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Similarities and Differences

A comparison of IFRS and Luxembourg GAAP

International Financial Reporting Standards

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Preface

International Financial Reporting Standards ("IFRS") has gained momentum in Europe. The globalisation of business and finance has inevitably led to calls for a common set of high quality, global accounting standards. IFRS has been successfully adopted in almost a hundred countries over the last couple of years. The International Accounting Standards ("IAS") Regulation issued by the European Union ("EU") in 2002 requires that listed companies in Europe prepare financial information using IFRS.

Luxembourg actively supports the development of these international accounting standards and, since 2010, the option to use IFRS as adopted by the European Union for the preparation of both statutory and consolidated financial statements of non-listed entities has been introduced into national law through the endorsement of the EU "modernisation" and "fair value" directives.

The law of 10 December 2010 modifying the Accounting Law of 19 December 2002 introduces the fair value option in the Luxembourg accounting framework in addition to IFRS.

These changes lead to the possibility of choosing between several accounting frameworks: Luxembourg Generally Accepted Accounting Principles ("LuxGAAP") under the historical cost convention, full IFRS framework as adopted by the European Union or a mixed accounting framework (historical cost with fair value option for some elements).

This publication allows a comparison of IFRS as adopted by the European Union and LuxGAAP as applicable today in entities subject to the above mentioned Accounting Law.

We hope you will find this guide of interest and stay at your disposal to provide support whatever your needs may be.

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How to use this publication

This PwC Luxembourg publication is designed for those who wish to gain a broad understanding of the key similarities and differences between IFRS as adopted by the European Union and the Luxembourg regulatory and accounting framework. The Luxembourg framework material of this brochure is based on the amended law of 19 December 2002 (the "Accounting Law") for the preparation of stand-alone accounts and on section XVI of the amended law of 10 August 1915 (the "Company Law") for the preparation of consolidated accounts.

Abbreviated references are provided to the articles of the Accounting Law as amended (e.g. Art. 1(2) indicates Article 1 alinea 2 of the Accounting Law).

Abbreviated references are also provided to the articles of the law of 10 August 1915 as amended and are indicated by "*" (e.g. Art. 76* indicates Article 76 of the Company Law).

No summary publication can encompass the many differences of detail that exist between IFRS and LuxGAAP. Even if the overall approach taken in the guidance is similar, there can be differences in the detailed application, which could have a material impact on the financial statements. This publication focuses on the similarities and differences most commonly found in practice. For further details on the preparation of annual accounts, we invite you to refer to our publication "Handbook for the preparation of annual accounts under Luxembourg accounting framework".

Where applicable, a summary of recent developments has been added at the end of some sections to anticipate future changes in standards and interpretations.

When applying the individual accounting frameworks, readers should consider all the relevant accounting standards and the applicable laws. Listed companies should also follow relevant securities regulations and relevant stock exchange listing rules.

This publication takes account of authoritative pronouncements and recent developments issued under IFRS and LuxGAAP up to 31 March 2013. It is based on the most recent version of those pronouncements. Should an earlier version of a pronouncement still be effective at the date of this publication, reference to this fact has been inserted.

This publication is exclusively designed only for the general information of readers and not for reliance purpose. The reader must be aware that the information to which he/she has access is provided "as is" without any express or implied guarantee by PwC Luxembourg. No reader should act on or refrain from acting on the basis of any matter contained in this publication without considering and, if necessary, taking appropriate advice in respect of his/her own particular circumstances.

The Luxembourg regulatory framework

The law of 10 December 2010 (amending the Accounting Law) introduced major changes in the Luxembourg accounting regulatory framework. It gives companies the possibility to prepare and file their stand-alone and consolidated accounts according one of the following regimes:

- LuxGAAP under historical cost convention;
- LuxGAAP with some fair value options;
- IFRS as adopted by the European Union.

Therefore, Luxembourg companies may now opt for IFRS on a voluntary basis.

However, companies whose securities are admitted to official trading on a regulated market of any Member State of the European Union must publish their consolidated accounts in accordance with IFRS as adopted by EU, pursuant to the EC regulation N°1606/2002.

"Companies" means all corporate entities including Luxembourg branches of foreign companies but excludes banking institutions, pension funds, insurance and reinsurance companies that have their specific accounting framework. SICAR ("Société d'investissement en capital à risque"/"investment company in risk capital"), SIF ("Specialised Investment Fund") and investment funds shall follow the Accounting Law in addition to the specific guidance available in their specific law.

The different accounting regimes applicable can be summarised as follow:

Accounting regimes		*LuxGAAP*		*IFRS*
		Historical cost convention	Fair value option	
Companies whose securities are admitted to official trading on a regulated market of any Member State of the European Union	Stand-alone accounts	Optional	Optional	Optional
	Consolidated accounts	Not applicable	Not applicable	Mandatory
Other companies	Stand-alone accounts	Optional	Optional	Optional
	Consolidated accounts	Optional	Optional	Optional

Companies preparing their annual accounts in accordance with IFRS remain subject to the following LuxGAAP requirements:

Articles 68 and 68bis: obligation to prepare a management report

The management of the company has to prepare a management report. Luxembourg branches of foreign companies and individual business owners are not obliged to prepare a management report as well as small-sized[1] companies provided that they include in their notes to the annual accounts the information concerning any acquisition of own shares. However, this exemption does not apply to companies whose transferable securities are quoted on a EU regulated market.

The management report must include at least a fair review of the development of the company's business, its results and position which provides clarification on the data shown in the annual accounts together with a description of the main risks and uncertainties the company is facing. This analysis should include key indicators of performance for both financial and non-financial aspects which impact the activity of the company and in particular information related to environmental and personal

1 A company is categorised as a small-sized entity when two of the three criteria set out below are not exceeded:
- total balance sheet: 4.4m euros;
- net turnover: 8.8m euros;
- average number of full-time staff employed during the financial year: 50.

Are not considered as small-sized entities undertakings whose securities are admitted to trading on a regulated market of any Member State of the European Union.

matters. Medium-sized companies[2] are exempt from providing non-financial information. However, this exemption does not apply to companies whose transferable securities are quoted on a EU regulated market.
The report shall give also an indication of:

- any important events that have occurred since the end of the financial year;
- the company's likely future development;
- in respect of the acquisitions of own shares:
  - the 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 case of acquisition or disposal for value, the consideration for the shares; and
  - 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;
- the existence of branches of the company; and
- with respect to the use of financial instruments by the undertaking and when this is relevant for the valuation of its assets, liabilities, financial situation and profit and loss:
  - the objectives and policies of the company in terms of financial risk management, including its policy concerning the hedging of each main category of transactions for which hedge accounting is used; and
  - the company's exposure to market, credit, liquidity and treasury risks.

Moreover, companies for which transferable securities are quoted on a EU regulated market shall include a corporate governance statement in the management report or issue it as a separate report.

Articles 69, 69bis, 69ter: audit requirements
Luxembourg companies, except small-sized companies, must have their annual accounts audited by an approved independent auditor ("Réviseur d'entreprises agréé").

Articles 70 and 71: parent companies and subsidiaries specific regime
Under certain conditions described in article 70 of the Accounting Law, subsidiaries included in the consolidated accounts drawn up by the parent undertaking are not obliged to apply the provisions of the Accounting Law regarding the content, the audit and the publication of annual accounts.

Under certain conditions described in article 71 of the Accounting Law, a parent company is not obliged to apply the provisions of the Accounting Law regarding the audit and publication of the profit and loss account.

Articles 65(1) 2°, 9°, 12°, 13°, 15° and 16°: content of the notes to the annual accounts
In addition to the IFRS disclosure requirements, the notes to the annual accounts must include:

- information regarding undertakings in which the company holds at least 20% of the capital (this disclosure is described in the section "Investment in subsidiaries, associates and jointly controlled entities in separate financial statements");
- the average number of staff employed during the period, broken down by categories;
- the amount of the emoluments granted during the period (this disclosure is described in the section "Employee benefits");
- the amount of advances and loans granted to the management and supervisory bodies;
- the name and registered office of the undertaking which draw up consolidated accounts; and
- separately the audit fees, the other assurance services, the fees related to tax advisory services and all other fees received by the statutory auditor or audit firm.

On 20 December 2011, the accounting draft bill n°6376 has been filed to the Parliament. This draft bill provides a number of changes to the Accounting Law and the Company Law, in detailing for example rules when applying the fair value option, making the substance over form principle optional or eliminating the possibility of adapting the structure and nomenclature of the balance sheet and profit and loss account according to the company's business. These changes have been mentioned in this brochure where relevant.

2 A company is categorised as a medium-sized entity when two of the three criteria set out below are not exceeded:
- total balance sheet: > 4.4m euros and ≤ 17.5m euros;
- net turnover: > 8.8m euros and ≤ 35m euros;
- average number of full-time staff employed during the financial year: > 50 and ≤ 250.

Accounting framework

Subject	*IFRS*	*LuxGAAP*
Conceptual Framework		
Qualitative characteristics of financial information	The principal qualitative characteristics that make the information provided in financial statements useful to users are understandability, relevance, materiality, reliability, substance over form, prudence, completeness, comparability, timeliness and achieving a balance between benefit and cost. Information is material if its omission or misstatement could influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size of the omission or misstatement assessed in the particular circumstances.	There is no definition of the qualitative characteristics of the annual accounts as such but the regulations state that the annual accounts shall be drawn up clearly, in accordance with the Accounting Law and give a true and fair view of the assets, liabilities, financial position and results of the company. The financial information must be comparable, presented consistently and based on the prudence principle. The Accounting Law also states that the presentation of amounts within items in the profit and loss account and balance sheet shall have regards to the substance of the reported transaction or arrangement. According to the draft bill n°6376, the substance over form principle should become optional. [Art. 26 (2) & (3); 29(6) and 51 (1) b) to f)]
Reporting elements	There are five reporting elements in the statement of financial position and the statement of comprehensive income: assets, liabilities, equity, income (including revenues and gains) and expenses (including losses). Assets are resources controlled by an entity as a result from a past event. Liabilities are present obligations arising from a past event. Assets and liabilities are recognised on the statement of financial position when it is probable that economic benefits will flow to or from the entity, and those benefits are reliably measurable. Equity is the residual interest in the assets after deducting the entity's liabilities. Income relates to increases in economic benefits that result in increases in equity other than those relating to contributions from equity participants. Expenses are decreases in economic benefits that result in decreases in equity other than those relating to distributions to equity participants.	LuxGAAP has the same five reporting elements in the balance sheet and in the profit and loss account as IFRS although each element is not defined as such in the Accounting Law. [Art. 26; 34 and 46]

