. 39.2] Tangible assets include [art 34]: • land and buildings; • plant and machinery; • other fixtures and fittings, tools and equipment; • payments on account and tangible assets in course of construction.
IAS 16 [IAS 16.7]	Recognition To qualify for recognition, general principles set out in the IFRS Framework apply, meaning that the cost of an item of property, plant and equipment must meet the following criteria: • it is probable that future economic benefits associated with the item will flow to the entity; and • the cost of the item can be measured reliably.	Tangible fixed assets shall comprise assets which are intended for use on a continuing basis for the purposes of the undertaking's activity [art. 39.2] The Law is silent on recognition criteria. In practice, recognition is based on the transfer of ownership (legal approach). Recognition can also be based on the substance over form principle, which is an option in LUX GAAP [art. 29.3].
IAS 16 [IAS 16.8]	Tangible fixed assets versus inventory: Items such as spare parts, stand-by equipment and servicing equipment are recognised as tangible fixed assets when they meet the above criteria. Otherwise, they are classified as inventory.	Items such as spare parts, stand-by equipment and servicing equipment are recognized as fixed assets when they are intended for use on a continuing basis. Otherwise they are treated as inventory.

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.15]	Measurement at recognition When an item of property, plant and equipment qualifies for recognition as an asset, it should initially be measured at its cost.	Fixed assets must be valued at purchase price or production cost [art. 55.1]. In addition to the price paid, the purchase price includes the expenses incidental thereto [art. 55.2].
[IAS 16.16] [IAS 16.17]	At initial measurement, the cost of an item of property, plant and equipment includes: • its purchase price including import duties and non-refundable purchase taxes with deduction of trade discounts and rebates; • any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management (costs of site preparation, initial delivery and handling costs, costs of testing proper functioning of the asset, professional fees); • the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.	Production cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the product in question. A reasonable proportion of the costs which are only indirectly attributable to the product in question may be added into the production costs to the extent to which they relate to the period of production [art. 55.3].
IAS 16 [IAS 16.12]	Treatment of servicing costs: The costs of the day-to-day servicing (including primarily labour and consumable costs and eventually small parts costs) of the item are not recognised in the carrying amount of an item of property, plant and equipment. They are recognised in profit or loss as incurred. Such costs are often described as "repairs and maintenance" costs.	Subsequent expenditures which are only intended to maintain the performance of fixed asset and do not enhance or increase the economic life of the tangible fixed assets shall not be capitalised.

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.13]	Treatment of replacement costs Parts of items of property, plant and equipment may require replacement at regular intervals. The cost of replacing of such parts are recognized in the carrying amount of the items of property, plant and equipment when that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised.	Not addressed. Subsequent expenditures which enhance or increase the economic life of the tangible fixed assets shall be capitalised.
IAS 16 [IAS 16.14]	Major inspection costs The cost of regular major inspections for faults regardless of whether parts of the item are replaced shall be recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.	Provision needs to be accrued for those costs, in profit and loss account, as such expenditures which are only intended to maintain the performance of fixed asset and do not enhance or increase the economic life of the tangible fixed assets shall not be capitalised.
IAS 16 [IAS 16.23]	Deferred payment If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit unless such interest is capitalized in accordance with IAS 23.	Not addressed, but the presentation of amounts within the financial statements may have regard to the substance of the relevant transaction or arrangement.
IAS 16 [IAS 16.29]	Measurement after recognition After recognition, an entity shall choose either the cost model or the revaluation model as its accounting policy for measurement after recognition and shall apply that policy to an entire class of property, plant and equipment.	The revaluation model is not available for entities preparing their annual accounts in accordance with the LUX GAAP fair value option. The revaluation model should not be confused with the fair value model. Consequently, the fair value option is not available for tangible fixed assets, except for property held for rentals and/or for capital appreciation [Q&A CNC 14/002].

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.30]	Cost model: After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.	In line with IFRS [art. 55]
IAS 16 [IAS 16.31] [IAS 16.36] [IAS 16.38] [IAS 16.39]	Revaluation model: After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value (see IFRS 13 *Fair Value Measurement*) at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value. When an item is revalued, the entire class of property, plant and equipment to which that item belongs is required to be revalued. This is to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and valuations at different dates. An increase of an asset's carrying amount resulting from a revaluation is recognised as a credit in other comprehensive income unless it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease of an asset's carrying amount resulting from a revaluation is recorded as a debit in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. Any decrease in excess of the existing surplus is recorded as an expense in profit or loss.	The revaluation model is not allowed under LUX GAAP.

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.43]	Depreciation Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.	Not addressed, no distinction foreseen but an approach by component is possible [Q&A CNC 16/007].
IAS 16 [IAS 16.6] [IAS 16.50]	Depreciable amount and its allocation The depreciable amount, determined after deduction of the residual value, shall be allocated on a systematic basis over its useful life.	No provision concerning residual value but in practice, the residual value is assumed to be nil. Fixed assets with limited useful economic lives must be reduced by value adjustments calculated to write off the value of such assets systematically over their useful economic lives [art 55 (1)b)]. However, it is possible when fixing the depreciation base, to consider a residual value for tangible fixed assets with useful economic lives [Q&A CNC 16/007].
IAS 16 [IAS 16.6] [IAS 16.53] [IAS 16.51]	Residual value and its review The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life (often insignificant in practice and therefore immaterial in the calculation of the depreciable amount). The residual value shall be reviewed at least at each financial year-end. The change(s) shall be accounted for as a change in accounting estimate.	No provision concerning residual value. In practice, the residual value is assumed to be nil. Fixing a residual value is possible. The estimation of the residual value and its periodic review are under the responsibility of the administrative or management bodies of the entity [Q&A CNC 16/007].
IAS 16 [IAS 16.60] [IAS 16.61]	Depreciation method The depreciation method used should be that which reflects most closely the pattern in which the asset's economic benefits are expected to be consumed. The depreciation method applied to an asset shall be reviewed at least annually and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.	Not permitted.

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.62A]	Depreciation method It is not appropriate to use a depreciation method which is based on revenue that is generated by an activity that includes the use of an asset.	Tangible fixed assets are systematically depreciated over their useful economic lives.
IAS 16 [IAS 16.63]	Impairment An entity should refer to the requirements of IAS *36 Impairment of Assets* to determine whether an item of property, plant and equipment is impaired. IAS 36 explains how an entity reviews the carrying amount of its assets, how it determines the recoverable amount of an asset, and when it recognizes or reverses an impairment loss.	The way how impairment is determined, is not addressed in LUX GAAP. Value adjustments must be made, whether the useful economic lives of fixed assets are limited or not, to show them at their lower value, if the reduction in value is deemed to be permanent [art 55 (1) c) aa]. This must be made separately for land an buildings with no possibility for compensation a gain on one item with a loss on the other (separate impairment recognition for land and buildings). Fixed assets may be subject to exceptional value adjustments for taxation purposes [art 55 (1)d].
IAS 16 [IAS 16.65]	Compensation of an impairment When an asset is impaired, lost or given up, any compensation from third parties is included in profit or loss when the compensation becomes receivable. Examples of such circumstances include: • reimbursements by insurance companies after the impairment or loss of items of property, plant and equipment (e.g. due to natural disasters, theft etc.); • indemnities by governments for items of property, plant and equipment that are expropriated (e.g. compulsory purchase of land to be used for public purposes); • compensation related to the involuntary conversion of items of property, plant and equipment (e.g. relocation of facilities from a designated urban area to a non-urban area in accordance with government land policy); and • physical replacement in whole or in part of an impaired or lost asset.	The Luxembourg PCN foresees indemnities from insurance companies to be shown under "Other operating profit". Tax on gains on certain fixed assets held for more than five years may be deferred against the cost of replacement assets acquired in the same tax year or within two years thereafter, subject to be allocated to "Reserve – Temporarily not taxable capital gains".

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.67]	Derecognition The carrying amount of an item of property, plant and equipment should be derecognized: • on disposal; or • when no future economic benefits are expected from its use or disposal.	Not addressed in LUX GAAP, the general approach is to deal with the matter in a similar way.
IAS 16 [IAS 16.68]	Gain and loss arising from derecognition When an item of property, plant and equipment is derecognized, the gain or loss arising shall be included in profit or loss. The gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.	Not addressed in LUX GAAP, the general approach is to deal with the matter in a similar way. There is a possibility to defer tax on gains on certain fixed assets held for more than five years by allocating such gains to "Reserve – Temporarily not taxable gains".
[IAS 16.71]	When a revalued asset is disposed of, any credit balance on the revaluation reserve attributable to that asset may be transferred directly to retained earnings (though such a transfer is not mandatory) but must not be reflected in profit or loss.	The revaluation model is not allowed under Lux GAAP.

Property, Plant and Equipment (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 16 [IAS 16.73]	Disclosure Disclosures comprise for each class of property plant and equipment: • methods applied (model chosen for subsequent measurement, depreciation method used, useful lives or depreciation rates used), • together with the gross carrying amount and • the accumulated depreciation at the beginning and the end of the period. Moreover, a reconciliation of the carrying amount at the beginning and end of the period (additions, acquisitions through business combinations, assets classified as held for sale, impairment losses reversed in profit or loss and net exchange differences arising on the translation of the financial statements) shall be disclosed.	LUX GAAP requires to disclose the valuation methods applied to PPE and the methods employed in calculating value adjustments [art. 65(1)1]. In addition, the movements in the various fixed asset headings (additions, disposals and transfers during the financial year and the rectifications made during the financial year to the value adjustments of previous financial years) shall be disclosed in the balance sheet or in the notes to the accounts [art. 39(3)a)], except for small sized companies [art. 39(5)]. If fixed assets are the subject of exceptional value adjustments for taxation purposes alone, the amount of the adjustments and the reasons for making them shall be indicated in the notes to the accounts [art. 55(1)d)]. Any collateral granted on assets shall be disclosed [art. 38].
[IAS 16.74]	The financial statements shall also disclose: • the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities, • the amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction, • the amount of contractual commitments for the acquisition of property, plant and equipment, and • the amount of compensation from third parties for items of property, plant, and equipment that were impaired, lost or given up that is included in profit or loss.	For tangible fixed assets subsequently measured at fair value, an entity shall disclose: [art. 64 octies]. • the main assumptions used in relation to the models and valuation techniques to arrive at the fair value, when fair value was not determined by reference to a market value; • for each class of asset, the fair value at the end of the reporting period and the movements of fair value incurred in the financial period; • for each class of asset, information about significant terms and conditions that may affect amount and timing and certainty of cash flows.

Investment Property

Investment Property

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.5]	Definitions Investment property is property held by the owner (or by the lessee under a finance lease (if IAS 17 is applied)/or by the lessee as a right-of-use asset if IFRS 16 is applied) to earn rentals or for capital appreciation or both, rather than for: • use in the production or supply of goods or services or for administrative purposes (Owner-occupied property); or • sale in the ordinary course of business.	Investment properties are not addressed separately under LUX GAAP. They are included as fixed assets provided that they are intended for use on a continuing basis for the purposes of the undertakings' activity [art. 39] As rights to immovable assets and other similar rights as defined by civil Law, they are to be shown under "Land and Buildings" [art. 40].
IAS 40 [IAS 40.7] [IAS 40.10]	Classification as investment or owner-occupied property Investment property is distinct from owner-occupied property insofar as it generates cash flows that are largely independent of the other assets held by the entity. Mixed use property (partly held to earn rentals or for capital appreciation and partly used by the owner) must be split with components accounted for separately if these components could be sold separately. If components could not be sold separately, but an insignificant portion is held for own use the property is investment property.	Not defined. Investment property is included under tangible fixed assets if intended to be used on a continuing basis for the purpose of the undertaking's activity.
IAS 40 [IAS 40.16]	Recognition Investment property shall be recognised as an asset when and only when: • it is probable that future economic benefits associated with the item will flow to the entity; and • the cost of the item can be measured reliably.	Tangible fixed assets shall comprise assets which are intended for use on a continuing basis for the purposes of the undertaking's activity [art. 39.2]. The Law is silent on recognition criteria. In practice, recognition is based on the transfer of ownership (legal approach). Recognition can also be based on the substance over form principle, which is an option in LUX GAAP [art. 29.3].

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.17]	Recognition The investment property costs are recognised at the time they are incurred. Such costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property.	Subsequent expenditures which are only intended to maintain the performance of fixed asset and do not enhance or increase the economic life of the tangible fixed assets shall not be capitalised.
IAS 40 [IAS 40.18]	Subsequent costs The costs of the day-to-day servicing (including primarily labour and consumable costs and eventually minor parts costs) of an investment property are not recognised in the carrying amount of an investment property. They are recognised in profit or loss as incurred. Such costs are often described as “repairs and maintenance” costs.	Subsequent expenditures which are only intended to maintain the performance of fixed asset and do not enhance or increase the economic life of the tangible fixed assets shall not be capitalised.
IAS 40 [IAS 40.19]	Subsequent costs Parts of investment properties may have been acquired through replacement (e.g. replacement of interior walls). The cost of replacing part of an existing investment property is recognised in the carrying amount of the investment property at the time it is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised.	Not addressed. Subsequent expenditures which enhance or increase the economic life of the tangible fixed assets shall be capitalised.

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.20]	Measurement at recognition An investment property shall be measured initially at cost including transaction costs.	Investment properties are not addressed separately under LUX GAAP. General provision for fixed assets apply: fixed assets must be valued at purchase price or production cost [art. 55.1].
[IAS 40.21]	The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure (e.g. professional fees for legal services, property transfer taxes and other transaction costs).	In addition to the price paid, the purchase price includes the expenses incidental thereto [art. 55.2].
[IAS 40.23]	The cost is not increased by: • start-up costs, • operating losses before the investment property achieves planned level of occupancy, and • abnormal costs incurred in constructing or developing the property (wasted material, labour or other resources).	Production cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the product in question. A reasonable proportion of the costs which are only indirectly attributable to the product in question may be added into the production costs to the extent to which they relate to the period of production [art. 55.3].
IAS 40 [IAS 40.24]	Deferred payments The cost of an investment property for which payment is deferred is the cash price equivalent of the deferred payments. The difference between the cash price equivalent recognised at initial measurement, and the total payments made, is recognised as an interest expense over the period of credit, i.e. the period from the point of receipt of the property until the point of settlement of the related liability.	Not addressed, but the presentation of amounts within the financial statements may have regard to the substance of the relevant transaction or arrangement.

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.30]	Accounting policy An entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property.	Investment properties are not addressed separately under LUX GAAP. General provision for fixed assets apply: in addition to the cost model, valuation with reference to the fair value method is permitted [art. 64sexies].
IAS 40 [IAS 40.32]	Accounting policy All entities are required to measure the fair value of investment property, either for measurement or disclosure. For this purpose, the valuation by an independent valuer is encouraged but not required.	Entities using the cost model are not required to disclose the fair value of their land and buildings.
IAS 40 [IAS 40.33]	Fair value model After initial recognition, an entity that chooses the fair value model shall measure all of its investment property at fair value, except it is unable to measure fair value reliably (when the market for comparable properties is inactive and alternative reliable measurements of fair value are not available).	Valuation with reference to the fair value is permitted [art. 64sexies].
IAS 40 [IAS 40.35]	Fair value model A gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.	Undertakings may state in the profit and loss account any change in the value resulting from the valuation of an asset at its fair value [art. 64septies].
IAS 40 [IAS 40.40]	Fair value model When measuring the fair value of an investment property, in accordance with IFRS 13, an entity shall ensure that the fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions.	Fair value shall be determined by reference to : • a market value; • a value resulting from generally accepted valuation models and techniques which shall ensure a reasonable approximation of the market value [art. 64ter].

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.56]	Cost model After initial recognition, an entity that chooses the cost model shall measure all of its investment properties in accordance with IAS 16's requirements for that model, other than those that meet the criteria to be classified as held for sale with IFRS 5. When IFRS 16 is applicable, investment property should be measured in accordance with IFRS 16 *Leases* if It is held by a lessee as a right-of-use asset and is not held for sale in accordance with IFRS 5.	Investment properties are not addressed separately under LUX GAAP. General provision for fixed assets apply which shall be carried at cost less accumulated value adjustments [art. 55].
IAS 40 [IAS 40.31]	Change in accounting policy A change form one model to another is permitted only if it will result in a more reliable and relevant information, which is highly unlikely to occur in the case of a change from fair value model to cost model.	Any change in the accounting policy, must be disclosed in the notes, with an assessment of its effect on the financial position and the profit or loss of the current year [art. 29 (4)].
IAS 40 [IAS 40.57]	Transfers Transfers to, or from, investment property should only be made when there is a change in use, evidenced by one or more of the following: (note that this list was changed from an exhaustive to an non-exhaustive list of examples by Transfers of Investment Property in December 2016 effective 1 January 2018) • commencement of owner-occupation (transfer from investment property to owner-occupied property); • commencement of development with a view to sale (transfer from investment property to inventories); • end of owner-occupation (transfer from owner-occupied property to investment property); • commencement of an operating lease to another party (transfer from inventories to investment property); • end of construction or development (transfer from property in the course of construction/development to investment property.	Not specifically addressed. Investment property is maintained under Fixed assets as long as it is intended for use on a continuing basis for the purpose of the undertaking's activity. Whether particular assets are to be shown as fixed assets or current assets shall depend upon the purpose for which they are intended. If property is held for sale in the ordinary course of business it shall be disclosed under current assets (inventory).

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.60] [IAS 40.61] [IAS 40.63] [IAS 40.65]	Transfers The following rules apply for accounting for transfers between categories: • for a transfer from investment property carried at fair value to owner-occupied property or inventories, the fair value at the change of use is the 'cost' of the property under its new classification • for a transfer from owner-occupied property to investment property carried at fair value, IAS 16 should be applied up to the date of reclassification. Any difference arising between the carrying amount under IAS 16 at that date and the fair value is dealt with as a revaluation under IAS 16 • for a transfer from inventories to investment property at fair value, any difference between the fair value at the date of transfer and it previous carrying amount should be recognized in profit or loss • when an entity completes construction/development of an investment property that will be carried at fair value, any difference between the fair value at the date of transfer and the previous carrying amount should be recognized in profit or loss When an entity uses the cost model for investment property, transfers between categories do not change the carrying amount of the property transferred, and they do not change the cost of the property for measurement or disclosure purposes	Not specifically addressed. Transfers are made at accounting values and in accordance with the prudence principle, gains shall be accounted for once realized.

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.66]	Derecognition An investment property should be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.	Not specifically addressed, but similar approach.
[IAS 40.66 & 40.69]	The gain or loss on disposal should be calculated as the difference between the net disposal proceeds and the carrying amount of the asset and should be recognized as income or expense in the income statement.	
[IAS 40.72]	Compensation from third parties is recognized when it becomes receivable.	

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.75]	Disclosure An entity must disclose: • whether the fair value or the cost model is used; • circumstances in which interests in properties held under operating leases have been classified and accounted for as investment property if fair value applied; • criteria used to distinguish investment property from owner-occupied property or property held for sale, when such distinction is difficult; • the methods and significant assumptions applied in determining the fair value of investment property; • the extent of independent valuation; • amounts recognised in profit or loss for rental income, direct operating expenses (including repairs and maintenance) arising from investment property with a distinction between investment property that generated rental income during the period and investment property that did not generate rental income during the period and the cumulative change in fair value recognised in profit or loss on a sale from a pool of assets in which the cost model is used into a pool in which the fair value model is used. Other disclosures include: • existence and amounts of restrictions on the realization of investment property or the remittance of income and proceeds of disposal; • contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.	Not specifically addressed. Requirements are the same as for property, plant and equipment.

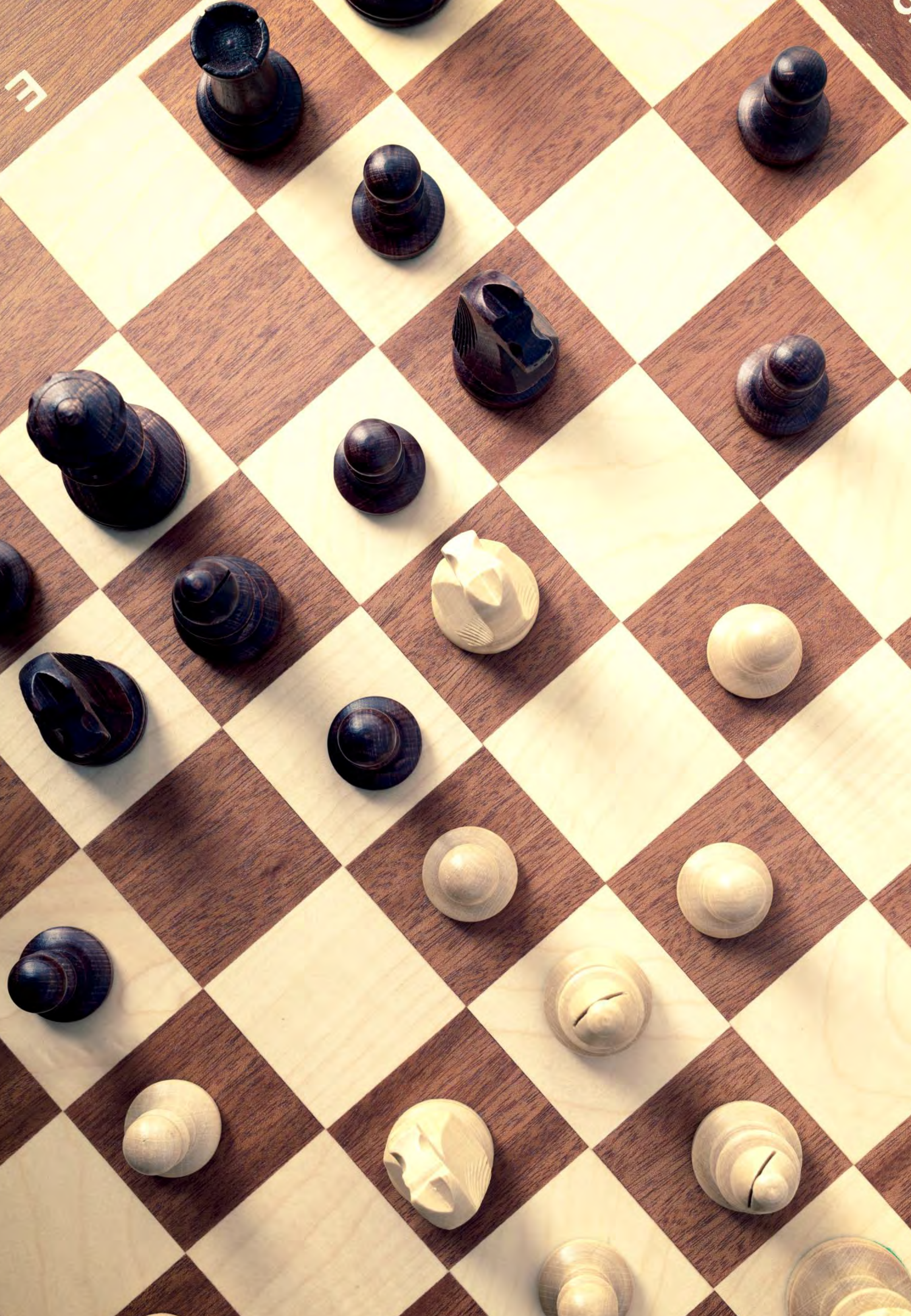
Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.76 and following]	Additional Disclosures for the Fair Value Model • a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing additions, disposals, fair value adjustments, net foreign exchange differences, transfers to and from inventories and owner-occupied property, and other changes; • and significant adjustments to an outside valuation (if any). Moreover, certain additional disclosures are required if an entity that otherwise uses the fair value model measures an item of investment property using the cost model.	Where fair value valuation has been applied to certain categories of assets, the notes to the accounts shall disclose: • the significant assumptions underlying the valuation models and techniques where fair values have been determined by reference to a market value; • per category of assets other than financial instruments, the fair value; • the changes in value occurred during the financial year; for each class of assets other than financial instruments, information about the significant terms and conditions that may affect the amount and certainty of future cash flows [art. 64octies]. Furthermore the notes shall include: • Accounting policies and valuation methods [art. 65 (1) 1o]; • All additional information to give a true and fair view [art. 26 (3) and 26(4)].

Investment Property (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 40 [IAS 40.79]	Additional Disclosures for the Cost Model • depreciation methods used; • useful lives or the depreciation rates used; • gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; • and a reconciliation of the carrying amount of investment property at the beginning and end of the period, showing additions, disposals, depreciation, impairment recognised or reversed, foreign exchange differences, transfers to and from inventories and owner-occupied property, and other changes. An entity applying the cost model must also disclose the fair value of investment property, unless it cannot be measured reliably. In that case, it shall disclose a description of the investment property, an explanation of why fair value cannot be measured reliably and if possible, the range of estimates within which fair value is highly likely to lie.	Not specifically addressed. Requirements are the same as for property, plant and equipment.

Intangible Assets



Intangible Assets

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.8] [IAS 38.11-17]	Definitions An intangible asset is a non-monetary asset without physical substance that is identifiable. The three critical attributes of an intangible asset are: • Identifiability, • control (power to obtain benefits from the asset), • future economic benefits. Intangible assets include: • patented technology, computer software and databases • trademarks and internet domains • customer lists • mortgage servicing rights • licensing, royalty and standstill agreements • franchise agreements • customer and supplier relationships (including customer lists) • marketing rights	Intangible assets include [art. 34]: • costs of development; • concessions, patents, licenses, trademarks and similar rights and assets, either acquired for valuable consideration or created by the undertaking itself; • goodwill, to the extent that it was acquired for valuable consideration; • payments on account and intangible fixed assets under development.
IAS 38 [IAS 38.21]	Recognition An intangible asset, whether purchased or self-created, is recognised if: • it is probable ('more likely than not') that the future economic benefits that are attributable to the asset will flow to the entity; and • the cost of the asset can be measured reliably. Intangibles can be acquired: • by separate purchase • as part of a business combination • by a government grant • by exchange of assets • by self-creation	Intangible fixed assets shall comprise assets which are intended for use on a continuing basis for the purposes of the undertaking's activity [art. 39.2]. The Law is silent on recognition criteria. In practice, recognition is based on the transfer of ownership (legal approach). Recognition can also be based on the substance over form principle, which is an option in LUX GAAP [art. 29.3].

Intangible Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.24]	Measurement Intangible assets other than those acquired in a business combination are initially measured at cost.	Intangible fixed assets must be valued at purchase price or production cost [art. 55.1]. In addition to the price paid, the purchase price includes the expenses incidental thereto [art. 55.2].
[IAS 38.27]	The cost of a separately acquired intangible asset comprises: • its *purchase price*, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and • any *directly attributable cost* of preparing the asset for its intended use.	Production cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the product in question. A reasonable proportion of the costs which are only indirectly attributable to the product in question may be added into the production costs to the extent to which they relate to the period of production. Interest on capital borrowed to finance the production of fixed assets may be included in the production costs to the extent to which it relates to the period of production. In that event, the capitalization of such interest must be disclosed in the notes to the accounts [art. 55.3 and 4].
[IAS 38.28]	Examples of directly attributable expenditure are: • the salaries, wages and other employment-related costs of personnel directly engaged in bringing the asset to its working condition; • professional fees arising directly from bringing the asset to its working condition; and • costs of testing whether the asset is functioning properly.	
[IAS 38.29]	Examples of expenditure that does not form part of the cost of an intangible asset are: • costs of introducing a new product or service (including costs of advertising and promotional activities); • costs of conducting business in a new location or with a new class of customer (including the cost of staff training); and • administration and general overhead costs.	

Intangible Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.33]	Business combination An intangible asset acquired in a business combination is measured initially at its fair value at the acquisition date.	Measurement is at book value or fair value [art. 322.1].
IAS 38 [IAS 38.48] [IAS 38.63]	Internally generated goodwill Internally generated goodwill shall not be recognized as an asset as it does not meet the criteria for recognition (not separable and not reliably measurable). Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance to any of the before mentioned shall not be recognized as intangible assets.	In line with IFRS, as LUX GAAP refer to goodwill as an intangible asset to the extent that it was acquired for valuable consideration [art. 34].
IAS 38 [IAS 38.52] [IAS 38.52]	Internally generated intangible assets When assessing whether an internally generated intangible asset meets the recognition criteria, an entity must distinguish between research and development phase. If it is not possible to distinguish both phases of an internal project to create an intangible asset, corresponding expenditure is treated as relating only to the research phase.	This distinction is also required in LUX GAAP as research cost cannot be capitalized, this was confirmed by the CNC [Q&A CNC 17/012].
IAS 38 [IAS 38.54]	Research phase No intangible asset arising from research (or from the research phase of an internal project) shall be recognized. Expenditure on research (or on the research phase of an internal project) shall be recognized as an expense when it is incurred.	Research costs cannot be capitalized.

Intangible Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.57]	Development phase An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if and only if, an entity can demonstrate all the following: • the technical feasibility of completing the intangible asset so that it will be available for use or sale; • its intention to complete the intangible asset and use or sell it; • its ability to use or sell the intangible asset; • how the intangible asset will generate probable future economic benefits; • the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and • its ability to measure the expenditure attributable to the intangible asset during the development phase.	Development costs can be capitalized. They shall be written off over the useful economic life; where the useful economic life cannot be reliably estimated, the amortization period cannot exceed ten years [art. 59.].
IAS 38 [IAS 38.68]	Recognition of expenses Expenditure on an intangible item should be recognised as an expense as incurred unless: • it forms part of the cost of an intangible asset that meets the appropriate definition and recognition criteria; or • the item is acquired in a business combination and does not meet the criteria for separate recognition. In such cases, it forms part of the amount recognised as goodwill at the acquisition date.	IFRS can be used as a benchmark, as confirmed by the CNC [Q&A CNC 17/012].

Intangible Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.69(a)]	Start-up costs (expenditure on start-up activities) shall be expensed as incurred, unless these are included in the cost of a PPE in accordance with IAS 16.	Formation expenses relating to the creation or extension of an undertaking, of part of an undertaking or of a branch of business, as opposed to expenses resulting from ordinary business, may be capitalized [art. 53.3]. They must be written off within a maximum period of five years [art. 53.1.a)].
IAS 38 [IAS 38.72]	Cost- and revaluation model After initial recognition, an intangible asset can be accounted for using the cost model or a revaluation model.	In line with IFRS [art. 55].
[IAS 38.74]	Under the cost model, the asset is carried at cost less any accumulated amortization and any accumulated impairment losses.	In addition to the cost model, valuation with reference to the fair value method is permitted [art. 64sexies]. Regarding development cost, only the cost model is allowed, as confirmed by the CNC [Q&A CNC 17/012].
[IAS 38.75]	Under the revaluation model, the asset is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and impairment losses. Fair value shall be determined by reference to an active market.	
IAS 38 [IAS 38.85-86]	Under the revaluation model, revaluations are carried out regularly. All items of a given class are revalued (unless there is no active market for a particular asset). Revaluation increases are recognized in other comprehensive income and accumulated in equity. Revaluation decreases are charged first against the revaluation surplus in equity related to the specific asset, and any excess against profit or loss. When the revalued asset is disposed of, the revaluation surplus remains in equity and is not reclassified to profit or loss.	Undertakings may state in the profit and loss account any change in the value resulting from the valuation of an asset at its fair value [art. 64septies].

Intangible Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.97]	Amortization period The cost of an intangible asset with a finite useful life is amortized over that life.	In line with IFRS [art. 55.b)]. Goodwill must be written off over its useful economic life. Where the useful economic life cannot be reliably estimated, it is written off within a period not exceeding ten years [art. 59 (2)].
IAS 38 [IAS 38.100]	Residual value The residual value of an intangible with a finite useful life shall be assumed to be zero unless there is a commitment by a third party to purchase the asset at the end of its useful life, or there is an active market for the asset and residual value can be determined by reference to that market.	No provision concerning residual value but in practice, the residual value is assumed to be nil.
IAS 38 [IAS 38.104]	Periodical review The amortization period and the amortization method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortization period shall be changed accordingly.	Once depreciation rate is defined it is prohibited to change within the life of the asset [art. 51.1.b)].
IAS 38 [IAS 38.107-108]	Indefinite useful life Intangible assets with an indefinite useful life shall not be amortised. They shall be tested for impairment by comparing its recoverable amount with its carrying amount: • annually, and • whenever there is an indication that the intangible asset may be impaired.	Intangible assets with an indefinite useful life shall not be amortised [art. 55 (1) b)] (except goodwill and development cost). Value adjustments must be made in respect of fixed assets, so that they are valued at the lower figure attributable to them at the balance sheet date, if it is expected that the reduction in their value will be permanent. Value adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply [art. 55 (1) c)]. Value adjustments on goodwill may not be reversed [art. 55 (1) c) dd].

Intangible Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 38 [IAS 38.118] [IAS 38.122] [IAS 38.124] [IAS 38.126]	Disclosure The following disclosures are required for each class of intangible asset : • the useful life or amortization rate used; • the amortisation method used; • the gross carrying amount and any accumulated amortization and impairment losses; • the line items in the income statement in which amortization is included; • a reconciliation of the carrying amount at the beginning and the end of the period showing the movements in gross carrying amount, accumulated amortisation and impairment; • the basis for determining that an intangible has an indefinite life; • a description and carrying amount of individually material intangible assets; • certain special disclosures about intangible assets acquired by way of government grants; • information about intangible assets whose title is restricted; • contractual commitments to acquire intangible assets. Additional disclosures are required about: • intangible assets carried at revalued amounts; • the amount of research and development expenditure recognised as an expense in the current period.	LUX GAAP requires to disclose the valuation methods applied to intangible assets and the methods employed in calculating value adjustments [art. 65(1)1]. In addition, the movements in the various intangible fixed asset headings (additions, disposals and transfers during the financial year and the rectifications made during the financial year to the value adjustments of previous financial years) shall be disclosed in the balance sheet or in the notes to the accounts [art. 39(3)a)], except for small sized companies [art. 39(5)]. If tangible fixed assets are the subject of exceptional value adjustments for taxation purposes alone, the amount of the adjustments and the reasons for making them shall be indicated in the notes to the accounts [art. 55(1)d)]. The capitalisation of interest on capital borrowed to finance the production of fixed assets, when applicable, must be disclosed in the notes to the accounts [art. 55.4]. Any collateral granted on assets shall be disclosed [art. 38]. For intangible fixed assets subsequently measured at fair value, an entity shall disclose: [art. 64 octies]. • the main assumptions used in relation to the models and valuation techniques to arrive at the fair value, when fair value was not determined by reference to a market value; • for each class of asset, the fair value at the end of the reporting period and the movements of fair value incurred in the financial period; • for each class of asset, information about significant terms and conditions that may affect amount and timing and certainty of cash flows.

