Supplement for Consolidated Accounts
Introduction

Overall, consolidation rules in Luxembourg are strictly derived for the 7th EU directive. While some countries have taken a stricter approach by adopting additional requirements, Luxembourg has adopted the minimum requirements as set out in the directive.

The following section describes the conditions which require the preparation of consolidated accounts, relevant exemptions, as well as examples of notes specific to the consolidated accounts.

Requirement to prepare consolidated accounts

Article 1711-1 of the Company Law mentions that the following entities:

- all public companies limited by shares (sociétés anonymes),
- corporate partnerships limited by shares (sociétés en commandite par actions),
- private limited liability companies (sociétés à responsabilité limitée); and
- limited partnerships (sociétés en commandite simple) and general partnerships (sociétés en nom collectifs) (under certain conditions described in Article 77, paragraph 2 points (2) and (3) of the Law)\(^{106}\), excluding
  - credit institutions,
  - insurance and reinsurance companies; and
  - pension savings companies with variable capital (sociétés d’épargne - pension à capital variable)

must draw up consolidated accounts and a consolidated management report if:

- it has a majority of the shareholders’ or unitholders’ voting rights in another undertaking; or
- it has the right to appoint or remove a majority of the members of the administrative, management or supervisory bodies of another undertaking and is at the same time a shareholder in or unitholder of that undertaking; or
- it is a shareholder in or member of an undertaking and controls alone, pursuant to an agreement with other shareholders in or unitholders of that undertaking, a majority of shareholders’ or unitholders’ voting rights in that undertaking.

On other words, any “parent” company having the control of at least one subsidiary is required to prepare consolidated annual accounts, unless exempted.

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\(^{106}\) sociétés en nom collectif and sociétés en commandite simple where all their members which have unlimited liability are companies of the type set out in Article 1, paragraph 1 sub-paragraph 1 of amended Directive 78/660/EEC of 25 July 1978 or companies which are not governed by the laws of a Member State of the European Community but which have a legal form comparable to those referred to in Directive 68/151/EEC of 9 March 1968.

\(^{3}\) (Law of 30 July 2013) the types of company referred to under item 2 where all their members having unlimited liability are themselves organised as one of the types of companies referred to under item 1 or under item 2 or in Article 1, paragraph (1) sub-paragraph 1 or sub-paragraph 2 of amended Directive 78/660/EEC.
Scope of the consolidation

The scope of consolidation should include:

- Subsidiaries of the group over which the group exercises control (as per Article 1712-17 - see below)
- Operations that are jointly controlled by the group (as per Article 1712-17 - see below)
- Associates over which the group has significant influence (as per Article 1712-18 (1) - see below)

Art. Reference 1712-17 GUIDANCE:
(1) Where an undertaking included in a consolidation manages another undertaking jointly with one or more undertakings not included in that consolidation, that other undertaking may be included in the consolidated accounts in proportion to the rights in its capital held by the undertaking included in the consolidation.
(2) Articles 1711-8 to 1790-2 shall apply mutatis mutandis to the proportional consolidation referred to in paragraph (1) above.
(3) Where this Article is applied, Article 1712-18 shall not apply if the undertaking proportionally consolidated is an associated undertaking as defined in Article 1712-18.

In other words, jointly controlled entities can be included in the consolidated accounts either adopting the proportional consolidation method, or the equity method.

Art. Reference 1712-18 (1) GUIDANCE:
(1) Where an undertaking included in a consolidation exercises a significant influence over the operations and the financial policy of an undertaking not included in the consolidation (an associated undertaking) in which it holds a participating interest, as defined in the (Law of 10 December 2010) “Article 41 of the amended Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings”, that participating interest shall be shown in the consolidated balance sheet as a separate item with an appropriate heading.

An undertaking shall be presumed to exercise a significant influence over another undertaking where it has 20% or more of the shareholders' or members' voting rights in that undertaking. Article 1711-2 shall apply.

In other words, undertakings over which a significant influence is exercised by the group shall be included in the consolidated accounts under the so called “equity method”.