Subject	*IFRS*	*LuxGAAP*
Conceptual Framework		
Historical cost	Historical cost is the main accounting convention. However, IFRS permits the revaluation of financial instruments, intangible assets, property, plant and equipment ("PPE") and investment property. IFRS also requires certain categories of financial instruments to be reported at fair value. Inventories shall be measured at the lower of cost and net realisable value.	Historical cost is also the main accounting convention. However, the Accounting Law permits the revaluation of certain financial instruments and other categories of assets. According to the draft bill n°6376, the other categories of assets will be restricted to the assets which are eligible to the fair value option in IFRS. Inventories shall be measured at lower of cost or market value. [Art. 52; 62; 64bis; 64ter and 64sexies]
First-time adoption of accounting framework	IFRS includes a specific standard on how a company should apply IFRS for the first time (IFRS 1 - First-time Adoption of International Financial Reporting Standards). It introduces certain reliefs and imposes certain requirements and disclosures. First-time adoption of IFRS as the primary accounting basis requires full retrospective application of IFRS effective at the reporting date for an entity's first IFRS financial statements, with optional exemptions primarily for PPE, business combinations, share-based payments and pension plan accounting and limited mandatory exceptions. Comparative information is prepared and presented on the basis of IFRS. Almost all adjustments arising from the first-time application of IFRS are adjusted against opening retained earnings of the first period presented on an IFRS basis. Some adjustments are made against goodwill or against other classes of equity. Further, in an entity's first IFRS financial statements, it must present reconciliations of profit or loss in respect of the last period reported under previous GAAP, of equity at the end of that period and of equity at the start of the earliest period presented in comparatives in those first IFRS financial statements. Finally, an entity's first IFRS financial statements shall include at least three statements of financial position (including the opening statement of financial position at IFRS transition date), two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes.	There is no specific guidance on first-time adoption of the Luxembourg accounting framework. Therefore, first-time adoption of LuxGAAP does not require the full retrospective application of LuxGAAP. The comparative figures have to be adjusted to ensure comparability of the previous year items. This must be disclosed in the notes to the annual accounts with relevant comments. [Art. 29 (4)]

Presentation of financial statements

Subject	*IFRS*	*LuxGAAP*
General requirements		
Scope and standard	The applicable standard is IAS 1 - Presentation of Financial Statements.	The presentation of annual accounts is covered by the following articles: 26 (1); 26 (2); 26 (5); 28; 29 (4); 33; 34; 35; 39 (1); 39 (2); 46; 47; 49; 51 (1) b); 51 (1) f); 51 (2); 65; 66; 320 (1)* and 337*.
Compliance	Entities should make an explicit and unreserved statement that financial statements comply with IFRS. Compliance cannot be claimed unless the financial statements comply with all the requirements of each applicable standard and each applicable interpretation.	The annual accounts shall be drawn up clearly and in accordance with the provision of the Chapter II of the Accounting Law “Annual accounts”. The consolidated annual accounts shall be prepared in accordance with the section XVI of the Company Law.
Components of financial statements	The financial statements are composed of: • statement of financial position; • statement of comprehensive income; • statement of changes in equity; • statement of cash flows; • accounting policies; and • notes to the financial statements.	The annual accounts are composed of: • balance sheet; • profit and loss account; • accounting policies; and • notes to the annual accounts. The statement of changes in equity and the statement of cash flows are not required by the Accounting Law.
Comparative data	One year of comparatives is required for all numerical information in the financial statements, with limited exceptions. Comparative information for qualitative disclosures is also required unless deemed not relevant in improving the quality of the financial statements. In limited note disclosures, more than one year of comparative information is required.	LuxGAAP requires one year of comparatives for every caption in the balance sheet and in the profit and loss account. Although not specifically indicated, all numerical information in the notes to the annual accounts generally include one year of comparatives. Where the figures from one year are not comparable to figures of the other year and where the figures of the preceding year have been adjusted, this must be disclosed in the notes to the annual accounts with relevant comments.

Subject	*IFRS*	*LuxGAAP*
Statement of financial position - balance sheet		
Format	The current/non-current distinction is required by IAS 1 - Presentation of Financial Statements for assets and liabilities, except when a liquidity presentation provides more relevant and reliable information. All assets and liabilities are presented broadly in order of liquidity in such cases. Otherwise, there is no prescribed statement of financial position format and management may use judgement regarding the form of presentation in many areas. However, IFRS requires presentation of minimum items on the face of the statement of financial position, including among others: • assets: property, plant and equipment, investment property, intangible assets, financial assets, investments accounted for using the equity method, biological assets, inventories, trade and other receivables, deferred tax assets, cash and cash equivalents, assets classified as held for sale and assets included in disposal groups classified as held for sale; • equity and liabilities: issued capital and serves attributable to owners of the parent, financial liabilities, provisions, current and deferred tax liabilities, trade and other payables, financial liabilities, liabilities included in disposal groups classified as held for sale and non-controlling interests (presented within equity).	The Accounting Law prescribes in article 34 a standard format for the presentation of the balance sheet. The format presents the total assets and total liabilities. Since the introduction of the electronic filing in 2012, this format can no longer be adapted to the specific business of the company. As allowed by article 35, small-sized companies (refer to size criteria mentioned in the section “The Luxembourg regulatory framework”) may draw up their balance sheet in the form of an abridged balance sheet. These derogations are not valid for the companies whose securities are admitted to official trading on a regulated market of any Member State of the European Union.
Current/non-current classification	Where the distinction is made, assets are classified as current assets if they are held for sale or consumed in the normal course of the entity’s operating cycle, or cash and cash equivalents. Both assets and liabilities are classified as current when they are held for trading or expected to be realised within 12 months of the statement of financial position date. Interest-bearing liabilities are classified as current when they are due to be settled within 12 months of the statement of the financial position date, even if the original term was for a period of more than 12 months. An agreement to refinance or reschedule payments on a long-term basis that is completed after the statement of the financial position date does not result in non-current classification of the financial liabilities even if executed before the financial statements are issued.	The Accounting Law requires to present assets in order of liquidity and liabilities in order of repayability, according to the prescribed format. In the format prescribed by the Accounting Law, there is a distinction between fixed and current assets. Whether assets are to be shown as fixed or current assets shall depend upon the purpose for which they are intended. Fixed assets are assets intended for use on a continuing basis for the purpose of the undertaking’s activity. Separate presentation of assets and liabilities into amounts due within one year or after one year is also required. Borrowings due after five years must be disclosed separately in the notes to the annual accounts.

Subject	*IFRS*	*LuxGAAP*
Statement of financial position - balance sheet		
Offsetting assets and liabilities	Assets and liabilities cannot be offset, except where specifically permitted by a standard. Financial assets and financial liabilities are offset when an entity has a legally enforceable right to offset the recognised amounts and intends to settle transactions on a net basis or to realise the asset and settle the liability simultaneously. A master netting agreement, in the absence of the intention to settle net or realise the asset and liability simultaneously, is not sufficient to permit net presentation of derivative financial instruments even if it creates a legally enforceable right of offset. Generally, an entity's right of offset under a master netting agreement is conditional and enforceable only on the occurrence of some future events and net presentation is not permitted.	Any offset between assets and liabilities items is prohibited.

Subject	*IFRS*	*LuxGAAP*
Statement of comprehensive income - profit or loss account		
Format	Entities should present all items of income and expenses recognised in a period: • in a single statement of comprehensive income; or • in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income. There is no prescribed format for the statement of comprehensive income in IAS 1 - Presentation of Financial Statements. The entity should select a method of presenting its expenses recognised in profit or loss either by function or by nature. This can either be, as it is encouraged, on the face of the statement of comprehensive income or in the separate income statement (if presented). Additional disclosure of expenses by nature is required if functional presentation is used. Entities should not mix functional and nature classifications of expenses by excluding certain expenses from the functional classifications to which they relate. The following minimum items have to be presented on the face of the statement of comprehensive income: • revenue; • finance costs; • share of post-tax results of associates and joint ventures accounted for using the equity method; • tax expense; • post-tax gain or loss attributable to the results and to remeasurement of discontinued operations; • profit or loss for the period; • each component of other comprehensive income classified by nature (net of tax or gross with net cumulative tax effect on all items of other comprehensive income); • share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and • total comprehensive income. The portion of profit or loss and total comprehensive income attributable to the non-controlling interests and to the owners of the parent are separately disclosed on the face of the statement of comprehensive income as	Under LuxGAAP, all items of income and expenses are presented in a single statement named profit and loss account. There is a prescribed format in article 46 for the profit and loss account. The undertakings referred to in article 47 (small-sized and medium-sized companies – refer to size criteria mentioned in the section "The Luxembourg regulatory framework") may draw up their profit and loss account in the form of an abridged profit and loss account. This exemption is, however, not permitted for companies whose securities are admitted to official trading on a regulated market of any Member State of the European Union. Undertakings have the ability to include in their annual accounts a statement of comprehensive income in addition to the profit and loss account.

Subject	*IFRS*	*LuxGAAP*
Statement of comprehensive income - profit or loss account		
	allocations of profit or loss and total comprehensive income for the period within that caption. An entity that discloses an operating result shall include all items of an operating nature, including those that occur irregularly or infrequently or are unusual in amount. The components of other comprehensive income shall include: • changes in revaluation surplus (on items of property, plant and equipment or intangibles); • remeasurement of defined benefit obligations on employee benefits; • gains and losses arising from translation of a foreign operation; • gains and losses on remeasuring available-for-sale financial assets; and • effective portion of gains and losses on hedging instruments in a cash flow hedge. Items that will not be recycled such as revaluation gains on property, plant and equipment are presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present other comprehensive income items before tax are required to show the amount of tax related to the two groups separately. From 2013, the title used by IAS 1 for the statement of comprehensive income has changed to “statement of profit or loss and other comprehensive income”. However IAS 1 still permits entities to use other titles.	
Significant items	A separate disclosure is required for items of income and expenses that are of such size, nature or incidence that separate disclosure is necessary to explain the performance of the entity for the period. Disclosure may be on the face of the income statement or in the notes. IFRS does not use or define the term significant items.	The Accounting Law does not define the term significant items.
Extraordinary items	The presentation of extraordinary items is prohibited.	Article 49 defines extraordinary items as income and charges that arise otherwise than in the course of ordinary activity. When material, extraordinary items shall be explained in the notes to the annual accounts. Small-sized companies (refer to size criteria mentioned in the section “The Luxembourg regulatory framework”) are exempted to disclose this information, unless they issue securities which are admitted to official trading on a regulated market of any Member State of the European Union.

Subject	*IFRS*	*LuxGAAP*
Statement of changes in equity		
Format	A statement of changes in equity is presented as a primary statement for all entities in accordance with IAS 1 - Presentation of Financial Statements. The following minimum items have to be presented: • total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests; • for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors; • the amounts of transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners; and • for each component of equity, a reconciliation between the carrying amount at the beginning and at the end of the period, separately disclosing each change.	A statement of changes in equity is not required but may be included on a voluntary basis in the annual accounts. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Statement of cash flows		
Format	A statement of cash flows is presented in accordance with IAS 7 - Statement of Cash Flows as a primary statement for all entities. Cash flows from operating, investing and financing activities are classified separately.	A statement of cash flows is not required but may be included on a voluntary basis in the annual accounts. IFRS can be used as a benchmark.
Direct/indirect method	Inflows and outflows of "cash and cash equivalents" are reported in the statement of cash flows. The statement of cash flows may be prepared using either the direct method (cash flows derived from aggregating cash receipts and payments associated with operating activities) or the indirect method (cash flows derived from adjusting net income for transactions of a non cash nature such as depreciation). The indirect method is more common in practice. Non-cash investing and financing transactions are to be disclosed.	IFRS can be used as a benchmark.
Definitions of cash and cash equivalents	Cash is cash on hand, and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from its acquisition date. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents in the statement of cash flows.	Cash is not defined in the Accounting Law. The cash caption does not include "cash equivalent" which is classified within the transferable securities. Bank overdrafts are normally considered to be liabilities and accounted for in the caption amounts owed to credit institutions. However, if the company has a net positive balance with the same bank, the bank overdraft can be deducted from the cash if there is a possible legal compensation.