Notes

Impairment of Assets

Impairment of Assets

IAS/IFRS	IFRS	LUX GAAP
IAS 36 [IAS 36.6]	Definitions An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset, and from its disposal at the end of its useful life.	Value adjustments enable to value assets at the lower of cost or market value at the balance sheet date [art. 55 (1) c) and 61 (1) b)]. Not addressed. IFRS can be referred to as a benchmark.
IAS 36 [IAS 36.9]	Identifying an asset that may be impaired An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.	Value adjustment is assessed once a year, at the balance sheet date [art. 55 (1) c) and 61 (1) b)].
[IAS 36.10]	Irrespective of whether there is any indication of impairment, an entity shall annually test for impairment an intangible asset with an indefinite useful life or not yet available for use by comparing its carrying amount with its recoverable amount and goodwill acquired in a business combination.	

Impairment of Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 36 [IAS 36.12] [IAS 36.13]	**Identifying an asset that may be impaired** The standard provides full guidance of sources of information to consider when assessing whether there is any indication that an asset may be impaired: • external sources of information (such as adverse changes in technological, market, economic or legal conditions); • internal sources of information (like physical damage or obsolescence of an asset, or plan to discontinue the operation to which an asset belongs); • any other indication arising from internal reporting (such as a significant decline in budgeted cash flows or operating profit from the asset).	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.
IAS 36 [IAS 36.19]	**Measuring recoverable amount** Determining both an asset's fair value less costs of disposal and its value in use is not always necessary. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.	Not addressed. IFRS can be referred to as a benchmark.
IAS 36 [IAS 36.22]	**Measuring recoverable amount** The recoverable amount is determined for an individual asset. However, if such an individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount shall be determined at the level of the cash-generating unit to which the individual asset belongs.	Not addressed. Assessment shall be done at the asset level.

Impairment of Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 36 [IAS 36.28]	Fair value less costs of disposal Fair value less costs of disposal shall be determined in accordance with IFRS 13. Costs of disposal are direct incremental costs to bring an asset into condition for its sale (e.g. legal costs, stamp duty and similar transaction taxes, costs of removing the asset).	Not addressed. IFRS can be referred to as a benchmark.
IAS 36 [IAS 36.44] [IAS 36.50]	Estimates of future cash flows In measuring the value in use, future cash flows shall be estimated for the asset in its current condition (expected cash inflows or outflows arising from a future restructuring to which an entity is not yet committed or from improving or enhancing the asset's performance are excluded) and shall not include cash inflows or outflows from financing activities and income tax receipts or payments.	Not addressed. IFRS can be referred to as a benchmark.
IAS 36 [IAS 36.55]	Discount rate The discount rate used in measuring the value in use, should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted and should not reflect risks for which future cash flows have been adjusted.	Not addressed. IFRS can be referred to as a benchmark.

Impairment of Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 36 [IAS 36.60]	Recognition of impairment loss An impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount. In that case, the impairment loss shall be recognised as a revaluation decrease.	The value adjustments must be charged to the profit and loss account [art. 55 (1) c)] For fixed assets, value adjustment must be made only if it is expected that the reduction in their value will be permanent [art. 55 (1) c)]. Current assets shall be subject to value adjustments with a view to stating them at market value, where lower, or, in particular circumstances, another lower value to be attributed to them at the balance sheet date [art. 61 (1) b)].
IAS 36 [IAS 36.80]	Goodwill For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated in this way shall: • represent the lowest level within the entity at which the goodwill is monitored; and • not be larger than an operating segment as defined in IFRS 8.5.	Not addressed. Assessment shall be done at the asset level.
IAS 36 [IAS 36.110] [IAS 36.119]	Reversing an impairment loss At each balance sheet date an entity shall assess whether there is an indication that an impairment loss may no longer exist or may have decreased. If so, the recoverable amount has to be estimated. A reversal of an impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount. In that case, the reversal shall be recognised as a revaluation decrease.	Value adjustment is assessed once a year, at the balance sheet date [art. 55 (1) c) and 61 (1) b)]. Valuation adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply, [art. 55 (1) c) and 61 (1) c)]. A reversal of an impairment loss shall be recognised in profit or loss.

Impairment of Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 36 [IAS 36.124]	Reversing an impairment loss for goodwill An impairment loss recognized for goodwill shall not be reversed in a subsequent period.	In line with IFRS [art. 55 (1) c) and dd)].
IAS 36 [IAS 36.126 and followings]	An entity shall disclose detailed information about impairment, in particular: • For each class of assets amounts of impairment losses recognised and reversed with impact on profit or loss and on OCI during the period; • Disclosure of assumptions used to determine the recoverable amount of assets is encouraged, however it is required when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of a cash-generating unit; • Detailed information about each material impairment loss recognised or reversed during the period; • Information about estimates used to measure recoverable amount of ash-generating units containing goodwill or intangible assets with indefinite useful lives; • Information about unallocated goodwill, if any.	The value adjustments must be disclosed separately in the notes to the accounts if they have not be shown separately in the profit and loss account [art. 55 (1) c)].

Notes

Inventories

Inventories

IAS/IFRS	IFRS	LUX GAAP
IAS 2 [IAS 2.6]	Definitions Inventories are assets which are: • held for sale in the ordinary course of business; • in the process of production for such sale; or • in the form of materials or supplies to be consumed in the production process or in the rendering of services.	Inventories are current assets. Whereas fixed assets are intended for use on a continuing basis for the purposes of the undertaking's activity, inventories are intended either to be used in the production of goods or sold in the course of the company's ordinary activities [art 39(1)]. Inventories include [art 34]: • raw materials and consumables; • work and contracts in progress; • finished goods and goods for resale; • payments on account.
IAS 2 [IAS 2.3(b)] [IAS 2.5]	Scope IAS 2 does not apply to inventories held by commodity broker-traders, who measure their inventories (which are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in prices) at fair value less costs to sell.	The valuation of inventories held by commodities broker at fair value is possible under LUX GAAP [art 64 sexies].
IAS 2 [IAS 2.6] [IAS 2.9]	Measurement of inventories An entity shall measure inventories at the lower of cost and net realizable value, where net realizable value means the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.	Inventories must be valued at purchase price or production cost [art 61 (1)a)]. They shall be subject to value adjustment with a view to stating them at market value, where lower, or, in particular circumstances, another lower value attributable to them at the balance sheet date [art 61 (1)b)]. Exceptional value adjustments are permitted for taxation purposes alone [art 61 (1) d)]. The amount of such adjustments and the reasons for setting them up must be disclosed in the notes to the accounts Valuation under the replacement value method or other methods designed to take account of inflation may be permitted or required by Grand-Ducal regulation [art 54].

Inventories (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 2 [IAS 2.10]	Measurement of inventories The cost of inventories shall comprise all costs of purchase (including taxes, transport and handling), costs of conversion (including fixed and variable manufacturing overheads) and other costs incurred in bringing the inventories to their present location and condition.	The purchase price shall be calculated by adding to the price paid the expenses incidental there to [art 55 (2)]. The production cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the product. A reasonable proportion of the costs which are only indirectly attributable to the product may be added to the production cost to the extent to which they relate to the period of production [art 55 (2)].
IAS 2 [IAS 2.11]	Costs of purchase The costs of purchase include the purchase price, import duties and other taxes (except those subsequently recoverable by the entity from the taxing authorities), transport and handling costs and all other costs that are directly attributable to the acquisition of inventories. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.	In line with IFRS.
IAS 2 [IAS 2.12]	Costs of conversion The costs of conversion include : • costs that are directly related to the units of production (direct labour costs for instance); • an allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.	In line with IFRS.
IAS 2 [IAS 2.15]	Other costs Other costs can include for example non production overheads, or costs of designing products for specific customers). They are included only to the extent that they are incurred in bringing the inventories to their present location and condition.	In line with IFRS.

Inventories (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 2 [IAS 2.16]	Excluded costs Abnormal production costs, storage costs (except those necessary in the production process), administrative overheads that do not contribute to bringing inventories to their present location and condition and selling costs are excluded from the cost of inventories.	In line with IFRS. Distribution costs may not be included in production costs [art 61(2)].
IAS 2 [IAS 2.17]	Borrowing costs Borrowing costs may be included in limited circumstances defined by IAS 23.	Interest on capital borrowed to finance the production of inventories may be included in the production costs to the extent to which it relates to the period of production. When such interest is capitalised, this must be disclosed in the notes to the accounts [art 55(4)].
IAS 2 [IAS 2.21]	Techniques to measure costs An entity may use techniques for the measurement of the cost of inventories, such as the standard cost method or the retail method, if the results of such techniques approximate cost.	In line with IFRS.
IAS 2 [IAS 2.23 and 25] [IAS 2 IN13]	Cost formulas An entity shall measure the cost of inventories using specific identification of individual cost, or if inventories are ordinarily interchangeable: • weighted average cost formula; • first-in, first-out (FIFO) cost formula. An entity shall use the same cost formula for all inventories having a similar nature and use to the entity. For inventories with a different nature or use, different cost formulas may be justified. The use of the last-in, first-out (LIFO) formula to measure the cost of inventories is prohibited.	The purchase price or production cost of goods of the same category may be calculated either on the basis of weighted average prices or by the first-in, first-out (FIFO) method, the last-in, first-out (LIFO) method, or a similar method [art 62.1]. Raw materials and consumable which are constantly being replaced and the overall value of which is of secondary importance to the undertaking may be capitalized at a fixed quantity and value, if the quantity, value and composition thereof do not vary significantly [art 60].

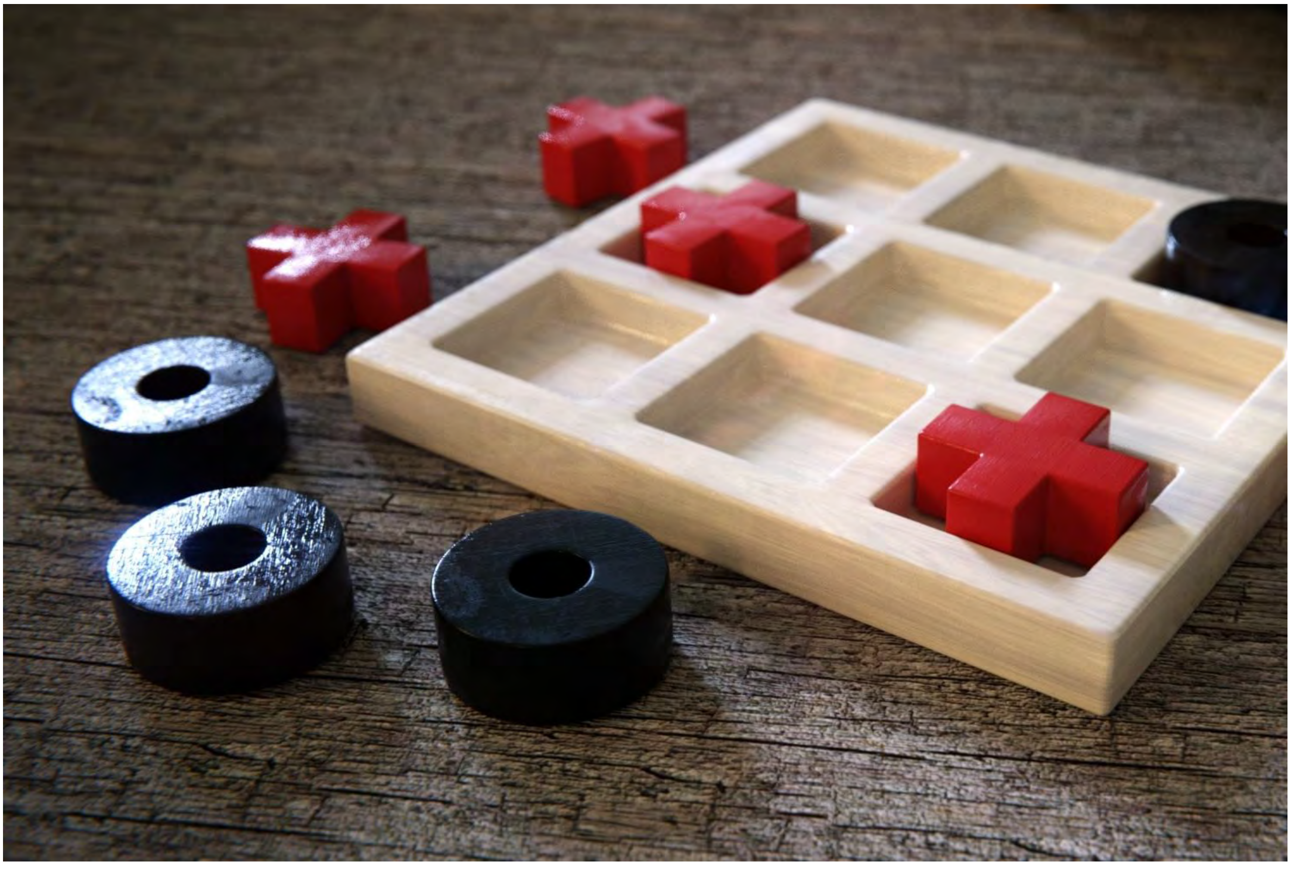
Inventories (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 2 [IAS 2.29 to 31]	Net realizable value Write-downs to net realisable values are usually done on an item by item basis, though it may be appropriate to group similar or related items in some circumstances. Net realisable value is estimated on the basis of the most reliable evidence available at the time the estimate is made, taking into account the purpose for which the inventory is held and fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.	Not specified in the accounting Law, valuation may be made on an item by item basis or by category.
IAS 2 [IAS 2.33]	Net realizable value Net realisable value is reassessed in each subsequent period and write-down is reversed if necessary.	Value adjustments are not continued if the reasons for which they were made have ceased to apply [art 61(1) c)].
IAS 2 [IAS 2.34]	Recognition as an expense When inventories are sold, the carrying amount is recognised as an expense in the period in which the related revenue is recognised. Any write-down to net realizable value and any inventory losses are also recognised as an expense when they occur.	In line with IFRS.

Inventories (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 2 [IAS 2.36]	Disclosure An entity shall include various disclosures among others: • the accounting policies adopted in measuring inventories, including the cost formula used; • the carrying amount of inventories carried at fair value less cost to sell • the amount of inventories; recognised as an expense during the year; • the amount of write-down recognised as an expense during the year; • the amount of any reversal of any write-down with an indication of circumstances or events related to the reversal; • the amount of inventories pledged as security for liabilities.	An entity shall include in the notes the valuation methods applied to the various items in the annual accounts and the methods employed in calculating value adjustments. Where inventories are subject to exceptional value adjustments (for taxation purposes, or to obviate the need for a further restatement of the items in the near future because of fluctuations in value), the amount of the adjustments and the reasons for making them must be disclosed in the notes to the accounts [art 61(1)c) and e)]. When the undertaking's debts is secured by collateral on its inventories, this shall be disclosed with an indication of the nature and form of the collateral [art 65(1)6°]. When the inventories include the capitalisation of interest on capital borrowed, this must be disclosed in the notes to the accounts [art 55(4)].
IAS 2 [IAS 2.20] [IAS 41]	Cost of agricultural produce harvested from biological assets Agricultural produce harvested from an entity’s biological assets shall be measured at its fair value less costs to sell at the point of harvest.	No such differenciation is made. Valuation with reference to the fair value method is permitted and the replacement value method may be permitted or by Grand-Ducal regulation.

Notes



Provisions, Contingent Liabilities and Contingent Assets

Provisions, Contingent Liabilities and Contingent Assets

IAS/IFRS	IFRS	LUX GAAP

IAS 37
[IAS 37.10]
	Definitions
	A provision is a liability of uncertain timing or amount.
	A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.
	
	A contingent liability is:
	• a *possible obligation* that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
	• a *present obligation* that arises from past events but is not recognised because:
	  • it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
	  • the amount of the obligation cannot be measured with sufficient reliability.
	
	A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
		Provisions include [art 34]:
		• provisions for pensions and similar obligations;
		• provisions for taxation; and
		• other provisions.
		
		Lux Law defines provisions as items intended to cover losses or debts the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise [art 44 (1)].
		
		Provisions may also be created in order to cover charges which have their origin in the financial year under review or in a prevesous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise [art 44 (2)].
		
		Provisions may not be used to adjust the values of assets [art 44 (3)].

IAS 37 [IAS 37.14]	Recognition A provision shall be recognized when the following conditions are met: • the entity has a present obligation (legal or constructive) as a result of a past event; • it is probable that an outflow of resources will be required to settle the obligation; and • a reliable estimate can be made of the amount of the obligation.	Account must be taken of all liabilities which have arisen in the course of the financial year concerned or of a previous financial year, even if such "liabilities" become apparent only between the date of the balance sheet and the date on which it is drawn up [art 51 (1) c) bb)]. In addition to these amounts, undertakings have the option to take into account all foreseeable "liabilities" and potential losses which have arisen in the financial year concerned or in a previous financial year, even if such "liabilities" or losses become apparent only between the date of the balance sheet and the date on which it is drawn up [art 51 (1bis)].

Provisions, Contingent Liabilities and Contingent Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 37 [IAS 37.27-29]	Recognition Contingent liabilities are not recognised, but disclosed, unless the possibility of an outflow of resources is remote.	In line with IFRS, as all commitments by way of guarantee of any kind must, if there is no obligation to show them as liabilities, be clearly set out in the notes to the accounts [art 38].
IAS 37 [IAS 37.33 and 34]	Recognition Contingent assets are not recognised in financial statements, as this may result in the recognition of income that may never be realized. Contingent assets are disclosed by way of note when an inflow of economic benefits is probable. However, if the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.	Not addressed in Lux Law, IFRS may be used as benchmark.
IAS 37 [IAS 37.36] [IAS 37.37]	Measurement The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Best estimate is the amount that an entity would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party.	No specific provision on measurement in LUX GAAP, except that provisions shall represent the best estimate of the expenses likely to ne incurred or, in the case of the liability of the amount required to meet that liability [art 64]. In practice, in line with IFRS.
IAS 37 [IAS 37.45]	Measurement: Present value Where the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expenditures expected to be required to settle the obligation.	Not addressed, IFRS may be used as benchmark.

Provisions, Contingent Liabilities and Contingent Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 37 [IAS 37.48]	Measurement: Future events Future events that may have an impact on the amount necessary to settle an obligation shall be reflected in the amount of a provision (if sufficient objective evidence that these events will occur).	Not specifically addressed in LUX GAAP, but in practice, in line with IFRS due to the true and fair view principle.
IAS 37 [IAS 37.59]	Changes in provisions Provisions are reviewed at the end of each reporting period to potentially adjust for changes in estimates. If an outflow of resources is no longer probable, the provision shall be reversed.	Not specifically addressed in LUX GAAP, but in practice, in line with IFRS due to the true and fair view principle.
IAS 37 [IAS 37.61]	Use of provisions Provisions are used only for expenditures for which the provision was originally recognised.	Not specifically addressed in LUX GAAP, but in practice, in line with IFRS.
IAS 37 [IAS 37.63 and 64]	Future operating losses Provisions shall not be recognized for future operating losses because they do not meet the definition of a liability and the general recognition criteria.	Account must be taken of all likely losses which have arisen in the course of the financial year concerned or of a previous financial year [art 44].
IAS 37 [IAS 37.66 and 68]	Onerous contracts An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If an entity has such a contract, the present obligation under the contract shall be recognised and measured as a provision.	LUX GAAP does not specifically address onerous contracts, but in practice the treatment should be similar, as provisions shall be recognized to cover all likely losses [art 44].

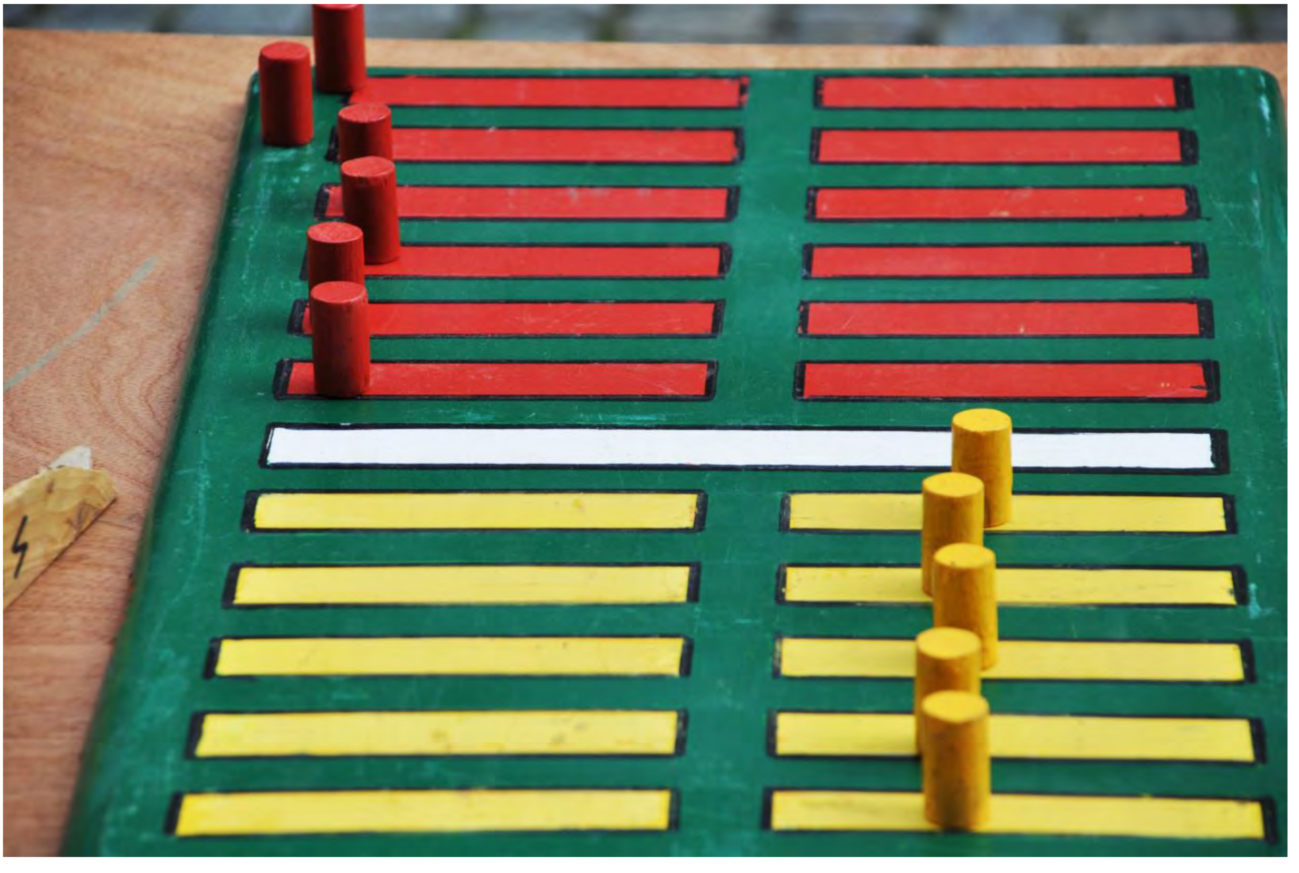
Provisions, Contingent Liabilities and Contingent Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 37 [IAS 37.71]	Restructuring A provision for restructuring is recognised only when the general recognition criteria for provisions are met.	There is no specific guidance in Lux Law in respect of restructuring. General criteria for recognition of provisions apply (intended to cover losses or debts of clearly defined nature, that are likely or certain to be incurred, uncertain to their amount or to timing). As a result, LUX GAAP are less restrictive than IFRS as LUX GAAP base principle is that measurement must be made on a prudent basis.
[IAS 37.72]	For example, these general recognition criteria apply to restructurings when an entity has a detailed formal plan for the restructuring identifying at least the business and locations concerned, the function and approximate number of employees affected, the expenditures to be undertaken and the timing of implementation. The entity must be demonstrably committed to the plan either by having started to implement it or announced its main features to those affected by it.	
[IAS 37.74]	If it is expected that there will be a long delay before the restructuring begins or that the restructuring will take an unreasonably long time, it is unlikely that the criterion of constructive obligation is met for a provision to be recognized.	

Provisions, Contingent Liabilities and Contingent Assets (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 37 [IAS 37.84 to 86]	Disclosure An entity shall disclose the following for each class of provision: • the carrying amount at the beginning and end of the period; • additional provisions made in the period, including increases to existing provisions; • amounts used (ie incurred and charged against the provision) during the period; • unused amounts reversed during the period; and • the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate. Comparative information is not required. In addition, disclosures include qualitative information for each class of provision (description of the obligation, expected timing of outflows, uncertainties, expected reimbursement if any). For each class of contingent liability, an entity shall disclose a brief description of its nature and when possible the estimated financial effect, indication of the uncertainties about amount or timing of any outflow and possible reimbursement if any.	All commitments by way of guarantee of any kind must be clearly set out at the foot of the balance sheet or in the notes to the accounts, a distinction being made between the various types of guarantee provided for by Law and specific disclosure being made on any collateral granted on assets. Commitments of this kind in respect of affiliated undertakings must be disclosed separately [art 38]. The total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position must be disclosed in the notes to the accounts. Any commitments concerning pensions must be disclosed separately [art 65 (1) 7°].

Notes



Income Taxes

Income Taxes

IAS/IFRS	IFRS	LUX GAAP [2]
IAS 12 [IAS 12 objective]	Objective An entity is required to recognize the current and future tax consequences of transactions and other events that have been recognized in the financial statements.	Under LUX GAAP, the recognition of deferred tax is mandatory only if the fair value option is used in the standalone accounts [art 65 (1) 11° c]. Deferred taxes are recognised in consolidated accounts provided that deferred tax assets are recoverable [art 332 4.].
IAS 12 [IAS 12.5]	Definitions Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.	Not specified under LUX GAAP.
	Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.	In LUX GAAP, current tax is included under the heading "tax on profit or loss".
	Deferred tax is tax payable or recoverable in future periods, generally as a result of the entity recovering or settling its assets and liabilities for their current carrying amount, and as a result of tax effect of the carry forward of currently unused tax losses and tax credits.	Deferred tax is the difference between the tax charged for the financial year and for earlier financial years and the amount of tax paid or payable in respect of those years [art 65 (1) 11°] and [art 332 4.].
	Temporary differences are differences between the carrying amount of an asset or a liability in the statement of financial position and its tax base. That will result in taxable or deductible amount when the carrying amount of the asset or liability is recovered or settled.	No definition under LUX GAAP. IFRS can be referred to as a benchmark.

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.5]	Definitions Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of: • deductible temporary differences; • the carryforward of unused tax losses; and • the carryforward of unused tax credits. The recognition of deferred tax relies on two central concepts: • tax bases; and • temporary differences.	No definition under LUX GAAP. IFRS can be referred to as a benchmark.
IAS 12 [IAS 12.7]	Tax base The tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. If those economic benefits will not be taxable, the tax base of the asset is equal to its carrying amount.	No definition under LUX GAAP. IFRS can be referred to as a benchmark.
[IAS 12.8]	The tax base of a liability is its carrying amount, less any amount that will be deductible for tax purposes in respect of that liability in future periods. In the case of revenue which is received in advance, the tax base of the resulting liability is its carrying amount, less any amount of the revenue that will not be taxable in future periods.	

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.15] [IAS 12.39]	**Recognition** A deferred tax liability shall be recognised for all taxable temporary differences, with the following exceptions: • where the deferred tax liability arises from the initial recognition of goodwill; or • the initial recognition of an asset or liability other than in a business combination which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); or • differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, when the entity is able to control the timing of the reversal of the temporary difference and it is probable that such reversal will not occur in the foreseeable future.	Account shall be taken in the consolidated balance sheet and in the consolidated profit and loss of any difference arising on consolidation between the tax chargeable for the financial year and for preceding financial years and the amount of tax paid or payable in respect of those years, only that it is probable that an actual charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation [art 332 4.].

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.24] [IAS 12.44]	Recognition A deferred tax asset shall be recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, with the following exceptions: • where the deferred tax asset arises from the initial recognition of an asset or liability other than in a business combination which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); • deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.	Account shall be taken in the consolidated balance sheet and in the consolidated profit and loss of any difference arising on consolidation between the tax chargeable for the financial year and for preceding financial years and the amount of tax paid or payable in respect of those years, only that it is probable that an actual charge to tax will arise within the foreseeable future for one of the undertakings included in the consolidation [art 332 4.].
IAS 12 [IAS 12.47]	Measurement Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.	Not addressed in LUX GAAP. IFRS can be referred to as a benchmark.

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.51A]	Measurement In some jurisdictions, the manner in which an entity recovers (settles) the carrying amount of an asset (liability) may affect either or both of: • the tax rate applicable when the entity recovers (settles) the carrying amount of the asset (liability); and • the tax base of the asset (liability). In such cases, an entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement.	No specific guidance under LUX GAAP. IFRS can be referred to as a benchmark.
IAS 12 [IAS 12.51B]	Measurement The measurement of deferred tax liabilities or assets arising from non-depreciable assets measured at a revalued amount under IAS 16 should reflect the tax consequences of recovering the carrying amount of the non-depreciable asset through sale, regardless of the basis of measuring the carrying amount of that asset.	Not applicable in LUX GAAP, as the revaluation model is not allowed.
IAS 12 [IAS 12.51C]	Measurement For a deferred tax liability or asset arising from investment property measured using the fair value model in IAS 40, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Not addressed in LUX GAAP. The revaluation model of tangible fixed assets is not available under LUX GAAP.
IAS 12 [IAS 12.53]	Measurement Deferred tax assets and liabilities shall not be discounted.	Not addressed in LUX GAAP, but in practice in line with IFRS.

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.56]	Measurement The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period and is reduced when it is no longer probable that sufficient taxable profit will be available to allow the recovery of the deferred tax asset. Such reduction is reversed when it becomes probable that sufficient taxable profit will be available.	No specific guidance under LUX GAAP. IFRS can be referred to as a benchmark.
IAS 12 [IAS 12.58]	Recognition in profit or loss Current and deferred tax are recognised as income in profit or loss for the period, except to the extent that the tax arises from: • a transaction or event recognised, in the same or a different period, outside profit or loss (either in other comprehensive income or directly in equity); or • a business combination.	When an undertaking elects to apply fair value option, a change in fair value can be recorded in profit and loss or included directly in equity in a fair value reserve [art 64 quarter and septies]. The Lux Law does not address specifically how to record deferred taxes related to the application of fair value option. However, in practice the classification of deferred taxes should follow the classification chosen for change in fair value. Unrealized income and gains are shown net of tax related thereto.

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.19, IAS 12.66, IAS 12.67, IAS 12.68]	Deferred tax arising from a business combination The identifiable assets acquired and liabilities assumed in a business combination are usually recognised at their fair values at the acquisition date. This results in the recognition of deferred taxes unless the tax base is affected similarly due to temporary differences. Those deferred tax assets (or liabilities) affect the amount of goodwill (or the bargain purchase gain the entity recognizes). However, an entity does not recognize deferred tax liabilities arising from initial recognition of goodwill. The probability to utilise unused tax losses of the acquirer may change as a result of a business combination. Deferred tax assets are recognized if they meet the recognition criteria at the acquisition date. Such recognition does not impact goodwill. Acquired deferred tax benefits are recognized initially or subsequently if criteria for recognition are met later. In that case, the recognition is recorded against goodwill.	Not addressed in LUX GAAP.
IAS 12 [IAS 1.56]	Presentation (general) When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities).	Lux Law does not specifically define the classification of deferred taxes and only states that differed taxes are disclosed in the balance sheet as a cumulative amount under a separate item with an appropriate heading [art 65 1) 11°]. In practice deferred tax liabilities are recorded in the caption "Provision for taxation" and deferred tax assets in the caption "Other debtors".

Income Taxes (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 12 [IAS 12.74]	Presentation (offsetting) An entity shall offset deferred tax assets and deferred tax liabilities if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.	In general, any set-off between asset and liability headings or between income and expenditure headings is prohibited [Art 33].
IAS 12 [IAS 12.79 and following]	Disclosure IAS 12 includes numbers of disclosure requirements. The major components of tax expense (income) shall be disclosed separately (e.g. amount of deferred tax expenses (income) relating to the origination and reversal of temporary differences or relating to changes in tax rates or the imposition of new taxes). In particular, an explanation of the relationship between tax expense (income) and accounting profit is required in either or both of the following forms: • a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s); • a numerical reconciliation between the average effective tax rate and the applicable tax rate. The basis on which the applicable tax rate is computed shall be disclosed. The amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the statement of financial position shall also be disclosed separately.	The difference between the tax charged for the financial year and for earlier financial years and the amount of tax paid or payable in respect of those years shall be disclosed in the notes to the accounts to the extent that this difference is material for purposes of future taxation [art 65 1) 11°] and [art 337 11].

Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers

IFRS 15	

Overview	• IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
	
	• IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018.
	
	• On 12 April 2016, clarifying amendments were issued that have the same effective date as the standard itself.
	
	• IFRS 15 replaces the following standards and interpretations:
	    • IAS 11 Construction contracts
	    • IAS 18 Revenue
	    • IFRIC 13 Customer Loyalty Programmes
	    • IFRIC 15 Agreements for the Construction of Real Estate
	    • IFRIC 18 Transfers of Assets from Customers
	    • SIC-31 Revenue - Barter Transactions Involving Advertising Services

Revenue from Contracts with Customers

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.1]	Objective The objective is to establish principles that an entity should apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.	Account must be taken of income and charges relating to the financial year in respect of which the accounts are drawn up, irrespective of the date of receipt or payment of such income or charges [art 51 (1) c)].
[IFRS 15.2]	To meet the objective the core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers, reflecting the amount of consideration to which the entity expects to be entitled in exchange for those goods or services.	
[IFRS 15.3]	It is necessary to evaluate the terms of the contract including all relevant facts and circumstances. The Standard has to be applied consistently to contracts with similar characteristics and in similar circumstances. This requirement for consistent application is specifically extended to the use of any practical expedients.	
IFRS 15 [IFRS 15.5]	Scope The Standard applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.	

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15 Appendix A]	Definitions A contract is an agreement between two or more parties that creates enforceable rights and obligations. Income is an increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants. A performance obligation is a promise in a contract with a customer to transfer to the customer either: • a good or service (or a bundle of goods or services) that is distinct; or • a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is income arising in the course of an entity's ordinary activities.	Net turnover comprises the amounts derived from the sale of products and the provision of services after deduction of sales rebates and of value added tax and other taxes directly linked to turnover [art 48].
IFRS 15 [IFRS 15.IN7]	The five-step model: The Standard specifies a five-step model framework as accounting requirements for revenue: 1. Identify the contract(s) with a customer; 2. Identify the performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations in the contract; 5. Recognize revenue when (or as) the entity satisfies a performance obligation. The application of this guidance always depends on the individual facts and circumstances given in a contract with a customer and requires the exercise of judgment.	Not addressed in LUX GAAP. LUX GAAP foresee that the presentation of amounts within the profit and loss account and the balance sheet may have regard to the substance of the relevant transactions or arrangement [art 29 (3)]. IFRS five step-model can be referred to as a benchmark to isolate the substance of the contracts.