Art. Reference 1712-18 (1) GUIDANCE:
Exemptions

However, a parent company that holds participating interests in undertakings can be exempt from the obligation to draw up consolidated accounts as laid down in Articles 1711-3(3), 1711-4, 1711-5, 1711-6, 1711-7, 1711-8 (2bis) and 1711-9 of the Company Law.

Article 1711-3 (3) mentions (for holding of credit institutions, insurance or reinsurance companies):

Art. Reference 1711-3

GUIDANCE:

Any parent company referred to in Article 1711-1 that controls one or more undertakings to be consolidated, which are credit institutions or insurance companies, can subject itself either to the provisions of Part III of the Law of 17 June 1992 on annual accounts and consolidated accounts of Luxembourg credit institutions and to the obligations concerning the publicity of the bookkeeping of the branches of foreign credit institutions and financial institutions for the purpose of consolidation, or to the provisions of Part III of the Law of 8 December 1994 relating to the annual accounts and consolidated accounts of Luxembourg insurance and reinsurance companies and to the obligations concerning the establishment and the publicity of the bookkeeping of the branches of foreign insurance companies. A parent company exercising this option is exempt from establishing group accounts in accordance with Article 1711-1.

Article 1711-4 mentions (for small group):

Art. Reference 1711-4

GUIDANCE:

(1) By way of derogation from Article 1711-1 paragraph (1), a parent company shall be exempted from the obligation to draw up consolidated accounts and a consolidated management report if at the balance sheet date of the parent company, the undertakings which would have to be consolidated do not together, on the basis of their latest annual accounts, exceed the limits of at least two of the three criteria set out below:
   - balance sheet total: 20 million euros
   - net turnover: 40 million euros
   - average number of full-time staff employed during the financial year: 250.

(2) The figures of the criteria relating to the balance sheet total and net turnover may be increased by 20%, if the set-off referred to in Article 1712-4 paragraph (1) and the elimination referred to in Article 1712-11 paragraph (1) items (a) and (b) are not effected.

(3) This exemption shall not apply to those companies where one of the companies to be consolidated is a company whose securities are admitted to official trading on a regulated market of any Member State of the European Union within the meaning of Article 1, item 11 of the amended Law of 13 July 2007 on markets in financial instruments.

(4) Article 36 of the amended Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings shall be applicable.

The amounts indicated above may be amended by Grand-Ducal Regulation.
A parent company shall be exempted when the group does not exceed the limits of two of the three criteria set out below:

- balance sheet total: EUR 20 million;
- net turnover: EUR 40 million;
- average number of full-time staff employed during the financial year: 250 people.

This exemption shall not apply where one of the undertakings to be consolidated is a company whose transferable securities are admitted to official listing on a stock exchange established in a Member State of the European Union.

**Article 1711-5** mentions (for a group being part of a larger group located in the European Union):

<table>
<thead>
<tr>
<th>Art. Reference</th>
<th>GUIDANCE</th>
</tr>
</thead>
</table>
| 1711-5 of the Company Law | (1) By way of derogation from Article 1711-1 paragraph (1), any parent company which is also a subsidiary undertaking shall be exempted from the obligation to draw up consolidated accounts and a consolidated management report if its own parent undertaking is governed by the Law of a Member State of the European Union, in the following two cases:  
   a) where that parent undertaking holds all of the corporate units or shares in the exempted undertaking. The corporate units or shares in that company held by members of its administrative, management or supervisory bodies pursuant to a legal obligation or the articles shall be ignored for this purpose; or  
   b) where that parent undertaking holds 90% or more of the corporate units or shares in the exempted company and the remaining shareholders in or members of that company have approved the exemption. |
| | (2) The exemption shall be conditional upon compliance with all of the following conditions:  
   a) the exempted company and, without prejudice to the Article 1711-8, all of its subsidiary undertakings are consolidated in the accounts of a larger body of undertakings, the parent undertaking of which is governed by the Law of a Member State of the European Union;  
   b) aa) the consolidated accounts referred to in (a) above and the consolidated management report of the larger body of undertakings must be drawn up by the parent undertaking of that body and audited, according to the Law of the Member State by which the parent undertaking of that larger body of undertakings is governed;  
   bb) the consolidated accounts referred to in (a) above and the consolidated management report referred to in (aa) above and the report of the person or persons responsible for auditing those accounts shall be published for the exempted company in the manner prescribed by Article 100-13 of this Law.  
   c) the notes to the annual accounts of the exempted company must disclose:  
      aa) the name and registered office of the parent undertaking which draws up the consolidated accounts referred to in (a) above; and  
      bb) the exemption from the obligation to draw up consolidated accounts and a consolidated management report. |
| | (3) This exemption shall not apply to the companies whose securities are admitted to official trading on a regulated market of any Member State of the European Union within the meaning of Article 4, paragraph (1), item 14, of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments. |
When a parent company is also a subsidiary undertaking of a parent undertaking that is governed by the Law of a Member State of the European Union and if this parent undertaking publishes its consolidated accounts, its consolidated management report and its audit report in Luxembourg, this parent undertaking is exempt from the obligation to draw up consolidated accounts. The notes to the annual accounts of the exempted company must disclose the name and registered office of the parent undertaking that draws up the consolidated accounts and the exemption from the obligation to draw up consolidated accounts. This exemption is not valid for entities whose transferable securities are quoted on a European stock exchange.