Subject	*IFRS*	*LuxGAAP*
Changes in accounting policy and other accounting changes		
Changes in accounting policy	Changes in accounting policy are accounted for retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Comparative information is restated and the amount of the adjustment relating to prior periods is adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information. Entities are required to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period when they apply an accounting policy retrospectively or when they reclassify items in their financial statements. Policy changes made upon adoption of a new standard must be accounted for in accordance with that standard's transition provisions. The method described above is used if transition provisions are not specified.	Accounting policies must be applied consistently and shall not be modified from one year to another. Any exceptional departure requires an explanatory note detailing the reason for such changes and shall detail the impact on the assets and liabilities, the financial situation and the results of the undertaking. The changes in accounting policies are accounted in the profit and loss account in the year they occur. Alternatively, the management may decide to account for the changes in accounting policies in the retained earnings at the opening of the financial year. Comparative figures cannot be restated but management may opt to insert in the annual accounts next to the comparative figures a column with "pro-forma" figures where previous year's data have been restated using the new accounting rules of the company.
Correction of errors	The same method as for changes in accounting policy applies.	By virtue of the principle of intangibility of the opening balance, corrections of errors are recorded in the profit and loss account in the year when discovered. Alternatively, the management may decide to account the correction of errors in the retained earnings at the opening of the financial year. Where the figures from one year are not comparable to figures of the next year and where the figures of the preceding year have been adjusted, this must be disclosed in the notes to the annual accounts, with relevant comments.
Changes in accounting estimates	Changes in accounting estimates are recognised prospectively by including the effects in profit or loss in the period that is affected (that is, the period of change and future periods) except if the change in estimates gives rise to changes in assets, liabilities or equity. In this case, it is recognised by adjusting the carrying amount of the related asset, liability or equity in the period of change.	Not specified in the Accounting Law. IFRS can be used as a benchmark.

Future developments

Guidance on management commentary
International Accounting Standard Board ("IASB") has issued a non-mandatory practice statement to help entities present a narrative report, often referred to as management commentary. The practice statement is not an IFRS.

The practice statement lists the information that management might choose to provide to users of the financial statements with an explanation of the entity's financial position, financial performance and cash flows. It explains management's objectives and its strategies for achieving those objectives.

The focus of management commentary will be specific to each entity. The IASB's practice statement provides a broad framework of principles, qualitative characteristics and elements that might be used to provide users of the financial report with decision-useful information. Management commentary might include a description of the nature of the business, management's objectives and strategies to meet those objectives, critical financial and non-financial resources, principal risks, performance and development of the entity and performance measures.

Entities that are not currently required to provide management commentary and now elect to do so will be able to apply the new practice statement. Entities that currently provide management commentary in accordance with local legislation or listing requirements are unlikely to be affected. Entities that elect to apply the non-mandatory practice statement should review any existing management commentary to identify and include some or all of the features required by the practice statement.

If a Luxembourgish entity prepares statutory IFRS financial statements, requirements regarding management report shall comply with Luxembourg regulation (refer to section "The Luxembourg regulatory framework").

Conceptual Framework
The IASB is currently reviewing its Framework and seeks to converge it with the conceptual framework of the US standards setter (the Financial Accounting Standards Board– "FASB"). The Conceptual Framework project will focus on the following: reporting entity, elements of financial statements (including recognition and derecognition), measurement, presentation and disclosure. Before being paused in 2010, the IASB completed chapters on the objective of financial reporting and qualitative characteristics of useful information.

The IASB agreed to restart this project in September 2012.

A discussion paper is targeted to be released during the second quarter of 2013.

Assets, liabilities and equity

Subject	*IFRS*	*LuxGAAP*
Intangible assets other than goodwill, formation expenses		
Scope and standard	The applicable standard is IAS 38 - Intangible Assets.	Intangible fixed assets and formation expenses are covered by the following articles: 34; 39; 53; 55; 59 (1); 64 sexies; 64 septies and 65.
Definitions	An intangible asset is an identifiable non-monetary asset without physical substance. Formation expenses do not qualify as assets under IFRS and shall be expensed immediately.	Intangible fixed assets are items without physical substance which are intended for use on a continuing basis for the purpose of the undertaking's activity. Intangible items are composed of: • research and development costs; • concessions, patents, licenses, trademarks and similar rights and assets; and • payments on account and intangible assets under development. Formation expenses are expenses relating to the creation or extension of an undertaking or of a line of business (for example set-up costs).
Recognition – *General rules*	The recognition criteria require that it is probable that future economic benefits attributable to the asset will flow to the entity (probability criterion), the asset's cost can be reliably measured (reliability criterion) and the asset is identifiable (identifiable criterion). The identifiable criterion is met when intangible asset is separable (that is, it can be sold, transferred, licensed, rented or exchanged), or where it arises from contractual or legal rights. The overriding recognition criteria apply to both initial costs and subsequent expenditure incurred in acquiring or internally generating an intangible asset. If the recognition criteria are not met, costs must be expensed. It is important to distinguish between the different ways of acquiring an intangible asset as it will affect the assumptions made in applying the three recognition criteria and the initial measurement of the assets. The three major categories of intangible assets include internally generated intangible assets, separately acquired intangible assets or intangible assets acquired in a business combination.	Intangible fixed assets are recognised when the control (generally the property rights) is transferred. The recognition of intangible fixed assets shall also be based on the substance over form principle. This principle should become optional with the adoption of the draft bill n°6376. Formation expenses may be either capitalised or directly expensed. The same principle applies to research and development costs.
Recognition – *Additional criteria for internally generated intangibles*	The costs associated with the creation of intangible assets are classified between the research phase and development phase. Costs in the research phase are always expensed. Costs in the development phase are expensed unless the entity can demonstrate all of the following: • the technical feasibility of completing the intangible asset;	No specific guidance in the Accounting Law. In practice, internally generated fixed assets can be capitalised under the three following criteria: • the expenses must be incurred by the company for its own account; • the expenses must offer a reasonable chance of technical success and profitability; and • the company must be able to demonstrate an exclusive property right.

Subject	*IFRS*	*LuxGAAP*
Intangible assets other than goodwill, formation expenses		
	• the intention to complete the intangible asset; • the ability to use or sell it; • how the intangible asset will generate future economic benefits (the entity shall demonstrate the existence of a market or, if for internal use, the usefulness of the intangible asset); • the availability of adequate resources to complete the development; and • the ability to measure reliably the expenditure attributable to the intangible asset during its development. Development costs initially recognised as an expense cannot be capitalised in a subsequent period.	
Recognition – *Website development costs*	Costs incurred during the planning stage are expensed. Costs incurred for activities during the website's application and infrastructure development stages are capitalised, and costs incurred during the operational stage are expensed as incurred.	General rules for internally generated intangible fixed assets apply.
Recognition – *Intangible assets acquired in a business combination*	IFRS 3 - Business Combinations requires that, in a business combination, the acquirer recognises an identifiable intangible asset if its fair value can be reliably measured. This is the only criterion that has to be satisfied as it is presumed that the probability criterion is satisfied. The condition is deemed to be satisfied, because the probability factor is reflected in the fair value attributed to the intangible asset. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date. The acquirer's intentions or specific circumstances are not relevant to the measurement of fair value as fair value is not entity-specific. But the reliable measurement criterion will always be met for intangible assets acquired in a business combination under IFRS 3. The effects of uncertainty are reflected in measuring the asset's fair value. Here are types and examples of identifiable intangible assets acquired in a business combination: • marketing-related assets: trademarks, newspaper mastheads, internet domain names, non-competitive agreements, etc.; • customer-related assets: customers lists, order or production backlogs, customer contracts and related customer relationships, non-contractual customer relationships, etc.;	No specific guidance in the Accounting Law. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Intangible assets other than goodwill, formation expenses		
	• contract-based assets: licensings, royalties, advertisings, constructions, management, service or supply contracts, operating and broadcast rights, franchise agreements, etc.; and • technology-based assets: patented technologies, research and development works, computer softwares, unpatented technology, databases, etc.	
Initial measurement	Internally generated and separately acquired intangible assets are initially measured at cost while intangible assets acquired in a business combination are initially measured at fair value.	Intangible fixed assets must be initially measured at purchase price or production cost. **Purchase price** The purchase price shall be calculated by adding to the price paid the expenses incidental thereto. Ancillary costs include all direct costs with the exception of distribution costs, overhead and financing costs. **Production cost** The production cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the intangible fixed assets 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 intangible fixed assets may be included in the production cost to the extent it relates to the period of production. The recognition of intangible fixed assets acquired in a business combination can be made at book value or market value depending on the purchase price allocation documentation.

Subject	*IFRS*	*LuxGAAP*
Intangible assets other than goodwill, formation expenses		
Subsequent measurement	Intangible assets with a finite life are subject to amortisation and carried at historical cost less accumulated amortisation/impairment, or at fair value less subsequent amortisation/impairment. Subsequent revaluation of intangible assets to their fair value is based on prices observable on an active market. Revaluations are performed regularly and at the same time if an entity adopts this treatment. The revaluation model is very rare in practice. The residual value at the end of the useful life is presumed to be zero, unless there is either a commitment by a third party to purchase the asset and/or there is an active market for the asset. Intangible assets with indefinite useful lives are not subject to amortisation and are carried at historical cost unless impaired. Impairment reviews are required whenever changes in events or circumstances indicate that an intangible asset's carrying amount may not be recoverable. Annual impairment tests are required for intangible assets with indefinite useful lives and for assets not yet ready for use. Reversals of impairment losses are allowed under specific circumstances.	Intangible fixed assets are carried at historical cost less accumulated amortisation and value adjustment. Alternatively, intangible fixed assets can be fair valued using the market value or any value resulting from generally accepted valuation models and techniques. **Historical cost convention** Intangible fixed assets with indefinite life are not amortised, but should be tested annually for value adjustments. Intangible fixed assets with definite life are amortised over their economic useful life. Formation expenses and research and development costs, if capitalised, shall be written off on a straight-line basis over a period of five years maximum. The period of amortisation of research and development can be extended where it is expected that the benefits will exceed five years. No dividend can be distributed insofar they have not been completely written off unless there are available reserves equal to the expenses not written off. Value adjustments must be made so that intangible fixed assets are valued at the lower figure to be attributed to them at the balance sheet date if it is expected that the reduction in value will be permanent. Value adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply. **Fair value option** Under the existing Accounting Law, intangible fixed assets can be fair valued (possible modification contemplated by draft bill n°6376, fair value option available if fair value permitted under IFRS).