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15	The five-step model – GENERAL NOTE While the five steps are stated sequentially in the introduction to the Standard, they are neither labelled as such nor dealt with in this order in either the body of the Standard or in the Application Guidance. In a manner consistent with other IFRSs, the requirements of IFRS 15 adhere to the framework of recognition, measurement, presentation and disclosure. As a result, the steps are not presented sequentially in IFRS 15 but rather as follows: • Recognition: this deals with the requirements of Step 1 (identification of a contract), Step 2 (identifying separate performance obligations) and Step 5 (recognition of revenue when (or as) the entity satisfies a performance obligation); and • Measurement: this deals with the requirements of Step 3 (determination of the transaction price) and Step 4 (allocation of the transaction price to the performance obligations in the contract).	Not addressed in LUX GAAP.
IFRS 15 [IFRS 15.9]	Recognition – Identify the contract(s): Step 1 A contract with a customer will be within the scope of IFRS 15 if all the following conditions are met: • the contract has been approved by the parties to the contract; • each party's rights in relation to the goods or services to be transferred can be identified; • the payment terms for the goods or services to be transferred can be identified; • the contract has commercial substance; and • it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.	Not addressed in LUX GAAP.

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.14] [IFRS 15.15]	Recognition – Identify the contract(s): Step 1 If a contract with a customer does not yet meet all of the above criteria, the entity will continue to re-assess the contract going forward to determine whether it subsequently meets the above criteria. From that point, the entity will apply IFRS 15 to the contract. If the criteria for revenue recognition are not met, but consideration is received from the customer, that consideration should be recognized as revenue only when either of the following events has occurred: • entity has no remaining obligations to transfer goods or services to the customer and substantially all of the consideration promised by the customer has been received by the entity and is non-refundable; or • the contract has been terminated and the consideration received from the customer is non-refundable.	Not addressed in LUX GAAP.

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.22]	Recognition – Identify the performance obligations: Step 2 At the inception of the contract, the entity should assess the goods or services that have been promised to the customer, and identify as a performance obligation: • a good or service (or bundle of goods or services) that is distinct; or • a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.	Not addressed in LUX GAAP.
[IFRS 15.23]	A series of distinct goods or services is transferred to the customer in the same pattern if both of the following criteria are met: • each distinct good or service in the series that the entity promises to transfer consecutively to the customer would be a performance obligation that is satisfied over time (see below); and • a single method of measuring progress would be used to measure the entity's progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.	
[IFRS 15.27]	A good or service is distinct if the following criteria are met: • customer can benefit from the good or services on its own or in conjunction with other readily available resources; and • the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.	
[IFRS 15.27]	If a promised good or service is not distinct, an entity combines that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct. In some cases, that will result in all the goods or services promised in a contract being accounted for as a single performance obligation.	

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.31 to IFRS 15.33]	Recognition – Recognize revenue: Step 5 Revenue is recognized when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset. As a consequence, revenue is recognized as control is passed, either over time or at a point in time. Control of an asset is defined as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. This includes the ability to prevent others from directing the use of and obtaining the benefits from the asset. The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly. These may include: • using the asset to produce goods or provide services; • using the asset to enhance the value of other assets; • using the asset to settle liabilities or to reduce expenses; • selling or exchanging the asset; • pledging the asset to secure a loan; and • holding the asset.	Not addressed in LUX GAAP.
[IFRS 15.35]	An entity recognizes revenue over time if one of the following criteria is met: • the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs; • the entity's performance creates or enhances an asset that the customer controls as the asset is created; or • the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.	

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.38]	Recognition – Recognize revenue: Step 5 If an entity does satisfy its performance obligation at a point in time, revenue will be recognized when control is passed at a certain point in time. Factors that may indicate the point in time at which control passes may include: • the entity has a present right to payment for the asset; • the customer has legal title to the asset; • the entity has transferred physical possession of the asset; • the customer has the significant risks and rewards related to the ownership of the asset; and • the customer has accepted the asset.	Not addressed in LUX GAAP.
IFRS 15 [IFRS 15.46]	Measurement – General When (or as) a performance obligation is satisfied, an entity should recognize as revenue the amount of the transaction price that is allocated to that performance obligation.	Not specified in Lux Law, but in practice in line with IFRS, as invoices are recorded at their nominal value.
IFRS 15 [IFRS 15.47] [IFRS 15.50 and IFRS 15.51]	Measurement – Determining transaction price: Step 3 The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding those amounts collected on behalf of third parties (e.g. some sales taxes). It may include fixed amounts, variable amounts, or both. Both the terms of the contract and the entity's customary business practices need to be considered in order to determine the transaction price. Where a contract contains elements of variable consideration, the entity will estimate the amount of variable consideration to which it will be entitled under the contract. Variable consideration can arise, for example, as a result of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items. Variable consideration is also present if an entity's right to consideration is contingent on the occurrence of a future event.	Not specified in Lux Law, IFRS can be used as a benchmark.

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.53]	Measurement – Determining transaction price: Step 3 To estimate the amount of variable consideration, one of the following methods should be used, depending on which method better predicts the amount of consideration to which the entity will be entitled: • the expected value method: appropriate when the entity has a large number of contracts with similar characteristics; calculated as the sum of probability-weighted amounts in a range of possible consideration amounts; and • the most likely amount: appropriate when a contract has only two possible outcomes (e.g. the amount received is based on whether a performance bonus is achieved, or not). It is the single most likely amount in a range of possible consideration amounts (i.e. the single most likely outcome of the contract).	Not addressed in LUX GAAP.
IFRS 15 [IFRS 15.73]	Measurement – Allocation of transaction price: Step 4 When allocating the transaction price to each performance obligation, the objective is to allocate amounts that depict the consideration to which the entity expects to be entitled in exchange for transferring each of the performance obligations to the customer.	Not addressed in LUX GAAP.
[IFRS 15.74]	Where a contract has multiple performance obligations, an entity will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices.	
[IFRS 15.79]	If a standalone selling price is not directly observable, the entity will need to estimate it. IFRS 15 suggests various methods that might be used, including: • Adjusted market assessment approach; • Expected cost plus a margin approach; • Residual approach (only permissible in limited circumstances).	

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.81] [IFRS 15.60] [IFRS 15.63]	Measurement – Allocation of transaction price: Step 4 Any overall discount compared to the aggregate of standalone selling prices is allocated between performance obligations on a relative standalone selling price basis. In certain circumstances, it may be appropriate to allocate such a discount to some but not all of the performance obligations. Where consideration is paid in advance or in arrears, the entity will need to consider whether the contract includes a significant financing arrangement and, if so, adjust for the time value of money. A practical expedient is available where the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months.	Not addressed in LUX GAAP.

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.18]	**Contract modifications** A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A contract modification occurs when the parties to a contract approve a modification that either creates new or changes existing enforceable rights and obligations of the parties to the contract. If the contract modification has not yet been approved, IFRS 15 should continue to be applied to the existing contract until the contract modification is approved.	Not addressed in LUX GAAP.
[IFRS 15.19]	In determining whether the rights and obligations that are created or changed by a modification are enforceable, all relevant facts and circumstances should be considered, including the terms of the contract and other evidence. If the parties to a contract have approved a change in the scope of the contract but have not yet determined the corresponding change in price, the new transaction price arising from the modification should be estimated. An entity should account for a contract modification as a separate contract if both of the following conditions are met: • the scope of the contract increases because of the addition of promised goods or services that are distinct; and • the price of the contract increases by an amount that reflects the stand-alone selling price of the additional promised goods or services, considering any appropriate adjustments to that price to reflect the circumstances of the particular contract.	

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.91] [IFRS 15.91-94]	Contract costs The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover those costs. However, those incremental costs are limited to the costs that the entity would not have incurred if the contract had not been successfully obtained (e.g. 'success fees' paid to agents). A practical expedient is available, allowing the incremental costs of obtaining a contract to be expensed if the associated amortization period would be 12 months or less.	Not addressed in LUX GAAP.
IFRS 15 [IFRS 15.95] [IFRS 15.97]	Contract costs Costs incurred to fulfil a contract are recognized as an asset if and only if all of the following criteria are met: • the costs relate directly to a contract (or a specific anticipated contract); • the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and • the costs are expected to be recovered. These include costs such as direct labor, direct materials, and the allocation of overheads that relate directly to the contract.	Not addressed in LUX GAAP.
IFRS 15 [IFRS 15.105]	Presentation – General Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.	Not addressed in LUX GAAP.
IFRS 15 [IFRS 15.106]	Presentation – Contract liability A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.	Not addressed in LUX GAAP.

Revenue from Contracts with Customers (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 15 [IFRS 15.107-108]	Presentation – Contract asset and receivable Where the entity has performed by transferring a good or service to the customer and the customer has not yet paid the related consideration, a contract asset or a receivable is presented in the statement of financial position, depending on the nature of the entity's right to consideration. A contract asset is recognized when the entity's right to consideration is conditional on something other than the passage of time, for example future performance of the entity. A receivable is recognized when the entity's right to consideration is unconditional except for the passage of time. Contract assets and receivables shall be accounted for in accordance with IFRS 9. Any impairment relating to contracts with customers should be measured, presented and disclosed in accordance with IFRS 9. Any difference between the initial recognition of a receivable and the corresponding amount of revenue recognized should also be presented as an expense, for example, an impairment loss.	Not addressed in LUX GAAP.

Revenue from Contracts with Customers (continued)

<table>
<tr><th>IAS/IFRS</th><th>IFRS</th><th>LUX GAAP</th></tr>
<tr><td>IFRS 15

[IFRS 15.110]

[IFRS 15.111]

[IFRS 15.113-129]</td>
<td>Disclosure
The disclosure objective is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Therefore, an entity should disclose qualitative and quantitative information about all of the following:
• its contracts with customers;
• the significant judgments, and changes in the judgments, made in applying the guidance to those contracts; and
• any assets recognized from the costs to obtain or fulfil a contract with a customer.

Entities will need to consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the requirements. An entity should aggregate or disaggregate disclosures to ensure that useful information is not obscured.

In order to achieve the disclosure objective stated above, the Standard introduces a number of new disclosure requirements, for example with regards to besides others):
• contract balances (such as the opening and closing balances of receivables, contract assets, contract liabilities and revenue recognized);
• performance obligations (such as significant payment terms, nature of goods and services being transferred);
• transaction price allocation to remaining performance obligations; and
• significant judgements and changes in the judgements.</td>
<td>The notes to the accounts must set out information in respect of the valuation methods applied to the various items in the annual accounts and the methods employed in calculating value adjustments [Art 65 (1) 1°], which is in line with IFRS.

The notes to the accounts must also disclose the net turnover broken down by categories of activity and into geographical sectors in so far as, taking account of the manner in which the sale of products and the provision of services falling within the company's ordinary activities are organized, these categories and sectors differ substantially from one another [Art 65 (1) 8°].

In addition, information concerning amounts of income in respect of the financial year, which are receivable after the end of the financial year and are shown under "Debtors", where such amounts are material [Art 65 (1) 14°].</td></tr>
</table>

Employee Benefits

Employee Benefits

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.2 and 5]	Scope The Standard applies to accounting for all employee benefits, except benefits with regards to share-based payments.	Not specifically addressed by LUX GAAP, except disclosure requirements in the notes to the accounts.
IAS 19 [IAS 19.8]	Definitions Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. The standard distinguishes between short-term employee benefits and post-employment benefits.	Staff costs include [art 46]: • Wages and salaries; • Social security costs; • Social security costs relating to pensions; • Other social security costs.
IAS 19 [IAS 19.8 and 9]	*Short-term employee benefits:* Definition These are employee benefits (other than termination benefits) that are expected to be settled within twelve months after the end of the annual reporting period in which the employees render the related service. They include for example wages, salaries, social security contributions, paid annual leave, paid sick leave, profit-sharing and bonuses, as well as non-monetary benefits (such as medical care, housing, cars, etc) for current employees.	No specific definition under Lux Law.
IAS 19 [IAS 19.11]	*Short-term employee benefits:* Recognition and Measurement All short-term employee benefits are recognised as an expense in the accounting period in which the employee renders the service. Any amount unpaid at the end of the accounting period is recognised as a liability and measured at undiscounted amount. Any excess paid is recognised as an asset.	Not specifically addressed in LUX GAAP, but in practice in line with IFRS.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.13 - 16]	Short-term employee benefits: Recognition and Measurement The expected cost of short-term compensated absences is recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements at the end of the period.	Not specifically addressed in LUX GAAP, but in practice in line with IFRS.
IAS 19 [IAS 19.19]	Short-term employee benefits: Recognition and Measurement An entity recognises the expected cost of profit-sharing and bonus payments when, and only when, it has a legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the expected obligation can be made.	Not specifically addressed in LUX GAAP, but in practice in line with IFRS.
IAS 19 [IAS 19.25]	Short-term employee benefits: Disclosure Although IAS 19 does not require specific disclosures regarding short-term employee benefits, requirements of other Standards must be taken into account, such as: • disclosure of employee benefit expense (according to IAS 1); or • disclosures about employee benefits for key management personnel (according to IAS 24).	Not specifically addressed in LUX GAAP, but in practice in line with IFRS.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.8]	Post-employment benefits: Definitions Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. These occur either as formal or informal arrangements under which an entity provides such benefits.	No specific definition under Lux Law.
[IAS 19.26]	They include for example retirement benefits, such as pensions and lump sum payments on retirement and other post-employment benefits, such as post-employment life insurance and post-employment medical care.	
[IAS 19.27]	The accounting treatment for a post-employment benefit plan depends on the economic substance of the plan and results in the plan being classified as either a defined contribution plan or a defined benefit plan.	
IAS 19 [IAS 19.8] [IAS 19.28]	Defined contribution plans: Definition These are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The entity's obligation is therefore effectively limited to the amount it agrees to contribute to the fund and effectively place actuarial and investment risk on the employee.	No specific definition under Lux Law.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.50]	Defined contribution plans: Recognition and measurement Accounting is determined by the amounts to be contributed by the employer for the current period. As a result, no actuarial assumptions are required to measure the obligation or the expense. The obligations are measured on an undiscounted basis, except where they do not fall due wholly within twelve months after the end of the period in which the employees render the related service.	Not specifically addressed in LUX GAAP, but in practice in line with IFRS.
[IAS 19.51]	A contribution payable for the period shall be recognized as a liability after deducting any amount already paid.	
[IAS 19.52]	Contributions to a defined contribution plan which are not expected to be wholly settled within 12 months after the end of the annual reporting period in which the employee renders the related service are discounted to their present value.	
IAS 19 [IAS 19.53]	Defined contribution plans: Disclosure The only specific requirement for defined contribution plans is the disclosure of the amount recognised as an expense for such plans. Moreover, disclosures about employee benefits for key management personnel (according to IAS 24) might be required.	Not specifically addressed in LUX GAAP, but in practice in line with IFRS.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.8] [IAS 19.30 (a)] [IAS 19.30(b)]	Defined benefit plans: Definition Defined benefit plans are post employment benefit plans other than defined contribution plans. Under defined benefit plans, the entity's obligation is to provide the agreed benefits to current and former employees. The actuarial risk and investment risk are supported by the employer. If actuarial or investment experience are worse than expected, the entity's obligation may be increased.	No specific definition under Lux Law.
IAS 19 [IAS 19.63] [IAS 19.8]	Defined benefit plans: Recognition and measurement An entity is required to recognize the net defined benefit liability (or asset) in its statement of financial position. The net defined benefit liability (asset) is the deficit or surplus, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The deficit or surplus is: • the present value of the defined benefit obligation at the end of the reporting period (i.e. the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods) less • the fair value of any plan assets at the end of the reporting period Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.	In LUX GAAP, obligations related to pensions and similar obligations are recognized in the balance sheet and disclosed in the notes. LUX GAAP does not give any specific information, but due consideration needs to be given to the principle of true and fair view and the prudence principle. When they are recognized in the balance sheet, they are presented in the caption "Provisions for pensions and similar obligations" [art 34]. The general rules for provisions apply and IFRS can be used as a benchmark.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.64]	Defined benefit plans: Recognition and measurement When an entity has a surplus in a defined benefit plan, the net defined benefit asset is the lower of any surplus in the fund and the asset ceiling.	Not adressed specifically. IFRS can be used as a benchmark.
[IAS 19.8]	The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	
IAS 19 [IAS 19.57]	Defined benefit plans: Recognition and measurement The change in the defined benefit liability or surplus has the following components : • amounts to be recognised in profit or loss: a. the current service cost; b. any past service cost and gain or loss on settlement; c. the net interest on the net defined benefit liability (asset); and • remeasurements to be recognised in other comprehensive income, including: a. actuarial gains and losses; b. changes in fair value of plan assets, arising from factors other than time value (whose effect is included in interest income above).	The change is fully recognised in profit and loss under LUX GAAP.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.66]	Defined benefit plans: Recognition and measurement The measurement of a net defined benefit liability or assets requires the application of an actuarial valuation method, the attribution of benefits to periods of service, and the use of actuarial assumptions.	Not specifically addressed. IFRS can be used as a benchmark.
[IAS 19.113]	The fair value of any plan assets is deducted from the present value of the defined benefit obligation in determining the net deficit or surplus.	
[IAS 19.58]	The determination of the net defined benefit liability or asset is carried out with sufficient regularity such that the amounts recognized in the financial statements do not differ materially from those that would be determined at end of the reporting period.	
[IAS 19.67 and 68]	The present value of the defined benefit obligation, the current related service cost and, where applicable, the past service cost are determined by using the projected unit credit method (actuarial method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation).	
[IAS 19.70]	This requires an entity to attribute benefit to the current period (to determine current service cost) and the current and prior periods (to determine the present value of defined benefit obligations). Benefit is attributed to periods of service using the plan's benefit formula, unless an employee's service in later years will lead to a materially higher of benefit than in earlier years, in which case a straight-line basis is used.	

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.75 and 76]	Defined benefit plans: Measurement – Actuarial assumptions The overall actuarial assumptions used must be unbiased and mutually compatible, and represent the best estimate of the variables determining the ultimate post-employment benefit cost.	Not addressed specifically. IFRS can be used as a benchmark.
[IAS 19.80]	Financial assumptions must be based on market expectations at the end of the reporting period.	
[IAS 19.81]	Mortality assumptions are determined by reference to the best estimate of the mortality of plan members during and after employment	
[IAS 19.83]	The present value of the defined benefit obligation is obtained by discounting the value of the obligation calculated above. The discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds, or where there is no deep market in such bonds, by reference to market yields on government bonds.	
[IAS 19.87]	Assumptions about expected salaries and benefits reflect the terms of the plan, future salary increases, any limits on the employer's share of cost, contributions from employees or third parties, and estimated future changes in state benefits that impact benefits payable.	
[IAS 19.96]	Medical cost assumptions incorporate future changes resulting from inflation and specific changes in medical costs.	

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.8(b)] [IAS 19.102] [IAS 19.103]	Defined benefit plans: Past service cost Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment (introduction, withdrawal or changes to a defined benefit plan) or curtailment (significant reduction by the entity in the number of employees covered by a plan). Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced). Past service costs are recognised as an expense at the earlier of when the plan amendment or curtailment occurs and when the entity recognises related restructuring costs or termination benefits.	Not adressed specifically. In practice in line with IFRS.
IAS 19 [IAS 19.110]	Defined benefit plans: Gains and losses on settlement Gains or losses on the settlement of a defined benefit plan are recognized when the settlement occurs.	Not addressed specifically. IFRS can be used as a benchmark.
IAS 19 [IAS 19.123] [IAS 19.124] [IAS 19.125]	Defined benefit plans: Components of defined benefit costs The net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both at the start of the annual reporting period, taking account of any changes due to contribution and benefit payments. It then includes interest income on plan assets, interest cost on the defined benefit obligation and interest on the effect of the asset ceiling. Part of the return on plan assets is interest income, determined as stated above. The rest of the return on plan assets results from changes in assumptions on plan assets and is included in the remeasurement of the net defined benefit liability (asset).	Not addressed specifically. IFRS can be used as a benchmark.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.128]	Defined benefit plans: Components of defined benefit costs Actuarial gains and losses result from unexpected increases or decreases in the defined benefit obligation due to changes in actuarial assumptions and experience adjustments. Actuarial gains and losses may arise for example from unexpected high or low rates of employee turnover, early retirement or mortality, unexpected increases in salaries, benefits or medical costs, the effect of changes to assumptions concerning benefit payment options, the effect of changes in underlying estimates and the effect of changes in the discount rate.	Not addressed specifically. IFRS can be used as a benchmark.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.135 to 147]	Defined benefit plans: Disclosure The disclosures required for defined benefit plans are very detailed and include among others: • information about the characteristics of the plans; • the significant actuarial assumptions used to determine the present value of the defined benefit obligation (such as discount rate, rates of employee turnover, mortality, expected rates of salary increases, etc); • a sensitivity analysis for each significant actuarial assumption; • a reconciliation from the opening balance to the closing balance of the present value of the defined benefit obligations showing separately, if applicable, current service cost, interest expense, actuarial gains and losses, past service costs, contributions to the plan, payments from the plan and effects arising from settlements, business combinations and disposals; • a reconciliation from the opening balance to the closing balance of the fair value of the plan assets showing separately, if applicable, interest income, return on plan asset, actuarial gains and losses from changes in financial assumptions, the effect of changes in foreign exchange rates, contributions to the plan, payments from the plan and effects arising from settlements, business combinations and disposals.	Under LUX GAAP, the following disclosures are required: • the average number of staff employed during the financial year, broken down by categories, is the only disclosure required concerning employees [art 65 (1) 9°]; • commitments concerning pensions that are not included in the balance sheet, when this information is of assistance in assessing the financial position [art 65 (1) 7°]; • the amounts of emoluments granted in respect of the financial year to the members of the managing and supervisory bodies acting in that capacity and any commitments arising or contracted in respect of retirement pension for former members of those bodies. This information must be disclosed in aggregate for each category [art 65 (1) 12°]. This information may be omitted however where it would result in disclosing the position of an individual member of the bodies concerned [art 65 (2)]. • In addition, any information that is needed to give a true and fair view of a entities financial position must be given [art 26 (4)].

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.135 to 147] [IAS 19.148 to 150]	Defined benefit plans: Disclosure (continued) • a disaggregated presentation of the fair value of the plan assets into classes that distinguish the nature and risks of those assets; • indication of the effect of the defined benefit plan on the entity's future cash flows, including description of any funding arrangements and funding policy that affect future contributions and expected contributions to the plan for the next annual reporting period; • information about the maturity profile of the defined benefit obligation. Additional disclosures are required in relation to multi-employer plans and defined benefit plans sharing risk between entities under common control.	Under LUX GAAP, the following disclosures are required: • the average number of staff employed during the financial year, broken down by categories, is the only disclosure required concerning employees [art 65 (1) 9°]; • commitments concerning pensions that are not included in the balance sheet, when this information is of assistance in assessing the financial position [art 65 (1) 7°]; • the amounts of emoluments granted in respect of the financial year to the members of the managing and supervisory bodies acting in that capacity and any commitments arising or contracted in respect of retirement pension for former members of those bodies. This information must be disclosed in aggregate for each category [art 65 (1) 12°]. This information may be omitted however where it would result in disclosing the position of an individual member of the bodies concerned [art 65 (2)]. • In addition, any information that is needed to give a true and fair view of a entities financial position must be given [art 26 (4)].

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.8]	Other long-term employee benefits: Definition These are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits	Not specifically addressed. In practice, the general rules for provisions apply, resulting in no significant difference with IFRS.
[IAS 19.153]	These include items such as long-service or sabbatical leave, jubilee benefits, long-term disability benefits, profit-sharing and bonuses if to be settled after more than 12 months.	
IAS 19 [IAS 19.154]	Other long-term employee benefits: Recognition and Measurement Their measurement is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. For this reason, they are recorded in the same way as post-employment benefits under a defined benefit plan. However, unlike defined benefit plan, remeasurements are recognised immediately in profit or loss.	Not specifically addressed. In practice, the general rules for provisions apply, resulting in no significant difference with IFRS.
IAS 19 [IAS 19.158]	Other long-term employee benefits: Disclosure IAS 19 does not include specific requirements in terms of disclosures about other long-term employee benefits. Disclosures about employee benefits for key management personnel (according to IAS 24) might be required.	Not addressed.

Employee Benefits (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 19 [IAS 19.8] [IAS 19.165]	Termination benefits: Definition These are benefits payable to employees provided in exchange for the termination of their employment, resulting either from the employee's decision or the entity's decision. Termination benefits are recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits which are expected to be settled within more than twelve months after the end of the annual reporting period, are treated as other long-term employee benefits.	Not specifically addressed. In practice, the general rules for provisions apply, resulting in no significant difference with IFRS.
IAS 19 [IAS 19.165]	Termination benefits: Recognition and Measurement Termination benefits are recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Termination benefits which are expected to be settled within more than twelve months after the end of the annual reporting period, are treated as other long-term employee benefits.	Not specifically addressed. In practice, the general rules for provisions apply, resulting in no significant difference with IFRS.
IAS 19 [IAS 19.171]	Termination benefits: Disclosure IAS 19 does not include specific requirements in terms of disclosures about termination benefits. Disclosures about employee benefits for key management personnel (according to IAS 24) might be required.	Not addressed.

Share-based Payment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Share-based Payment

IAS/IFRS	IFRS	LUX GAAP
IFRS 2 [IFRS 2.2 & Appendix A]	Scope & Defined terms An entity shall apply the Standard to the following share-based payment transactions: • equity-settled share-based payment transactions (in which the entity receives goods or services as consideration for its own equity instruments or has no obligation to settle the transaction); • cash-settled share-based payment transactions (in which the entity acquires goods or services by incurring a liability to transfer cash or other assets for amounts based on the price (or value) of equity instruments of the entity or another group entity); • transactions in which the entity receives or acquires goods or services and there is a choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments.	Not defined in LUX GAAP.
IFRS 2 [IFRS 2.7] [IFRS 2.8]	Recognition An entity shall recognise the goods or services received or acquired in a share-based payment transaction when it obtains the goods or when the services are received. When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognized as expenses.	No guidance in LUX GAAP. In practice, a provision shall be recorded to cover any debt incurred in relation to such transactions.

Share-based Payment (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 2 [IFRS 2.10] [IFRS 2.11-12]	Equity-settled share-based payment transactions Measurement (general) For equity-settled share-based payment transactions, an entity shall measure the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. In that case, the fair value of the goods or services received is measured by reference to the fair value of the equity instruments granted at grant date. This is typically the case for transactions with employees and others providing similar services.	No guidance in LUX GAAP.
IFRS 2 [IFRS 2.16] [IFRS 2.17]	Equity-settled share-based payment transactions Measurement (fair value) The fair value of equity instruments granted is based on market prices if available and takes into account the terms and conditions on which those equity instruments were granted. In the absence of market prices, fair value is estimated using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties.	No guidance in LUX GAAP.

Share-based Payment (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 2 [IFRS 2.19]	Equity-settled share-based payment transactions Measurement (vesting conditions) Vesting conditions are either service conditions or performance conditions, which are conditioning the grant of equity instruments. Service conditions require the completion of a specified period of service. Performance conditions require the completion of a specified period of service and specified performance targets. For transactions measured by reference to the fair value of equity instruments granted, vesting conditions others than market conditions shall not be taken into account when estimating the fair value of the shares or share options at the measurement date, but are subsequently taken into account by adjusting the number of equity instruments included in the measurement of the transaction.	No guidance in LUX GAAP.
IFRS 2 [IFRS 2.21 and 21A]	Equity-settled share-based payment transactions Measurement ((non-)vesting conditions) Market-based vesting conditions (e.g. target share price upon which vesting is conditioned) and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted.	No guidance in LUX GAAP.

Share-based Payment (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 2 [IFRS 2.30] [IFRS 2.32]	Cash-settled share-based payment transactions Measurement For cash-settled share-based payment transactions, an entity measures the goods or services acquired and the liability incurred at the fair value of the liability at the date of receipt of those goods and services. The entity recognises the services received and a liability to pay for those services as the employees render service. Until the liability is settled, the entity remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.	No guidance in LUX GAAP. IFRS can be referred to as a benchmark.

Share-based Payment (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 2 [IFRS 2.34]	Share-based payment transactions with cash alternatives For share-based payment transactions providing either the entity or the counterparty with the choice of settlement in cash (or other assets) or by issuing equity instruments, the entity shall treat the transaction or its components as a cash-settled share-based payment transaction to the extent the entity has incurred a liability, or as an equity-settled share-based payment transaction to the extent no such liability has been incurred.	No guidance in LUX GAAP. In practice, due to the prudence principle, a provision shall be recorded to cover any debt incurred in relation to such transactions.
[IFRS 2.41]	If the entity has the choice of whether to settle in cash or by the issue of equity instruments, it shall determine whether it has a present obligation to settle in cash. This shall occur if : • the settlement in equity instruments has no commercial substance (e.g. because the entity is legally prohibited from issuing shares); • the entity has a past practice or a stated policy of settling in cash; or • the entity generally settles in cash whenever the counterparty asks for cash settlement.	

Share-based Payment (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 2 [IFRS 2.44]	Disclosures The disclosures requirements aim at enabling users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period.	Information on share-based payment shall be given to comply with the requirement to disclose in the notes to the annual accounts: • The number and nominal or, in the absence of a nominal value, the accounting par value of the shares subscribed for during the financial year within the limits of an authorized capital [Art. 65 (1) 3°]; • Where there is more than one class of shares, the number and the nominal value or in the absence of a nominal value, the accounting par value of each class [Art. 65 (1) 4°]; • The existence any profit units, convertible bonds, warrants, options -or similar securities or rights, with an indication of their number an the rights they confer [Art. 65 (1) 5°]. The amount of emoluments granted in respect of the financial year to the members of the management and supervisory bodies in that capacity and any commitments arising or entered into in respect of retirement pensions for former members of those bodies must be disclosed separately as a total for each category [Art. 65 (1) 12°].
[IFRS 2.45]	They include among others the description of share-based payment arrangements, the number and weighted average exercise prices of share options by groups, as well as information on share options outstanding at the end of the period.	
[IFRS 2.46]	Disclose information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.	
[IFRS 2.50]	An entity shall also disclose information enabling users of the financial statements to understand the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position.	

Leases

IFRS 16 – Leases

IFRS 16	

Overview	• IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases.
	
	• The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.
	
	• Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
	
	• IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.
	
	• IFRS 16 supersedes the following standards and interpretations:
	    • IAS 17 Leases
	    • IFRIC 4 Determining whether an Arrangement contains a Lease
	    • SIC-15 Operating Leases – Incentives
	    • SIC-27 Evaluation the Substance of Transactions Involving the Legal Form of a Lease

Leases

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.1]	Objective The Standard sets out principles for recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.	
IFRS 16 [IFRS 16.3]	Scope IFRS 16 Leases applies to all leases, including subleases, except for: • leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources; • leases of biological assets held by a lessee (see IAS 41 Agriculture); • service concession arrangements; • licences of intellectual property granted by a lessor (see IFRS 15 Revenue from Contracts with Customers); and • rights held by a lessee under licensing agreements for items such as films, videos, plays, manuscripts, patents and copyrights within the scope of IAS 38 Intangible Assets.	The accounting treatment of leases was not expressly defined under LUX GAAP. However, the option to apply the substance over form principle [art 26 (3)] into the LUX GAAP can lead to changes in the common accounting practices of Luxembourg regarding lease contracts. No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.5 & following]	Recognition exemptions Instead of applying the recognition requirements, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases: • leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and • leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.9] [IFRS 16.B9]	Identifying a lease A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. Companies have to reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract have been changed.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.12 to IFRS 16.16]	Identifying a lease – Separating components If a contract contains a lease component and additional lease and non-lease components (e.g. the lease of an asset and the provision of a maintenance service), lessees must allocate the consideration payable on the basis of the relative stand-alone prices, which shall be estimated if observable prices are not readily available. As a practical expedient, a lessee may elect, by class of underlying asset, not to separate non-lease components from lease components and instead account for all components as a lease. Lessors allocate consideration in accordance with IFRS 15 *Revenue from Contracts with Customers*.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.18]	Lease term The lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, plus: • periods covered by an extension option if exercise of that option by the lessee is reasonably certain; and • periods covered by a termination option if the lessee is reasonably certain not to exercise that option.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.22]	Accounting by lessee – Recognition Upon lease commencement a lessee recognizes a right-of-use asset and a lease liability.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.23] [IFRS 16.24] [IFRS 16.26] [IFRS 16.27(b),(c)] [IFRS 16.38(b)]	Accounting by lessee – Initial Measurement Right-of-use asset The right-of-use asset is initially measured at cost. The cost shall comprise the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar. Lease liability The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included. Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another Standard.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.29, IFRS 16.34 & IFRS 16.35] [IFRS 16.30(a)] [IFRS 16.33] [IFRS 16.36]	Accounting by lessee – Subsequent Measurement Right-of-use asset After lease commencement, a lessee shall measure the right-of-use asset using a cost model, unless: • the right-of-use asset is an investment property and the lessee fair values its investment property under IAS 40; or • the right-of-use asset relates to a class of PPE to which the lessee applies IAS 16's revaluation model, in which case all right-of-use assets relating to that class of PPE can be revalued. Under the cost model the right-of-use asset is measured at cost less accumulated depreciation (based on depreciation requirements in IAS 16 Property, Plant and Equipment) and accumulated impairment and adjusted for any remeasurement of the lease liability. Moreover, a lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. Lease liability After the commencement date, the lease liability should be measured by: • increasing the carrying amount to reflect interest on the lease liability; • reducing the carrying amount to reflect the lease payments made; and • remeasuring the carrying amount to reflect any reassessment or lease modifications specified in IFRS 16.39 to 46, or to reflect revised in-substance fixed lease payments.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.39 to IFRS 16.43]	Accounting by lessee – Subsequent Measurement Lease liability (Reassessment) The lease liability is subsequently remeasured to reflect changes in: • the lease term (using a revised discount rate); • the assessment of a purchase option (using a revised discount rate); • the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or • future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate). The remeasurements are treated as adjustments to the right-of-use asset.	No detailed guidance in LUX GAAP.
[IFRS 16.36(c)]	Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.	