The minority shareholders can request the preparation of consolidated accounts under certain conditions mentioned in the above Article 1711-5 (1)b or in the below Article 1711-6 which mentions:

<table>
<thead>
<tr>
<th>Art. Reference</th>
<th>GUIDANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1711-5</td>
<td>In cases not covered by Article 1711-5 paragraph (1), any parent company which is also a subsidiary undertaking, the parent undertaking of which is governed by the Law of a Member State of the European Union, is exempted from the obligation to draw up consolidated accounts and a consolidated management report, provided that all the conditions set out in Article 1711-5 paragraph (2) are fulfilled and that the shareholders in or members of the exempted undertaking who own at least 10% of the subscribed capital of that undertaking, in the case it is a société anonyme or a société en commandite par actions, and at least 20%, in the case it is a société à responsabilité limitée, have not requested the preparation of consolidated accounts at least six months before the end of the financial year.</td>
</tr>
</tbody>
</table>

Article 1711-7 mentions (for a group being part of a larger group not located in the European Union):  

<table>
<thead>
<tr>
<th>Art. Reference</th>
<th>GUIDANCE</th>
</tr>
</thead>
</table>
| 1711-6         | By way of derogation from Article 1711-1 paragraph (1), any parent company which is also a subsidiary undertaking of a parent undertaking not governed by the Law of a Member State of the European Union, is exempted from the obligation to draw up consolidated accounts and a consolidated management report if all of the following conditions are fulfilled:  
  a) the exempted company and, without prejudice to the Article 1711-8 all of its subsidiary undertakings are consolidated in the accounts of a larger body of undertakings;  
  b) the consolidated accounts referred to in (a) above and, where appropriate, the consolidated management report must be drawn up in accordance with the provision of this Section or in a manner equivalent thereto,  
  c) the consolidated accounts referred to in (a) above must have been audited by one or more persons authorised to audit accounts under the national Law governing the undertaking which drew them up. Article 1711-5 paragraph (2), sub-paragraphs b) bb and c) and paragraph (3) as well as Article 1711-6 shall apply. |
Compared to Article 1711-5, there is an additional condition that the accounts of the parent undertaking shall be drawn up in accordance with Luxembourg Law or in a manner equivalent thereto.

Article 1711-8 mentions (an exemption for the inclusion of undertakings, if undertakings are considered individually and collectively as not material from a true and fair point of view, or (ii) in case of severe restrictions on the rights of the undertaking, or disproportionate expenses or undue delay, or held exclusively for resale):

Art. Reference 1711-8

GUIDANCE:

(1) An undertaking need not be included in consolidated accounts where it is “not material” for the purposes of Article 1712-1 paragraph (3).

(2) Where two or more undertakings satisfy the requirements of paragraph 1 above, they must nevertheless be included in consolidated accounts if, they are “material” for the purposes of Article 1712-1 paragraph (3).