Subject	*IFRS*	*LuxGAAP*
Intangible assets other than goodwill, formation expenses		
Disclosure	The disclosures required are comprehensive and include the method chosen for subsequent measurement, the estimated useful life, amortisation rates as well as the movement in gross carrying amount, in accumulated depreciation and in impairment which shall reconcile with the net carrying amount and depreciation charge of the year. This information must be given by classes. The reason supporting the assessment of indefinite life when company holds such assets shall be disclosed. For assets on which the revaluation model is applied, the movement in revaluation surplus and the restriction on its distribution to shareholders as well as what would have been the carrying amount had the company chosen the cost model shall be disclosed.	The notes to the annual accounts must include the valuation methods applied to the various items and the methods employed in calculating the amortisation. In addition, if intangible fixed assets are subject to exceptional amortisation, the amount of the adjustments and the reasons for making them must be disclosed in the notes to the annual accounts. In the event that borrowing interest is included in the production cost, the inclusion of such interest must be disclosed. Movements of the categories of intangible fixed assets during the year must be disclosed in the notes to the annual accounts. The formation expenses must be detailed in the notes to the annual accounts. Movements in formation expenses shall be detailed in the notes to the annual accounts. Where valuation at fair value has been applied, annual accounts must disclose the following: • the main assumptions in relation to the models and valuation techniques used; • the movements of fair value booked directly in the profit and loss account and in the fair value reserve; • the movements of the fair value reserve. Small-sized companies (refer to size criteria mentioned in the section “The Luxembourg regulatory framework”), are exempted from the obligation to disclose movements of the categories of intangible fixed assets and formation expenses.

Subject	*IFRS*	*LuxGAAP*
Property, plant and equipment		
Scope and standard	The applicable standard is IAS 16 - Property, Plant and Equipment. The standard does not apply to: • investment property; • biological assets related to agricultural activity; • recognising and measuring exploration and evaluation assets; • mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources; and • plant and equipment classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.	Tangible fixed assets are covered by the following articles: 34; 39; 40; 55; 64sexies; 64septies and 65.
Definitions	Property, plant and equipment (“PPE”) are tangible assets that are: • held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and • expected to be used during more than one period.	Property, plant and equipment are not defined as such in the Accounting Law but listed in the prescribed format of the balance sheet. They are classified as fixed assets if they are intended for use on a continuing basis for the purpose of the undertaking’s activity. In practice, they are disclosed as tangible fixed assets in the balance sheet. Tangible fixed assets are composed of: • land and buildings; • plant and machinery; • other fixtures and fittings, tools and equipment; and • payments on account and tangible assets in course of construction.
Recognition	General IFRS asset recognition criteria apply. PPE is recognised if future economic benefits attributable to the asset are probable and the cost of the asset can be measured reliably. Sufficient certainty that future economic benefits will flow to the entity is normally achieved only when the risks and rewards of the asset have passed to the entity. Before this, the transaction can usually be cancelled without significant penalty and, therefore, the asset should not be recognised. Normally, the transfer of risks and rewards is assumed to occur when an unconditional and irrevocable contract is put in place. Where there is a contractual commitment for the acquisition of property, plant and equipment, such commitments are disclosed, but the asset is not recognised until the transfer of risks and rewards has occurred.	General LuxGAAP asset recognition criteria apply: tangible fixed assets should be initially recognised when the control (generally the property rights) over these items is transferred, i.e. the date when the significant risks and rewards incidental to the tangible fixed assets are transferred. The recognition of tangible fixed assets shall also be based on the substance over form principle. This principle should become optional with the adoption of the draft bill n°6376.

Subject	*IFRS*	*LuxGAAP*
Property, plant and equipment		
Initial measurement	PPE, at initial measurement, comprises the costs directly attributable to bringing the asset to the location and working condition necessary for it to be capable of operating in the way management intends, including costs of testing whether the asset is functioning in the way the management intends. Start-up and pre-production costs are not capitalised unless they are a necessary part of bringing the asset to its working condition. The following costs are also included in the initial measurement of the asset: • the costs of site preparation; • initial delivery and handling costs; • installation and assembly costs; • costs of employee benefits arising from construction or acquisition of the asset; • costs of testing whether the asset is functioning properly; • professional fees; • fair value gains/losses on qualifying cash flow hedges relating to the purchase of PPE in a foreign currency; and • the initial estimate of the costs of dismantling and removing the item and restoring the site on which the PPE is located.	Tangible fixed assets must be valued at purchase price or production cost. **Purchase price** The purchase price shall be calculated by adding to the price paid the expenses incidental thereto. Ancillary costs include all direct costs with the exception of distribution costs, overhead and financing costs. **Production cost** The production cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the tangible fixed assets 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.
	Government grants received in connection with the acquisition of a PPE may be set off against the costs.	Government grants received are either deducted from the book value of the tangible fixed asset concerned or recorded in the caption “Capital investment subsidies” in the liability.
	Spare parts and servicing equipment are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipment should be treated as property, plant and equipment when they are expected to be used during more than one period.	Spare parts are treated differently depending upon their nature and their use: • main spare parts are recorded as tangible fixed assets when they are expected to be used during more than 12 months and are amortised over the remaining life of the related asset; otherwise they are recorded as inventory; and • other spare parts and maintenance equipment are recorded as inventory.
Initial measurement – *Borrowing costs*	The entity shall include the borrowing costs incurred during the period of acquiring, constructing or producing the asset for use (refer to section “Capitalisation of borrowing costs”).	Interest on capital borrowed to finance the production of tangible fixed assets may be included in the production costs to the extent it relates to the period of production.

Subject	*IFRS*	*LuxGAAP*
Property, plant and equipment		
Subsequent measurement	PPE is accounted for either under the cost model or the revaluation model. Under the cost model, PPE is carried at cost less accumulated depreciation and impairment.	Tangible fixed assets are carried at historical cost less accumulated depreciations and value adjustments.
	Under the revaluation model, PPE is carried at fair value at the date of revaluation less depreciation and impairment. The revaluation model should be applied to an entire class of assets. Revaluations have to be kept sufficiently up-to-date to ensure that the carrying amount does not differ materially from fair value. The increase of an asset's carrying amount as a result of a revaluation is credited as other comprehensive income, unless it reverses a revaluation decrease for the same asset previously recognised as an expense. In this case it is recognised in the income statement. A revaluation decrease is recognised as other comprehensive expense against any related revaluation surplus for the same asset; any excess is recognised as an expense in the income statement.	Alternatively, tangible fixed assets can be fair valued using the market value or any value resulting from generally accepted valuation models and techniques (possible modification contemplated by draft bill n°6376, fair value option available if fair value permitted under IFRS). The unrealised gains or losses for the period are recorded in the profit and loss account or in a revaluation reserve.
	The cost of the asset, or other amount substituted for cost, less its residual value shall be depreciated on a systematic basis over the economic useful life of the asset. Depreciation charged in a period is generally recognised in the income statement (more exactly as part of operating profit).	Tangible fixed assets are depreciated over their useful economic life. The amount to depreciate must, where appropriate, reflect the purchase price less the residual value. Depreciation of lands is prohibited, except for quarries and landfill sites.
	Impairment To determine whether an item of property, plant and equipment is impaired, an entity applies IAS 36 - Impairment of Assets. That standard explains how an entity reviews the carrying amount of its assets, how it determines the recoverable amount of an asset, and when it recognises or reverses the recognition of an impairment loss. Refer to section "Impairment of non-financial assets".	**Value adjustments** Value adjustments must be made so that they are valued at the lower figure to be attributed to them at the balance sheet date if it is expected that the reduction in value will be permanent. Value adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply.

Subject	*IFRS*	*LuxGAAP*
Property, plant and equipment		
Subsequent measurement – *Subsequent costs*	Once an item of property, plant and equipment has been capitalised, an entity may incur further costs on that asset at a later date. The decision to capitalise or expense involves consideration of the future economic benefits originally expected from the asset. Subsequent costs that merely maintain the economic benefits originally expected are considered repairs and maintenance and are recognised as an expense in the income statement when incurred. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, 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. Additional future economic benefits would normally arise in situations where the subsequent costs result in either an increase in productive capacity, an additional ability to generate future economic benefits or an extension in the expected useful life. The costs of the day-to-day servicing of an item of property, plant and equipment are not recognised as an asset because they do not add to the future economic benefits of the item. These costs maintain the asset's potential to deliver the future economic benefits that were expected when the asset was originally acquired. These subsequent repair and maintenance costs do not, therefore, qualify for recognition as an asset and are recognised in profit or loss as incurred. Day-to-day servicing costs would include costs of labour and consumables and may include the cost of small replacement parts. The purpose of this type of expenditure is often known as "repairs and maintenance". The cost of a major inspection or overhaul occurring at regular intervals is capitalised where the recognition criteria are satisfied. Any remaining carrying amount relating to the previous inspection is derecognised. This treatment is regardless of whether or not the cost of the previous inspection was separately identified and depreciated when the item was acquired or constructed. The estimated cost of a future similar inspection may be used as a proxy for the carrying value that needs to be derecognised if this was not separately identified previously.	The subsequent expenses which enhance or increase the economic life of the tangible fixed asset shall be capitalised. Subsequent expenditures which only allow keeping the performance of the tangible fixed asset shall not be capitalised.

Subject	*IFRS*	*LuxGAAP*
Property, plant and equipment		
Disclosure	The disclosures required are comprehensive and include the method chosen for subsequent measurement, the useful life, the amortisation rates, the residual value as well as the movement in gross carrying amount, in accumulated depreciation and impairment which shall reconcile with the net carrying amount and depreciation charge of the period. This information must be given by classes. The amount of PPE pledged shall also be disclosed as well as the restrictions on title and commitments to acquire PPE. For assets measured under the revaluation model, it shall be disclosed, if the work of an independent valuer was used, the fair value level (degree of observable inputs used in fair value determination), the movement in revaluation surplus and the restriction on its distribution to shareholders as well as what would have been the carrying amount had the company chosen the cost model. For further disclosures on fair valuation, refer to section "Fair value".	The disclosures required include the valuation method, the useful life, the amortisation method and the amortisation rate. In addition, if tangible fixed assets are subject to exceptional value adjustments, the amount of the adjustments and the reasons for making them must be disclosed in the notes to the annual accounts. Moreover, in the event that borrowing costs are included in the production, the inclusion of such costs must be disclosed. Movements in tangible fixed assets during the year have also to be disclosed by category. Where valuation at fair value has been applied, annual accounts must disclose the following: • the main assumptions in relation to the models and valuation techniques used; • the movements of fair value booked directly in the profit and loss account and in the fair value reserve; • the movements of the fair value reserve. Small-sized companies (refer to size criteria mentioned in the section "The Luxembourg regulatory framework") are exempted from the obligation to disclose movements of the categories of tangible fixed assets.

Subject	*IFRS*	*LuxGAAP*
Investment property		
Scope and standard	The applicable standard is IAS 40 - Investment Property.	Investment property is covered by the following articles: 34; 39; 40; 55; 64sexies; 64septies and 65.
Definitions	Investment properties include lands and buildings held in order to earn rentals and/or for capital appreciation. The definition does not include owner-occupied property or property held for sale in the ordinary course of business. However, they include investment properties being constructed or developed.	There are no specific rules and definition for investment properties under the Accounting Law. Investment properties are part of the tangible fixed assets as long as they are intended for use on a continuing basis for the purpose of the undertaking's activity. Rights to immovable and other similar rights must be shown under land and buildings.
Recognition	Investment property shall be recognised as an asset when, and only when: • it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and • the cost of the investment property can be measured reliably. An entity evaluates under this recognition principle all its investment property costs at the time they are incurred. These costs include costs incurred initially to acquire an investment property and costs incurred subsequently to add to, replace part of, or service a property. Under the recognition principle mentioned above, an entity does not recognise in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the cost of labour and consumables, and may include the cost of minor parts. The purpose of these expenditures is often described as for the "repairs and maintenance" of the property. Parts of investment properties may have been acquired through replacement. For example, the interior walls may be replacements of original walls. Under the recognition principle, an entity recognises in the carrying amount of an investment property the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition provisions of IAS 40.	Investment properties shall be initially recognised when the control (generally the property rights) over these items is transferred, i.e. the date when the significant risks and rewards incidental to the items are transferred. The recognition of investment properties shall also be based on the substance over form principle. This principle should become optional with the adoption of the draft bill n°6376. The subsequent expenses which enhance or increase the economic life will be capitalised. Subsequent expenditures which only allow keeping the performance of an asset should not be capitalised.