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.47] [IFRS 16.48	Accounting by lessee – Presentation Statement of financial position A lessee should either present in the statement of financial position, or disclose in the notes: • a right-of-use assets separately from other assets; and • lease liabilities separately from other liabilities. If the right-of-use assets are not presented separately in the statement of financial position, the lessee should: • include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and • disclose which line items in the statement of financial position include those right-of-use assets. If lease liabilities are not presented separately in the statement of financial position, the lessee should disclose which line items in the statement of financial position include those liabilities. The mentioned requirement for separate presentation of right-of-use assets does not apply to right-of-use assets that meet the definition of investment property, which should be presented in the statement of financial position as investment property.	No detailed guidance in LUX GAAP.
IFRS 16 [IFRS 16.49]	Accounting by lessee – Presentation Statement of P&L and OCI In the statement of profit or loss and other comprehensive income: • the interest expense on the lease liability should be presented separately from the depreciation charge for the right-of-use asset; and • the interest expense on the lease liability is a component of finance costs which, in accordance with IAS 1:82(b) Presentation of Financial Statements, is required to be presented separately in the statement of profit or loss and other comprehensive income.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.51]	Accounting by lessee – Disclosure The objective of the disclosure requirements for lessees is that sufficient information is disclosed in the notes, taken together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, to provide a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°]. The total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any *in rem* security which have been provided must be set out in the notes to the accounts [art 38].
[IFRS 16.51]	A lessee should disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.	
[IFRS 16.60]	A lessee that accounts for short-term leases or leases of low-value assets is required to disclose that fact.	
[IFRS 16.53 to IFRS 16.54]	Moreover, the following amounts reflected in the financial statements are required to be disclosed for the reporting period, reported in a tabular formular, if appropriate: • depreciation charge for right-of-use assets by class of underlying asset; • interest expense on lease liabilities; • expense relating to short-term leases; • expense relating to leases of low-value assets; • expense relating to variable lease payments not included in the measurement of lease liabilities; • income from subleasing right-of-use assets; • total cash outflow for leases; • additions to right-of-use assets; • gains or losses arising from sale and leaseback transactions; and • the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.	

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.59]	**Accounting by lessee – Disclosure** In addition, a lessee is required to disclose further qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in IFRS 16:51. This additional information may include, but is not limited to, information that helps users of financial statements to assess: • the nature of the lessee's leasing activities; • future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities (e.g. additional information relating to variable lease payments, extension options, residual value guarantees, sale and leaseback transactions); • restrictions or covenants imposed by leases; and • sale and leaseback transactions.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°].

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.61]	Accounting by lessor – Classification Lessors shall classify each lease as an operating lease or a finance lease.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.62]	Accounting by lessor – Classification A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
[IFRS 16.63]	Classification depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are: • the lease transfers ownership of the asset to the lessee by the end of the lease term; • the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised; • the lease term is for the major part of the economic life of the asset; • at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and • the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.	
[IFRS 16.66]	Lease classification is determined at the inception date and is reassessed only if there is a lease modification, whereas changes in estimates (e.g. regarding economic life or residual value of the underlying asset), or changes in circumstances (e.g. default by the lessee), do not give rise to a new lease classification.	
[IFRS 16.67]	Upon lease commencement, a lessor shall recognize assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.	

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.67]	Accounting by lessor – Recognition of finance leases Upon lease commencement, a lessor shall recognize assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.	No detailed guidance in LUX GAAP.
IFRS 16 [IFRS 16.68 & IFRS 16.69]	Accounting by lessor – Initial measurement of finance leases The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease. For lessors (other than a manufacturer or dealer lessor), initial direct costs are required to be included in the initial measurement of the net investment in the lease, and reduce the amount of income recognized over the lease term. The definition of the interest rate implicit in the lease results in such costs being included automatically in the finance lease receivable; there is no need to add them separately.	No detailed guidance in LUX GAAP.
IFRS 16 [IFRS 16.70]	Accounting by lessor – Initial measurement of finance leases At the commencement date, the lease payments included in the measurement of the net investment in the lease comprise the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date: • fixed payments, less any lease incentives payable; • variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; • any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee; • the exercise price of a purchase option if the lessee is reasonably certain to exercise that; and • payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.71]	**Accounting by lessor – Initial measurement of finance leases** At the commencement date, a manufacturer or dealer lessor should recognize the following for each of its finance leases: • revenue, which is the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest; • the cost of sale, which is the cost (or carrying amount if different) of the underlying asset less the present value of the unguaranteed residual value; and • selling profit or loss (which is the difference between revenue and the cost of sale) in accordance with its policy for outright sales to which IFRS 15 *Revenue* from Contracts with Customers applies. The selling profit or loss on a finance lease should be recognized at the commencement date, regardless of whether the lessor transfers the underlying asset as described in IFRS 15.	No detailed guidance in LUX GAAP.
IFRS 16 [IFRS 16.77]	**Accounting by lessor – Subsequent measurement of finance leases** The lessor recognizes finance income over the lease term so as to reflect a constant periodic rate of return on its net investment in the finance lease. This is achieved by allocating the rentals (net of any charges for services etc.) received by the lessor between finance income to the lessor and repayment of the debtor balance.	No detailed guidance in LUX GAAP.
IFRS 16 [IFRS 16.77]	**Accounting by lessor – Subsequent measurement of finance leases** The derecognition and impairment requirements of IFRS 9 (or, for entities that have not yet adopted IFRS 9, IAS 39) apply to a lessor's net investment in a lease. IFRS 16 emphasizes that estimated unguaranteed residual values used in computing the lessor's gross investment in a lease should be reviewed regularly. When there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of amounts already accrued is recognized immediately.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.81]	Accounting by lessor – Recognition of operating leases Lease payments from operating leases should be recognized as income on a straight-line basis unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.	No detailed guidance in LUX GAAP.
[IFRS 16.82]	Costs incurred in earning the lease income, including depreciation, are recognized as an expense.	
IFRS 16 [IFRS 16.83]	Accounting by lessor – Measurement of operating leases When initial direct costs are incurred by lessors in obtaining an operating lease, these should be added to the carrying amount of the underlying asset and recognized as an expense over the lease term on the same basis as the lease income.	No detailed guidance in LUX GAAP.
[IFRS 16.84]	The depreciation of leased assets should be on a basis consistent with the lessor's normal depreciation policy for similar assets, and the depreciation expense should be calculated on the basis set out in IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets, as appropriate. IAS 36 Impairment of Assets should be applied to determine whether an underlying asset subject to an operating lease is impaired and to account for any impairment loss identified. A manufacturer or dealer lessor should not recognize any selling profit on entering into an operating lease because it is not the equivalent of a sale.	
IFRS 16 [IFRS 16.88]	Accounting by lessor – Presentation Lessors should present assets subject to operating leases in their statements of financial position according to the nature of the underlying asset.	No detailed guidance in LUX GAAP.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.89]	Accounting by lessor – Disclosure The objective of the disclosure requirements for lessors is for lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor. [IFRS 16:90-97] specify requirements designed to meet this objective.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°]. The total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any in rem security which have been provided must be set out in the notes to the accounts [art 38].
IFRS 16 [IFRS 16.90(a), IFRS 16.91, IFRS 16.93 & IFRS 16.94]	Accounting by lessor – Disclosure Finance lease The following amounts should be disclosed for the reporting period for finance leases in a tabular format, unless another format is more appropriate: • selling profit or loss; • finance income on the net investment in the lease; and • income relating to variable lease payments not included in the measurement of the net investment in the lease. Moreover, a lessor should also • provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases; • disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years; and • reconcile the undiscounted lease payments to the net investment in the lease. This reconciliation should identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°]. The total amount of any financial commitments, guarantees or contingencies that are not included in the balance sheet, and an indication of the nature and form of any in rem security which have been provided must be set out in the notes to the accounts [art 38].

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.90(b) & IFRS 16.91]	Accounting by lessor – Disclosure Operating lease For operating leases, a lessor should disclose its lease income for the reporting period, separately disclosing income relating to variable lease payments that do not depend on an index or a rate and should be presented in a tabular format, unless another format is more appropriate.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°].
IFRS 16 [IFRS 16.95, IFRS 16.96 & IFRS 16.97]	Accounting by lessor – Disclosure Operating lease For items of property, plant and equipment subject to an operating lease, a lessor should apply the disclosure requirements of IAS 16 Property, Plant and Equipment. For this purpose, each class of PPE should be segregated into assets subject to operating leases and owned assets held and used by the lessor. The disclosure requirements in IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 40 Investment Property and IAS 41 Agriculture should be applied for assets subject to operating leases. A lessor should disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°].

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.92]	Accounting by lessor – Disclosure Additional information A lessor should disclose additional qualitative and quantitative information about its leasing activities, which includes, but is not limited to, information that helps users of financial statements to assess: • the nature of the lessor's leasing activities; and • how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor should disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.	The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°].
IFRS 16 [IFRS 16.98]	Sale and leaseback transactions – General If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor are required to account for the transfer contract and the lease by applying [IFRS 16:99-103].	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.98]	Sale and leaseback transactions – General If an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor, both the seller-lessee and the buyer-lessor are required to account for the transfer contract and the lease by applying [IFRS 16:99-103].	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.99]	Sale and leaseback transactions – Assessing whether the transfer is a sale To determine whether the transfer of an asset is accounted for as a sale of that asset, an entity should apply the requirements for determining when a performance obligation is satisfied in IFRS 15 *Revenue from Contracts with Customers*.	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.100]	Sale and leaseback transactions – Transfer is a sale If an asset transfer satisfies IFRS 15's requirements to be accounted for as a sale the seller-lessee measures the right-of-use asset at the proportion of the previous carrying amount that relates to the right of use retained. Accordingly, the seller only recognizes the amount of gain or loss that relates to the rights transferred to the buyer. The buyer-lessor should account for the purchase of the asset applying applicable IFRSs, and for the lease applying the lessor accounting requirements in IFRS 16.	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.
IFRS 16 [IFRS 16.101]	Sale and leaseback transactions – Transfer is a sale If the fair value of the sale consideration does not equal the asset's fair value, or if the lease payments are not market rates, the sales proceeds are adjusted to fair value, either by accounting for prepayments or additional financing.	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Leases (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 16 [IFRS 16.103]	Sale and leaseback transactions – Transfer is not a sale If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset: • seller-lessee should continue to recognize the transferred asset and should recognize a financial liability equal to the transfer proceeds. It should account for the financial liability applying IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement*); and • the buyer-lessor should not recognize the transferred asset and should recognize a financial asset equal to the transfer proceeds. It should account for the financial asset applying IFRS 9 (or IAS 39).	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Borrowing Costs

Borrowing Costs

IAS/IFRS	IFRS	LUX GAAP
IAS 23 [IAS 23.5] [IAS 23.6]	Definitions Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. They may include: • interest expense calculated using the effective interest method as described in IAS 39 *Financial Instruments: Recognition and Measurement* / IFRS 9 *Financial Instruments*; • finance charges in respect of finance leases recognised in accordance with IAS 17 Leases (interest in respect of lease liabilities recognized in accordance with IFRS 16 Leases, when applicable); and • exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.	Lux Law adresses only interest on capital borrowed, as eligible costs for capitalization [art. 55.4].
[IAS 23.7]	A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Examples include manufacturing plants, investment properties, power generation facilities, or some inventories.	Qualifying assets in LUX GAAP are fixed assets and stocks [art. 55.4 and 61 (2)].
IAS 23 [IAS 23.8] [IAS 23.9]	Recognition Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset, only when it is probable that these costs will result in future economic benefits to the entity and the costs can be measured reliably. All other borrowing costs are recognised as an expense when incurred.	Interest on capital borrowed to finance the production of fixed assets may be included in the production costs to the extent to which it relates to the period of production [art. 55.4].
IAS 23 [IAS 23.10]	Costs eligible for capitalization Borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made are eligible for capitalisation.	Not specified in Lux Law, but in line with IFRS in practice.

Borrowing Costs (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 23 [IAS 23.11]	Costs eligible for capitalization Identifying a direct relationship between particular borrowings and a qualifying asset can be difficult and requires sometimes the exercise of judgement (for example when financing activity of an entity is co-ordinated centrally, or when a group uses a range of debt instruments to borrow funds at varying rates of interest, and lends those funds on various bases to other entities in the group).	Not specified in Lux Law.
IAS 23 [IAS 23.12]	Costs eligible for capitalization When funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on those funds during the period. Any investment income on the temporary investment of those borrowings shall be deducted from the amount capitalized.	Not specified in Lux Law.
IAS 23 [IAS 23.14]	Costs eligible for capitalization When an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, excluding borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period shall not exceed the amount of borrowing costs incurred during that period.	Not specified in Lux Law.

Borrowing Costs (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 23 [IAS 23.17]	Commencement of capitalization Capitalization of borrowing costs starts when the entity first meets all of the following conditions: • it incurs expenditures for the asset; • it incurs borrowing costs; and • it undertakes activities that are necessary to prepare the asset for its intended use or sale.	Eligible costs for capitalisation are those relating to the period of production, meaning that capitalisation of borrowing costs starts at the beginning of the production period [art. 55.4].
IAS 23 [IAS 23.21]	Suspension of capitalization Borrowing costs incurred during an extended period after the activities necessary to prepare an asset for its intended use or sale are completed do not qualify for capitalisation. However, an entity does not normally suspend capitalising borrowing costs during a period when it carries out substantial technical and administrative work. An entity also does not suspend capitalising borrowing costs when a temporary delay is a necessary part of the process of getting an asset ready for its intended use or sale.	Not specified in Lux Law.
IAS 23 [IAS 23.22]	Cessation of capitalization Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.	Eligible costs for capitalisation are those relating to the period of production, meaning that capitalisation of borrowing costs ceases at the end of the production period [art. 55.4].
IAS 23 [IAS 23.26]	Disclosure An entity shall disclose: • the amount of borrowing costs capitalised during the period; and • the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.	The capitalisation of such interest must be disclosed in the notes to the accounts [art. 55.4].

Notes

The Effects of Changes in Foreign Exchange Rates

The Effects of Changes in Foreign Exchange Rates

IAS/IFRS	IFRS	LUX GAAP
IAS 21 [IAS 21.17] [IAS 21.8]	Definitions In preparing financial statements, each entity determines its functional currency. An entity's functional currency is the currency of the primary economic environment in which the entity operates. The presentation currency is the currency in which the financial statements are presented.	LUX GAAP does not include such definitions. Undertakings maintain their accounts generally in the capital currency but presentation in another currency is possible.
IAS 21 [IAS 21.9 to IAS 21.11] [IAS 21.12] IAS 21.13]	Definitions The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. The standard includes detailed guidance on factors to consider in order to determine the functional currency. When determination the functional currency is not obvious, management shall use its judgement to determine which currency most faithfully represents the economic effects of the entity's operations. As part of this approach, the standard provides guidance on which factors to consider in priority. Once determined, the functional currency is not changed unless there is a change in those underlying transactions, events and conditions.	Not addressed.

The Effects of Changes in Foreign Exchange Rates (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 21 [IAS 21.21] [IAS 21.22]	Initial Recognition A foreign currency transaction shall be recognized initially in the functional currency using the spot exchange rate at the date of the transaction. An average rate might be used for practical reasons (e.g. an average rate for the month).	LUX GAAP does not include any provision relating to the recording of foreign currency transactions. No difference in practice.
IAS 21 [IAS 21.23]	Reporting at the end of subsequent reporting periods At the end of each reporting period, foreign currency monetary items shall be translated using the closing rate, even if it implies unrealized gains. Non-monetary items carried at historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value in a foreign currency shall be translated using the rates that existed when the fair values were measured.	LUX GAAP does not include any provision relating to the recording of foreign currency transactions. No difference in practice, except that only profits realized at the balance sheet date may be recognized, unrealized gains cannot be recognized. Common practice is as follows. Assets and liabilities expressed in currencies other than the presentation currency are valued separately at the exchange rates prevailing at the balance sheet date. Transactions during the year in foreign currencies other than the balance sheet currency are translated at the exchange rates prevailing at the transaction date. Realized gains, realized and unrealized losses on transactions other than the balance sheet currency are credited or charged to the profit and loss.
IAS 21 [IAS 21.28]	Recognition of exchange differences Exchange differences arise on: • settlement of monetary items at a date subsequent to initial recognition; and • remeasurement of an entity's monetary items at rates different from those at which they were either initially recognised (if in the period) or previously measured (at the end of the previous reporting period). Such exchange differences must be recognised in profit or loss in the period in which they arise.	Unrealized exchange gains are not taken to profit until realized, the related assets and liabilities being translated at their historic exchange rates. Realized exchange gains are included in "Other interest receivable and similar income" and exchange losses in "Other interest payable and similar charges".

The Effects of Changes in Foreign Exchange Rates (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 21 [IAS 21.30]	Recognition of exchange differences When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss shall be recognised in profit or loss.	Not addressed.
IAS 21 [IAS 21.35]	Change in functional currency When there is a change in an entity's functional currency, the entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change.	Not addressed, the general principle being that accounting policies and measurement bases may not be modified from one financial year to another-[art 51 (1) b)]. Changes in accounting policies and measurement bases need to be disclosed in the notes to the accounts together with an explanation of the reasons for it and its impact on the annual accounts [art 51 (1bis).
IAS 21 [IAS 21.38] [IAS 21.39] [IAS 21.40]	Translation to the presentation currency The entity may present its financial statements in any currency (or currencies). If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency. To do so: • assets and liabilities are translated at the closing rate at the date of reporting; • income and expenses are translated at exchange rates at the dates of the transactions (the use of an average rate for the period is possible for practical reasons unless exchange rates fluctuate significantly); • all resulting exchange differences shall be recognised in other comprehensive income.	Not addressed. LUX GAAP does not make a difference between functional and presentation currency. Practically, this may arrive for entities which operate a branch in a country with a foreign currency, in such a case IFRS can be used as a benchmark.

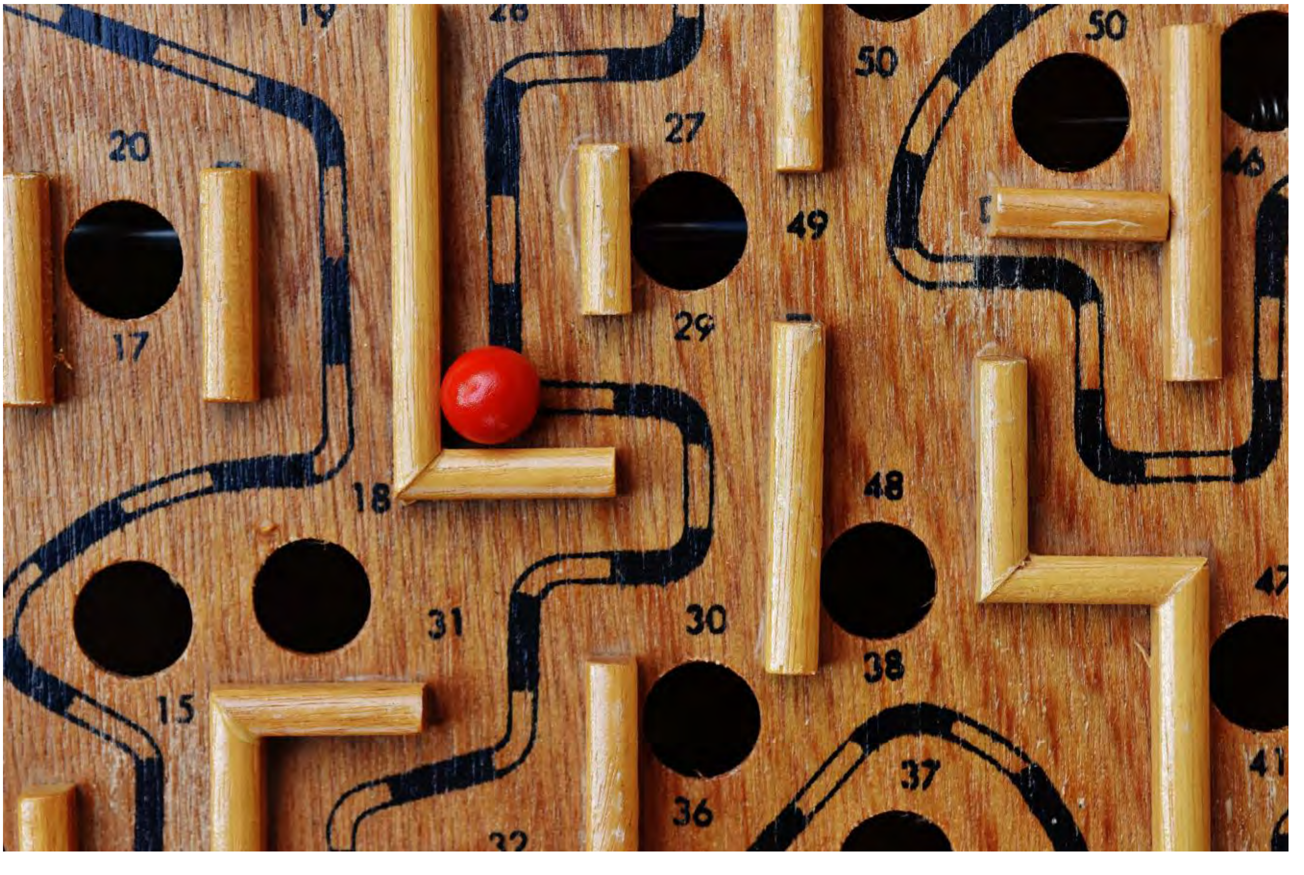
The Effects of Changes in Foreign Exchange Rates (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 21 [IAS 21.44]	Translation of a foreign operation The same method applies when the results and financial position of a foreign operation are translated into a presentation currency so that the foreign operation can be included in the financial statements of the reporting entity by consolidation or the equity method.	LUX GAAP does not include any provision relating to the recording of foreign currency transactions. No difference in practice.
IAS 21 [IAS 21.48] [IAS 21.48C]	(Partial) Disposal of foreign operations On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation recognised in equity is reclassified in profit or loss when the gain or loss on disposal is recognised. In case of a partial disposal, only the proportionate share of the cumulative exchange differences recognised in equity is reclassified in profit or loss.	LUX GAAP does not include any provision relating to the recording of foreign currency transactions. No difference in practice.
IAS 21 [IAS 21.50]	Tax effects Tax effects may result from gains and losses on foreign currency transactions and exchange differences arising on translating the results and financial position of an entity into a different currency.	Not addressed, but tax effects need to be assessed.

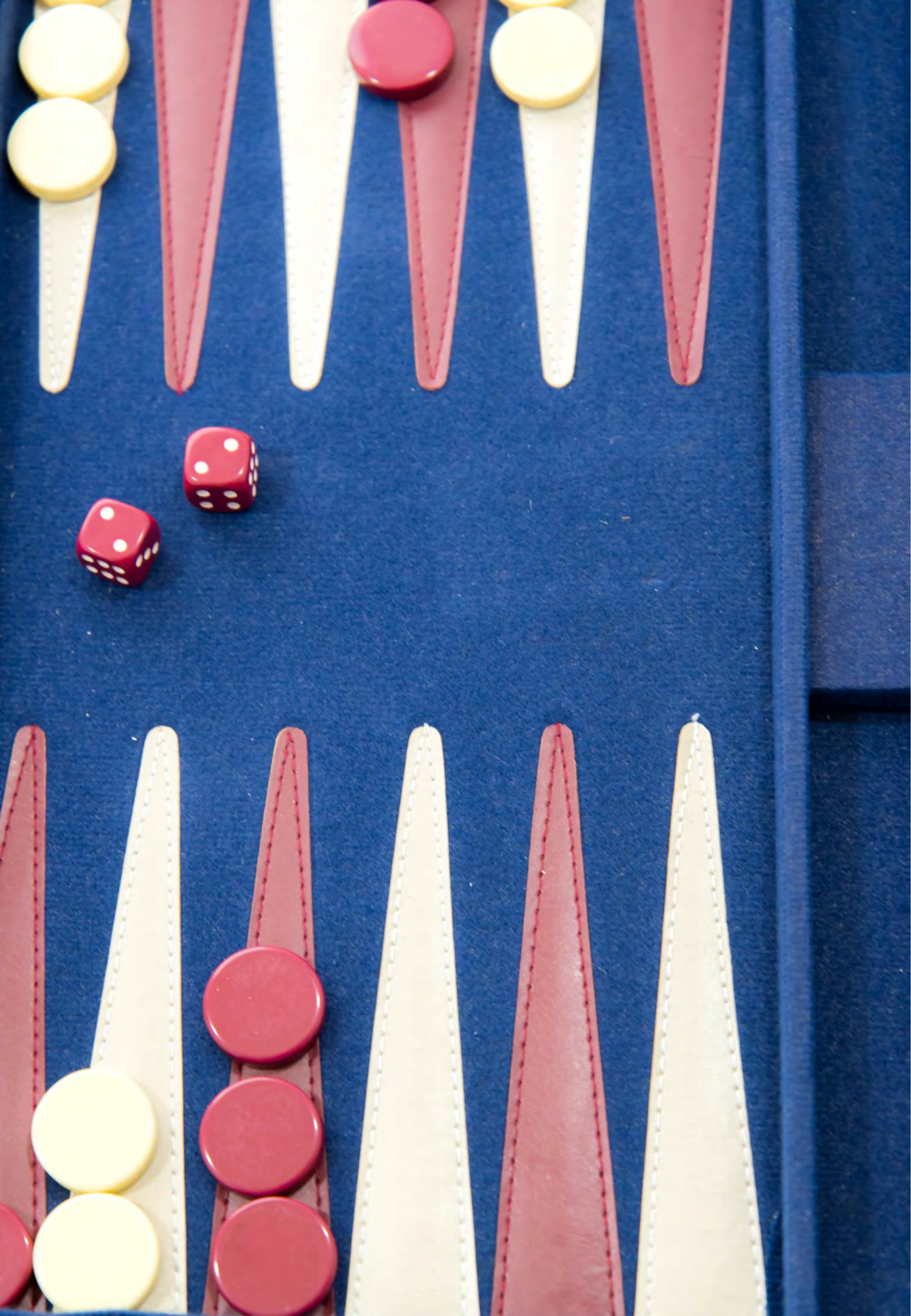
The Effects of Changes in Foreign Exchange Rates (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 21 [IAS 21.52]	Disclosure An entity shall disclose: • the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with IAS 39 (IFRS 9); • net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity; and • a reconciliation of the amount of such exchange differences at the beginning and end of the period.	For items included in the annual accounts which are or were originally expressed in foreign currency, the bases of conversion used to express them in local currency must be disclosed in the notes to the accounts [art 65 (1) 1].
[IAS 21.53]	When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.	
[IAS 21.54]	When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.	

Notes



Non-current Assets Held for Sale and Discontinued Operations



Non-current Assets Held for Sale and Discontinued Operations

IAS/IFRS	IFRS	LUX GAAP
IFRS 5 [IFRS 5.2] [IFRS 5.5]	Scope The classification and presentation requirements of this Standard apply to all recognised non-current assets and disposal groups of an entity, but specified classes of assets are not subject to its measurement requirements (e.g. deferred tax assets, assets arising from employee benefits, financial instruments).	Not addressed. LUX GAAP does not define non-current assets held for sale and discontinued operations.
IFRS 5 [IFRS 5 Appendix A] [IAS 1.66]	Definitions Non-current assets are assets that do not meet the definition of a current asset. An entity classifies an asset as current when: • it expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; • it holds the asset primarily for the purpose of trading; • it expects to realize the asset within twelve months after the reporting period; or • the asset is cash or a cash equivalent.	Not addressed.
IFRS 5 [IFRS 5 Appendix A]	Definitions A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction. A disposal group may be a group of cash-generating units, a single cash-generating unit or part of a cash-generating unit.	Not addressed.

Non-current Assets Held for Sale and Discontinued Operations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 5 [IFRS 5.6]	Classification A non-current asset (or disposal group) shall be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.	Not addressed, however under LUX GAAP, fixed assets shall comprise those assets which are intended for use on a continuing basis for the purposes of the undertaking's activity. It derives that assets held for sale should not be presented as fixed assets [art 39].
[IFRS 5.7]	Such classification requires the asset to be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.	
[IFRS 5.8]	IFRS 5 includes detailed guidance for a sale to be highly probable: • management is committed to a plan to sell the asset; • an active program to locate a buyer and complete the plan has been initiated; • the sale is expected to be completed within one year from the date of classification (subject to limited exceptions); • the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; • actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn.	Not addressed
IFRS 5 [IFRS 5.15]	Measurement Non-current assets (or disposal group) classified as held for sale are measured at the lower of its carrying amount and fair value less costs to sell.	They shall be subject to value adjustment in order to value them at the lower of market value or purchase price / production cost [art 55 c) aa)].

Non-current Assets Held for Sale and Discontinued Operations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 5 [IFRS 5.25]	Subsequent measurement Once classified as held for sale, non-current assets (or disposal group) are not depreciated or amortized any longer.	Depreciation / amortization would continue in LUX GAAP.
[IFRS 5.19, 5.20 and 5.21]	Impairment losses must be recognised. Gains should be recognized for any subsequent increase in fair value less cost to sell of an asset, but shall not exceed the cumulative impairment loss recognised in accordance with IFRS 5 or previously in accordance with IAS 36.	
IFRS 5 [IFRS 5.30]	Presentation (general) The objective of the presentation and disclosure requirements is to enable users to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups). To this end, the Standard distinguishes discontinued operations from other operations and presents them separately.	Where the application of provisions set out in the accounting law would not be sufficient to assure the true and fair view, additional information must be given [art 26 (4)].
IFRS 5 [IFRS 5.32]	Presentation (discontinued operations) A discontinued operation is a component of an entity (i.e. operations and cashflows which can be clearly distinguished for the rest of the entity for operational and financial reporting purposes) that has either been disposed of or is classified as held for sale and : • represents a separate major line of business or major geographical area of operations; • is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, • or is a subsidiary acquired exclusively with a view to resale.	Not addressed.

Non-current Assets Held for Sale and Discontinued Operations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 5 [IFRS 5.33]	Disclosures (discontinued operations) An entity shall disclose a single amount in the statement of comprehensive income comprising the total of: • the post-tax profit or loss of discontinued operations; • the post-tax gain or loss recognised on the measurement to fair value less cost to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. An analysis of this single amount shall also be presented in the notes or in the statement of comprehensive income. The net cash flows attributable to the operating, investing and financing activities of discontinued operations shall be disclosed either in the notes or in the statement of cash flows.	Not addressed.
IFRS 5 [IFRS 5.38]	Presentation (non current asset/disposal group held for sale) Non current assets and assets of a disposal group that meet the criteria to be classified as held for sale shall be presented separately in the statement of financial position. The liabilities of a disposal group classified as held for sale shall also be presented separately in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount.	Not addressed specifically, however under LUX GAAP, fixed assets shall comprise those assets which are intended for use on a continuing basis for the purposes of the undertaking's activity. It derives that assets held for sale should not be presented as fixed assets [art 39]. Where an asset (or liability) relates to more than one layout heading, its relationship to other headings must be disclosed either under the heading where it appears or in the notes to the accounts, if such disclosure is necessary for the comprehension of the annual accounts [art 37].

Non-current Assets Held for Sale and Discontinued Operations (continued)

<table>
<tr><th>IAS/IFRS</th><th>IFRS</th><th>LUX GAAP</th></tr>
<tr><td>IFRS 5
[IFRS 5.41]</td><td>Additional disclosures
An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:
• a description of the non-current asset (or disposal group);
• a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;
• the gain or loss recognized and, if not separately presented in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss;
• if applicable, the reportable segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 Operating Segments.</td><td>No specific requirement in LUX GAAP.</td></tr>
</table>

Notes

Events after the Reporting Period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Events after the Reporting Period

IAS/IFRS	IFRS	LUX GAAP
IAS 10 [IAS 10.3]	Definitions Events after the end of the reporting period are those events, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.	Not defined.
IAS 10 [IAS 10.3(a)] [IAS 10.3(b)]	Definitions Two types of events can be identified: • those that provide evidence of conditions that existed at the end of the reporting period (adjusting events); • those that are indicative of conditions that arose after the reporting period (non-adjusting events).	Account must be taken of all liabilities which have arisen in the course of the financial year or of a previous year, including where such liabilities become apparent only between the date of the balance sheet and the date on which it is drawn up [art 51(1)]. In addition, undertakings may take into consideration all the foreseeable liabilities and potential losses which have arisen in the course of the financial year or of a previous year, including where such losses become apparent only between the date of the balance sheet and the date on which it is drawn up [art 51(1bis).
IAS 10 [IAS 10.8] [IAS 10.10] [IAS 10.21]	Recognition and Measurement An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period. No adjustment is required to reflect non-adjusting events after the reporting period. However, the nature of such event and an estimate of its financial effect, or a statement that such an estimate cannot be made shall be disclosed in the financial statements for each material category of non-adjusting events.	In line with IFRS as the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the balance sheet or in the profit and loss account must be disclosed in the notes to the accounts [art 65(1) 187°]. Such disclosure necessary to achieve the objective of true and fair view.

Events after the Reporting Period (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 10 [IAS 10.12]	Dividends If an entity declares dividends to holders of equity instruments after the reporting period, the entity shall not recognize those dividends as a liability at the end of the reporting period.	In line with IFRS.
IAS 10 [IAS 10.14]	Going concern An entity shall not prepare its financial statements on a going concern basis if management determines after the end of the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.	In line with IFRS.
IAS 10 [IAS 10.17] [IAS 10.17]	Disclosure An entity shall disclose the date when the financial statements were authorized for issue and who gave that authorization. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. If an entity receives information after the reporting period regarding conditions that existed at the end of the reporting period, it has to update disclosures with regard to those conditions, in the light of the new information.	Disclosure in the notes of the nature and the financial effect of material events arising after the balance sheet date which are not reflected in the balance sheet or in the profit and loss account [art 65(1) 187°].

Related Party Disclosures

Related Party Disclosures

IAS/IFRS	IFRS	LUX GAAP
IAS 24 [IAS 24.1] [IAS 24.2]	Objective and Scope An entity is required to include in its financial statements the disclosures necessary to draw attention to the possibility that its financial position and profit or loss have been affected by the existence of related parties and by transactions and outstanding balances with such parties. As a consequence, the Standard should be applied in identifying: • related party relationships and transactions, • corresponding outstanding balances, circumstances in which disclosure of such relationships, transactions and balances is required and, • determining disclosures to be made about these items.	In line with IFRS. However in accordance with LUX GAAP, transactions which have been entered into, including the amount, the nature of the related party and other information necessary for an understanding of the financial position of the company, shall only be disclosed if they are material and have not been concluded under normal market conditions. Undertakings whose securities are not traded on a regulated market and which are below criteria of article 35 of the Law may limit such disclosures [art 65 (1) 7ter°].
IAS 24 [IAS 24.10]	Substance over form In determining potential related party relationships the Standard requires to take the substance of the relationship/transaction into account, and not merely the legal form.	Substance over form In line with IFRS.