(3) In addition, an undertaking need not be included in the consolidated accounts where:
   a) severe long-term restrictions substantially hinder the parent company in the exercise of its rights over the assets or management of that undertaking.
   b) the information necessary for the preparation of consolidated accounts in accordance with this Law cannot be obtained without disproportionate expense or undue delay.
   c) the shares of that undertaking are held exclusively with a view to their subsequent resale.

Art. 1711-8 (3) c, relating to undertakings acquired exclusively with a view of subsequent resale, is of particular interest. This provision has created a long-standing issue around whether private equity groups should prepare consolidated accounts or not. This possible exemption has been clarified by the Notice CNC 2-1 date December 18, 2009 which provides guidance to investment companies regarding the exemption to prepare consolidated annual accounts on the basis of temporary ownership of their participating interest.

Article 1711-9 mentions (an exemption from preparing consolidated accounts if all of its subsidiaries are neither individually nor collectively material or can be excluded from consolidation in accordance with Article 1711-8):

Art. Reference 1711-9

GUIDANCE:

Without prejudice to Article 51, paragraph (1), point (b) of the amended Law of 19 December 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings, and to Article 1711-4 of this section, any parent company, including a public-interest entity within the meaning of sub-section 4bis, shall be exempt from the obligation imposed in Article 1711-1 if:
   a) it only has subsidiary undertakings which are immaterial, both individually and collectively; or
   b) all its subsidiary undertakings can be excluded from consolidation by virtue of Article 1711-8.
Accounting principles

Consolidated accounts of Luxembourg groups can be prepared under:

- Luxembourg accounting framework described in this brochure (including LUXGAAP with an IFRS option);
- IFRS as allowed by Art. 1780-1 of the Company Law (see our IFRS brochures "Model financial statements" available on our website);

Companies preparing consolidated financial statements under IFRS remain subject to the provisions of the following articles of the Company Law;

- Articles 1711-1 to 1711-7 for exemptions (but not the exemptions included in Articles 1711-8 to 1711-9);
- Articles 1712-19, 2. to 5., 9., 12. to 14. and 1712-20 (1) (see below);
- Article 1720-1 on the consolidated management report;
- Article 1730-1 on the publication of the consolidated account, the consolidated management report and the corporate governance statement;
- Article 1750-1 on the auditing of the consolidated accounts; and
- Article 1780-2 on the currency of the publication.

- Another accounting framework for which derogation has been obtained according to Article 420-15 of the Company Law. This derogation can be granted by the Ministry of Justice on the reasoned opinion of the CNC or based on a Grand-Ducal Regulation.

Groups whose securities are quoted on a European regulated stock exchange must prepare their financial statements in accordance with IFRS as adopted by the European Union.

The provisions of Article 1712-19 points 2. to 5., 9., 12. to 14* are respectively:

<table>
<thead>
<tr>
<th>Information on the names and registered offices of the undertakings included in the consolidated accounts.</th>
<th>Article 1712-19 2.a</th>
</tr>
</thead>
<tbody>
<tr>
<td>In addition, information on the proportion of capital held by the parent company, by the undertakings included in the consolidation or by persons acting on behalf of those undertakings.</td>
<td>Article 1712-19 2.b</td>
</tr>
<tr>
<td>Same information as Art. 1712-19 2.a above for the undertakings excluded in the consolidated accounts pursuant to Art. 1711-8 (undertakings which are not material), and an explanation of the reasons for the exclusion.</td>
<td>Article 1712-19 2.c</td>
</tr>
<tr>
<td>When Art. 1711-9 (exemption of consolidation if all subsidiaries are not material) is applied, the notes to the annual accounts of the exempted company must include the reason for the exclusion.</td>
<td>Article 1712-19 2.a</td>
</tr>
<tr>
<td>Information on the names and registered offices of the undertakings on which the undertaking exercises a significant influence (Art. 1712-18 presumes the significant influence when the shareholders’ or members’ voting rights are 20% or more) included in the consolidated accounts.</td>
<td>Article 1712-19 3.a</td>
</tr>
<tr>
<td>In addition, information on the proportion of capital held by the parent company, by the undertakings included in the consolidation or by persons acting on behalf of those undertakings.</td>
<td>Article 1712-19 3.b</td>
</tr>
<tr>
<td>Same information as Article 1712-19 3.a above for the associated undertakings excluded in the consolidated accounts pursuant Art. 1712-18 (9) (associated undertakings which are not material), and an explanation of the reasons for the exclusion.</td>
<td>Article 1712-19 3.a</td>
</tr>
<tr>
<td>Information on names and registered offices of the undertakings proportionally consolidated pursuant to Art. 1712-17.</td>
<td>Article 1712-19 4</td>
</tr>
<tr>
<td>In addition, information on factors on which the management is based, and the proportion of capital held by the parent company, by the undertakings included in the consolidation or by persons acting on behalf of those undertakings.</td>
<td>Article 1712-19 4</td>
</tr>
</tbody>
</table>
Information on the names and registered offices of the undertakings, other than those referred to in points 2, 3. and 4. above, if shareholding (directly or through persons undertakings or persons acting on behalf of those undertakings) is > 20%.
In addition, information on the proportion of capital held, amount of capital and reserves and the profit or loss for the latest financial year.
HOWEVER: This information on the proportion of capital held, amount of capital and reserves and the profit or loss may be omitted where the undertaking concerned does not publish its balance sheet.