Subject	*IFRS*	*LuxGAAP*
Investment property		
Initial measurement	The same cost-based measurement is used for acquired and self-constructed investment property. The cost of a purchased investment property includes its purchase price and any directly attributable costs such as professional fees for legal services, property transfer taxes and other transaction costs. Self-constructed property is directly accounted for as an investment property during the construction phase. Property under finance or operating lease can also be classified as investment property. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset. General borrowing costs are required to be capitalised based on an allocation key defined in IAS 23 - Borrowing Costs if used in relation with the asset. Refer to section "Capitalisation of borrowing costs".	Investment properties are initially recorded at purchase price or at construction cost. **Purchase price** The purchase price shall be calculated by adding to the price paid the expenses incidental thereto. Ancillary costs include all direct costs with the exception of distribution costs, overhead and financing costs. **Construction cost** The construction cost shall be calculated by adding to the purchase price of the raw materials and consumables the costs directly attributable to the construction of the investment property. A reasonable proportion of the costs which are only indirectly attributable to the investment property may be added into the construction costs to the extent they relate to the period of construction. Interest on capital borrowed to finance the construction of the investment property may be included in the construction cost to the extent it relates to the period of construction. The costs related to the self-constructed investment property are recorded as expenses during the year and are recognised as a fixed tangible asset under development at the end of the financial year. The fixed tangible asset under development is transferred to the appropriate balance sheet caption when the investment is ready for use.
Subsequent measurement	The entity can choose between the fair value model and the cost model for all investment property.	The company can choose between the historical cost model and the fair value model.
Subsequent measurement – *Historical cost model*	The cost model is similar to the one described in the section "Property, plant and equipment".	Investment properties are carried at historical cost less accumulated depreciation and value adjustments. They must be valued separately. Investment properties are depreciated over their estimated useful economic life. The amount to depreciate must, where appropriate, reflect the purchase price less the residual value. Depreciation of lands is prohibited, except for quarries and landfill sites.
	For the investment properties measured under historical cost model, the impairment requirements follow the rules described in the section "Impairment of non-financial assets".	Value adjustments must be made so that investment properties are valued at the lower figure to be attributed to them at the balance sheet date if it is expected that the reduction in value will be permanent. Value adjustments may not be continued if the reasons for which the value adjustments were made have ceased to apply.

Subject	*IFRS*	*LuxGAAP*
Investment property		
Subsequent measurement – ***Fair value model – Frequency and basis of revaluations***	The fair value of investment property reflects the market conditions and circumstances as of the statement of financial position date. The standard does not require the use of an independent and qualified appraiser, but the use is encouraged. Revaluations should be made with sufficient regularity that the carrying amount does not differ materially from fair value.	Investment properties can be fair valued using the market value or any value resulting from generally accepted valuation models and techniques. The unrealised gains or losses for the year are recorded in the profit and loss account or in a revaluation reserve upon management decision. A revaluation shall be made at least each year at closing date.
Subsequent measurement – ***Fair value model – Investment property under construction***	The following factors should be taken into account in assessing how to determine a reliable fair value: • the provisions of the construction contract; • the stage of completion; • whether the project/property is standard (typical for the market) or non-standard; • the level of reliable cash inflows after completion; • the development risk specific to the property and who has the responsibility; • past experience with similar constructions; and • status of construction permits. There are 2 models used: • discounted future cash flows (i.e. pre-letting); and • residual value: fair value at completion minus costs to complete.	No specific guidance in the Accounting Law. IFRS can be used as a benchmark.
Subsequent measurement – ***Transfers to/from investment property***	When there is a change in use of the investment property, there is detailed guidance for subsequent classification. Investment property to be sold is reclassified as inventories if there is a development with a view to sale, and investment property to be owner-occupied is reclassified as property, plant and equipment.	There is no specific guidance in the Accounting Law regarding the subsequent transfer to/from investment property. Investment properties and property plant and equipment are part of the tangible fixed assets. When these investments are no longer intended for use on a continuing basis for the purpose of the undertaking's activity, they shall be reclassified as current asset under the caption "Inventories" if they become part of the operating cycle. The transfer to inventories is not necessary when the asset is intended to be sold.

Subject	*IFRS*	*LuxGAAP*
Investment property		
Disclosure	Disclosures described in the section “Property, plant and equipment” are applicable also for investment property. In addition, all the disclosures mentioned in the section “Fair value” are applicable for the investment property under the fair value model. Other disclosures include also the amounts recognised in profit or loss for: • rental income from investment property; • direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; • direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period. When an asset is transferred from a pool of assets where cost model is used into a pool of assets where fair value model is used, it is likely that an impact on profit or loss will occur. This shall be disclosed in the notes. If the company chooses fair value model, in the exceptional cases when an entity cannot determine reliably the fair value of some of the investment property, it shall disclose: • a description of the investment property; • an explanation of why fair value cannot be determined reliably; and • if possible, the range of estimates within which fair value is highly likely to be.	The notes to the annual accounts shall include the valuation method, the useful life, the amortisation method and the amortisation rate. In addition, if investment properties are subject to exceptional value adjustments, the amount of the adjustments and the reasons for making them must be disclosed in the notes to the annual accounts. Moreover, in that event that borrowing costs are included in the construction cost, the inclusion of such costs must be disclosed. Movements in investment properties during the period have also to be disclosed. Where valuation at fair value has been applied, annual accounts must disclose the following: • the main assumptions in relation to the models and valuation techniques used; • the movements of fair value booked directly in the profit and loss account and in the fair value reserve; • the movements of the fair value reserve. Small-sized companies (refer to size criteria mentioned in the section “The Luxembourg regulatory framework”) are exempted from the obligation to disclose movements of investment property.

Subject	*IFRS*	*LuxGAAP*
Capitalisation of borrowing costs		
Scope and standard	The applicable standard is IAS 23 - Borrowing Costs.	Capitalisation of borrowing costs is covered by the articles 55 and 61 (2).
Definitions	Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The commencement date for capitalisation is the date 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.	No definition in the Accounting Law of borrowing costs, however borrowing costs include interest expenses on capital borrowed.
Recognition	Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset. Any income derived from temporary investment of these borrowings shall be deducted from the amount capitalised. Borrowing costs may include: • interest expense calculated using the effective interest method as described in IAS 39 -Financial Instruments: Recognition and Measurement; • finance charges in respect of finance leases recognised in accordance with IAS 17 - Leases; and • exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made are eligible for capitalisation. It may be difficult to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided, therefore the exercise of judgment is required. Such a difficulty occurs, for example, when the financing activity of an entity is coordinated centrally.	Interest expenses on capital borrowed to finance the production of fixed or current assets may be included in the production cost as far as they relate to the period of production.

Subject	*IFRS*	*LuxGAAP*
Capitalisation of borrowing costs		
	To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.	
Recognition – *Commencement of capitalisation*	An entity shall begin capitalising borrowing costs as part of the cost of a qualifying asset on the commencement date.	The capitalisation of borrowing costs starts at the beginning of the production period.
Recognition – *Suspension of capitalisation*	An entity may incur borrowing costs during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and 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.	Suspension of the capitalisation is not defined in the Accounting Law.
Recognition – *Cessation of capitalisation*	An entity shall cease capitalising borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.	Cessation of the capitalisation occurs when the production of the asset is completed.
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 costs must be disclosed in the notes to the annual accounts.

Subject	*IFRS*	*LuxGAAP*
Leases		
Scope and standard	IAS 17 - Leases shall be applied in accounting for all leases other than: • leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources; and • licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights. However, the standard shall not be applied as the basis of measurement for: • property held by lessees that is accounted for as investment property; • investment property provided by lessors under operating leases; • biological assets held by lessees under finance leases; or • biological assets provided by lessors under operating leases. SIC 15 - Operating Leases – Incentives sets out the required accounting for operating lease incentives. IFRIC 4 - Determining whether an Arrangement contains a Lease discusses the analyses if a contract is a lease contract in substance.	No specific article in the Accounting Law covers the leasing. However, the article 65 (1) 7° on disclosure of commitments in the notes to the annual accounts applies to leasing. Art. 29 (6) is also applicable to leasing (principle of substance over form).
Definitions	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of: • the minimum lease payments; and • the unguaranteed residual value to be equal to the sum of: - the fair value of the leased asset; and - any initial direct costs of the lessor. Gross investment in the lease is the aggregate of: • the minimum lease payments receivable by the lessor under a finance lease; and • any unguaranteed residual value accruing to the lessor. Net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease. A sale and leaseback transaction arises when a vendor sells an asset and immediately re-acquires the use of the asset by entering into a lease with the buyer.	Leasing is not defined by the Accounting Law.

Subject	*IFRS*	*LuxGAAP*
Leases		
	A non-cancellable lease is a lease that is cancellable only: • upon the occurrence of some remote contingency; • with the permission of the lessor; • if the lessee enters into a new lease for the same or an equivalent asset with the same lessor; or • upon payment by the lessee of such an additional amount that, at inception of the lease, continuation of the lease is reasonably certain.	
Recognition	A lease is classified at inception as a finance lease if it transfers to the lessee substantially the entire risks and rewards incidental to ownership. All other leases are treated as operating leases. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the legal form of the contract. Examples of situations that would normally lead to a lease being classified as a finance lease: • transfer of ownership of the asset takes place by the end of the lease term; • there is a bargain purchase option; • 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; • leased assets are of a specialised nature.	No specific guidance in the Accounting Law. IFRS can be used as a benchmark.
Recognition – *Sale and leaseback transactions*	Any gain realised by the seller-lessee on the transaction is deferred and amortised through the profit or loss over the lease term. Separate requirements apply where the transaction results in an operating lease.	No specific guidance in the Accounting Law. IFRS can be used as a benchmark.
Measurement – *Lease treatment in the financial statements of a lessor*	**Finance lease** The amount due from the lessee under a finance lease should be recognised in the lessor's balance sheet as a receivable at an amount equal to the lessor's net investment in the lease. Over the lease term, rentals are apportioned between a reduction in the net investment in the lease and finance income. IAS 39 - Financial Instruments: Recognition and Measurement does not apply to finance lease receivables, except as regards their derecognition and impairment. Refer to section "Financial assets". **Operating lease** These assets are recorded according to the nature of the assets and depreciated on a basis consistent with the normal depreciation policy for similar assets. Lease income (excluding receipts for services provided such as insurance and maintenance) should be recognised in the statement of comprehensive income on a straight line basis, irrespective of when the payment is due, except if another systematic basis is more representative.	LuxGAAP does not make a distinction between finance and operating lease and generally follows the legal approach. Assets are recognised in the balance sheet of the lessor and are depreciated over their economic life. Revenues are recognised in the profit and loss account on an accrual basis. When the principle of substance over form is followed, IFRS can be used as a benchmark for the accounting of finance lease. As this principle should become optional with the adoption of the draft bill n°6376, the accounting treatment of finance lease may follow the legal approach rather than the economical approach.