Related Party Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 24 [IAS 24.9]	Definitions A related party is a *person* or *entity* that is related to the reporting entity. Related parties include: parents, subsidiaries, associates, joint ventures and any other member of the group to which the entity belongs, members of key management personnel of the entity or of a parent of the entity (and close members of their families), persons with control, joint control or significant influence over the entity (and close members of their families), and post-employment benefit plans. Moreover, an entity is a related party if it, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity. A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.	Definitions LUX GAAP refers to IFRS for the definition of "Related Party" [art 65 (1) 7ter°].
IAS 24 [IAS 24.13]	Disclosures Relationships between a parent and its subsidiaries are to be disclosed, regardless of whether there have been transactions between them. An entity must disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so must also be disclosed.	Disclosures In line with IFRS

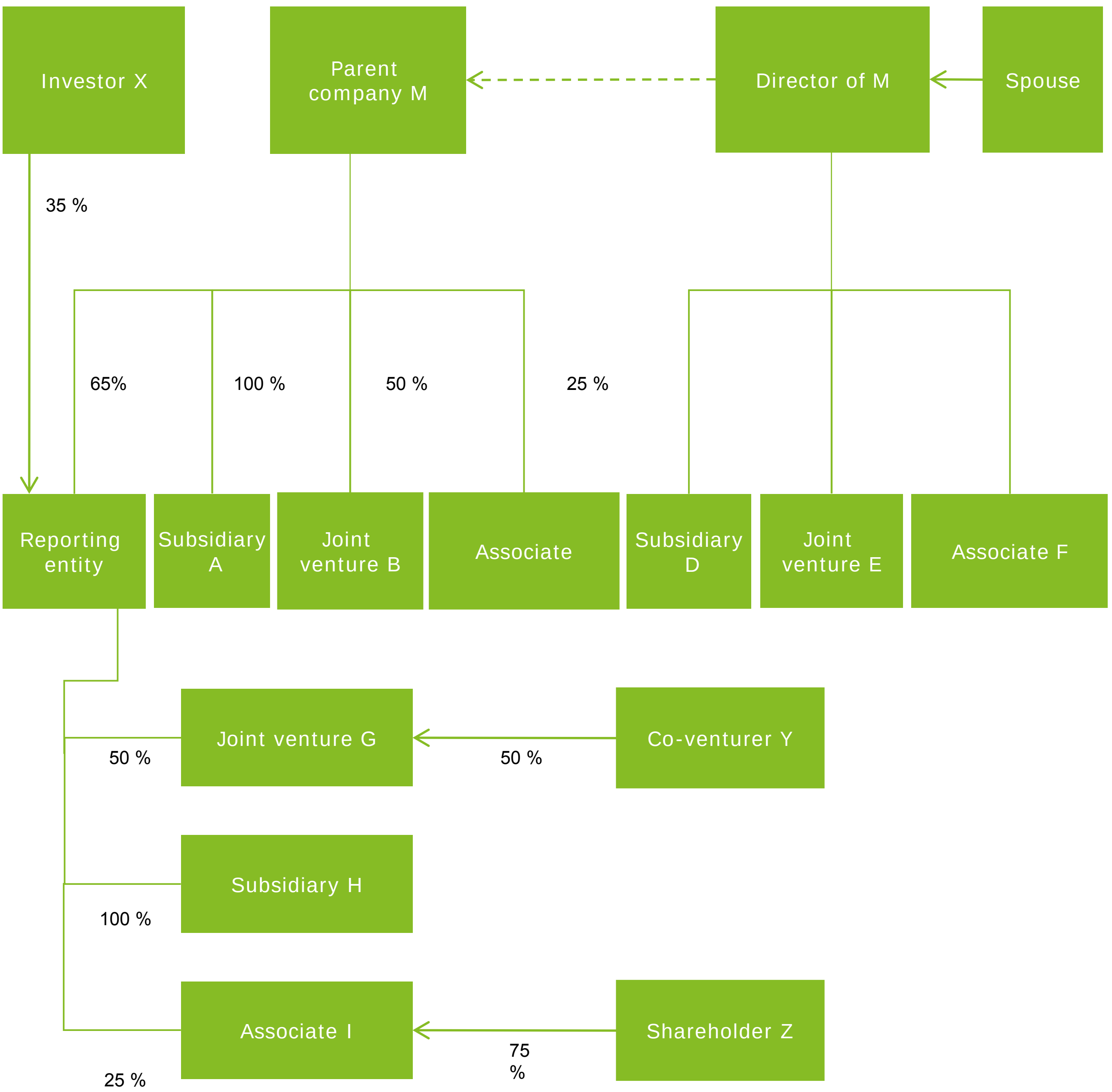
Related Party Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
[IAS 24.17]	An entity is required to disclose key management personnel compensation in total for each categories: • short-term employee benefits, • post-employment benefits, • other long-term benefits, • termination benefits, • share-based payment.	The amount of the emoluments granted in respect of the financial year to the members of the managing and supervisory bodies acting in that capacity and any commitments arising or contracted in respect of retirement pensions for former members of those bodies. This information must be disclosed in aggregate for each category. The amount of advances and loans granted to members of the managing and supervisory bodies, with details of interest rates, the principal terms and conditions and any amounts repaid, as well as the commitments given on their behalf by way of guarantees of any kind. This information must be disclosed in aggregate for each category [art 65 (1) 12° and 13°].
[IAS 24.18, 19 and 24]	When there have been related party transactions during the reporting period, the nature of the related party relationship and information about transactions necessary to understand the potential effect of the relationship on the financial statements should be disclosed, including: • amount of those transactions, • amount of outstanding balances, including terms and conditions and guarantees, • provisions for doubtful debts related to the amount of outstanding balances, • expense recognized during the period in respect of bad or doubtful debts due from related parties. These disclosures shall be made separately by category of related parties and can be in aggregate for items of similar nature.	Transactions with related parties shall only be disclosed if they are material and have not been concluded under normal market conditions. Information about individual transactions may be aggregated according to their nature except were separate information is necessary for an understanding of the effect of related party transactions [art 65 (1) 7ter°]. For undertakings whose securities are not traded on a regulated market and which are below criteria of article 35, disclosure shall be limited to transactions entered into directly or indirectly between the company and its major shareholders and the members of management and supervisory bodies. Transactions between two or more members of a group shall be exempt from disclosure provided the parties to the transactions are wholly owned by a member of the group [art 65 (1) 7ter°]. Information about the amounts of income and charges in respect of the financial year which are receivable and payable after the end of the financial year and are shown under Debtors / Creditors shall be given when such amounts are material [art 65 (1) 14°]. Any commitments in respect of affiliated undertakings must also be disclosed separately [art 65 (1) 7°].
[IAS 24.23]	Disclosures that related party transactions were made on terms equivalent to those prevailing in arm's length transactions are made only if such terms can be substantiated.	Not specified under Lux GAAP

Related Party Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
[IAS 24.11]	Parties that are not related The following are deemed not to be related: • two entities simply because they have a director or key manager in common, • two venturers who share joint control over a joint venture, • providers of finance, trade unions, public utilities, and departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process), • a single customer, supplier, franchiser, distributor, or general agent with whom an entity transacts a significant volume of business merely by virtue of the resulting economic dependence.	In line with IFRS, as related party has the same meaning as in IFRS [art 337 (7ter) and art 65 (1) 7ter°].

Related Party Disclosures (Illustration of definition)



= related party

Notes

Consolidation and related topics

Consolidation

The **"package of five" standards**	
Overview	On 29 December 2012, the European Union published Commissions Regulations endorsing the "package of five" standards on consolidation (IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011) superseded IAS 27 (2008), IAS 28 (2011) superseded IAS 28 (2008)). The "package of five" standards came with an European effective date of 1 January 2014.
IFRS 10	Consolidated Financial Statements The Standard replaced the consolidation guidance in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has: • power over the investee; • exposure, or rights, to variable returns from its involvement with the investee; and • the ability to use its power over the investee to affect the amount of the returns. IFRS 10 is a complex Standard and requires the application of significant judgement in a number of respects. The summary provided in this brochure is only intended to provide a guide for users to navigate the key concepts running through the Standard.
IFRS 11	Joint Arrangements The Standard introduced new accounting requirements for joint arrangements, replacing IAS 31 *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities was removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures: • A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. • A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.
IFRS 12	Disclosures of Involvement with Other Entities The Standards requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statements users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.
IAS 27	Separate Financial Statements (2011) The requirements relating to separate financial statements are unchanged and are included in the amended IAS 27. The other portions of IAS 27 have been replaced by IFRS 10. In general it outlines the accounting and disclosure requirements for 'separate financial statements', which are financial statements prepared by a parent, or an investor in a joint venture or associate.
IAS 28	IAS 28 Investments in Associates and Joint Ventures (2011) The Standard has been amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12. In general it outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures.

Consolidation – The “package of five”

IAS 27 (2008) Consolidated and Separate Financial Statements

SIC 12 Consolidation - Special Purpose Entities

IFRS 10 Consolidated Financial Statements

IAS 27 (2011) Separate Financial Statements

IAS 28 (2008)Investments in Associates

SIC 13 Jointly Controlled Entities - Non-monetary Contributions by Venturers

IAS 28 (2011) Investments in Associates and Joint Ventures

IAS 31 Interests in Joint Ventures

SIC 13 Jointly Controlled Entities - Non-monetary Contributions by Venturers

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

EU effective date was 1 January 2014

Consolidated Financial Statements

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.1 and IFRS 10.2]	Objective The objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. In order to meet the objective, the Standard: • requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; • defines the principle of control, and establishes control as the basis for consolidation; • set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; • sets out the accounting requirements for the preparation of consolidated financial statements; and • defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity.	The law of 11 July 1988 addresses the requirements regarding the preparation of consolidated accounts and a consolidated management report [art 309 to 344]. The Luxembourg Accounting Standard Committee (CNC) confirmed the exception to present consolidated accounts of a Luxembourg entity being itself the subsidiary of an investment company [Q&A CNC 15/006].
IFRS 10 [IFRS 10 Appendix A]	Definitions A parent is an entity that controls one or more entities. A subsidiary is an entity that is controlled by another entity, which will be its parent. A group consists of a parent and its subsidiaries. Consolidated financial statements are the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.	A subsidiary undertaking is an undertaking on which a parent company has : • the majority of voting right, • the right to appoint or remove a majority of the members of the administrative, management or supervisory body, • the control the majority of voting right pursuant to an agreement with the other shareholders [art 309].

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10 Appendix A]	Definitions An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.	Not defined under LUX GAAP.
	An investment entity is an entity that: • obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, • commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and • measures and evaluates the performance of substantially all of its investments on a fair value basis.	The definition of an investment company is different in the Luxembourg accounting law, as it refers to the amended law of 17 December 2010 relating to undertakings for collective investments respectively the amended law of 13 February 2007 relating to specialized investment funds.
	Control An investor determines whether it is a parent by assessing whether it controls one or more investees. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.	Companies must draw up consolidated accounts and a *consolidated management* report if it: a) has a majority voting rights in another undertaking; or b) has the right to appoint or remove a majority of the management; or c) is a shareholder in or member, and controls alone a majority of shareholders' or members' voting rights pursuant to an agreement [art 309].

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.7]	Control - An investor controls an investee if and only if the investor has all of the following elements: • power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns); • exposure, or rights, to variable returns from its involvement with the investee; and • the ability to use its power over the investee to affect the amount of the investor's returns.	A company must draw up consolidated accounts and a *consolidated management* report if it: a) has a majority voting rights in another undertaking; or b) has the right to appoint or remove a majority of the management; or c) is a shareholder in or member, and controls alone a majority of shareholders' or members' voting rights pursuant to an agreement [art 309].
IFRS 10 [IFRS 10.10 to IFRS 10.14] [IFRS 10.15] [IFRS 10.17] [IFRS 10.8]	Control - An investor has power over an investee if it has substantive rights to direct relevant activities, i.e. the activities that significantly affect the investee's returns. As a consequence, power always arises from rights. Such rights can be straightforward (e.g. through (potential) voting rights) or be complex (e.g. embedded in contractual arrangements). An investor that holds only protective rights (rights designed to protect the interest of the party holding) cannot have power over an investee. An investor must be exposed, or have rights, to variable returns from its involvement with an investee. Such returns must have the potential to vary as a result of the investee's performance and can be positive, negative, or both. Link between power and returns must be considered in order to determine whether the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 requires a reassessment of control if facts and circumstances indicate a change to one or more elements to control.	A company must draw up consolidated accounts and a *consolidated management* report if it: a) has a majority voting rights in another undertaking; or b) has the right to appoint or remove a majority of the management; or c) is a shareholder in or member, and controls alone a majority of shareholders' or members' voting rights pursuant to an agreement [art 309]. LUX GAAP do not address the concept of potential voting rights when assessing control. Only direct and indirect rights are considered as well as rights of any person acting in its own name but on behalf of the parent company or one of its subsidiary undertakings [art 310]. A parent company and all of its subsidiary undertakings shall be consolidated regardless of where the registered offices of subsidiary undertakings are located [art 311]. The following exemptions apply: • subsidiary undertakings taken as a whole are not material for the purpose of true and fair view, • severe long-term restrictions on exercising the rights over the assets or the management of the subsidiary undertaking, • information necessary for consolidation cannot be obtained without disproportionate cost undue delay, • shares held exclusively with a view to their subsequent resale [art 317].

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.19] [IFRS 10.4(a)]	**Accounting requirements** A parent prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. However, a parent need not present consolidated financial statements if it meets all of the following conditions: • it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements; • its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); • it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market, and • its ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.	Assets and liabilities to be included in consolidated accounts shall be valued according to uniform methods, which shall be the same as those applied by the parent company in its annual accounts. However, other methods of valuation complying with LUX GAAP may be used in consolidated accounts, provided that this fact and the reasons therefore are disclosed in the notes to the consolidated accounts. When exceptionally assets and liabilities included in consolidated accounts have not been valued with the same valuation rules as those applied for consolidation, this should be disclosed in the notes to the consolidated accounts with the reasons therefore, unless the impact is not material [art 332]. Exemption is given on quantitative criteria, based on balance sheet total (EUR 20 million), net turnover (EUR 40 million), average number of employees (250) and to the extent that none of the undertakings to be consolidated is a company whose transferable securities are admitted to trading on a regulated market of a Member State of the EU [art 313]. In addition, exemption is given to subsidiaries of a parent company governed by the Law of a member State of the EU and preparing consolidated financial statements in which the exempted company and all of its subsidiaries are consolidated. This exemption does not apply to companies whose transferable securities are admitted to trading on a regulated market of a Member State of the EU [art 314]. In case the parent company is not governed by the Law of a member State of the EU, the exemption is subject to the preparation of consolidated financial statements in accordance with Lux GAAP or in an equivalent manner [art 316]. A parent of which all subsidiaries are immaterial taken as a whole with respect to the objective of true and fair view is also exempted from the preparation of consolidated accounts [art 317].

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.B86]	Consolidation procedures Consolidated financial statements: • combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries; • offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (IFRS 3 Business Combinations explains how to account for any related goodwill); • eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full).	Assets and liabilities to be included in consolidated accounts shall be valued according to uniform methods, which shall be the same as those applied by the parent company in its annual accounts. However, other methods of valuation complying with LUX GAAP may be used in consolidated accounts, provided that this fact and the reasons therefore are disclosed in the notes to the consolidated accounts. When exceptionally assets and liabilities included in consolidated accounts have not been valued with the same valuation rules as those applied for consolidation, this should be disclosed in the notes to the consolidated accounts with the reasons therefore, unless the impact is not material [art 332].
IFRS 10 [IFRS 10.B88]	Consolidation procedures A reporting entity includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the reporting entity ceases to control the subsidiary. Income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognized in the consolidated financial statements at the acquisition date.	Assets and liabilities to be included in consolidated accounts shall be valued according to uniform methods, which shall be the same as those applied by the parent company in its annual accounts. However, other methods of valuation complying with LUX GAAP may be used in consolidated accounts, provided that this fact and the reasons therefore are disclosed in the notes to the consolidated accounts. When exceptionally assets and liabilities included in consolidated accounts have not been valued with the same valuation rules as those applied for consolidation, this should be disclosed in the notes to the consolidated accounts with the reasons therefore, unless the impact is not material [art 332].

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.B92 and IFRS 10.B93]	Consolidation procedures The parent and subsidiaries are required to have the same reporting dates, or consolidation based on additional financial information prepared by subsidiary, unless impracticable. Where impracticable, the most recent financial statements of the subsidiary are used, adjusted for the effects of significant transactions or events between the reporting dates of the subsidiary and consolidated financial statements. The difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall be no more than three months.	Consolidated financial statements must be prepared as of the same date as the annual accounts of the parent company, or as of another date in order to take into account the balance sheet dates of the most important undertakings includes in the consolidation. This fact shall be disclosed in the notes to the consolidated accounts together with the reasons therefore. In addition, important events which have occurred between an undertaking's balance sheet date and the consolidated balance sheet date must be taken into account. When the reporting date difference of a consolidated entity is more than three month, it shall be consolidated based on interim financial statements prepared as at the consolidated balance sheet date [art 330].
IFRS 10 [IFRS 10.22]	Non-controlling interests A parent presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the parent. The reporting entity should attribute the profit or loss and each component of OCI to the owners of the parent and to the non-controlling interests. It should also attribute total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.	Minority interests must be shown as a separate item in the consolidated balance sheet [art 324].
IFRS 10 [IFRS 10.23]	Changes in ownership interests Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).	No specific guidance provided in LUX GAAP. In practice, the treatment is similar as in IFRS with an impact of such transaction in equity.

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.25]	Changes in ownership interests If a parent loses control of a subsidiary, the parent: • derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position; • recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs (that retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 *Financial Instruments* or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture); and • recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.	No specific guidance provided in LUX GAAP. In practice, the treatment is similar as in IFRS with an impact of such transaction in equity.
IFRS 10 [IFRS 10 Appendix A]	Investment entity – Definition An entity that: • obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; • commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and • measures and evaluates the performance of substantially all of its investments on a fair value basis.	Not specifically addressed. The definition of an investment company is different in the Luxembourg accounting law, as it refers to the amended law of 17 December 2010 relating to undertakings for collective investments respectively the amended law of 13 February 2007 relating to specialized investment funds [art 30 (2)].

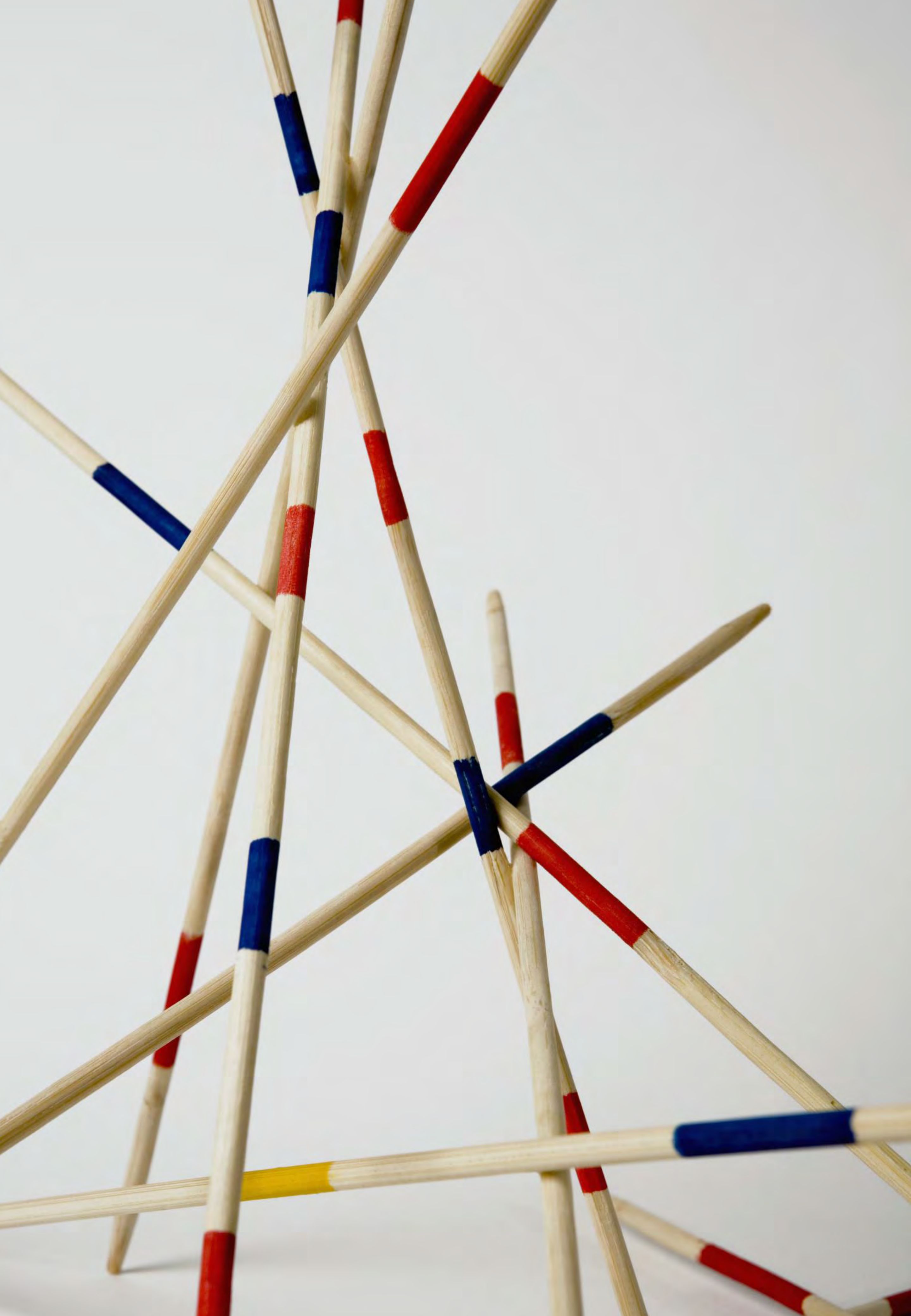
IAS/IFRS	IFRS	LUX GAAP
IFRS 10 [IFRS 10.31]	**Investment entity – consolidation exemption** IFRS 10 contains special accounting requirements for investment entities. Where an entity meets the definition of an "investment entity", it does not consolidate its subsidiaries, or apply IFRS 3 *Business Combinations* when it obtains control of another entity.	The CNC interpretation 2-1 defines 6 conditions to be fulfilled by investment companies in risk capital (venture capital, private equity) which want to apply the held for resale exemption : • the parent company must be a Luxembourg company owned by one or more well-informed investors, • its exclusive object must be to invest in risk capital for subsequent resale, • the management body has a defined ex ante exit strategy of its investments in the medium term (3 to 8 years) communicated in writing to the investors, • the objective of the company is to provide its investors with return on investment in relation with the risk they incur, • the investments should be recorded at fair value in the balance sheet or their fair value disclosed in the notes to the annual accounts, • any event, commitment or uncertainty which may have a significant impact on the going concern, the cash position, the liquidity or the solvency of the company must be appropriately disclosed in the notes to the annual accounts.
[IFRS 10.28]	An entity is required to consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. An investment entity should have the following typical characteristics: • it has more than one investment; • it has more than one investor; • it has investors that are not related parties of the entity; • it has ownership interests in the form of equity or similar interests. The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity.	
[IFRS 10.32]	However, an investment entity is still required to consolidate a subsidiary where that subsidiary provides services that relate to the investment entity's investment activities.	A company incorporated under Luxembourg law which is a subsidiary of an investment entity presenting its financial statements by exception to the consolidation and which is itself parent undertaking (sub-group), may invoke the exemption to prepare consolidated accounts [Q&A CNC 15/006].
[IFRS 10.33]	The exemption from consolidation only applies to the investment entity itself. Accordingly, a parent of an investment entity is required to consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.	

Consolidated Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 10	Disclosure There are no disclosures specified in IFRS 10. Instead, IFRS 12 *Disclosure of Interests in Other Entities* outlines the disclosures required.	Disclosure is directly addressed in the Law of 11 July 1988 [art 337 and 338].
IFRS 10 [Appendix B]	Use of judgment IFRS 10 requires *extensive use of judgment* and includes detailed guidance on assessing control and factors to consider : • Purpose and design of the investee in order to identify the relevant activities, how decisions about them are made, who has the current ability to direct them and who receives returns from them, • Potential voting rights: include the rights that can be exercised when decisions about the relevant activities are made (even if not currently exercisable), as long as they are substantive (absence of barriers, economic or otherwise, that prevent exercise), • Control without majority of voting rights (de facto control), • Delegated power (principal vs agent), • Special relationships with the investee.	The Law of 18 December 2015 has introduced a materiality concept, for both the consolidated and the annual accounts. Materiality shall mean the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the consolidated accounts of the group. The materiality of individual items shall be assessed in the context of other similar items [art 319 (6)] and [art 26 (6)].

Notes

Business Combinations



Business Combinations

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 [IFRS 3.1]	Objective The Standard seeks to enhance the relevance, reliability and comparability of information provided about business combinations (e.g. acquisitions and mergers) and their effects. It sets out the principles on the recognition and measurement of acquired assets and liabilities, the determination of goodwill and the necessary disclosures.	Not defined under LUX GAAP.
IFRS 3 [Appendix A]	Definitions A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The acquisition date is the date on which the acquirer obtains control of the acquire.	Not defined under LUX GAAP.
IFRS 3 [IFRS 3.2]	Scope IFRS 3 must be applied when accounting for business combinations, but does not apply to: • the formation of a joint venture; • the acquisition of an asset or group of assets that is not a business, although general guidance is provided on how such transactions should be accounted for; • combinations of entities or businesses under common control; • acquisitions by an investment entity of a subsidiary that is required to be measured at fair value through profit or loss under IFRS 10 Consolidated Financial Statements.	Not specified in LUX GAAP.

Business Combinations (continued)

IAS/IFRS	IFRS	LUX GAAP

IFRS 3 [IFRS 3.B5 to IFRS 3B7]	Determining a business combination
	IFRS 3 provides additional guidance on determining whether a transaction meets the definition of a business combination:
	• Business combinations can occur in various ways, such as by transferring cash, incurring liabilities, issuing equity instruments (or any combination thereof), or by not issuing consideration at all (i.e. by contract alone);
	• Business combinations can be structured in various ways to satisfy legal, taxation or other objectives, including one entity becoming a subsidiary of another, the transfer of net assets from one entity to another or to a new entity;
	• business combination must involve the acquisition of a business, which generally has three elements:
	  • *Inputs* – an economic resource (e.g. non-current assets, intellectual property) that creates outputs when one or more processes are applied to it;
	  • Process – a system, standard, protocol, convention or rule that when applied to an input or inputs, creates outputs (e.g. strategic management, operational processes, resource management);
	  • *Output* – the result of inputs and processes applied to those inputs.
		Not specified in LUX GAAP.

Business Combinations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 [IFRS 3.4 & IFRS 3.5]	Acquisition method of accounting The acquisition method shall be applied to all business combinations. This method includes the following steps : • Identification of the acquirer (the entity that obtains control of the acquiree); • Determination of the acquisition date (the date on which the acquirer obtains control of the acquiree); • Recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; • Recognition and measurement of goodwill or a gain from a bargain purchase.	Identification of the acquirer and determination of the acquisition date are not specified in LUX GAAP.
IFRS 3 [IFRS 3.10]	Recognition principle Identifiable assets acquired, liabilities assumed, and non-controlling interests in the acquiree, are recognized separately from goodwill as of the acquisition date.	Not specified in LUX GAAP.
IFRS 3 [IFRS 3.18]	Measurement principle The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values (with a limited number of specified exceptions).	The Luxembourg law on consolidation allows the book values of shares held in the capital of an undertaking included in the consolidation to be set off against the corresponding percentage of capital only, provided that the undertakings in the consolidation are ultimately controlled by the same party both before and after the business combination and that control is not transitory. Any such difference arising shall be added or deducted from the consolidated reserves, as appropriate [art 323]. This option permits "pooling of interests" or merger accounting.

Business Combinations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 [IFRS 3.19]	Measurement principle Non-controlling interests which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in case of liquidation are measured either at *fair value* or at the present ownership instrument's *proportionate share* in the recognized amounts of the acquiree's identifiable net assets. Other non-controlling interests are measured at their acquisition-date fair values unless another measurement basis is required by IFRS.	Minority interest is recorded based on the proportion of book values [art 322].
IFRS 3 [IFRS 3.32]	Goodwill: Recognition and measurement The acquirer shall recognize goodwill as of the acquisition date. Goodwill is measured as *the excess* of the aggregate of: • the consideration transferred, • the amount of any non-controlling interest in the acquire, • in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.	Goodwill is calculated as the *difference between* the book value of shares in the capital and the proportion of capital and reserves of the undertakings included in consolidation : • either on the basis of book values, • or on the basis of values of identifiable assets and liabilities, at the date of acquisition [art 322.1].
IFRS 3 [IFRS 3.34 to IFRS 3.36]	Goodwill: Recognition and measurement If the goodwill is negative (bargain purchase), the resulting gain is a bargain purchase in profit or loss, which may arise in circumstances such as a forced seller acting under compulsion. However, before any bargain purchase gain is recognized in profit or loss, the acquirer is required to undertake a review to ensure the identification of assets and liabilities is complete, and that measurements appropriately reflect consideration of all available information.	Negative goodwill may be transferred in the consolidated profit and loss only if it corresponds to the expectation at the date of acquisition of unfavourable future results of the undertaking, or of costs which that undertaking could incur or to a realized gain. In all other cases, negative goodwill is recorded in equity [art 334].

Business Combinations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 [IFRS 3.42]	Step acquisitions For business combinations achieved in stages, the acquirer remeasures any previously held equity interest at fair value and takes this amount into account in the determination of goodwill as noted above. Any resultant gain or loss is recognized in profit or loss or other comprehensive income as appropriate.	In the event of an acquisition in two or more stages, the set-off between the purchase price of shares in the capital and the proportion of capital and reserves of the undertaking is performed at the date when the undertaking became a subsidiary undertaking [art 322.1.b)].
IFRS 3 [IFRS 3.45]	Measurement period If the initial accounting for a business combination can only be determined provisionally by the end of the first reporting period, the acquirer shall report in its financial statements provisional amounts. Adjustments to provisional amounts, and the recognition of newly identified asset and liabilities, must be made within the measurement period (one year from acquisition date) where they reflect new information obtained about facts and circumstances that were in existence at the acquisition date.	No adjustment period considered in LUX GAAP. Any adjustment should be recorded as a correction of error.
[IFRS 3.50]	After one year, adjustments can only be made to correct an error in accordance with IAS 8.	

Business Combinations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 [IFRS 3.58]	Contingent consideration Contingent consideration must be measured at fair value at the time of the business combination and is taken into account in the determination of goodwill. If the amount of contingent consideration changes as a result of a post-acquisition event (such as meeting an earnings target), accounting for the change in consideration depends on whether the additional consideration is classified as an equity instrument or an asset or liability. Where a change in the fair value of contingent consideration is the result of additional information about facts and circumstances that existed at the acquisition date, these changes are accounted for as measurement period adjustments if they arise during the measurement period.	Not specifically addressed under LUX GAAP. IFRS can be referred to as a benchmark.
IFRS 3 [IFRS 3.53]	Acquisition costs All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisitions department) are recognized as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities which shall be recognized in accordance with IAS 32 and IAS 39/IFRS 9.	Under LUX GAAP, the purchase price of shares in an undertaking includes the price paid and the expenses incidental thereto [art 55.2]. As a result acquisition costs may be recognized as a part of the goodwill.

Business Combinations (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 3 [IFRS 3.43 & IFRS 3.44] [IFRS 3.B19] [IFRS 3.B31 to IFRS 3.B34]	Other issues IFRS 3 includes additional guidance for applying the acquisition method to specific matters related to business combinations : • business combination achieved without the transfer of consideration; • reverse acquisitions (where the entity whose equity interests are acquired is the acquirer and the issuing entity is the acquiree); • pre-existing relationship or other arrangement between the acquirer and the acquiree; • reacquired rights.	Not addressed under LUX GAAP.
IFRS 3 [IFRS 3.59 to IFRS 3.63 and IFRS 3.B64 to IFRS 3.B66]	Disclosure Extensive disclosures for each significant business combination that occurred during the reporting period are required. Main ones are the following: • name and a description of the acquiree; • the acquisition date; • the percentage of voting equity interests acquired; • the primary reasons for the business combination and a description of how the acquirer obtained control of the acquirer; • a qualitative description of the factors that make up the goodwill recognized; • the amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed; • the total amount of goodwill that is expected to be deductible for tax purposes; • information about the acquisition-date fair value of the total consideration transferred, contingent consideration arrangements, acquired receivables.	No specific disclosure under LUX GAAP. However, information shall be given on business combination if it is necessary to give a true and fair view of the group’s assets, liabilities, financial position and results [art 319.4].

Notes

Investments in Associates and Joint Ventures

Investments in Associates and Joint Ventures

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.1]	Objective The objective is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Associated undertakings are defined in article 332 and undertakings managed jointly are addressed in article 335.
IAS 28 [IAS 28.2]	Scope IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).	Associated undertakings are defined in article 332 and undertakings managed jointly are addressed in article 335.
IAS 28 [IAS 28.3]	Definitions An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.	No difference, except that LUX GAAP refers to "associated undertaking". An associated undertaking is a participating interest not included in the consolidation and over which a consolidated undertaking exercises a significant influence over the operations [art 336.1].
IAS 28 [IAS 28.3]	Definitions A joint arrangement is an arrangement of which two or more parties have joint control. Joint control means the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer is a party to a joint venture that has joint control of that joint venture.	Not defined. LUX GAAP refers to an undertaking included in a consolidation and managing another undertaking jointly with one or more undertakings,

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.3]	Definitions The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.	Where an undertaking included in a consolidation exercices a significant influence over the operations and the financial policy of an associated undertaking in which it holds a participating interest, the book value of that participating interest is replaced by the proportion of of the associated undertaking's capital and reserves [art 336]. The equity method may also be applied at the level of the annual accounts [art 58].
IAS 28 [IAS 28.5] [IAS 28.6] [IAS 28.9]	Significant influence Where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence is usually evidenced in one or more of the following ways: • representation on the board of directors or equivalent governing body of the investee; • participation in the policy-making process, including participation in decisions about dividends or other distributions; • material transactions between the entity and the investee; • interchange of managerial personnel; or • provision of essential technical information. An entity loses significant influence when it loses the power to participate in the financial and operating policy decisions of the investee.	An undertaking is assumed to exercise a significant influence over another undertaking where it has 20% or more of the shareholders's or members' voting rights in that undertaking (associated undertaking) [art 336.1], [art 58] .