| The average number of staff employed during the financial year, broken down by categories, and if not disclosed separately, the staff costs relating to the financial year. | Article 1712-19.9.a |
| The average number of staff employed during the financial year, by undertaking to which Art. 1712-17 (proportionally consolidated) has been applied shall be disclosed separately, | Article 1712-19.9.b |
| The amount of the emoluments granted in respect of the financial year to the members of the administrative, managerial and supervisory bodies of the parent company by reason of their responsibilities in the parent company and its subsidiary undertakings, and any commitments arising or entered into in respect of retirement pensions for former members of those bodies. This information must be given as a total for each category. | Article 1712-19.12 |
| The amount of advances and loans granted to the members of the administrative, managerial and supervisory bodies of the parent company in the parent company and its subsidiary undertakings, with indications of the interest rates, main conditions and the amounts which may have been repaid, as well as commitments entered into on their behalf by way of guarantees of any kind. This information must be given as a total for each category. | Article 1712-19.13 |
| The total fees for the financial year received by each réviseur d'entreprises agréé [approved statutory auditor] or the cabinet de révision agréé [approved audit firm] for the statutory audit of the consolidated accounts and, the total fees received by each réviseur d'entreprises agréé [approved statutory auditor] or cabinet de révision agréé [approved audit firm] for other assurance services, for tax advisory services and for other non-audit services. | Article 1712-19.14 |

Presentation of the consolidated accounts

The layout of the balance sheet and profit and loss account for the annual account are prescribed by the Law, with the objective of achieving a coherence in the collection of the data.

As the consolidated accounts are not compiled in a structured way, a flexibility has been kept on the layout by allowing all acceptable formats described in the European Directive.

The other possible layouts, compared to the one foreseen in the Law, of balance sheet and profit and loss applicable for consolidated accounts are available in Appendix 6.

In general, the layouts prescribed for the stand alone annual accounts shall be applied, without prejudice of the indispensable adjustments required due to the particular characteristics of consolidated accounts. In practice, main adjustments are related to additional captions required in the consolidated balance sheet as regards currency translation reserve and minority interests.
Art. 1780-2 mentions that “Consolidated accounts may, in addition to the publication in the currency or unit of account in which they are drawn up, be published in euro translated at the rate of exchange prevailing on the consolidated balance sheet date. The rate shall be published in the notes to the accounts”

NOTE 1 - GENERAL

[ABC] Company S.A. (the “Company”) was incorporated in the Grand-Duchy of Luxembourg on [include incorporation date] as a “Société anonyme”. Its registered office is established in Luxembourg at [include address].

The purpose of the Company is the holding of participating interests in other companies and the management, control and development of such participating interests.

The main activity/activities of the Group is/are [describe the main activities].

The Company’s financial year begins on 1 January [to adapt based on the company’s financial year] and ends on 31 December of each year. Group entities included in the scope of consolidation also have a financial year ending on 31 December [Specify group entities with a different financial year-end, which are consolidated based on interim accounts].