Subject	*IFRS*	*LuxGAAP*
Leases		
Measurement – *Operating lease incentives in the financial statements of a lessor*	Prospective lessees are sometimes given incentives to sign operating leases for office or retail property. The treatment of operating lease incentives by lessors in SIC 15 mirrors the accounting treatment by lessees. All incentives, regardless of their nature, form or timing, be it a payment, assumption of liabilities or a rent-free or reduced rent period, given by lessors for the benefit of lessees to sign a new or renewed operating lease, should be recognised as an integral part of the net consideration agreed for the use of the leased asset. Therefore, the aggregate cost of incentives should be treated as a reduction of rental income over the lease term. The cost should be recognised on a straight-line basis, unless another systematic basis is more representative of the time pattern over which the benefit from the leased asset is diminished. In practice, the use of an allocation basis other than straight-line should be rare. Costs incurred by the lessor as incentives for the agreement of new or renewed operating leases are not considered to be part of the initial costs that are added to the carrying amount of a leased asset.	No specific guidance in the Accounting Law. IFRS can be used as a benchmark. Incentives are either recognised in the profit and loss account of the lessor at the beginning of the lease or amortised over the lease term.
Measurement – *Lease treatment in the financial statements of a lessee*	**Finance lease** IAS 17 requires that a finance lease should be recorded in a lessee's balance sheet both as an asset and as an obligation to pay future rentals. At the commencement of the lease term, the sum to be recognised both as an asset and as a liability should be 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. In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease. Any initial direct costs of the lessee are added to the amount recognised as an asset. It is not appropriate for the liabilities in respect of leased assets to be presented as a deduction from the leased assets as they represent separate assets and liabilities. The interest rate implicit in the lease is the lessor's internal rate of return from the lease taking into account the normal cash price of the leased asset, rentals and the amount the lessor expects to recover from the residual value. In practice, the interest rate implicit in the lease is unlikely to be stipulated in the agreement and, unless the lessor volunteers the information to the lessee, the lessee will need to derive an estimate of the rate from the information available.	LuxGAAP does not make a distinction between the finance lease and the operating lease and generally follows the legal approach. As assets are recognised in the balance sheet of the lessor, the lessee recognised only the lease payments in the profit and loss account. However, when the principle of substance over form is followed, IFRS can be used as a benchmark for the accounting of finance lease. As this principle should become optional with the adoption of the draft bill n°6376, the accounting treatment of finance lease may follow the legal approach rather than the economical approach.

Subject	*IFRS*	*LuxGAAP*
Leases		
	Operating lease Operating leases should not be capitalised. Lease payments made under operating leases should be recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit. The start of the lease term is the commencement of the lease, rather than the inception of the lease, that is, when the lessee is entitled to exercise its right to use the leased asset. Lease payments exclude costs for services such as insurance and maintenance.	The rental expense under an operating lease is recognised on a straight-line basis over the lease term.
Measurement – *Operating lease incentives in the lessee financial statements*	The aggregate benefit of incentives should be recognised by the lessee as a reduction of the rental expense over the lease term on a straight-line basis, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset. This requirement seeks to ensure that the profit or loss account reflects the true effective rental charge for the property irrespective of the particular cash flow arrangements agreed between the two parties.	Incentives can be amortised over the term of the lease or taken into account in a single instalment at the beginning of the lease.
Measurement – *Sale and leaseback transactions*	Where the seller enters into a finance leaseback, the transaction is essentially a financing operation. The seller/lessee never disposes of the risks and rewards of ownership of the asset and so it should not recognise a profit or loss on the sale. Any apparent profit (that is, the difference between the sale price and the previous carrying value) should be deferred and amortised over the lease term. This treatment will have the effect of adjusting the overall charge to the profit or loss account for the depreciation of the asset to an amount consistent with the asset's carrying value before the leaseback.	Sale and leaseback transactions are not covered specifically by LuxGAAP. In practice, the gain or loss on the sale is recognised in the profit and loss account at the date of the transaction.
	Where the seller enters into a sale and operating leaseback, he effectively disposes of substantially all the risks and rewards of owning the asset in the sale transaction, and may re-acquire some of the risks and rewards of ownership in the leaseback, but does not re-acquire substantially all of them. Accordingly, the transaction should be treated as a disposal and any profit or loss on the transaction should be recognised immediately in the income statement.	IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Leases		
Disclosure – *Financial statements of a lessor*	**Finance lease** The following information shall be disclosed: • a reconciliation between the gross investment in the lease and the present value of the minimum lease payments and, for each of them, the maturity by specified time buckets; • 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 in income in the period; and • a general description of the lessor's material leasing arrangements. **Operating lease** The following information shall be disclosed: • the total of future minimum lease payments under non-cancellable operating leases for specified periods; • the total contingent rents recognised in the income of the period; and • a general description of the lessor's leasing agreements.	The commitments from the lessee shall be disclosed in the notes to the annual accounts, with a separate disclosure for commitments from the affiliated undertakings.
Disclosure – *Financial statements of a lessee*	**Finance lease** The following information shall be disclosed: • for each class of asset, the net carrying amount at the balance sheet date; • a reconciliation between the total of future minimum lease payments and their present value and, for each of them, the maturity by specified time buckets; • the contingent rents recognised in income for the period; and • the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date. A general description of the lessee's material leasing arrangements including, but not limited to the followings, shall be disclosed: • the basis on which contingent rent payments are determined; • the existence and terms of renewal or purchase options and escalation clauses; and • the restrictions imposed by lease arrangements, such as those concerning dividends, additional debts and further leasing.	The commitments related to the lease shall be disclosed in the notes to the annual account. Any commitments given to an affiliated undertaking shall be disclosed separately.

Subject	*IFRS*	*LuxGAAP*
Leases		
	Operating lease IAS 17 requires the following information to be disclosed: • the total of future minimum lease payments under non-cancellable operating leases for specified periods; • the total of future minimum sublease payments expected to be received under non-cancellable subleases at the balance sheet date; and • the lease and sublease payments recognised as an expense for the period, with separate amounts for minimum lease payments, contingent rents and sublease payments. In addition, if the difference between the actual cash commitments disclosed and the income statement charge is significant because of the spreading of incentives or due to provisions made for onerous leases, the effect should be disclosed. Disclosure of the effect is not required by the standard but is considered to be best practice.	

Recent developments – Leasing

In an effort to ensure that investors and others have sufficient information about a company's leasing activities, the IASB is working on a project that would provide information about the amount of a lessee obligation to make lease payments and the assets that a lessee has control over.

In effect, the project would result in operating leases being reported on the balance sheet. The proposals would significantly change the accounting for operating leases of more than 12 months. For all practical purposes, the accounting for finance leases would remain unchanged. A lessee would recognise assets and liabilities for all leases (of more than 12 months) on a discounted basis.

The recognition and presentation of lease related expenses in the income statement and cash paid for leases in the cash flow statement would largely depend on the nature of the asset that is the subject of the lease.

The main effects are as follows:
- for the substantial majority of leases of equipment or vehicles, the balance sheet, income statement and cash flow statement would change; and
- for the substantial majority of leases of property (real estate), only the balance sheet would change.

Effect on the balance sheet
A lessee would report an asset (a right-of-use asset) and a lease liability for all leases of more than 12 months at the discounted amount of lease payments to be made during the lease term. The asset would be presented within property, plant and equipment, and the lease liability would be presented as a financial liability. A lessee would generally not include in the measurement of the assets and liabilities rentals that are contingent on future sales or usage and rentals payable in optional extension periods (similarly to finance lease accounting in existing accounting standards).

Effect on the income statement and cash flow statement
The presentation of lease related expenses in the income statement and cash paid for leases within the cash flow statement would depend on the nature of the asset being leased and the extent to which the lessee consumes (or uses up) that asset.

If the lessee is expected to consume more than an insignificant portion of the leased asset, the lessee would account for the lease similarly to a finance lease in existing accounting standards. This means that for the substantial majority of leases of equipment or vehicles (e.g. aircraft, ships, mining equipment, cars, trucks), a lessee:
- in the income statement, would report amortisation/depreciation of the asset separately from interest on the lease liability over the lease term; and
- in the cash flow statement, would separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within either operating or financing activities).

If the lessee is paying only for use of the leased asset (and is not expected to consume more than an insignificant portion of that asset), the lessee would account for the lease in the income statement and cash flow statement similarly to an operating lease in existing accounting standards. This means that for the substantial majority of leases of property (i.e. land and/or a building), although it would report assets and liabilities on a discounted basis on the balance sheet, a lessee:
- in the income statement, would report a lease expense on a straight-line basis over the lease term; and
- in the cash flow statement, would report the cash paid within operating activities.

Service contracts are outside the scope of the proposals.

Timetable
The IASB expects to publish a revised Leases Exposure Draft in the first semester of 2013, with a 120-day comment period. In addition to the changes to lessee accounting presented above, the Exposure Draft will also propose changes to lessor accounting.

Subject	*IFRS*	*LuxGAAP*
Inventories		
Scope and standard	The applicable standard is IAS 2 - Inventories. IAS 2 applies to all inventories (that is raw materials, consumable supplies, work in progress and finished goods) except the following, which are wholly excluded from its scope: • work in progress arising from construction contracts, including directly related service contracts; • financial instruments; and • biological assets related to agricultural activity and agricultural produce at the point of harvest. In addition, the standard does not apply to the measurement of the following types of inventories (but does apply in all other respects, for example, disclosure): • inventories held by producers of agricultural and forest products, agricultural produce after harvest and minerals and mineral products, to the extent that they are measured at net realisable value in accordance with well-established practice in those industries. Where such inventories are measured at net realisable value, changes in that value are recognised in profit or loss in the period of change; and • inventories held by commodity broker-traders who measure their inventories at fair value less costs to sell. Where such inventories are measured on that basis, changes in value are also recognised in profit or loss in the period of change.	Inventories are covered by the following articles: 34; 39; 60; 61; 62; 64sexies and 65.
Definitions	Inventories are assets: • 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. Net realisable value is 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.	As opposed to fixed assets, inventories are items which are not intended for use on a continuing basis for the purpose of the undertaking's activity. Inventories are assets that are held for sale in the ordinary course of business. Inventories are composed of: • raw materials and consumables; • work and contracts in progress; • finished goods and merchandises; and • payments on account.

Subject	*IFRS*	*LuxGAAP*
Inventories		
Recognition	An entity should initially recognise inventory when it has control of the inventory, expects it to provide future economic benefits and the cost of the inventory can be measured reliably. Inventories include goods purchased and held for resale, such as merchandise purchased by a retailer or land and other property held for resale. Property should be recognised as inventory under the following circumstances: • property purchased for the specific purpose of resale; • property constructed for the specific purpose of resale (work in progress under the scope of IAS 18 - Revenue); or • property transferred from investment property to inventories. This is permitted when an entity commences the property's development with a view to sale. Refer to section "Investment property". In this case, the property's cost for subsequent recognition as inventory should be its carrying value at the date of change in use. The inventory of manufacturing entities is raw materials and consumable supplies, work in progress and finished goods awaiting sale. The cost of services rendered by a service entity is recognised as inventory, where the entity has not recognised the related revenues. This amount should, however, be minimal, given the requirement to recognise service revenues on the percentage of completion basis.	General LuxGAAP asset recognition criteria apply. Inventories should be initially recognised when the control (generally the property rights) over these items is transferred, i.e. the date when the significant risks and rewards incidental to the inventories are transferred.
Initial measurement	Inventories are initially recognised at cost, which includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. IFRS does not permit direct costing methods that expense all overheads. Costs of purchase comprise the purchase price including import duties and other taxes (so far as not recoverable from the tax authorities), transport and handling costs and any other directly attributable costs, less trade discounts, rebates and similar items. In its rejections, IFRIC has confirmed that cash discounts received and settlement discounts should be deducted from the cost of inventories. However, rebates that specifically and genuinely refund selling expenses should not be deducted from the cost of inventories.	Inventories are initially recognised at cost including all expenses incidental thereto. Cost is defined as the purchase price or the production cost. The purchase price shall be calculated by adding to the price paid the expenses incidental thereto. Ancillary costs include all direct costs with the exception of distribution costs, overhead and financing costs.