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.10]	Recognition – Equity method Under the equity method, on initial recognition the investment in an associate or a joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.	Initial recognition is at purchase price (price paid plus expenses incidental thereto) or at the amount corresponding to the proportion of the associated undertaking's capital and reserves represented by that participating interest [art 336.2]. Subsequently, the amount initially recognized is increased or reduced by the amount of any variation which has taken place during the financial year in the proportion of the associated undertaking's capital and reserves represented by that participating interest. It shall be reduced by the amount of the dividends relating to that participating interest [art 336.4]. The proportion of the profit or loss attributable to participating interests shall be shown in the profit and loss as a separate item [art 336.5]. As regards annual accounts, where the proportion of the profit or loss attributable to the participating interests exceeds the amount of dividends , the difference must be placed in a reserve which cannot be distributed [art 56.6].
IAS 28 [IAS 28.14]	Recognition – Interaction with IFRS 9 IFRS 9 *Financial Instruments* does not apply to interests in associates and joint ventures that are accounted for using the equity method. Instruments containing potential voting rights in an associate or a joint venture are accounted for in accordance with IFRS 9, unless they currently give access to the returns associated with an ownership interest in an associate or a joint venture.	Not applicable in LUX GAAP.
IAS 28 [IAS 28.15]	Classification An investment in an associate or a joint venture is generally classified as non-current asset, unless it is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.	Not addressed in LUX GAAP. Associated undertakings not included in the consolidation shall be shown in the consolidation balance sheet as a separate item with an appropriate heading [art 336.1].

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.16 to IAS 28.19]	**Application of the equity method** In its consolidated financial statements, an investor uses the equity method of accounting for investments in associates and joint ventures, except when the investment meets one of the following conditions: • The entity is a parent that is exempt from preparing consolidated financial statements under IFRS 10 or if it does not have to apply the equity method, • When an investment in an associate or a joint venture is held by a venture capital organization, mutual fund or a unit trust, the entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with IFRS 9.	In line with IFRS, except that exemption only applies if an associate is not material with respect to the objective of true and fair view [art 336.9].
IAS 28 [IAS 28.20]	**Classification as held for sale** When the investment, or portion of an investment, meets the criteria to be classified as held for sale, the portion so classified is accounted for in accordance with IFRS 5. Any remaining portion is accounted for using the equity method until the time of disposal, at which time the retained investment is accounted under IFRS 9, unless the retained interest continues to be an associate or joint venture.	Not addressed in LUX GAAP.

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.22] [IAS 28.24]	Discontinuing the equity method Use of the equity method should cease from the date that significant influence or joint control ceases: • if the investment becomes a subsidiary, the entity accounts for its investment in accordance with IFRS 3 and IFRS 10; • if the retained interest is a financial asset, it is measured at fair value and subsequently accounted for under IFRS 9; • any amounts recognized in OCI in relation to the investment in the associate or joint venture are accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities; or • if an investment in an associate becomes an investment in a joint venture (or vice versa), the entity continues to apply the equity method and does not remeasure the retained interest.	Not addressed in LUX GAAP, but IFRS can be used as a benchmark.
IAS 28 [IAS 28.25]	Changes in ownership interests If an entity's interest in an associate or joint venture is reduced, but the equity method is continued to be applied, the entity reclassifies to profit or loss the proportion of the gain or loss previously recognized in OCI relative to that reduction in ownership interest.	Not addressed in LUX GAAP, but IFRS can be used as a benchmark.

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.32]	Equity method – initial accounting An investment is accounted for using the equity method from the date on which it becomes an associate or a joint venture. On acquisition, any difference between the cost of the investment and **the entity's** share of the net fair value of the investee's identifiable assets and liabilities in case of goodwill is included in the carrying amount of the investment (amortization not permitted) and any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired. Adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date or for impairment losses such as for goodwill or property, plant and equipment.	The difference between purchase price and the amount corresponding to the proportion of the associated undertaking's capital and reserves represented by that participating interest is disclosed separately in the consolidated balance sheet or in the notes to the accounts. This difference is calculated at the date as at which the method is applied for the first time [art 336.2]. Insofar as a positive difference cannot be related to any category of assets or liabilities, it shall be dealt with the rules laid down by the accounting Law for goodwill (write off within a maximum period of ten years, if the useful economic life of the goodwill cannot be reliably estimated). A negative consolidation difference may be transferred to the consolidated profit and loss account only: • where that difference corresponds to the expectation, at the date of acquisition of unfavorable results in the relevant undertaking, or to the expectation of costs which that undertaking would incur, insofar as such an expectation materializes; • or insofar as such a difference corresponds to a realized gain [art 334].
IAS 28 [IAS 28.34]	Equity method – reporting date The investor or joint venturer should use the financial statements of the associate or joint venture as of the same date as the financial statements of the investor or joint venturer unless it is impracticable to do so. If it is impracticable, the most recent available financial statements of the associate or joint venture should be used, with adjustments made for the effects of any significant transactions or events occurring between the accounting period ends. However, the difference between the reporting date of the associate and that of the investor cannot be longer than three months.	Not specifically addressed under LUX GAAP for equity accounting. The general rule for consolidated undertakings can be applied (if the difference in the reporting dates is more than three months, the associate has to draw up interim accounts) [art 330].

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.35]	Equity method – accounting policies If the associate or joint venture uses accounting policies that differ from those of the investor, the associate or joint venture's financial statements are adjusted to reflect the investor's accounting policies for the purpose of applying the equity method.	To compute the initial difference when applying equity method for the first time, where an associate's assets or liabilities has been valued by methods other than those used for consolidation, they may be revalued by the methods used for consolidation. If such revaluation has not been carried out, this fact must be disclosed in the notes to the accounts [art 336.3]. Subsequent revaluation is not specifically addressed under LUX GAAP for equity accounting. The general rule for consolidated undertakings can be applied (revaluation with same valuation methods as those used for consolidation and exceptional departure permitted if properly disclosed) [art 332.3].
IAS 28 [IAS 28.39]	Equity method – Losses exceeding investment If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest, the investor or joint venturer discontinues recognizing its share of further losses. The interest in an associate or joint venture is the carrying amount of the investment in the associate or joint venture under the equity method together with any long-term interests that, in substance, form part of the investor or joint venturer's net investment in the associate or joint venture. After the investor or joint venturer's interest is reduced to zero, a liability is recognized only to the extent that the investor or joint venturer has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.	Not addressed in LUX GAAP, but IFRS can be used as a benchmark due to the prudence principle.

Investments in Associates and Joint Ventures (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 28 [IAS 28.40 following]	**Impairment** After application of the equity method an entity applies IAS 39/IFRS 9 to determine whether it is necessary to recognize any additional impairment loss with respect to its net investment in the associate or joint venture. If impairment is indicated, the amount is calculated by reference to IAS 36. The entire carrying amount of the investment is tested for impairment as a single asset, that is, goodwill is not tested separately. The recoverable amount of an investment in an associate is assessed for each individual associate or joint venture, unless the associate or joint venture does not generate cash flows independently.	Not specifically required under Lux GAAP, but valuation rules as required for the annual accounts need to be considered.
IAS 28	**Disclosure** There are no disclosures specified in IAS 28. Instead, IFRS 12 *Disclosure of Interests in Other Entities* outlines the disclosures required.	Disclosure requirements regarding associated undertaking as regards the proportion of their capital held [art 337 (3)] and the method applied [art 336 (2)] This applies also when the equity method is used at the level of annual accounts [art 58 (2)].

Joint Arrangements

Joint Arrangements

IAS/IFRS	IFRS	LUX GAAP
IFRS 11 [IFRS 11.1 and IFRS 11.2]	Objective The objective is to establish principles for financial reporting by entities having an interest in arrangements which are controlled jointly (joint arrangements). The core principle is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.	Not addressed.
IFRS 11 [IFRS 11.4 to IFRS 11.6]	Joint arrangements A joint arrangement is an arrangement of which two or more parties have joint control. A joint arrangement has the following characteristics: • the parties are bound by a contractual arrangement, and • the contractual arrangement gives two or more of those parties joint control of the arrangement. A joint arrangement is either a joint operation or a joint venture.	LUX GAAP refers only to an undertaking that is managed jointly by an undertaking included in a consolidation and one or more undertakings which are not included in consolidation [art 335].
IFRS 11 [IFRS 11.7]	Joint control Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.	Not addressed.

Joint Arrangements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 11 [IFRS 11.B5] [IFRS 11.B6] [IFRS 11.B9]	Joint control Before assessing whether an entity has joint control over an arrangement, an entity first assesses whether the parties, or a group of the parties, control the arrangement (in accordance with the definition of control in IFRS 10). After concluding that all the parties, or a group of the parties, control the arrangement collectively, an entity shall assess whether it has joint control of the arrangement. The requirement for unanimous consent means that any party with joint control of the arrangement can prevent any of the other parties, or a group of the parties, from making unilateral decisions (about the relevant activities) without its consent.	Not addressed
IFRS 11 [IFRS 11.15] [IFRS 11.16]	Types of joint arrangements Joint arrangements are either joint operations or joint ventures: A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.	LUX GAAP refers only to an undertaking that is managed jointly by an undertaking included in a consolidation and one or more undertakings which are not included in consolidation [art 335].

Joint Arrangements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 11 [IFRS 11.6, IFRS 11.14, IFRS 11.17]	Classifying joint arrangements The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. An entity determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.	Not addressed.
[IFRS 11.B19]	A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation.	
[IFRS 11.B16]	A joint arrangement that is not structured through a separate vehicle is a joint operation. In such cases, the contractual arrangement establishes the parties' rights to the assets, and obligations for the liabilities, relating to the arrangement, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.	
IFRS 11 [IFRS 11.20]	Financial statements – Joint operations A joint operator recognizes in relation to its interest in a joint operation: • its assets, including its share of any assets held jointly; • its liabilities, including its share of any liabilities incurred jointly; • its revenue from the sale of its share of the output of the joint operation; • its share of the revenue from the sale of the output by the joint operation; and • its expenses, including its share of any expenses incurred jointly.	Not addressed.

Joint Arrangements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 11 [IFRS 11.21]	Financial statements – Joint operations A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRSs.	Investments in jointly controlled entities may be accounted for in proportion to the rights in its capital held by the investor (proportionate consolidation), or by applying the equity method [art 335].
[IFRS 11.21A]	The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.	
[IFRS 11.23]	A party that participates in, but does not have joint control of, a joint operation shall also account for its interest in the arrangement in accordance with the above if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation.	
IFRS 11 [IFRS 11.24]	Financial statements – Joint ventures A joint venturer recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures* unless the entity is exempted from applying the equity method as specified in that standard.	Investments in jointly controlled entities shall be accounted for in proportion to the rights in its capital held by the investor (proportionate consolidation), or by applying the equity method [art 335].
[IFRS 11.25]	A party that participates in, but does not have joint control of, a joint venture accounts for its interest in the arrangement in accordance with IAS 39/IFRS 9 unless it has significant influence over the joint venture, in which case it accounts for it in accordance with IAS 28.	

Joint Arrangements (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 11 [IFRS 11.26] [IFRS 11.27]	Separate financial statements The accounting for joint arrangements in an entity's separate financial statements depends on the involvement of the entity in that joint arrangement and the type of the joint arrangement: If the entity is a joint operator or joint venturer it shall account for its interest in • a joint operation in accordance with IFRS 11 paragraphs 20-22; • a joint venture in accordance with paragraph 10 of IAS 27 *Separate Financial Statements*. If the entity is a party that participates in, but does not have joint control of, a joint arrangement shall account for its interest in: • a joint operation in accordance with IFRS 11.23; • a joint venture in accordance with IAS 39/IFRS 9, unless the entity has significant influence over the joint venture, in which case it shall apply IAS 27.10.	Not addressed, but requirement to disclose the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the companies included within the scope of the consolidation [art 337 (7bis) and art 65 (7bis)].
IFRS 11	Disclosure There are no disclosures specified in IAS 28. Instead, IFRS 12 *Disclosure of Interests in Other Entities* outlines the disclosures required.	The notes must include the names and registered offices of undertakings proportionally consolidated, the factors on which joint management is based, and the proportion of their capital held by the undertakings included in the consolidation or by persons acting in their own names but on behalf of those undertakings [art 337 (4)].
IFRS 11 [IFRS 11 Appendix B]	IFRS 11 includes detailed guidance about areas of complexity : • Form of the contractual arrangement (written contract, documented discussion), • Assessment of joint control (consideration of potential voting rights of parties and rules around casting votes), • Identifying whether a joint arrangement is a joint venture or joint operation.	Not addressed.

Notes

Disclosure of Interests in Other Entities

Disclosure of Interests in Other Entities

IAS/IFRS	IFRS	LUX GAAP
IFRS 12 [IFRS 12.1] [IFRS 12.3]	Objective The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: • the nature of, and risks associated with, its interests in other entities; and • the effects of those interests on its financial position, financial performance and cash flows. Where the disclosures required by IFRS 12, together with the disclosures required by other IFRSs, do not meet the above objective, an entity is required to disclose whatever additional information is necessary to meet the objective.	Not addressed.
IFRS 12 [IFRS 12.5]	Scope IFRS 12 is required to be applied by an entity that has an interest in any of the following: • subsidiaries; • joint arrangements (joint operations or joint ventures); • associates; and • unconsolidated structured entities. Disclosures required in IFRS 12 (with the exception of B10-B16) also apply to interests held for sale and discontinued operations in accordance with IFRS 5 (Annual Improvements to IFRS 2014−2016 Cycle, effective for annual periods beginning on or after 1 January 2017).	Not addressed.
IFRS 12 [IFRS 12 Appendix A]	Definitions A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.	Not addressed.

Disclosure of Interests in Other Entities (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 12 [IFRS 12 Appendix A]	Definitions An interest in another entity refers to contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. Such an interest can be evidenced by, but is not limited to, the holding of equity or debt instruments or other forms of involvement (e.g. provision of funding, liquidity support, credit enhancement or guarantees). Moreover, an interest in another entity includes the means by which an entity has control or joint control of, or significant influence over, another entity, whereas a typical customer supplier relationship solely does not necessarily indicate such an interest.	Not addressed.

Disclosure of Interests in Other Entities (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 12 [IFRS 12.7 to IFRS 12.9B]	Significant judgements and assumptions An entity discloses information about significant judgements and assumptions it has made (and changes in those judgements and assumptions) in determining (besides others): • that it controls another entity; • that it has joint control of an arrangement or significant influence over another entity; • the type of joint arrangement (i.e. joint operation or joint venture) when the arrangement has been structured through a separate vehicle; and • that it is an investment entity (if applicable).	Not addressed.
IFRS 12 [IFRS 12.10 to IFRS 12.19]	Interests in subsidiaries An entity shall disclose information that enables users of its consolidated financial statements to (besides others): • understand the composition of the group; • understand the interest that non-controlling interests have in the group's activities and cash flows; • evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group; • evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities; • evaluate the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and • evaluate the consequences of losing control of a subsidiary during the reporting period.	Not addressed.

Disclosure of Interests in Other Entities (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 12 [IFRS 12.31]	Interests in unconsolidated subsidiaries (investment entities) In accordance with IFRS 10 *Consolidated Financial Statements*, an investment entity is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss.	Not addressed. Information must be given in respect of undertakings excluded form the consolidation and an explanation of the reasons for their exclusion [art 337 (2) b)].
[IFRS 12.9A; IFRS 12.9B; IFRS 12.19A; IFRS 12.19B; IFRS 12.19D-19G] [IFRS 12.21A; IFRS 12.25A]	Where an entity is an investment entity, IFRS 12 requires additional disclosure, including: • the fact the entity is an investment entity; • information about significant judgements and assumptions it has made in determining that it is an investment entity, and specifically where the entity does not have one or more of the 'typical characteristics' of an investment entity; • details of subsidiaries that have not been consolidated (name, place of business, ownership interests held); • details of the relationship and certain transactions between the investment entity and the subsidiary (e.g. restrictions on transfer of funds, commitments, support arrangements, contractual arrangements); and • information where an entity becomes, or ceases to be, an investment entity. An entity making these disclosures are not required to provide various other disclosures required by IFRS 12.	

Disclosure of Interests in Other Entities (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 12 [IFRS 12.20]	**Interests in joint arrangements and associates** An entity shall disclose information that enables users of its financial statements to evaluate: • the nature, extent and financial effects of its interests in joint arrangements and associates, including the nature and effects of its contractual relationship with the other investors with joint control of, or significant influence over, joint arrangements and associates; and • the nature of, and changes in, the risks associated with its interests in joint ventures and associates.	Not directly addressed but requirement to disclose the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the companies included within the scope of the consolidation [art 337 (7bis) and art 65 (7bis)].
IFRS 12 [IFRS 12.24]	**Interests in unconsolidated structured entities** An entity shall disclose information that enables users of its financial statements to: • understand the nature and extent of its interests in unconsolidated structured entities; and • evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.	Not directly addressed but requirement to disclose the nature and business purpose of the company's arrangements that are not included in the balance sheet and the financial impact of those arrangements, provided that the risks or benefits arising from such arrangements are material and in so far as the disclosure of such risks or benefits is necessary for assessing the financial position of the companies included within the scope of the consolidation [art 337 (7bis) and art 65 (7bis)].

Notes

Separate Financial Statements

Separate Financial Statements

IAS/IFRS	IFRS	LUX GAAP
IAS 27 [IAS 27.1]	Objective IAS 27 has the objective of setting standards to be applied in accounting for investments in subsidiaries, jointly ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.	Not addressed under LUX GAAP. The requirements regarding separate annual accounts are not impacted by the existence of consolidated accounts. As a general rule the measurement basis of the annual accounts determines the measurement basis of the consolidated accounts. However, other measurement measures in compliance with the Luxembourg account law may be used. That fact and its reasons must be disclosed in the notes to the consolidated accounts [art 332].
IAS 27 [IAS 27.4]	Definitions Consolidated financial statements are Financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. Separate financial statements are financial statements presented by a parent (i.e. an investor with control of a subsidiary), an investor with joint control of, or significant influence over, an investee, in which the investments are accounted for at cost or in accordance with IAS 39/IFRS 9.	A parent company and all its subsidiary undertakings shall be consolidated regardless of where the registered offices of such subsidiaries are situated [art 311 (1)]. Consolidated accounts shall give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included therein taken as a whole [art 319 (3)].
IAS 27 [IAS 27.3] [IAS 27.7] [IAS 27.8A]	Preparation of separate financial statements – Requirements IAS 27 does not mandate which entities produce separate financial statements available for public use. It applies when an entity prepares separate financial statements that comply with IFRS. Financial statements in which the equity method is applied are not separate financial statements. Similarly, the financial statements of an entity that does not have a subsidiary, associate or joint venturer's interest in a joint venture are not separate financial statements. An investment entity that is required to apply the exception to consolidation for all of its subsidiaries in accordance with IFRS 10 presents separate financial statements as its only financial statements.	The Luxembourg accounting law requires separate annual accounts as a general rule for all commercial undertakings.

Separate Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 27 [IAS 27.10]	Preparation of separate financial statements – accounting method When an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either: • at cost, or • in accordance with IAS 39/IFRS 9; or • using the equity method as described in IAS 28.	Investments in associated undertakings are stated either at cost or using the equity method [art 58]. Other investments are stated at cost [art 55]. Fair value option is eligible, if authorized under IFRS.
IAS 27 [IAS 27.10]	Preparation of separate financial statements – accounting method The entity applies the same accounting for each category of investments. Investments that are accounted for at cost and classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are accounted for in accordance with that IFRS. Investments carried at cost should be measured at the lower of their carrying amount and fair value less costs to sell. The measurement of investments accounted for in accordance with IAS 39/IFRS 9 is not changed in such circumstances.	Not addressed.
IAS 27 [IAS 27.11]	Preparation of separate financial statements – accounting method If an entity elects, in accordance with IAS 28, to measure its investments in associates or joint ventures at fair value through profit or loss in accordance with IAS 39/IFRS 9, it shall also account for those investments in the same way in its separate financial statements.	Not addressed. The requirements regarding separate annual accounts are not impacted by the existence of consolidated accounts. As a general rule the measurement basis of the annual accounts determines the measurement basis of the consolidated accounts. However, other measurement measures in compliance with the Luxembourg account law may be used. That fact and its reasons must be disclosed in the notes to the consolidated accounts [art 332].

Separate Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 27 [IAS 27.11A]	Preparation of separate financial statements – Investment entities If a parent investment entity is required, in accordance with IFRS 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with IAS 39 / IFRS 9, it is required to also account for its investment in a subsidiary in the same way in its separate financial statements.	Not addressed.
[IAS 27.11B]	When a parent ceases to be an investment entity, the entity can account for an investment in a subsidiary at cost (based on fair value at the date of change or status) or in accordance with IAS 39 / IFRS 9. When an entity becomes an investment entity, it accounts for an investment in a subsidiary at fair value through profit or loss in accordance with IAS 39 / IFRS 9.	
IAS 27 [IAS 27.12]	Preparation of separate financial statements – Recognition of dividends An entity recognizes a dividend from a subsidiary, joint venture or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.	In line with IFRS.
	Where the equity method is applied to investments in joint ventures and associates, the dividend is recognized as a reduction from the carrying amount of the investment.	The book value of the amount corresponding to the proportion of the capital and reserves represented by participating interests shall be reduced by the amount of the relating dividends [art 58 (4)].

Separate Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 27 [IAS 27.13]	Preparation of separate financial statements – Group reorganizations Specified accounting applies in separate financial statements when a parent reorganizes the structure of its group by establishing a new entity as its parent in a manner satisfying the following criteria: • the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent; • the assets and liabilities of the new group and the original group are the same immediately before and after the reorganization; and • the owners of the original parent before the reorganization have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganization. Where these criteria are met, and the new parent accounts for its investment in the original parent at cost, the new parent measures the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization.	Not addressed.

Separate Financial Statements (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 27 [IAS 27.16]	Disclosure When a parent elects not to prepare consolidated financial statements (in accordance with IFRS 10.4(a)), and instead prepares separate financial statements, it shall disclose in those separate financial statements: • the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and principal place of business (and country of incorporation if different) of the entity whose consolidated financial statements that comply with IFRS have been produced for public use; and the address where those consolidated financial statements are obtainable; • a list of significant investments in subsidiaries, jointly controlled entities, and associates, including the name, principal place of business (and country of incorporation if different), proportion of ownership interest and, if different, proportion of voting rights; • and a description of the method used to account for the foregoing investments. When an investment entity that is a parent prepares separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by IFRS 12.	Disclosure in the annual accounts of the name and registered office of each of the undertakings in which the undertaking, either itself or through a party acting in its own name but on the undertaking's behalf, holds at least twenty percent of the capital, showing the proportion of the capital held, as well as the amount of capital and reserves and the profit or loss for the latest financial year of the undertaking concerned for which the accounts have been approved [art 65 (1)2°]. For subsidiaries indication of the parent, respectively ultimate parent undertaking drawing up consolidated accounts [art 65 (1) 15°].

Notes

Operating Segments

Operating Segments

IAS/IFRS	IFRS	LUX GAAP
IFRS 8 [IFRS 8.2]	Scope This standard applies to the separate or individual financial statements of an entity (and to the consolidated financial statements of a group with a parent): • whose debt or equity instruments are traded in a public market or • that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market	Not specifically addressed under LUX GAAP, except limited disclosure requirements.
[IFRS 8.4]	However, when both separate and consolidated financial statements for the parent are presented in a single financial report, segment information need be presented only on the basis of the consolidated financial statements.	Not specifically addressed under LUX GAAP, no exemption with regard to annual accounts of consolidated accounts were prepared. Disclosure requirements similar for both the annual and consolidated accounts.
IFRS 8 [IFRS 8.5]	Operating segments An operating segment is a component of an entity: • that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); • whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and • for which discrete financial information is available. Start-up operations may be operating segments before earning revenues.	Not specifically addressed under LUX GAAP.

Operating Segments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 8 [IFRS 8.7]	Chief operating decision maker The chief operating decision maker is a function and not necessarily a specific manager. That function is to allocate resources to and assess the performance of the operating segments. Depending on the organization of the entity, it may be its chief executive officer or its chief operating officer but also, for example a group of executive directors.	Not specifically addressed under LUX GAAP.
IFRS 8 [IFRS 8.12]	Reportable segments – Aggregation criteria Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.	Not specifically addressed under LUX GAAP.
IFRS 8 [IFRS 8.13]	Reportable segments – Thresholds An entity shall report separately financial and descriptive information about an reportable segment that meets any of the following quantitative criteria: • its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments, or • the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss, or • its assets are 10 per cent or more of the combined assets of all operating segments.	Not specifically addressed under LUX GAAP.

Operating Segments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 8 [IFRS 8.15]	Reportable segments – Thresholds At least 75% of the entity's revenue must be included in the reportable segments. If this threshold is not reached, additional operating segments are to be identified as reportable segments (even if they do not meet the 10% thresholds) until at least 75% of the entity's revenue is included in reportable segments.	Not specifically addressed under LUX GAAP.

Operating Segments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 8 [IFRS 8.22 and followings]	Disclosure Required disclosure include: • factors used to identify the entity's reportable segments; • judgements made by management in applying the aggregation criteria; • types of products and services from which each reportable segment derives its revenues; • information about reported segment profit or loss, specified revenues and expenses included in reported segment profit or loss, segment assets, segment liabilities and the basis of their measurement; • reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items to corresponding entity amounts. Some entity-wide disclosures are also required even if the entity has only one reportable segment. These include information about each product and service, or groups of products and services, geographical areas and major customers. In particular, information about revenues from external customers and certain non-current assets needs to be disclosed by geographical area and separately by foreign country if material. In addition, information about transactions with major customers (representing more than 10% of the entity's revenues) must be disclosed.	Required disclosure in the notes to the accounts of the net turnover, broken down by categories of activity and into geographical sectors in so far as, taking account of the manner in which the sale of products and the provision of services falling within the company's ordinary activities are organized, these categories and sectors differ substantially from one another [Art. 65 (1) 4°] and [art 337 (8)].

Earnings Per Share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Earnings Per Share

IAS/IFRS	IFRS	LUX GAAP
IAS 33 [IAS 33.2]	Scope This standard applies to entities whose ordinary shares or potential ordinary shares are traded in a public market and entities that file or are in the process of filing their financial statements with a securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market.	Presentation of earnings per share is not required in the Law.
IAS 33 [IAS 33.5]	Definitions Dilution is a reduction in earnings per share or an increase in loss per share on the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.	Not applicable.
IAS 33 [IAS 33.10] [IAS 33.12]	Measurement – Basic earnings per share Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. The earnings numerators (profit or loss from continuing operations and net profit or loss) used for the calculation should be after deducting all expenses including taxes, minority interests, and preference dividends.	Not applicable.

Earnings Per Share (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 33 [IAS 33.20 and 21]	Measurement – Basic earnings per share The denominator (number of shares) is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor.	Not applicable.
IAS 33 [IAS 33.31] [IAS 33.38]	Measurement – Diluted earnings per share Diluted earnings per share is calculated by adjusting the profit or loss and the weighted average number of ordinary shares outstanding by taking into account the effects of all dilutive potential ordinary shares. Potential ordinary shares are financial instruments and other contracts that may entitle their holders to ordinary shares (for example options including employee shares options, warrants and convertible instruments). Potential ordinary shares are included in the calculation of diluted earnings per share only for the period during which they are outstanding.	Not applicable.

Earnings Per Share (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 33 [IAS 33.41] [IAS 33.43]	Measurement – Diluted earnings per share Potential ordinary shares are treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. On the opposite, potential ordinary shares are antidilutive when their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations. The calculation of diluted earnings per share does not take into account antidilutive potential ordinary shares.	Not applicable.
IAS 33 [IAS 33.64]	Retrospective adjustments The calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue, or share split, or decreases as a result of a reverse share split. If such changes occur after the balance sheet date but before the financial statements are authorized for issue, the earnings per share calculations for those and any prior period financial statements presented are based on the new number of shares. Disclosure is required. Basic and diluted earnings per share are also adjusted for the effects of errors and adjustments resulting from changes in accounting policies, accounted for retrospectively.	Not applicable.

Earnings Per Share (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 33 [IAS 33.67] [IAS 33.68]	Presentation Earnings per share is reported for profit or loss attributable to the ordinary equity holders of the parent entity, for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for any discontinued operations. For discontinued operations, earnings per share can be reported in the notes.	Not applicable.
IAS 33 [IAS 33.66] [IAS 33.67A]	Presentation An entity presents in the statement of comprehensive income basic and diluted earnings per share for: • profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity; and • profit or loss attributable to the ordinary equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. Basic and diluted EPS must be presented with equal prominence for all periods presented. If an entity presents only a statement of comprehensive income, earnings per share is reported in that statement. If it presents items of profit or loss in a separate statement, earnings per share is only reported in that statement.	Not applicable.

Earnings Per Share (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 33 [IAS 33.70]	Disclosure If earnings per share is presented, the following disclosures are required: • amounts used as the numerators in calculating basic and diluted earnings per share with a reconciliation of those amounts to profit or loss attributable to the parent entity for the period; • weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, with a reconciliation of these denominators to each other; • instruments not included in the calculation of diluted earnings per share because they are antidilutive, but that could potentially dilute basic earnings per share in the future; • description of ordinary share or potential ordinary share transactions that occur after the reporting period and that would have changed significantly reported amounts. Examples include issues and redemptions of ordinary shares issued for cash, warrants and options, conversions and exercises.	Not applicable.

Notes

Interim Financial Reporting

Interim Financial Reporting

IAS/IFRS	Interim Financial Reporting	Not addressed in LUX GAAP
IAS 34	Objective: To prescribe the minimum content for an interim financial report, and the principles for recognition and measurement in complete or condensed financial statements for an interim period. Amendment: Was most recently amended in January 2016 by consequential amendments arising from IFRS 16 Leases (effective for annual periods beginning on/after 1 January 2019). Amendments reflect changes in terminology under the new Standard.	
IAS 34 [IAS 34.1] [IAS 34.3] [IAS 34.4]	Scope and definitions: The standard applies if an entity is required or elects to publish an interim financial report in accordance with IFRSs. An interim financial report means a financial report containing either a complete set of financial statements or a set of condensed financial statements for an interim period (=financial reporting period shorter than a full financial year). Moreover, it specifies the content of such an interim financial report that is described as complying with IFRSs. However, it does not mandate: • which enterprises should publish interim financial reports, • how frequently, or • how soon after the end of an interim period. The standard notes that national regulators often requires entities to publish interim financial reports, and that those will generally specify the frequency and timing of such reports.	
IAS 34 [IAS 34.8]	Minimum components: • a condensed statement of financial position, • a condensed statement or condensed statements of profit or loss and other comprehensive income, • a condensed statement of changes in equity, • a condensed statement of cash flows, • selected explanatory notes.	
IAS 34 [IAS 34.9]	Form and content: If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of IAS 1 for a complete set of financial statements. If an entity publishes a condensed set of financial statements instead, those shall include each of the headings and subtotals as presented in its most recent annual financial statements, additional line items and notes if necessary and notes as required by IAS 34.	

Interim Financial Reporting (continued)

IAS/IFRS	Interim Financial Reporting	Not addressed in LUX GAAP
IAS 34 [IAS 34.20(a)]	Periods to be covered: Statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year.	
[IAS 34.20(b)]	Statements of profit or loss and OCI for the current interim period and cumulatively for the current financial year to date, with comparative statements of profit or loss and OCI for the comparable interim periods (current and year-to-date) of the immediately preceding financial year. As permitted by IAS 1, an interim report may present for each period a statement or statements of profit or loss and OCI.	
[IAS 34.20(c)]	Statement of changes in equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.	
[IAS 34.20(d)]	Statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.	
IAS 34 [IAS 34.21]	Periods to be covered: For an entity whose business is highly seasonal, financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period may be useful.	

Interim Financial Reporting (continued)

Statements	Current	Comparative
Statement of Financial Position	30 June 2018	31 December 2017
Statement(s) of Profit or Loss and Other Comprehensive Income if entity produces reports half-yearly - 6 months	1 January - 30 June 2018	1 January - 30 June 2017
Statement(s) of Profit or Loss and Other Comprehensive Income if entity produces reports quarterly - 3 months and - 6 months	1 April - 30 June 2018 1 January - 30 June 2018	1 April - 30 June 2017 1 January - 30 June 2017
Statement of Changes in Equity 6 months	1 January - 30 June 2018	1 January - 30 June 2017
Statements of Cash Flows 6 months	1 January - 30 June 2018	1 January - 30 June 2017

Interim Financial Reporting (continued)

IAS/IFRS	Interim Financial Reporting Not addressed in LUX GAAP
IAS 34 [IAS 34.15] [IAS 34.15A]	Significant events and transactions: An explanation of events and transactions that are significant to an understanding of the changes in financial position and performance since the end of the last annual reporting period shall be included in the notes to its interim financial report. Information disclosed in relation to those events and transaction shall update the relevant information presented in the most recent annual financial report. These disclosure requirements are based on the assumption that anyone reading the interim financial report will have access to the most recent annual financial report. Not all of the supplementary notes of the annual report are required for interim reporting purposes, because it would result in repetition, or the reporting of relatively insignificant changes.
IAS 34 [IAS 34.15B (a), (b), (d), (e), (f), (g), (i), (j), (k)]	List of events and transactions for which disclosures would be required if significant (non-exhaustive): • write-down of inventories to net realizable value and the reversal of such a write-down, • recognition of a loss from the impairment of financial assets, property, plant and equipment, intangible assets, or other assets, and the reversal of such an impairment loss, • acquisitions and disposals of items of property, plant and equipment, • commitments for the purchase of property, plant and equipment, • litigation settlements, • corrections of prior period errors, • any loan default or breach of a loan agreement that has not been remedied on or before the end of the reporting period, • related party transactions, • transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

Interim Financial Reporting (continued)

IAS/IFRS	Interim Financial Reporting	Not addressed in LUX GAAP
IAS 34 [IAS 34.16A (b), (c), (f)]	Other additional disclosures: An entity shall include the following information in addition to disclosing significant events and transactions, as a minimum, in the notes to its financial report: • explanatory comments about the seasonality or cyclicality of interim operations, • the nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence, • dividends paid separately for ordinary shares and other shares.	
[IAS 34.16A (h), (i)]	As well as: • material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period, • the effect of changes in the composition of the entity during the interim period, including business combinations (to disclose the information required by IFRS 3 Business Combinations), obtaining or losing control of subsidiaries and long-term investments, restructurings, and discontinued operations.	
IAS 34 [IAS 34.28] [IAS 34.16A (a)]	An entity shall apply the same accounting policies in its interim financial statements as are applied in its annual financial statements, except for accounting policy changes made after the date of the most recent annual financial statements that are to be reflected in the next annual financial statements. Entities are required to disclose in their interim financial reports that this requirement has been met.	