NOTE 2 - BASIS FOR PREPARATION, SCOPE OF CONSOLIDATION AND CONSOLIDATION POLICIES

2.1. General principles

We refer to our comments related to the annual accounts.

2.2. Critical accounting estimates

We refer to our comments related to the annual accounts.

2.3. Scope of consolidation

The consolidated annual accounts as at 31 December 20XX of the Company include its stand-alone annual accounts and those of all directly or indirectly majority owned subsidiaries (the “Group”). Subsidiaries are all entities over which the Company exercises control. Control is defined as the direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights owned by other entities, are considered when assessing whether the group
controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

The Group and minority interests’ share of profits or losses or changes in the net equity of subsidiaries are determined based on existing voting rights, without considering the effects of potential voting rights which are exercisable or convertible.

Joint ventures are operations that are jointly controlled by the Group and one or more other parties in accordance with contractual arrangements between parties. Those operations are consolidated using the proportional consolidation method [or the equity method of accounting].

Associates are all the entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Group’s investment in associates includes goodwill identified on acquisition, net of any accumulated value adjustment.

Entities included in the scope of consolidation are listed below:

<table>
<thead>
<tr>
<th>Name</th>
<th>% of shares held 20XX</th>
<th>% of shares held 20XX-1</th>
<th>Country</th>
<th>Consolidation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ABC] Company S.A./S.à.r.l.</td>
<td>N/A</td>
<td>N/A</td>
<td>Luxembourg</td>
<td>Parent company</td>
</tr>
<tr>
<td>[ABC 1]</td>
<td>[XX]%</td>
<td>[XX]%</td>
<td>[XX]</td>
<td>Full consolidation</td>
</tr>
<tr>
<td>[ABC 2]</td>
<td>[XX]%</td>
<td>[XX]%</td>
<td>[XX]</td>
<td>Full consolidation</td>
</tr>
<tr>
<td>[ABC 3]</td>
<td>[XX]%</td>
<td>[XX]%</td>
<td>[XX]</td>
<td>Full consolidation</td>
</tr>
<tr>
<td>[ABC 4]</td>
<td>[XX]%</td>
<td>[XX]%</td>
<td>[XX]</td>
<td>Proportional consolidation</td>
</tr>
<tr>
<td>[ABC 5]</td>
<td>[XX]%</td>
<td>[XX]%</td>
<td>[XX]</td>
<td>Proportional consolidation</td>
</tr>
<tr>
<td>[ABC 6]</td>
<td>[XX]%</td>
<td>[XX]%</td>
<td>[XX]</td>
<td>Equity method</td>
</tr>
</tbody>
</table>

The main changes in the consolidation scope during the year/period are as follows:

- The companies [XX] were sold on [date] [Include details on impact on consolidated annual accounts if material];
- [ABC 2] S.A. [S.à r.l.], a limited company with its registered office in Luxembourg, was incorporated on [date]. [ABC] Company S.A. [S.à r.l.] is the sole shareholder;
- On [date], the Group acquired [XX]% of [ABC 3] S.A. [S.à r.l.] [Include details on impact on consolidated annual accounts if material].

[If applicable, insert the criteria of the client to determine entities not significant on an individual and aggregated basis and therefore excluded from the scope of consolidation. Examples of weight criteria may be in terms of turnover, total assets, profit/loss for the financial year or total equity. The weight of unconsolidated entities may be provided for the attention of the reader. ]
None of the unconsolidated companies’ individual contributions to consolidated figures exceeds the followings:
- Turnover: CCY [XX] [please amend accordingly if not CCY]
- Total assets: CCY [XX] [please amend accordingly if not CCY] Their aggregated contribution does not exceed [x]% of the consolidated total assets.

2.4. Consolidation policies

2.4.1. General

The consolidated annual accounts include the balance sheet and profit and loss account of the Company and of its subsidiaries, as well as the present accompanying notes.

The accounts of the Group entities have been adjusted when necessary in order to comply with the Group’s accounting policies.

2.4.2. Consolidation method

[Add any relevant comment on a method of consolidation used which would not be directly related to the % of control (ex. entities fully consolidated despite % is below 50%)]

2.4.3. Conversion

The annual accounts of all group entities included in the consolidation scope are expressed in CCY [to complete] with the exception of [XX] [include the name of the subsidiaries], which annual accounts are expressed in [XX].