Subject	*IFRS*	*LuxGAAP*
Inventories		
	Cost of conversion comprises: • costs that are specifically attributable to units of production, for example, direct labour, direct expenses and sub-contracted work; and • production overheads and other overheads, if any, attributable in the particular circumstances of the business to bringing the product or service to its present location and condition.	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 into the production.
	Borrowing costs meeting specific criteria are included in the cost of inventories as identified by IAS 23 - Borrowing Costs. Refer to section “Capitalisation of borrowing costs”.	Interest on capital borrowed to finance the production of inventories may be included in the production costs to the extent it relates to the period of production.
	The cost of inventories used is determined by using either the FIFO or the weighted average cost formula. LIFO is not permitted. Management exercises judgement to ensure that the method chosen to allocate costs to stocks provides the fairest possible approximation to cost. The same cost formula is used for all inventories that have a similar nature and use to the entity.	The cost of inventories used is determined by using the FIFO, the LIFO, the weighted average cost formula or any other similar method. The same cost formula is used for all inventories that have a similar nature and use to the entity.
	An entity may use techniques for measuring the cost of inventories if the results approximate cost. Accepted techniques are: • standard cost method; • retail method; and • most recent purchase price.	Inventories are measured at purchase price or production cost. In practice, standard cost method is also applied.
	For joint products, the cost of the raw materials is allocated between the products on a rational and consistent basis.	Not specified in the Accounting Law. IFRS can be used as a benchmark.
	By-products (when immaterial) are measured at selling price less costs to complete and sell. This amount is then deducted from the cost of the main product.	Not specified in the Accounting Law.

Subject	*IFRS*	*LuxGAAP*
Inventories		
Subsequent measurement	Subsequent to their initial recognition, inventories should be measured at the lower of cost and net realisable value. Where items of inventory are not ordinarily interchangeable, or where goods or services are produced and segregated for specific contracts, their costs should be individually identified. These items should be considered individually, as to compare the total net realisable value of such items with the total cost would result in an unacceptable setting off of foreseeable losses against unrealised profits. However, when there are large numbers of items of inventory that are ordinarily interchangeable (fungible items), separate identification of costs would not be appropriate. In such cases, FIFO or weighted average cost method may be used. As stated above, IAS 2 prohibits the use of LIFO method.	Subsequent to their initial recognition, inventories are valued at lower of cost or market value. A value adjustment is recorded when the purchase price or production cost is higher than the market value. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. Raw materials and consumables which are constantly being replaced and the overall value of which is of secondary importance to the undertaking may be shown at a fixed quantity and value, if the quantity, value and composition thereof do not vary materially. Fair value can be used. This option should be abandoned with the next Accounting Law update. Inventories are valued individually or by category either on the basis of weighted average prices, or the FIFO method, the LIFO method, or any other similar method. Exceptional value adjustments are allowed where these are necessary on the basis of a reasonable commercial assessment, to prevent that the valuation of those items needs to be modified in the near future because of fluctuations in value.
Disclosure	IAS 2 requires a large series of disclosures, including: the cost formula used, the amount of inventories measured at selling price less cost to sell, the amount of inventories recognised as expense during the year, the amount of write-down as well as the amount of reversal of any write-down including the circumstances or events that led to the reversal of the write-down, inventories pledged, etc. The standard gives also guidance regarding the classes in which many types of inventories can be included.	The notes to the annual accounts must include the valuation methods applied to the various items and the methods employed in calculating the value adjustments. In addition, if inventories are subject to exceptional value adjustments, the amount of the adjustments and the reasons for making them must be disclosed in the notes to the annual accounts. Moreover, in the event that borrowing costs are included in the production cost, the inclusion of such costs must be disclosed.

Subject	*IFRS*	*LuxGAAP*
Impairment of non-financial assets		
Scope and standard	The applicable standard is IAS 36 - Impairment of Assets. Nearly all assets (current and non-current) are subject to an impairment test to ensure that they are not overstated on balance sheets. However, depending on the measurement rules for each different type of assets under the relevant standard, it might be that some assets are not needed to be tested for impairment, because the measurement rules applicable are already encompassing any impairment in profit or loss account. This is the case, for example, for the investment properties carried at fair value (refer to section “Investment property”). This section treats the impairment of assets which are not included in the list detailed below: • financial assets (refer to section “Financial assets”); • deferred tax assets (refer to section “Deferred taxes”); • employee benefit assets (refer to section “Employee benefits”); • inventories (refer to section “Inventories”); • non-current assets classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (refer to section “Non-current assets held for sale and discontinued operations”); • deferred acquisition costs (refer to section “Consolidated financial statements”); • biological assets carried at fair value less estimated costs to sell; and • intangibles arising from contractual rights under insurance contracts.	The Accounting Law foresees in article 55 (1) c) and 61 that value adjustments must be made in respect of fixed and current assets when necessary.
Definitions	An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Recoverable amount is defined as the higher of the asset’s fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from a sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. The value in use is defined as the present value of the future cash flows expected to be derived from an asset or cash-generating unit. A cash-generating unit (“CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.	A value adjustment is the amount by which the carrying value exceeds another lower value attributed to them.

Subject	*IFRS*	*LuxGAAP*
Impairment of non-financial assets		
Recognition	The basic principle of impairment is that an asset may not be carried on the balance sheet at above its recoverable amount. All assets subject to the impairment guidance are tested for impairment where there is an indication that the asset may be impaired. IAS 36 requires all assets in its scope to be tested for impairment where there is an impairment indicator. An entity should assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, the entity should estimate the asset's recoverable amount. The recoverable amount should be compared with the asset's carrying value and, if an impairment loss has arisen, it should be recognised in the income statement immediately. In assessing whether there is any indication that an asset may be impaired, an entity should consider external sources of information (decline in the asset's market value, adverse changes in technological, market, economic or legal environment, etc.), internal sources of information (obsolescence or physical damage of the asset, deterioration in the asset's performance, etc.) or other types of information (e.g. actual net cash outflows worse than initially budgeted). Other indicators may be apparent that are relevant to a business' particular circumstances. For example, changes in tax regulations, the impact of publicity over brand names, a change in the proposed use of an asset, an impairment recognised by an associate or the entrance of a new competitor to the market may require the recoverable amount of an entity's assets to be investigated. Certain assets (goodwill, indefinite lived intangible assets and intangible assets that are not yet available for use) are also tested for impairment annually even if there is no impairment indicator. In conclusion, impairment on asset or CGU is recognised when its carrying amount exceeds it recoverable amount. An impairment loss is recognised immediately in profit or loss unless the asset is carried at revaluated amount in accordance with another standard. In this case, the impairment loss is treated as a revaluation decrease in accordance with that other standard.	For fixed assets, a value adjustment is recognised in the profit and loss account only if it is considered durable by the management. For current assets, the impairment loss is recognised immediately in the profit and loss account. Exceptional value adjustments are allowed where these are necessary on the basis of a reasonable commercial assessment to prevent that the valuation of those items needs to be modified in the near future because of fluctuations in value. The assessment shall be done at each balance sheet date.

Subject	*IFRS*	*LuxGAAP*
Impairment of non-financial assets		
	An impairment loss on a non-revalued asset is recognised in profit or loss. However, an impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Such an impairment loss on a revalued asset reduces the revaluation surplus for that asset.	
Measurement	The impairment to be booked is the excess of the carrying amount over the recoverable amount. Recoverable amount reflects the greatest value of an asset in terms of the cash flows that can be derived from it, either by selling it or by continuing to use it in the business. Where the recoverable amount cannot be estimated for individual assets, it should be estimated for groups of assets that generate cash flows that are largely independent of each other. These are referred to as CGUs.	The value adjustment to be accounted for is the excess of the carrying amount over the lower value attributed to the asset.
Measurement – *Value in use*	Value in use requires management to estimate the future cash flows to be derived from the asset and discount them using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Future cash flows are estimated for the asset in its current condition. Cash inflows or outflows from financing activities and income tax receipts or payments are not included.	Not specified in the Accounting Law. IFRS can be used as a benchmark.
Measurement – *Fair value less costs to sell*	When performing the impairment test of an asset (or CGU), the entity estimates the fair value less costs to sell based on a hierarchy of reliability of evidence: • a price in a binding sale agreement in an arm's length or market price in an active market, less costs of disposal; • best available information to reflect the amount that an entity could obtain at the reporting date from disposal of the asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Outcome of recent transactions for similar assets within the same industry need to be considered. It is not always necessary to calculate both measures when performing an impairment review. If an asset's fair value less costs to sell or its value in use exceeds the asset's carrying amount, the asset is not impaired and there is no need to estimate the other amount.	Not specified in the Accounting Law. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Impairment of non-financial assets		
Measurement – *Allocation of goodwill*	Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination. IAS 36 includes comprehensive guidance on how to allocate goodwill under several circumstances. Goodwill is tested for impairment at the lowest level at which it is monitored by management. CGUs may be grouped for testing, but the grouping cannot be higher than an operating segment. Refer to section "Segment reporting" for details on operating segment.	Goodwill is amortised over five years unless management can justify a longer useful life. In addition, goodwill is reviewed for impairment annually.
Measurement – *Reversal of value adjustments*	At each reporting date after recognition of the impairment loss, an entity assesses whether there is any indication that an impairment loss may have decreased or may no longer exist. The impairment loss is reversed if the recoverable amount of an asset (or CGU) exceeds its carrying amount. The amount of the reversal is subject to certain limitations. Goodwill impairment can never be reversed. In addition, IAS 36 includes more detailed guidance and distinction of reversal of impairment for an individual asset, a CGU and a goodwill.	Value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. Goodwill impairment can be reversed under LuxGAAP.
	A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another IFRS (for example, the revaluation model in IAS 16 - Property, Plant and Equipment). A reversal of an impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is also recognised in profit or loss.	A reversal of a value adjustment is recognised in the profit and loss account.
Disclosure	There are exhaustive disclosures regarding the impairment of assets, among these, the followings: • details about impairment losses and reversals impacting profit or loss and other comprehensive income (when reversals relate to assets revalued through reserves); • movements in assets impaired, writes off, impairment reversals; • details about the assumptions, estimations and methods used to compute the recoverable amount; and • details about CGU and about methods to allocate goodwill to cash-generating units as well as reasons for the unallocated goodwill, if applicable.	The amounts of value adjustments must be disclosed separately in the notes to the annual accounts.