Interim Financial Reporting (continued)

IAS/IFRS	Interim Financial Reporting	Not addressed in LUX GAAP
IAS 34 [IAS 34.37]	Revenues received *Revenues* that are received seasonally, cyclically, or occasionally within a financial year shall not be anticipated or deferred as of an interim date if anticipation or deferral would not be appropriate at the end of the entity's financial year.	
IAS 34 [IAS 34.39]	Uneven costs *Costs* that are incurred unevenly during an entity's financial year shall be anticipated or deferred for interim reporting purposes if, and only if, it is also appropriate to anticipate or defer that type of cost at the end of the financial year.	
IAS 34 [IAS 34.41]	Use of estimates The *measurement procedures* shall be designed to ensure that the resulting information is reliable and that all material financial information that is relevant to an understanding of the financial position or performance of the entity is appropriately disclosed. The preparation of interim financial reports generally will require a greater use of estimation methods than annual financial reports.	
IAS 34 [IAS 34.43]	Restatement of previously reported interim periods Rules for restatement of previously reported interim periods are in line with the requirements of IAS 8.	
IAS 34 [IAS 34.B12]	Measuring interim income tax expense Interim period income tax expense should be accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.	

Accounting for Government Grants


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Accounting for Government Grants

IAS/IFRS	IFRS	LUX GAAP
IAS 20 [IAS 20.3]	Definitions Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term Assets. Grants related to income are government grants other than those related to assets.	No definition provided in the Accounting Law.
IAS 20 [IAS 20.8]	Government grants Government grants shall not be recognized until there is reasonable assurance that: • the entity will comply with the conditions attaching to them, and • the grants will be received.	In line with IFRS, due to the prudence principle.
IAS 20 [IAS 20.9] [IAS 20.10] [IAS 20.10A]	Government grants A grant can be received in cash or as a reduction of a liability to the government. The recognition of a forgivable loan as a government grant is subject to having reasonable assurance that the entity will meet the terms for forgiveness of the loan. A government loan at a below market rate of interest is treated as a government grant. Its benefit is measured as the difference between the initial carryng amount of the loan determined in accordance with IAS 39 (IFRS 9) and the proceeds received.	Not addressed.
IAS 20 [IAS 20.12] [IAS 20.15(a)]	Government grants Government grants shall be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' equity.	Investment subsidies are presented after result of the financial year in the Capital and reserves. Recognition in income is not addressed, but IFRS can be referred to as a benchmark. The Luxembourg chart of accounts foresees reversals of capital investment subsidies to be disclosed under “Other operating income”.

Accounting for Government Grants (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 20 [IAS 20.23]	Non-monetary government grants Such grants (e.g. a transfer of land or other resources for the use of the entity) are usually recognised at fair value. However, both asset and grant may also be recognised at nominal value.	Not addressed. LUX GAAP refers to purchase price or production costs as initial measurement basis [art 55].
IAS 20 [IAS 20.24]	Presentation of grants related to assets Grants related to assets shall be presented either as deferred income in the statement of financial position or by deducting the grant in arriving at the carrying amount of the asset.	Investment subsidies are presented after result of the financial year in the Capital and reserves. Recognition in income is not addressed, but IFRS can be referred to as a benchmark.
IAS 20 [IAS 20.29]	Presentation of grants related to income Grants related to income shall be presented either as an income or deducted from the related expense.	Operating subsidies are recognized as an other operating income in the Luxemburgish standard Chart of Accounts. Such subsidies are not common in practice.
IAS 20 [IAS 20.32]	Repayment of a government grant Repayment of a government grant is accounted for as a change in accounting estimate with different accounting treatment for grants related to assets and grants related to income.	The repayment of a government grant is recorded as an expense. The remaining amount in capital and reserves is cancelled.
IAS 20 [IAS 20.39]	Disclosure The following shall be disclosed: • accounting policy adopted, including methods of presentation; • nature and extent of government grants recognized; and • unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.	Not specifically addressed, but accounting policies and measurement basis need to be disclosed [art 65 (1) 1o)]. The total amount of any contingencies that are not included in the balance sheet must be set out in the notes to the accounts [art 38].

Agriculture

Agriculture

IAS/IFRS	IFRS	LUX GAAP
IAS 41 [IAS 41.12]	Measurement A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except for the case where the fair value cannot be measured reliably.	No such distinction made. Valuation with reference to the fair value is permitted [art. 64sexies].
IAS 41 [IAS 41.30]	Measurement Fair value is presumed to be reliably measurable for a biological asset, however, in the case where the fair value cannot be measured reliably, the biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses.	Not addressed, but in line with IFRS.

Notes

Financial instruments

Financial Instruments: Presentation

IAS/IFRS	IFRS	LUX GAAP
IAS 32 [IAS 32.11]	Definitions A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.	No definition provided in LUX GAAP.

IAS 32
[IAS 32.11]
	Definitions
	A financial asset is any asset that is:
	• cash,
	• an equity instrument of another entity;
	• a contractual right:
	  • to receive cash or another financial asset from another entity; or
	  • to exchange financial assets or liabilities with another entity under conditions that are potentially favourable to the entity;
	• a contract that will or may be settled in the entity's own equity instruments and is:
	  • a non-derivative to receive a variable number of shares; or
	  • a derivative that will or may be settled other than by the exchange of a fixed amount for a fixed number of shares.
		Financial fixed assets are intended for use on a continuing basis and include [art 34]:
		• Shares in affiliated undertakings;
		• Loans to affiliated undertakings;
		• Participating interests;
		• Loans to undertakings with which the undertaking is linked by virtue of participating interests;
		• Investments held as fixed assets;
		• Loans and claims held as fixed assets.
		
		Investments (disclosed as current assets) include:
		• Shares in affiliated undertakings;
		• Own shares or own corporate units;
		• Other investments.

IAS 32
[IAS 32.11]
	Definitions
	A financial liability is any liability that is:
	• a contractual obligation:
	  • to deliver cash or another financial asset to another entity; or
	  • to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the entity;
	• a contract that will or may be settled in the entity's own equity instruments and is:
	  • a non-derivative to deliver a variable number of shares; or
	  • a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of shares.
		No definition provided. Financial liabilities are disclosed within creditors.

Financial Instruments: Presentation (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 32 [IAS 32.11]	Definitions An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.	No definition provided. Information on equity instruments has to be disclosed in the notes to the accounts [art 65 (1) 4° and 5°)].
IAS 32 [IAS 32.11]	Definitions Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	Fair value to be determined by reference to [art 64 ter]: • market value, when a reliable market can readily be identified. Where a market value is not readily identifiable for an instrument but can be identified for its components or for a similar instrument, the market value may be derived from that of its components or of the similar instrument; or • a value resulting from generally accepted valuation models and techniques, for those instruments for which a reliable market cannot be readily identified. Such valuation models and techniques shall ensure a reasonable approximation of the market value.
IAS 32 [IAS 32.18]	Substance over form The classification of a financial instrument in the entity's statement of financial position is governed by the substance, rather than its legal form. Substance and legal form are not always consistent. Some financial instruments take the legal form of equity but are liabilities in substance and others may combine features associated with equity instruments and features associated with financial liabilities. For example: • preference shares • puttable instruments	The presentation of the amounts within the balance sheet and the profit and loss account may have regard to the substance of the transaction or the concerned arrangement [art 29 (3)].
IAS 32 [IAS 32.18(a)]	Preference share - A preference share providing for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable date, or gives the holder the right to require the issuer to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability.	Not defined.

Financial Instruments: Presentation (continued)

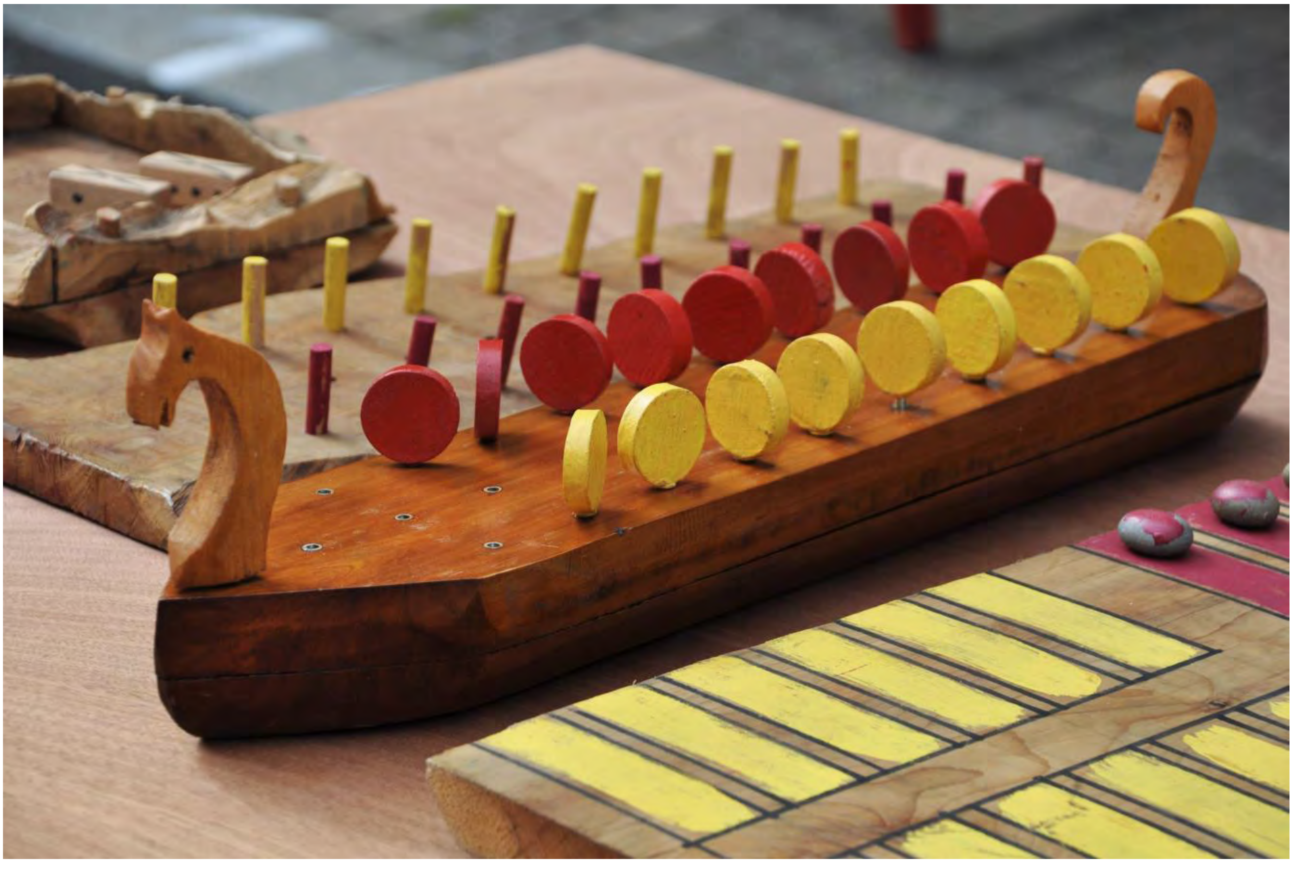
IAS/IFRS	IFRS	LUX GAAP
IAS 32 [IAS 32.11] [IAS 32.18(b)]	Puttable instrument A financial instrument that gives the holder the right to put it back to the issuer for cash or another financial asset (a 'puttable instrument') is a financial liability, except if specific criteria are met.	Not defined.
IAS 32 [IAS 32.28]	Compound financial instruments The issuer of a non-derivative financial instrument shall evaluate the terms of the financial instrument to determine whether it contains both a liability and an equity component. Such components shall be classified separately as financial liabilities, financial assets or equity instruments in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset or an equity instrument.	Not defined.
IAS 32 [IAS 32.31]	Compound financial instruments When the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component ('with-and-without method'). The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition always equals the fair value that would be ascribed to the instrument as a whole.	Not defined.

Financial Instruments: Presentation (continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 32 [IAS 32.33]	Treasury shares If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognized directly in equity.	An entity must recognize treasury shares within current assets [art 34 and 37 (2)]. In that case a non distributable reserve shall be created within equity for the same amount [art 49-5 1.b) of the Law of 10 August 1915]. In addition, the management report must indicate [art 49-5 2.]: • reasons for acquisitions made during the financial year; • the number and the nominal value, or in the absence of nominal value, the accounting par value, of the shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent; • in the case of acquisition or disposal for value, the consideration for the shares; • the number and nominal value, or, in the absence of nominal value, the accounting par value, of all the shares acquired and held in the company's portfolio as well as the proportion of the subscribed capital which they represent. Undertakings referred to by Article 35 that are not obliged to prepare a management report must include the above mentioned information in the notes to the accounts [art 68 (3)].
IAS 32 [IAS 32.42]	Offsetting The Standard requires that a financial asset and a financial liability should be offset as a net amount in the statement of financial position when, and only when, both of the following conditions are met: • The entity currently has a legally enforceable right to set off the recognized amounts off the asset and liability, and • The entity intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. In case of a transfer of a financial asset that does not qualify for derecognition under IAS 39/IFRS 9, the entity should not offset the transferred asset and the associated liability.	Any set-off between assets and liabilities items or between income and expenditure items shall be prohibited without prejudice to the cases where there is a right of sett-off pursuant to law. In cases where a set-off has been performed, the amounts set-off shall be specified in the notes to the accounts [art 33].

IAS/IFRS	IFRS	LUX GAAP
IAS 32 [IAS 32.33]	Treasury shares If an entity reacquires its own equity instruments, those instruments ('treasury shares') shall be deducted from equity. No gain or loss shall be recognized in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognized directly in equity.	An entity must recognize treasury shares within current assets [art 34 and 37 (2)]. In that case a non distributable reserve shall be created within equity for the same amount [art 49-5 1.b) of the Law of 10 August 1915]. In addition, the management report must indicate [art 49-5 2.]: • reasons for acquisitions made during the financial year; • the number and the nominal value, or in the absence of nominal value, the accounting par value, of the shares acquired and disposed of during the financial year and the proportion of the subscribed capital which they represent; • in the case of acquisition or disposal for value, the consideration for the shares; • the number and nominal value, or, in the absence of nominal value, the accounting par value, of all the shares acquired and held in the company's portfolio as well as the proportion of the subscribed capital which they represent. Undertakings referred to by Article 35 that are not obliged to prepare a management report must include the above mentioned information in the notes to the accounts [art 68 (3)].
IAS 32 [IAS 32.42]	Offsetting The Standard requires that a financial asset and a financial liability should be offset as a net amount in the statement of financial position when, and only when, both of the following conditions are met: • The entity currently has a legally enforceable right to set off the recognized amounts off the asset and liability, and • The entity intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. In case of a transfer of a financial asset that does not qualify for derecognition under IAS 39/IFRS 9, the entity should not offset the transferred asset and the associated liability.	Any set-off between assets and liabilities items or between income and expenditure items shall be prohibited without prejudice to the cases where there is a right of sett-off pursuant to law. In cases where a set-off has been performed, the amounts set-off shall be specified in the notes to the accounts [art 33].

Notes



IFRS 9 – Financial Instruments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IFRS 9 – Financial Instruments

IFRS 9	
Overview	• IFRS 9 Financial Instruments issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. • IFRS 9 does not replace the requirements for portfolio fair value hedge accounting for interest rate risk (often referred to as the 'macro hedge accounting' requirements) since this phase of the project was separated from the IFRS 9 project due to the longer term nature of the macro hedging project which is currently at the discussion paper phase of the due process. • The EU effective date aligns with the IASB effective date. As a consequence, the Standard is mandatorily effective for periods beginning on or after 1 January 2018.

Financial Instruments

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.1.1]	Objective The Standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The following areas are considered: • classification and measurement of financial assets; • impairment; • classification and measurement of financial liabilities; and • hedge accounting. The derecognition model in IFRS 9 is carried over unchanged from IAS 39 and is therefore not considered further in this paper. The Standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and various contracts to buy or sell non-financial items.	
IFRS 9 [IFRS 9.2]	Scope This Standard shall be applied by all entities to all types of financial instruments except those defined in paragraph 2.1 (financial instruments governed by other standards).	
IFRS 9 [IFRS 9.3.1]	Initial recognition IFRS 9 incorporates without substantive amendments the requirements of IAS 39 for the recognition of financial instruments. An entity shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting.	Initial recognition in line with IFRS.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.3.2]	Derecognition of financial assets IFRS 9 incorporates without substantive amendments the requirements of IAS 39 for the derecognition of financial assets. IFRS 9 includes guidance on write-offs of financial assets: • write-off constitutes a derecognition event; • Write-offs can relate to a financial asset in its entirety or to a portion of it.	Not addressed specifically, but in practice in line with IFRS.
IFRS 9 [IFRS 9.3.3]	Derecognition of financial liabilities IFRS 9 incorporates without substantive amendments the requirements of IAS 39 for the derecognition of financial liabilities. An entity shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – ie when the obligation specified in the contract is discharged or cancelled or expired.	Not addressed specifically, but in practice in line with IFRS (derecognized when the obligation specified in the contract is discharged, cancelled or settled).
IFRS 9 [IFRS 9.4.1]	Classification of financial assets General considerations An entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income ("OCI") or fair value through profit or loss ("P&L") on the basis of both: • the entity's business model for managing the financial assets and • the contractual cash flow characteristics of the financial asset.	Refer to classification of financial assets of Article 34 of the Law, completed by GDR of 18 December 2015.
IFRS 9 [IFRS 9.4.1.2]	Classification of financial assets Amortized cost A financial asset shall be measured at amortized cost if both of the following conditions are met: • the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (so called "HTC") and • the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (so called "SPPI") on the principal amount outstanding.	No such classification under LUX GAAP.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.4.1.2A]	Classification of financial assets Fair value through OCI A financial asset shall be measured at FVTOCI if both conditions are met: • financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets (so called "HTC+S"), and • contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.	No such classification under LUX GAAP.
IFRS 9 [IFRS 9.4.1.4]	Classification of financial assets Fair value through P&L A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI. However, an entity may make an irrevocable election at initial recognition (or at the DIA of IFRS 9) for particular investments in equity instruments that would otherwise be measured at fair value through PL to present subsequent changes in fair value in OCI (no subsequent 'recycling').	An entity may opt for the fair valuation of all financial instruments, except for commodity-based contracts that give either contracting party the right to settle in cash or some other financial instrument and which [Art. 64bis 2]: • were entered into and continue to meet the entity's expected purchase, sale or usage requirements or; • were designated for such purpose at their initial recognition or; • are expected to be settled by delivery of the commodity. Additionally, FVO shall not be permitted for: • non-derivative financial instruments held to maturity; • loans and receivables originated by the undertakings and which are not held for trading; • interests in subsidiaries, associated undertakings and joint ventures, equity instruments issued by the company, contracts for contingent consideration in a business combination as well as other financial instruments with such special characteristics that the instruments, according to what is generally accepted, should be accounted for differently from other financial instruments. However, for these financial instruments, valuation as well as compliance with the disclosure obligations related thereto provided by the international accounting standards adopted by the EU shall be permitted [Art. 64bis 3, 4 and 5bis]. Investment companies must value the investments in which they have invested their funds on the basis of their fair value [Art. 57].
IFRS 9 [IFRS 9.4.1.5]	Classification of financial assets Fair value through P&L option An entity may, at initial recognition (or at the DIA of IFRS 9), irrevocably designate a financial asset as measured at fair value through P&L if doing so eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. Note: An entity may revoke the designation of financial assets previously measured at fair value through profit or loss under IAS 39 when the entity first applies IFRS 9. This is a unique exception to the irrevocability of this voluntary designation.	

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.5.1.1]	Classification of financial liabilities General considerations An entity shall measure a financial liability at its fair value plus or minus, in the case of an instrument not measured at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial instruments.	Refer to classification of financial liabilities of Article 34 of the Law, completed by GDR of 18 December 2015. It shall be noted that specific captions for financial instruments on the liability side are rather limited under LUX GAAP which may cause some presentation issues.
IFRS 9 [IFRS 9.4.2.2]	Classification of financial liabilities Fair value through P&L option An entity may, at initial recognition (or at the DIA of IFRS 9), irrevocably designate a financial liability as measured at fair value through P&L because either: • it eliminates or significantly reduces an accounting mismatch; • a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. Note: financial liabilities previously designated as measured at FVTPL under IAS 39 may be de-designated when the entity first applies IFRS 9. This is a unique exception to the irrevocability of this voluntary designation.	Financial instruments under liabilities may be stated at fair value only if they are held as part of a trading portfolio, or derivative financial instruments [Art. 64bis (3)]. Financial instruments under liabilities which are not stated at fair value are measured at repayment value. Effective interest rate method is not addressed under LUX GAAP. An entity may opt for the fair valuation of all financial instruments, except for commodity-based contracts that give either contracting party the right to settle in cash or some other financial instrument and which [Art. 64bis 2]: • were entered into and continue to meet the entity's expected purchase, sale or usage requirements or; • were designated for such purpose at their initial recognition or; • are expected to be settled by delivery of the commodity. In addition fair value option shall not be permitted for: • financial liabilities which are not part of the trading portfolio or which are not derivative instruments; • non-derivative financial instruments held to maturity; • loans and receivables originated by the undertakings and which are not held for trading; • interests in subsidiaries, associated undertakings and joint ventures, equity instruments issued by the company, contracts for contingent consideration in a business combination as well as other financial instruments with such special characteristics that the instruments, according to what is generally accepted, should be accounted for differently from other financial instruments.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9-Appendix A]	Definition of a derivative IFRS 9 defines a derivative as a financial instrument or other contract which presents all of the following characteristics: (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (the underlying); (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date.	Not addressed specifically, but in practice in line with IFRS.
IFRS 9 [IFRS 9.4.3]	Hybrid contracts with financial asset hosts If a hybrid contract contains a host that is an asset within the scope of this Standard, an entity shall apply the requirements in paragraphs IFRS 9.4.1 to the entire hybrid contract (see description on previous pages). Note: as opposed to what was applicable under IAS 39, separation of the host contract and the embedded derivative is not permitted.	Not addressed in LUX GAAP.
IFRS 9 [IFRS 9.4.3]	Other hybrid contracts If a hybrid contract contains a host that is not an asset within the scope of this Standard, an embedded derivative shall be separated from the host and accounted for as a derivative under this Standard if, and only if the conditions mentioned on the next page are met. If an embedded derivative is separated, the host contract shall be accounted for in accordance with the appropriate Standards. The derivative is valued first with the residual value being apportioned to the host contract. If an entity is required by this Standard to separate an embedded derivative from its host, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, it shall designate the entire hybrid contract as at FVTPL.	Not addressed in LUX GAAP.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.4.3]	Other consideration – Hybrid contract Election for fair value through P&L If a contract contains one or more embedded derivatives and the host is not an asset within the scope of this Standard, an entity may designate the entire hybrid contract as at FVTPL unless: • the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or • it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost.	Not addressed in LUX GAAP.
IFRS 9 [IFRS 9.4.4.1]	Reclassification of financial assets When, and only when, an entity changes its business model for managing financial assets it shall reclassify all affected financial assets accordingly.	Not addressed in LUX GAAP, except for reclassification according to the maturity of the instruments. In practice, in line with IFRS due to the principle of true and fair view.
IFRS 9 [IFRS 9.4.4.2]	Reclassification of a financial liability An entity shall not reclassify any financial liability.	
IFRS 9 [IFRS 9.5.6.1]	Timing of reclassification of financial assets If an entity reclassifies financial assets in accordance with IFRS 9.4.4, it shall apply the reclassification prospectively from the reclassification date. The entity shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.	
IFRS 9 [IFRS 9.5.1.1]	Initial measurement General considerations Except for trade receivables within the scope of paragraph 5.1.3 (see below), at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.	When a financial asset is recognized initially, an entity shall measure it at the purchase price/nominal value [Art 55 (1) a)]. A financial liability should be recognized initially at the repayable amount. However, where the total amount repayable on any debt exceeds the amount received, the difference may be capitalized. The amount of this difference must be written off in annual instalments of a reasonable amount and must be fully written off no later than the time of repayment of the debt [Art 63]. The purchase price of assets shall be calculated by adding to the price paid the expenses incidental thereto [Art 55 (2)].

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.5.1.3]	**Initial measurement** **Trade receivables** At initial recognition, an entity shall measure trade receivables that do not have a significant financing component (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15) at their transaction price (as defined in IFRS 15).	When a financial asset is recognized initially, an entity shall measure it at the purchase price [Art 55 (1) a)].
IFRS 9 [IFRS 9.5.1] [IFRS 9.B5.1.2A]	**Initial measurement** **If fair value differs from the transaction price** The best evidence o the fair value of a financial instrument at initial recognition is normally the transaction price. However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph B5.1.2A. In that respect, the entity shall account for that instrument at that date as follows: • at the measurement required by paragraph 5.1.1 if that fair value is evidenced by a quoted price in an active market for an identical asset or liability (ie. a Level 1 input) or based on a valuation technique that uses only data from observable markets. An entity shall recognize the difference between the fair value at initial recognition and the transaction price as a gain or loss (so called "day-one profit" or "day-one loss"). • in all other cases, at the measurement required by paragraph 5.1.1, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognize that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.	Not addressed. However, because the reference point for the initial measurement of a financial asset under LUX GAAP is the purchase price (and not the fair value), no day-one profit or loss shall arise from the recognition of a financial asset under LUX GAAP.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.5.2.1]	Subsequent measurement of financial assets – General considerations After initial recognition, an entity shall measure a financial asset at either: • amortized cost; • FVTOCI; or • FVTPL. Measurement will be driven by the classification of the instrument in accordance with paragraphs 4.1.1-4.1.5.	Under LUX GAAP, a distinction must be made between financial fixed assets and financial current assets. After initial recognition, financial fixed assets shall be measured at cost or at the lower of cost or market value (usually referred to as "LOCOM" or ("LCM"). After initial recognition, financial current assets shall be measured at the lower of cost or market value, except for loans and receivables which shall be measured at cost less impairment. Optionally, financial assets may be measured at fair value, under the conditions set forth in [Art. 64bis].
IFRS 9 [IFRS 9.5.5]	Subsequent measurement of financial assets – Impairment An entity shall apply the impairment requirements to financial assets that are measured at amortized cost and to financial assets that are measured at fair value through OCI.	Value adjustments must be made in respect of financial fixed assets measured at cost, so that they are presented at the lower value to be attributed to them at the balance sheet date if it is expected that the reduction in their value will be permanent. Value adjustments must be made in respect of loans and receivables originated by the undertaking measured at cost, so that they are presented at the lower value to be attributed to them at the balance sheet date. Impairment may also apply to financial assets that are measured at LCM, to present them at a lower value attributable to them. Impairment also applies to financial assets that are measured at fair value through OCI.
IFRS 9 [IFRS 9.5.5]	Subsequent measurement of financial assets – Hedge accounting An entity shall apply hedge accounting requirements to a financial asset that is designated as a hedged item.	Not addressed under LUX GAAP, but for assets and liabilities (or identified portions) which qualify as hedged items under a fair value hedge accounting system, measurement at the specific amount required under that system is permitted [Art. 64bis (5)].
IFRS 9 [IFRS 9.4.2.1]	Subsequent measurement of financial liabilities – General An entity shall classify all financial liabilities as subsequently measured at amortized cost, except for those described in the next paragraphs.	Financial instruments under liabilities may be stated at fair value only if they are held as part of a trading portfolio, or derivative financial instruments [Art. 64bis (3)]. Financial instruments under liabilities which are not stated at fair value are measured at repayment value. Effective interest rate method is not addressed under LUX GAAP.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.4.2.1(a)]	Subsequent measurement of financial liabilities Derivatives Derivatives that are liabilities, shall be subsequently measured at fair value.	Derivatives may be measured at fair value [Art. 64bis] . When fair value measurement is not applied, the notes to the accounts shall disclose for each class of derivative financial instruments: • fair value of the instruments, if such a value can be determined by any of the methods prescribed in [Art. 64ter (1)]; • information about the extent and nature of the instruments [Art. 65 (1) 17°].
IFRS 9 [IFRS 9.4.2.2]	Subsequent measurement of financial liabilities Fair value through P&L option An entity may, at initial recognition (or at the DIA of IFRS 9), irrevocably designate a financial liability as measured at FVTPL because either: • it eliminates or significantly reduces an accounting mismatch; • a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. Note: financial liabilities previously designated as measured at FVTPL under IAS 39 may be de-designated when the entity first applies IFRS 9. This is a unique exception to the irrevocability of this voluntary designation.	An entity may opt for the fair valuation of all financial instruments, except when otherwise stated in [Art. 64bis].
IFRS 9 [IFRS 9.5.4]	Effective interest method Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset except for: • purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted EIR to the amortized cost of the financial asset from initial recognition. • financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the EIR to the amortized cost (ie. the net carrying amount) of the financial asset in subsequent reporting periods.	Effective interest rate method is not addressed under LUX GAAP.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.5.5.1] [IFRS 9.5.5.2]	**Impairment – Recognition** An entity shall recognize a loss allowance for expected credit losses (ECL) on a financial asset that is measured at amortized cost or at FVTOCI (debt instruments only, as equity instruments are excluded from the impairment), a lease receivable, a contract asset or a loan commitment and a financial guarantee contract to which the impairment requirements apply. An entity shall apply the ECL requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through OCI. However, the loss allowance shall be recognized in OCI and shall not reduce the carrying amount of the financial asset in the statement of financial position.	Impairment applies to financial fixed assets that are measured at cost, when it is expected that the reduction in their value will be permanent. Loans and receivables originated by the undertaking, which are not eligible to fair value measurement as per [Art. 64bis (4)], shall be valued at cost less impairment so that they are presented at the lower market value or any lower value to be attributed to them [Art. 61(1)b)]. Although the legal framework does not specifically permit or even address the recognition of expected credit losses under LUX GAAP, the recognition of ECL under LUX GAAP would not infringe one of the main general principles that underline the preparation of financial statements under LUX GAAP, which requires measurement to be made on a prudent basis (the "prudence" principle).
IFRS 9 [IFRS 9.5.5.3] [IFRS 9.5.5.5]	**Impairment – 12-month ECL vs Lifetime ECL** An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.	Not addressed.
IFRS 9 [IFRS 9.5.5]	**Impairment – Accounting** An entity shall recognize in P&L the amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized in accordance with the Standard.	Not specifically addressed, but the loss allowance or any reversal of it will give rise to a loss, respectively a gain, in P&L.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.5.5]	**Impairment – Determining significant increase in credit risk** At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making such assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of ECL. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.	Not addressed.
IFRS 9 [IFRS 9.5.7.1]	**Gain or loss on a financial instrument at fair value** A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognized in P&L unless: • it is part of a hedging relationship; • it is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in OCI; • it is a financial liability designated as at FVTPL and the entity is required to present the effects of changes in the liability's credit risk in other comprehensive income in accordance with paragraph IFRS 9.5.7.7; or • it is a financial asset measured at FVTOCI and the entity is required to recognize some changes in fair value in OCI in accordance with paragraph IFRS 9.5.7.10.	A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognized in P&L, except for unrealized gain or loss (unless it qualifies as an impairment) on available for sale financial asset, which shall be included directly in equity, in the fair value reserve.
IFRS 9 [IFRS 9.5.7.2]	**Gain or loss on a financial instrument at amortized cost** A gain or loss on a financial instrument that is measured at amortized cost and is not part of a hedging relationship shall be recognized in P&L • when the financial asset is derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses. • when the financial liability is derecognized and through the amortization process.	Not addressed.

Financial Instruments (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 9 [IFRS 9.5.7]	Financial assets measured at FVTOCI A gain or loss on a debt instrument measured at FVTOCI shall be recognized in OCI, except for impairment gains or losses and foreign exchange gains and losses, until the instrument is derecognized or reclassified. When the debt instrument is derecognized the cumulative gain or loss previously recognized in OCI is reclassified from equity to P&L as a reclassification adjustment. Interest calculated using the effective interest method is recognized in P&L. A gain or loss on an equity instrument designated as measured at FVTOCI shall be recognized in OCI. When the equity instrument is derecognized the cumulative gain or loss previously recognized in OCI remains in OCI.	A change in the value on a financial asset, other than a derivative financial instrument, may be included directly in equity, in the fair value reserve [Art. 64quater (2)]. No distinction is made between debt and equity instruments.
IFRS 9 [IFRS 9.5.7.7]	Liabilities designated as at FVTPL An entity shall present a gain or loss on a financial liability that is designated as at fair value through P&L as follows: • The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in OCI, and • the remaining amount of change in the fair value of the liability shall be presented in P&L, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in P&L.	Not addressed.
IFRS 9 [IFRS 9.5.7.1A]	Dividends Dividends are recognized in P&L only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount of the dividend can be measured reliably.	Dividends are recognised in P&L when the shareholder's right to receive payment is established.
IFRS 9 [IFRS 9.5.4.1]	Interest Income Interest revenue shall be calculated by using the effective interest method. The calculation of interest income for a period depends on whether the asset is credit-impaired.	Interest revenue is recognised on an accrual basis on the gross carrying amount.

Financial Instruments: Disclosures

IAS/IFRS	IFRS	LUX GAAP
IFRS 7 [IFRS 7.1]	Objective IFRS 7 requires an entity to provide disclosures in its financial statements that enable users to evaluate: • the significance of financial instruments for the entity's financial position and performance, • the nature and extent of risks arising from financial instruments, and how the entity manages those risks.	In relation to the undertaking's use of financial instruments and where material for the assessment of its assets, liabilities, financial position and profit or loss, the management report shall also give an indication of [Art. 68 (2)]: • the undertaking's financial risk management objectives and policies, including its policy for hedging each major type of forecasted transaction for which hedge accounting is used, • the undertaking's exposure to price risk, credit risk, liquidity risk and cash flow risk.
IFRS 7 [IFRS 7.7]	Significance of financial instruments for financial position and Performance An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.	