For the purpose of presenting consolidated annual accounts, the assets and liabilities of the Group’s foreign operations are expressed in CCY [to complete] using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and recognised in the Group’s foreign currency translation reserve.

2.4.5. Balances and transactions between consolidated companies

All intercompany-balances and intercompany transactions have been eliminated.

2.4.6. Minority interests

The share of the minority shareholders in the net equity and in the net profit for the period of the subsidiaries is shown separately in the consolidated balance sheet and consolidated profit and loss account, respectively.
[If applicable, specify the treatment of negative minority interests. Please amend the following propositions if necessary, to reflect the group treatment.

If losses applicable to the minority interest in a subsidiary exceed the minority interest in the equity capital of the subsidiary, such excess and any further losses applicable to the minority interest are charged against the majority interest. However, where future earnings do materialise, the majority interest is credited to the extent of such losses previously absorbed.

Or

Losses attributable to the parent and the non-controlling interest in a subsidiary may exceed their interests in the subsidiary’s equity. The excess, and any further losses attributable to the parent and the non-controlling interest, are attributed to those interests. That is, the non-controlling interest shall continue to be attributed to its share of losses even if that attribution results in a deficit non-controlling interest balance].

2.4.7. Profit and loss account

The figures in the profit and loss account for the acquired companies are reflected on a pro-rata basis in terms of their acquisition date in order to incorporate only the result since the acquisition date and until the date that control ceases.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

We refer to our comments related to the annual accounts. Only additional policies have been included in the below sections.

3 x Goodwill (residual goodwill acquired in the consolidation)

[Negative first consolidation differences].

The difference between the acquisition price of the shares in the group entities included in the consolidation and their respective adjusted net book value at the date of the acquisition or at the date the group entity is included in the consolidation for the first time, is recorded as goodwill in the absence of identifiable assets or liabilities where this difference could be allocated. This goodwill is amortised on a straight line basis over the time the group considers that it will benefit from it.

[Such goodwill is amortised over [XX] years, in line with the estimated useful economic life as determined by management].

Or

[In exceptional cases where the useful life cannot be reliably estimated, goodwill is amortised over a period which shall not exceed 10 years].

[An explanation of the period over which goodwill is written off shall be given].
3.13. Provision

Deferred tax provision

In addition to the disclosures at stand alone level, the following may be added, as relevant:

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures in relation to undistributed profits.

NOTE X- MINORITY INTEREST

In [CCY] 20XX

Balance as at 31 December 20XX-1 [XX]
Minority share of the net profit of the year [XX]
Variation of minority interests [XX]
At 31 December 20XX [XX]

The variation of the minority interest is related to [XX].

NOTE 30- TAX ON RESULTS

The tax charge for the year is made up as follows:

In [CCY] 20XX 20XX-1

Current income tax [XX] [XX]
Deferred tax income [expense] (note [XX]) [XX] [XX]
Total [XX] [XX]

ADDITIONAL POTENTIAL DISCLOSURES:

No specific disclosure is required to comment on the consolidated effective tax rate of the group, however we include below as format of “tax proof” disclosure which can be used as a reference for best practices.
The effective tax rate that emerges in the consolidated profit and loss accounts differs from the standard rate of tax applicable in Luxembourg. The analysis of the origins of this difference is presented below: please amend the break-down according to the result of your analysis:

[To be presented in currency or %]  

<table>
<thead>
<tr>
<th></th>
<th>20XX</th>
<th>20XX-1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting profit</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td>Standard rate of tax applicable in Luxembourg (*to be specified %)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>[Please amend accordingly when the rate changes]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of income that is exempt from taxation</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td>Effect of charges that are not deductible in determining taxable profit</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td>Effect of revaluations of assets for taxation purposes</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td>Effect of different tax rates of subsidiaries operating in other jurisdictions</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td>Effect on deferred tax balances due to the change in income tax rate from xx% to xx% (effective [insert date])</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td>Other</td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>[XX]</td>
<td>[XX]</td>
</tr>
</tbody>
</table>