Financial Instruments: Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 7 [IFRS 7.8 to 19]	Statement of financial position The significance of financial instruments for the entity's financial position shall be measured by disclosing the following: • information about financial assets and financial liabilities by category (e.g. carrying amount); • special disclosures when the fair value option is used; • reclassifications of financial assets if any; • offsetting of financial assets and liabilities; • information on transfers of financial assets if any; • information on pledges of assets if any; • special disclosure when compound financial instruments with multiple embedded derivatives have been issued; • information on breaches of terms of agreements if any.	Where fair value valuation has been applied to financial instruments, the notes to the accounts shall disclose the fair value per category of financial instruments [Art. 64quinquies b]. Where valuation at fair value of financial instruments has not been applied the notes to the accounts shall disclose [Art. 65, §17]: → for each class of derivative financial instruments: • the fair value of the instruments, if such a value can be determined, • information about the extent and the nature of the instruments. → for financial fixed assets eligible to fair valuation but carried at an amount in excess of their fair value and not subject to a value adjustment: • the book value and the fair value of either the individual assets or appropriate groupings of those individual assets; • the reasons for not reducing the book value, including the nature of the evidence that provides the basis for the belief that the book value will be recovered. Any collateral granted on assets must be disclosed at the foot of the balance sheet or in the notes to the accounts [Art 38].

Financial Instruments: Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 7 [IFRS 7.20]	Statement of comprehensive income The significance of financial instruments for the entity's performance in the period shall be measured by disclosing information about: • net gains or net losses on financial instruments, • total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortized cost or that are measured at fair value through other comprehensive income, or financial liabilities that are not measured at fair value through profit or loss, • fee income and expense.	Where fair value valuation has been applied to financial instruments, the notes to the accounts shall disclose, per category of financial instruments, the changes in value included directly in the profit and loss account as well as changes included in the fair value reserve and a table showing movements in the fair value reserve during the financial year [Art. 64quinquies a and b].
IFRS 7 [IFRS 7.21 to 30]	Other disclosure: An entity shall also disclose information about accounting policies, hedge accounting and the fair values of each class of financial assets and financial liabilities.	Where fair value valuation has been applied to financial instruments, the notes to the accounts shall disclose, the significant assumptions underlying the valuation models and techniques where fair values have been determined [Art. 64quinquies a].

Financial Instruments: Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 7 [IFRS 7.21A to 7.24F]	Disclosures Hedging: Hedge accounting disclosures shall provide information about: • an entities risk management strategy and how it is applied to manage risk shall disclose separately; • the amount, timing and uncertainty of future cash flows; and • the effects of hedge accounting on financial position and performance.	Not addressed.
IFRS 7 [IFRS 7.25 to 30]	Fair value disclosure: Information about the fair values of each class of financial asset and financial liability, along with: • comparable carrying amounts; • description of how fair value was determined; • the level of inputs used in determining fair value; • reconciliations of movements between levels of fair value measurement hierarchy additional disclosures for financial instruments whose fair value is determined using level 3 inputs including impacts on profit and loss, other comprehensive income and sensitivity analysis; and • information if fair value cannot be reliably measured. Disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably.	Where fair value valuation has not been applied to financial instruments, the notes to the accounts shall disclose for each class of derivative financial instrument, the fair value of the instruments, if such value can be determined and information about the extent and nature of the instruments [Art. 65 (1) 17°]. Where fair value valuation has been applied to financial instruments, the notes to the accounts shall disclose, the significant assumptions underlying the valuation models and techniques where fair values have been determined [Art. 64quinquies a]. Where fair value valuation has been applied to financial instruments, the notes to the accounts shall disclose, per category of financial instruments, the changes in value included directly in the profit and loss account as well as changes included in the fair value reserve and a table showing movements in the fair value reserve during the financial year [Art. 64quinquies b and d].

Financial Instruments: Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP

IFRS 7
[IFRS 7.31 and following]
	Nature and extent of risks arising from financial instruments
	An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period:
	• qualitative disclosures about exposures to each class of risk and how those risks are managed; and
	• quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk and market risk (including sensitivity analysis).
		Where fair value valuation has been applied to financial instruments, the notes to the accounts shall disclose for each class of derivative financial instruments, information about the extent and the nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows [Art. 64quinquies c].
		
		Where fair value valuation has not been applied to financial instruments, the notes to the accounts shall disclose :
		• for each class of derivative financial instrument, the fair value of the instruments, if such value can be determined and information about the extent and nature of the instruments; and
		• or financial fixed assets covered by Article 64bis carried at an amount above their fair value with no value adjustment recorded:
		  • the book value and the fair value of each individual asset or appropriate grouping of these assets;
		  • the reasons for not reducing the book value, including the basis for the belief that the book value will be recovered. [Art. 65 (1) 17°].

Financial Instruments: Disclosures (continued)

IAS/IFRS	IFRS	LUX GAAP
IFRS 7 [IFRS 7.33]	Qualitative disclosures : The qualitative disclosures describe: • risk exposures for each type of financial instrument; • management's objectives, policies, and processes for managing those risks; and • changes from the prior period.	Depending on entity’s option regarding the items covered by the fair value approach adopted by an entity, the associated disclosure requirements of the IFRS are required [art 64bis (5bis)].
IFRS 7 [IFRS 7.34]	Quantitative disclosures : The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. These disclosures include: • summary quantitative data about exposure to each risk at the reporting date; • disclosures about credit risk, liquidity risk, and market risk and how these risks are managed; and • concentrations of risk.	Depending on entity’s option regarding the items covered by the fair value approach adopted by an entity, the associated disclosure requirements of the IFRS are required [art 64bis (5bis)].

Notes

End notes

End notes

Management report

For annual accounts published in Luxembourg, regardless of the accounting framework used, the content of the management report and of the consolidated management report has been extended and should include:

- A description of the principal risks and uncertainties that the undertaking faces;
- If necessary for understanding, both financial and non-financial key performance indicators;
- Where material for the assessment of its assets, liabilities, financial position and profit or loss:
    - The undertaking's financial risk management objectives and policies, including its policy for hedging each major type of forecast transaction for which hedge accounting is used, and
    - The undertaking's exposure to price risk, credit risk, liquidity risk and cash flow risk,
- and a corporate governance statement (mandatory for listed companies, optional for non-listed entities).

The IASB issued in December 2010 an IFRS Practice Statement Management Commentary which provides a broad, non-binding framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRSs.

Deferred tax

There is uncertainty about taxation since Luxembourg tax Law, which is currently in force, has not yet been adapted to accounting frameworks, other than to the Luxembourg generally accepted accounting principles (LUX GAAP).

The first Draft Law on taxation was prepared in 2008, but was finally withdrawn. Due to the absence of tax rules specific to the IFRS environment, a lack of clarity persists concerning the determination of the tax base and adjustments that should be made in the tax accounts. These adjustments will have an impact upon the tax base, both with respect to income taxes (IRC / ICC) and to capital taxes.

Due to rules linking the tax accounts to the financial accounts, many valuations that are still possible within the current accounting framework will no longer exist, and may also have a negative impact on the tax base of companies, which publish their annual accounts in accordance with IFRS.

In case Companies decide to publish their accounts under IFRS, the method for computation of the taxable basis will be determined on a case by case basis and is usually (at least for most credit institutions) discussed with the Luxembourg tax authorities upfront.

In this context, the decision to opt for another accounting framework must be subject to a detailed analysis of its potential impacts, in particular in the event of tax agreements with tax authorities. By way of comparison, it is interesting to note that currently only a minority of credit institutions and insurance companies have decided to publish their annual accounts in accordance with IFRS (yet the option has been available for them since 2006) and this mainly for tax reasons.

Notes

Appendices

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Appendices

Appendix 1 – Financial Instruments: Recognition and Measurement (IAS 39)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.8]	Definitions IAS 39 incorporates the definitions of the following items from IAS 32 Financial Instruments: Presentation • financial instrument; • financial asset; • financial liability; • equity instrument.	Not addressed.
IAS 39 [IAS 39.9]	Definitions Financial assets are classified as: • at fair value through profit or loss (FVTPL); • held-to-maturity investments (HTM); • loans and receivables (LAR); • available-for-sale (AFS).	Refer to classification of financial assets of Article 34.
IAS 39 [IAS 39.9]	Definitions Financial liabilities are classified as: • at fair value through profit or loss (FVTPL); • other financial liabilities.	Not addressed.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.9]	Fair value through profit or loss (FVTPL) Upon initial recognition, a financial asset or liability can be designated at fair value through profit and loss if such classification results in more relevant information, because : • the designation eliminates or significantly reduces a measurement or recognition inconsistency ("accounting mismatch"); or • a group of financial assets, liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. Otherwise, a financial asset or financial liability can be classified as at FVTPL if it is classified as held for trading meaning that it meets the following conditions: • it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; • on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or • it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).	An entity may opt for the fair valuation of all financial instruments including commodity-based contracts that give either contracting party the right to settle in cash or some other financial instrument except if they [Art. 64bis 2]: • were entered into and continue to meet the entity's expected purchase, sale or usage requirements or; • were designated for such purpose at their initial recognition or; • are expected to be settled by delivery of the commodity. In addition fair value option shall not be permitted for: • financial liabilities which are not part of the trading portfolio or which are not derivative instruments; • non-derivative financial instruments held to maturity; • loans and receivables originated by the undertakings and which are not held for trading; • interests in subsidiaries, associated undertakings and joint ventures, equity instruments issued by the company, contracts for contingent consideration in a business combination as well as other financial instruments with such special characteristics that the instruments, according to what is generally accepted, should be accounted for differently from other financial instruments. However, for these financial instruments, valuation as well as compliance with the disclosure obligations related thereto provided by the international accounting standards adopted by the EU shall be permitted [Art. 64bis (3), (4) and (5bis)]. Investment companies must value the investments in which they have invested their funds on the basis of their fair value [Art. 57] .

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.9]	Loans and receivables (LAR) Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: • those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; • those that the entity upon initial recognition designates as available for sale; or • those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale. An interest acquired in a pool of assets that are not loans or receivables (for example, an interest in a mutual fund or a similar fund) is not a loan or receivable.	No such classification and definition under LUX GAAP.
IAS 39 [IAS 39.9]	Held-to-maturity investments (HTM) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than: • those that the entity upon initial recognition designates as at fair value through profit or loss; • those that the entity designates as available for sale; and • those that meet the definition of loans and receivables.	No such classification and definition under LUX GAAP.
IAS 39 [IAS 39.9]	Available-for-sale financial assets (AFS) Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.	No such classification and definition under LUX GAAP.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.9]	Definitions relating to recognition and measurement The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.	Amortized cost is not addressed in LUX GAAP.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.9]	Derivatives: Definition Derivatives are defined by all three characteristics: • its value changes in response to the change in a specified underlying; • it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and • it is settled at a future date.	No definition provided under LUX GAAP.
IAS 39 [IAS 39.9]	Derivatives: Classification Derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) are classified as held for trading.	Derivatives can be valued with reference to the fair value [Art. 64bis]. Where valuation at fair value is not applied, the notes to the accounts must disclose for each class of derivative financial instruments: • the fair value of the instruments, if such a value can be determined by any of the methods prescribed in Article 64ter(1); • information about the extent and the nature of the instruments [Art. 65 (1) 17°].

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.10]	Embedded derivatives An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.	No definition provided under LUX GAAP.
IAS 39 [IAS 39.11]	Embedded derivatives An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if: • the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; • a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and • the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.	Not addressed in LUX GAAP.
IAS 39 [IAS 39.14]	Initial recognition Recognition and derecognition are based on the substance of the transaction. Financial instruments shall be recognized when, and only when, the entity becomes a party to the contractual provision of it.	In line with IFRS.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.17 to 20]	Derecognition of financial assets Financial assets are derecognized when: • the contractual rights to the cash flows from the financial asset expire; or • the entity transfers substantially all the risks and rewards of ownership of the financial asset; or • the entity retains substantially all the risks and rewards of ownership of the financial asset, but transfers control over the financial asset to another party. In that case, the transfer qualifies for derecognition and the entity shall recognise separately any rights and obligations created or retained in the transfer.	Not addressed specifically, but in practice in line with IFRS.
IAS 39 [IAS 39.39 and 40]	Derecognition of financial liabilities A financial liability is removed from the statement of financial position when it is extinguished, meaning when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.	Not addressed specifically, but in practice in line with IFRS.
IAS 39 [IAS 39.43]	Initial measurement When a financial asset or financial liability is recognized initially, an entity shall measure it at its fair value.	When a financial asset is recognized initially, an entity shall measure it at the purchase price [art 55 (1) a)]. A financial liability should be recognized initially at the repayable amount. However, where the total amount repayable on any debt exceeds the amount received, the difference may be capitalized. The amount of this difference must be written off in annual instalments of a reasonable amount and must be fully written off no later than the time of repayment of the debt [art 63].

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.43]	Initial measurement Transaction costs that are directly attributable to the acquisition or issue of any financial asset or financial liability shall be recognized in the initial measurement of those financial instruments, unless they are classified at FVTPL.	The purchase price of assets shall be calculated by adding to the price paid the expenses incidental thereto [art 55 (2)].
IAS 39 [IAS 39.43A] [IAS 39.AG76]	Initial measurement If the fair value of the financial asset or financial liability at initial recognition differs from the transaction price (ie the fair value of the consideration given or received), an entity shall account for that instrument at that date as follows: a) at fair value evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. The difference between the fair value at initial recognition and the transaction price shall be recognised as a gain or loss; b) in all other cases, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the entity shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.	Not addressed.
IAS 39 [IAS 39.46] [IAS 39.55(a)]	Subsequent measurement: Financial Assets After initial recognition, an entity shall measure the financial assets classified in the category of FVTPL at fair value through profit and loss. A gain or loss on a financial asset or financial liability classified as FVTPL shall be recognized in profit or loss.	Undertakings may value financial instruments, including derivative instruments, at their fair value [Art. 64bis (1)]. As regards the valuation of derivatives not covered by the fair value option, there is a need to cover the underlying valuation losses by provisions (except in the case of hedging).

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.46(b)]	Subsequent measurement: Financial Assets After initial recognition, an entity shall measure the financial assets classified in the category of HTM at amortised cost using the effective interest rate method.	Non derivative financial assets held to maturity may not be stated at fair value [Art. 64bis (4)]. They must be valued at cost less impairment so that they are valued at the lower of cost or market value [Art.55 (1)c) aa)]. Effective interest rate method is not addressed under LUX GAAP.
IAS 39 [IAS 39.46(a)]	Subsequent measurement: Financial Assets After initial recognition, an entity shall measure the financial assets classified in the category of LAR at amortised cost using the effective interest rate method.	May not be stated at fair value [...] loans and receivables originated by the undertaking and not held for trading purposes [Art. 64bis (4)] .They must be valued at cost less impairment so that they are valued at the lower of cost or market value [Art.55 (1)c) aa)]. Effective interest rate method is not addressed under LUX GAAP.
IAS 39 [IAS 39.46] [IAS 39.55(b)]	Subsequent measurement: Financial Assets After initial recognition, an entity shall measure the financial assets classified in the category of AFS at fair value, with resulting gain or loss recognized in other comprehensive income until the financial asset is derecognized, except for impairment losses and foreign exchange gains and losses, which are recognized in profit or loss. Interest calculated using the effective interest method is recognized in profit or loss and dividends on an AFS equity instrument are recognized in profit or loss when the entity's right to receive payment is established.	Undertakings may value financial assets, including derivative instruments, at their fair value [Art. 64bis (1)]. A change in the value on a financial asset, other than a derivative financial instrument, may be included directly in equity, in the fair value reserve [Art. 64quater (2)].

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.46]	Subsequent measurement Investments in equity instruments that do not quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost.	In line with IFRS.
IAS 39 [IAS 39.47(a)] [IAS 39.55(a)]	Subsequent measurement: Financial Liabilities After initial recognition, an entity shall measure the financial liabilities classified in the category of FVTPL at fair value through profit and loss, except for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost.	Financial instruments under liabilities may be stated at fair value only if they are held as part of a trading portfolio, or derivative financial instruments [Art. 64bis (3)], except if undertaking has opted to measure and disclose financial instruments in accordance with IFRS [Art. 64 (5bis)].
IAS 39 [IAS 39.47]	Subsequent measurement: Financial Liabilities After initial recognition, an entity shall measure the financial liabilities not classified in the category of FVTPL at amortised cost using the effective interest rate method.	Financial instruments under liabilities which are not stated at fair value are measured at repayment value. Effective interest rate method is not addressed under LUX GAAP.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.50]	Reclassifications An entity may reclassify a financial asset under specific circumstances. In particular, financial assets may be reclassified from the category AFS or FVTPL into LAR when the financial asset meets the definition of LAR and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. A financial asset may be reclassified out of the FVTPL category only in rare circumstances. An entity shall not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as HTM, it shall be reclassified as AFS and remeasured at fair value. The impact is treated as a sale.	Not addressed in LUX GAAP, except for reclassification according to the maturity of the instruments. In practice, in line with IFRS due to the principle of true and fair view.
IAS 39 [IAS 39.58] [IAS 39.63 to 66]	Impairment Financial assets measured at cost or amortized cost are reviewed at the end of each reporting period to assess whether there is any objective evidence of impairment. Impairment losses are recognized immediately in profit and loss and reversed if, in a subsequent period, the amount of the impairment loss decreases. Reversal is also recognized in profit or loss. However, for financial assets measured at cost, impairment shall not be reversed. The impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.	In LUX GAAP, financial assets are not separately addressed for impairment. Refer to chapter on impairment of assets.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.67 to 70]	Impairment When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss. The amount of the cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. If, in a subsequent period, the fair value of the available-for-sale asset increases, impairment losses recognized in profit or loss for an investment in an equity instrument is reversed trough equity. For a debt instrument, the impairment loss shall be reversed through profit or loss.	In LUX GAAP, financial assets are not separately addressed for impairment. Refer to chapter on impairment of assets.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.74] [IAS 39.85]	Hedging If specified criteria are met, an entity may designate a hedging relationship in such a way to qualify for hedge accounting (permitting offset of gain or losses on the hedged item and on the hedging instrument).	No definition of hedge accounting provided in LUX GAAP. Assumed to be in line with IFRS.
IAS 39 [IAS 39.9] [IAS 39.78]	Hedging A hedged item is an item that exposes the entity to a risk of changes in fair value or future cash flows. It can be : • a recognised asset or liability; • an unrecognised firm commitment; • a highly probable forecast transaction; or • a net investment in a foreign operation.	No definition of hedge accounting provided in LUX GAAP. Assumed to be in line with IFRS.
IAS 39 [IAS 39.88]	Hedging To qualify for hedge accounting, all of the following conditions must be met: • At the inception of the hedge there is formal designation and documentation of the hedging relationship; • The hedge is expected to be highly effective; • The effectiveness of the hedge can be reliably measured.	No requirement imposed in LUX GAAP.
IAS 39 [IAS 39.AG105 and 106]	Hedging A hedge is regarded as highly effective only if the actual results of the hedge are within a range of 80-125 per cent. Effectiveness is assessed, at a minimum, at the time an entity prepares its financial statements. The standard does not define a specific method to assess hedge effectiveness.	No requirement imposed in LUX GAAP.

Appendix 1 – Financial Instruments Recognition and Measurement (IAS 39 – continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 39 [IAS 39.89] [IAS 39.95] [IAS 39.102]	Hedging There are three types of hedging relationships: • fair value hedge: if an entity hedges a change in fair value of a recognized asset or liability or firm commitment, the change in fair value of both the hedging instrument and the hedged items for the designated risk are recognized in profit or loss when they occur; • cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognized asset or liability or a highly probable forecast transaction that involves a party external to the entity, or a firm commitment in some cases then the change in fair value of the hedging instrument is recognized in other comprehensive income to the extent that the hedge is effective until such time as the hedged future cash flows occur; and • hedge of a net investment in a foreign entity: this is treated like a cash flow hedge.	In line with IFRS : • under a fair value hedge accounting system, impacts of changes in fair value of the hedged item and the hedging instrument are recognized in profit or loss [art 64bis (5)]. • changes in fair value shall be included directly in equity for hedging instruments under a system of hedge accounting that allows some or all of the change in value not to be shown in the profit and loss account and changes in value relating to an exchange difference arising on a monetary item that forms part of a company's net investment in a foreign entity. Changes are then recorded in a fair value reserve [art 64ter (1)].

Appendix 2 – Leases (IAS 17)

IAS/IFRS	IFRS	LUX GAAP
IAS 17 [IAS 17.4 and 8]	Classification A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Title may or may not eventually be transferred. A lease is classified as an operating lease if it is does not transfer substantially all the risks and rewards incidental to ownership.	The accounting treatment of leases was not expressly defined under LUX GAAP. However, the option to apply the substance over form principle [art 26 (3)] into the LUX GAAP can lead to changes in the common accounting practices of Luxembourg regarding lease contracts.
[SIC-27:3-4]	The accounting for transactions that involve the legal form of a lease should reflect the substance of the arrangement. A series of transactions should be considered as linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. All aspects of the arrangement should be evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IAS 17 [IAS 17.10]	Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are: • the lease transfers ownership of the asset to the lessee by the end of the lease term; • the lease term is for the major part of the economic life of the asset even if the title is not transferred; • the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option become exercisable for it to be reasonably certain, at the inception of the lease that the option will be exercised; • at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; • the leased assets are of such a specialized nature that only the lessee can use them without major modifications.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.

Appendix 2 – Leases (IAS 17 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 17 [IAS 17.11]	Classification Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are: • if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee; • gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments); • the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IAS 17 [IAS 17.15A and 18]	A lease including both land and buildings elements is split into land and buildings to assess the classification of each element in a finance or operating lease. However, such separate measurement is not required when the lessees's interest is classified as an investment property under IAS 40 and the fair value model is adopted.	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Appendix 2 – Leases (IAS 17 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 17 [IAS 17.20] [IAS 17.25] [IAS 17.27]	Accounting by lessees Lessees shall recognize initially finance leases as assets and liabilities in their statements of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payment is the interest rate implicit in the lease. Any initial direct costs of the lessee are added to the amount recognised as an asset. Subsequently, a lessee shall apportion minimum lease payments between the finance charge and the reduction of the outstanding liability using the effective interest method. A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period. The depreciation policy for depreciable leased assets is consistent with that for owned assets. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
IAS 17 [IAS 17.33]	Lease payments under an operating lease are recognized by lessees as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the pattern of the benefit.	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Appendix 2 – Leases (IAS 17 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 17 [IAS 17.36]	Accounting by lessors Lessors shall recognise initially assets held under a finance lease in their statements of financial position and present them as a receivable at an amount equal to the net investment in the lease.	No detailed guidance in LUX GAAP. Applying the substance over form principle is an option. As a result, IFRS can be used as a benchmark.
[IAS 17.39]	Subsequently, the recognition of finance income by the lessor shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.	
[IAS 17.50]	Lease income from operating leases shall be recognized on a straight line basis over the lease term, even if the receipts are not on such a basis, unless another systematic basis is more representative of the pattern of the benefit.	
[IAS 17.42]	Manufacturer or dealer lessors shall recognise selling profit or loss in the period, in accordance with the policy followed by the entity for outright sales.	
[IAS 17.49]	Lessors shall present assets subject to operating leases in their statement of financial position according to the nature of the asset.	
[IAS 17.52]	Initial direct costs incurred by lessors in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.	
[IAS 17.53]	Leased assets are depreciated in accordance with the lessor's depreciation policy for similar assets.	

Appendix 2 – Leases (IAS 17 - continued)

IAS/IFRS	IFRS	LUX GAAP
SIC 15	Incentives Lease incentives (such as rent-free periods) are recognised by both the lessor and the lessee as a reduction of rental income and expense, respectively, over the lease term.	
IAS 17 [IAS 17.58] [IAS 17.59] [IAS 17.61 and 63]	Sale and leaseback transactions Accounting for sale and leaseback transactions (involving the sale of an asset and the leasing back of the same asset) depends on whether these are essentially finance or operating lease. For a sale and leaseback transaction that results in a finance lease, any excess of proceeds over the carrying amount is deferred and amortized over the lease term. For a transaction that results in an operating lease: • if the transaction is clearly carried out at fair value - the profit or loss should be recognised immediately • if the sale price is below fair value - profit or loss should be recognised immediately, except if a loss is compensated for by future rentals at below market price, the loss it should be amortized over the period of use • if the sale price is above fair value - the excess over fair value should be deferred and amortized over the period of use • if the fair value at the time of the transaction is less than the carrying amount – a loss equal to the difference should be recognised immediately	No detailed guidance in LUX GAAP. IFRS can be used as a benchmark.

Appendix 2 – Leases (IAS 17 - continued)

<table>
<tr><th>IAS/IFRS</th><th>IFRS</th><th>LUX GAAP</th></tr>
<tr><td>IAS 17
[IAS 17.31]

[IAS 17.35]</td><td>Disclosure – Lessees
For finance leases, lessees shall disclose:
• for each class of asset, the net carrying amount at the end of the reporting period;
• a reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value, and for each of them their maturity (not later than one year, later than one year and not later than five years, and later than five years);
• contingent rents recognised as an expense in the period;
• the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period;
• a general description of the lessee's significant leasing arrangements.

For operating leases, lessees shall disclose:
• the total of future minimum lease payments under non-cancellable operating leases with a split by maturity (not later than one year, later than one year and not later than five years, and later than five years);
• the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period;
• lease and sublease payments recognised as an expense in the period, with separate amounts for minimum lease payments, contingent rents, and sublease payments;
• a general description of the lessee's significant leasing arrangements.</td><td>The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°] .</td></tr>
</table>

Appendix 2 – Leases (IAS 17 - continued)

<table>
<tr><th>IAS/IFRS</th><th>IFRS</th><th>LUX GAAP</th></tr>
<tr><td>IAS 17
[IAS 17.47]

[IAS 17.56]</td><td>Disclosure – Lessors
For finance leases, lessors shall disclose:
• a reconciliation between the gross investment in the lease at the end of the reporting period, and the present value of minimum lease payments receivable, and for each of them their maturity (not later than one year, later than one year and not later than five years, and later than five years);
• unearned finance income;
• the unguaranteed residual values accruing to the benefit of the lessor;
• the accumulated allowance for uncollectible minimum lease payments receivable;
• the contingent rents recognised as an income in the period;
• a general description of the lessor's significant leasing arrangements.

For operating leases, lessors shall disclose:
• the total of future minimum lease payments under non-cancellable operating leases with a split by maturity (not later than one year, later than one year and not later than five years, and later than five years);
• the contingent rents recognised as an income in the period;
• a general description of the lessor's significant leasing arrangements.</td><td>The notes to the accounts must disclose the total amount of any financial commitments that are not included in the balance sheet, in so far as this information is of assistance in assessing the financial position. Commitments vis-à-vis affiliated undertakings must be disclosed separately [art 65 (1) 7°].</td></tr>
</table>

Appendix 3 – Revenue Recognition (IAS 18)

IAS/IFRS	IFRS	LUX GAAP
IAS 18 [IAS 18.7]	Definitions Revenue is the gross inflow of economic benefits (cash, receivables, other assets) arising from the ordinary operating activities of an entity (such as sales of goods, sales of services, interest, royalties, and dividends)	Net turnover comprises the amounts derived from the sale of products and the provision of services, after deduction of sales rebates and of value added tax and other taxes directly linked to turnover [art 48].
IAS 18 [IAS 18.9]	Measurement An entity shall measure revenue at the fair value of the consideration received or receivable.	Not specified in Lux Law, but in practice in line with IFRS, as invoices are recorded at their nominal value.
IAS 18 [IAS 18.12]	Measurement An exchange for goods or services of a similar nature and value is not regarded as a transaction that generates revenue. However, exchanges for dissimilar items are regarded as generating revenue.	Not addressed.
IAS 18 [IAS 18.11]	Measurement When the inflow of cash or cash equivalents is deferred, and the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.	Not addressed, discounting is not required.
IAS 18 [IAS 18.13]	Identification of the transaction If a transaction has multiple components (e.g. the selling price of a product includes an identifiable amount for subsequent servicing), the recognition criteria are applied to the separately identifiable components. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.	Not addressed in LUX GAAP.

Appendix 3 – Revenue Recognition (IAS 18 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 18 [IAS 18.14; IAS 18.20 and IAS 18.29]	Recognition – General Revenue is generally recognised when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. Specific criteria are to be met depending on the type of revenue.	Account must be taken of income attributable to the financial year irrespective of the date of receipt or payment of such income [art 51 (1) d)].
IAS 18 [IAS 18.14]	Recognition – Sale of goods Revenue from the sale of goods is recognized when: • the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; • the entity retains neither continuing managerial involvement nor effective control over the goods sold; and • the costs incurred or to be incurred in respect of the transaction can be measured reliably.	Not specified in Lux Law, IFRS can be used as a benchmark.
IAS 18 [IAS 18.16] [IFRIC 13 BC7]	Recognition – Sale of goods If the entity retains significant risks of ownership, the transaction is not a sale and revenue is not recognized. A significant risk of ownership can be retained in a number of ways. For example: • the entity retains an obligation for unsatisfactory performance not covered by normal warranty provisions; or • goods are shipped subject to installation, which is a significant part of the contract and has not yet been completed by the entity. When the selling price of a product includes an identifiable amount for subsequent servicing, that amount is deferred and recognised as revenue over the period during which the service is performed. This shall be the case for product maintenance or warranty contract.	In LUX GAAP, revenue would be recognised, but a provision for any obligation that the entity has in relation to the sale transaction.

Appendix 3 – Revenue Recognition (IAS 18 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 18 [IAS 18.20] [IAS 18.26]	Recognition – Rendering of services When the outcome of a transaction involving rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period, provided that the stage of completion of the transaction at the end of the reporting period can be measured reliably and that the costs incurred and the costs to complete the transaction can be measured reliably. When the above criteria are not met, revenue arising from the rendering of services should be recognized only to the extent of the expenses recognized that are recoverable (a "cost-recovery approach").	Not specified in Lux Law. In practice, valuation of contracts in progress can be made either using the percentage of completion method or the completed contract method. The completed contract method is the most prudent method as it ensures that no unrealised profit is recognized at the end of a reporting period. On the other hand, this method can lead to high fluctuation of published figures depending on the completion of contracts. The percentage of completion method is the preferred method, as it ensures a better matching of income and costs. However it can be used only if the entity is able to perform a reliable comparison of actual and budgeted costs on a contract basis and can estimate reliably the remaining costs until completion. If reliable data are not available, this method should not be applied on the basis of the prudence principle. Under both methods, any expected loss on a contract shall be recognized fully when it arises. Valuation method applied to contracts in progress must be applied consistently and disclosed in the notes to the accounts.
IAS 18 [IAS 18.27-28]	Recognition – Rendering of services When the outcome of a transaction involving rendering of services cannot be estimated reliably, revenue shall be recognized only to the extent of the expenses recognized that are recoverable.	In line with IFRS (see above).
IAS 18 [IAS 18.30(a)]	Recognition – Interest Revenue is recognized using the effective interest rate method, as set out in IAS 39.	Not specified in Lux Law. Interest income is usually recognised on an accrual basis, however, the effective interest rate method can be used as well.

Appendix 3 – Revenue Recognition (IAS 18 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 18 [IAS 18.30(b)]	Recognition – Royalties Revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement.	In line with IFRS.
IAS 18 [IAS 18.30(c)]	Recognition – Dividends Revenue is recognized when the shareholder's right to receive payment is established.	In line with IFRS.
IAS 18 [IAS 18.35]	Disclosure An entity shall disclose the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions. It shall also disclose the amount of each significant category of revenue recognised during the period (sale of goods, rendering of services, interests, royalties and dividends).	The notes to the accounts must set out accounting policies and measurement bases [Art 65 (1) 1°], which is in line with IFRS. The notes to the accounts must also disclose the net turnover broken down by categories of activity and into geographical sectors in so far as, taking account of the manner in which the sale of products and the provision of services falling within the company's ordinary activities are organised, these categories and sectors differ substantially from one another [Art 65 (1) 8°]. In addition, information concerning amounts of income in respect of the financial year, which are receivable after the end of the financial year and are shown under "Debtors", where such amounts are material [Art 65 (1) 14°].

Appendix 3 – Revenue Recognition (IAS 18 - continued)

IAS/IFRS	IFRS	LUX GAAP
IAS 11 [IAS 11.22]	Construction Contracts: Recognition of contract revenue and expenses When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs shall be recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. An expected loss on the construction contract shall be recognised as an expense immediately.	Refer to valuation of contracts in progress decribed above.
[IAS 11.32]	Construction Contracts: When the outcome of a construction contract cannot be estimated reliably revenue shall be recognized only to the extent of contract costs incurred that it is probable will be recoverable and contract costs shall be recognized as an expense in the period.	
IAS 11 [IAS 11.39]	Disclosure For construction contracts, an entity shall disclose: • the amount of contract revenue recognised as revenue in the period; • the methods used to determine the contract revenue recognised in the period; and • the methods used to determine the stage of completion of contracts in progress.	No specific requirement under LUX GAAP except for the disclosure of valuation methods described above.
[IAS 11.40]	An entity shall also disclose each of the following or contracts in progress at the end of the reporting period: • the aggregate amount of costs incurred and recognised profits (less recognised losses) to date; • the amount of advances received; and • the amount of retentions.	
[IAS 11.42]	An entity presents also the gross amount due from customers for contract work as an asset and the gross amount due to customers for contract work as a liability.	

Appendix 3 – Revenue Recognition (IAS 18 - continued)

IAS/IFRS	IFRS	LUX GAAP
IFRIC 15 [IFRIC 15.10]	Determining whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18 depends on the terms of the agreement and all the surrounding facts and circumstances. This requires judgment with respect to each agreement.	Not addressed in LUX GAAP.
[IFRIC 15.11] [IFRIC 15.15]	The construction of real estate is a construction contract in the scope of IAS 11 only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Otherwise, it is in the scope of IAS 18. In that case, it is an agreement for the rendering of services if the entity is not required to acquire and supply construction materials.	
IFRIC 13 [IFRIC 13.5]	Award credits are recorded as a separately identifiable component of the sales transaction in which they are granted. The fair value of the consideration received or receivable is allocated between the award credits and the other components of the sale.	Not addressed in LUX GAAP.
SIC 31 [SIC 31.3] [SIC 31.5]	Revenue from barter transactions involving advertising services (transactions in which an entity provides advertising services in exchange for receiving advertising services from its customer) is recognised only if, amongst other criteria, the services exchanged are dissimilar and the amount of revenue can be measured reliably. Revenue can be reliably measured at the fair value of the advertising services an entity provides in such a transaction by reference to substancial revenue derived from non-barter transactions.	Not addressed in LUX GAAP.

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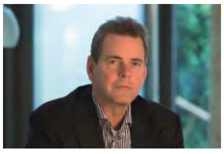

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