Subject	*IFRS*	*LuxGAAP*
Non-current assets held for sale and discontinued operations		
Scope and standard	The applicable standard is IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.	Not specified in the Accounting Law.
Definitions	A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. 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. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated in accordance with the requirements of IAS 36 - Impairment of Assets or if it is an operation within such a cash-generating unit. A discontinued operation is a component of an entity (operations and cash flows that can be clearly distinguished operationally and for financial reporting) that either has been disposed of or is classified as held for sale and: • represents a separate major line of business or geographical area of operations; • is part of a single coordinated 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.	Non-current assets held for sale and discontinued operations are not defined by the Accounting Law.
Recognition	In order for the recognition criteria to be met, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. Specific criteria must be met to demonstrate that the sale is highly probable. The IFRS classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation.	Not specified in the Accounting Law. The recognition criteria to be considered as held for sale is the management intention to sell the asset.

Subject	*IFRS*	*LuxGAAP*
Non-current assets held for sale and discontinued operations		
Measurement	Once classified as held for sale, the asset is measured at the lower of its carrying amount and fair value less costs to sell with any loss being recognised in the income statement. These assets are not depreciated or amortised during the selling period.	Not specified in the Accounting Law. The asset held for sale shall be impaired if the market value is lower than the carrying amount.
Presentation	An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. For discontinued operations, an entity shall present a single amount in the statement of comprehensive income comprising the total of: • the post-tax profit or loss of discontinued operations; and • the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. The net cash flows attributable to the operating, investing and financing activities of discontinued operations are presented separately in the statement of cash flows.	There is no requirement to reclassify assets as held for sale. Assets held for sale remain in the fixed assets if they were classified initially as fixed assets.
Disclosure	For discontinued operations, 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 recognised 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.	No specific disclosure required by the Accounting Law.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Scope and standard	The applicable standards are IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosure. They do not apply to the following financial assets: • interests in subsidiaries, associates and joint ventures; • leases; • employee benefits; • insurance contracts; • contracts for contingent consideration in a business combination; • certain loan commitments; • contracts in business combinations. For the purpose of this publication, derivatives are covered in a separate section “Derivatives and hedge accounting”.	Financial assets are covered by the following articles of the Accounting Law: 34; 39; 41; 55; 58; 61; 64bis; 64ter; 64quater; 64quinquies and 65. For the purpose of this publication, derivatives are covered in a separate section “Derivatives and hedge accounting”. Shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests are covered in the section “Investment in subsidiaries, associates and jointly controlled entities in separate financial statements”. Own shares or own corporate units are covered in the section “Equity”. Under this section, the term “financial asset” is used for: • amounts owed by affiliated undertakings; • amounts owed by undertakings with which the company is linked by virtue of participating interests; • securities held as fixed assets; • loans and claims held as fixed assets; • other transferable securities; • claims resulting from sales and the provision of services/trade debtors; • other receivables; and • cash at bank, cash in postal cheque accounts, cheques and cash in hand.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Definitions	A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. 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 financial liabilities with another entity under conditions that are potentially favourable to the entity; or • a contract that will or may be settled in the entity's own equity instruments and: - under which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or - 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 the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.	There is no precise definition of financial assets. The Accounting Law distinguishes between financial fixed assets, transferable securities (disclosed as current assets) and derivatives. In addition, some financial instruments are listed in the article 64 bis of the Accounting Law. The Accounting Law sets as follows the components of the financial fixed assets: • shares in affiliated undertakings; • amounts owed by affiliated undertakings; • shares in undertakings with which the company is linked by virtue of participating interests; • amounts owed by undertakings with which the company is linked by virtue of participating interests; • securities held as fixed assets; • loans and claims held as fixed assets; and • own shares or own corporate units. The Accounting Law sets as follows the components of the transferable securities: • shares in affiliated undertakings and in undertakings with which the company is linked by virtue of participating interests; • own shares or own corporate units; and • other transferable securities. Cash and cash equivalent include cash at bank, cash in postal cheque accounts, cheques and cash in hand. Debtors are not classified as financial assets under LuxGAAP. To ensure comparability of the accounting treatment of debtors between IFRS and LuxGAAAP, debtors are covered in this section. Debtors include: • claims resulting from sales and the provision of services/trade debtors; • amounts owed by affiliated undertakings; • amounts owed by undertakings with which the company is linked by virtue of participating interests; and • other receivables.
	Transaction costs are costs that are incremental and directly attributable to the acquisition, issue or disposal of a financial asset.	The purchase price include direct expenses (equivalent to transaction costs under IFRS).

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Definitions – *Categories of financial assets*	IAS 39 has four categories of financial assets: A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions: • it is classified as held for trading. A financial asset is classified as held for trading if: - it is acquired 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 assets 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 derivatives designated as effective hedging instrument); or • upon initial recognition it is designated by the entity at fair value through profit or loss; an entity may use this designation if the contract contains at least one embedded derivative or when doing so results in more relevant information, because either: - it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”); or - a group of financial assets, financial 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. 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 immediatelyor 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. Held to maturity investments are non-derivative financial assets quoted on an active market with fixed or determinable payments and fixed maturity, that an entity has the positive intention and ability to hold to maturity. Available-for-sale financial assets are financial assets not classified in one of the three categories described above.	There are no such categories of financial assets in the Accounting Law. Financial assets that intend to serve the activity of the company on a long-term basis (i.e. more than 12 months) are classified as financial fixed assets. Otherwise, they shall be considered as current assets.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Reclassification	Financial assets may be reclassified between categories, albeit with conditions. More specifically, debt instruments may be reclassified from held for trading or available-for-sale into loans and receivables, if the debt instrument meets the definition of loans and receivables and the entity has the intent and ability to hold the instrument for the foreseeable future. Also, a financial asset can be transferred from held for trading to available-for-sale but only in rare circumstances. Reclassification is prohibited for instruments where the fair value option is elected. Reclassifications from the held to maturity category as a result of a change of intent or ability are treated as sales and, other than in exceptional circumstances, result in the whole category being tainted.	Assets are reclassified in the balance sheet according to their remaining maturity (more or less than one year).
Recognition	A financial instrument is recognised only when the entity becomes a party to its contractual provision. The terms "contacts" and "contractual" refer to an agreement between two or more parties that has clear economic consequences that the parties have little, if any, discretion to avoid, usually because the agreement is enforceable by law. Contracts defining financial instruments may take a variety of forms and need not be in writing.	Financial assets and trade debtors are recognised when the entity has the legal ownership. The recognition of financial assets and trade debtors shall also be based on the substance over form principle.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Derecognition	An entity only derecognises a financial asset when: • the rights to the cash flows from the assets have expired or are settled; • the entity has transferred substantially all the risks and rewards of ownership of the financial asset; or • the entity has retained some significant risks and rewards but has transferred control of the asset to another party. In this case, the asset is derecognised, and any rights and obligation created or retained are recognised. In addition, IFRS includes additional guidance on pass-through arrangements, continuing involvement and some other relevant aspects relating to transfer of a financial asset.	Financial assets and trade debtors are derecognised when the entity loses the legal ownership and when the risks and/or rewards of ownership are transferred to another party.
Initial measurement	The classification of financial assets will impact the initial and subsequent measurement. At initial recognition, financial assets are measured at fair value, which is normally the fair value of the consideration given. Transaction costs are included in the initial measurement of all financial assets except for fair value through profit or loss category. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. They are recorded as part of the initial measurement of the asset if they are incremental and directly attributable to the transaction.	The classification of financial assets as current or fixed assets will impact the valuation option but not the initial measurement. Financial assets and debtors are initially recorded at purchase price/nominal value (loans, claims and debtors) including the expenses incidental thereto.
Subsequent measurement	Financial instruments classified as held for trading and the ones designated as at fair value through profit or loss are measured at fair value with changes in fair value recorded in profit or loss. Held to maturity investments and loans and receivables are measured at amortised cost. Available-for-sale investments are valued at fair value with all gains and losses arising from changes in fair value recognised directly in other comprehensive income except: • for debt instrument classified as available-for-sale, the interest is calculated using the effective interest method and is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established; • for foreign exchange gains and losses on monetary financial assets are recognised in profit or loss; • for impairment losses that are recognised in profit or loss (refer to subsection "Impairment of financial assets"). Reversals of impairment of a debt instrument are also recognised in profit or loss, but reversals of impairment on equity instruments are not recognised in profit or loss but in equity, as revaluation gains.	Financial fixed assets can be measured at cost less permanent value reduction, at lower of cost or market value or at fair value when applicable. Transferable securities and debtors classified as current assets are measured at lower of cost or market value or at fair value when applicable. **Historical cost convention** ***Valuation at purchase price/nominal value less impairment*** In the case of durable depreciation in value, value adjustments are made in respect of fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. ***Valuation at the "lower of cost or market value"*** Assets valued at the lower of cost or market value shall be subject to value adjustments with a view to showing them at the lower of cost or market value.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
	Investments in equity securities unquoted in an active market, whose fair value cannot be measured reliably, are measured at cost less impairment.	**Fair value option** According to the Accounting Law, the financial assets of trading portfolio are eligible to fair value under certain conditions. Fair value option under LuxGAAP shall not apply to: • non-derivative financial instruments held to maturity; • loans and receivables originated by the company and not held for trading purposes; and • other financial instruments which such special characteristics that, according to what is generally accepted, should be accounted for differently from other financial instruments. However, assets that are not qualifying for fair value according to LuxGAAP may apply fair value by reference to IFRS.
Subsequent measurement – *Amortised cost*	The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation 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.	Amortised cost is not foreseen by the Accounting Law.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Subsequent measurement ***– Fair value***	IFRS 13 - Fair Value Measurement defines fair value as 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.	The fair value shall be determined by reference to: • a market value, for those financial instruments for which 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. At each year end closing, the change in fair value is recorded in the profit and loss account. However, such change may be included directly in an equity account, in a fair value reserve, where the change in the value relates to an available-for-sale asset other than a derivative financial instrument. The change in fair value shall be included directly in an equity account where the instrument accounted for is an hedging instrument under a system of hedge accounting and when the change in value relates to an exchange difference arising on a monetary item that forms part of an undertaking's net investment in a foreign entity.
Impairment of financial assets – ***Assets measured at cost or amortised cost***	At the end of each reporting period, financial assets measured at cost or amortised cost are reviewed for objective evidence of impairment. Impairment losses are recognised in profit or loss immediately. If the objective evidence reverses in a subsequent period, impairment losses are reversed in the profit or loss of subsequent periods. The impairment loss is the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.	For financial assets measured at cost less impairment, a value adjustment is recorded where the market value (securities)/recovery value (loans) is lower than the purchase price (securities)/nominal value (loans). The depreciation shall be durable. The value adjustment is reversed if the reasons for which it was made have ceased to apply.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Impairment of financial assets – *Assets measured at fair value*	Assets classified at fair value through profit or loss are not tested for impairment as any decrease in value, even if due to an impairment, is already incompassed in profit or loss. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income shall be reclassified from equity to profit or loss. The amount of cumulative loss that is recycled to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Any portion of the cumulative net loss that is attributable to foreign currency changes on that asset that had been recognised in equity is also recognised in profit or loss. Subsequent losses, including any portion attributable to foreign currency changes, are also recognised in profit or loss until the asset is derecognised. If the circumstances change in a subsequent period such that the fair value of the available-for-sale financial instrument increases, then the treatment required by IAS 39 for reversals of impairment losses on available-for-sale debt instruments is different from those on available-for-sale equity instruments as noted below: • for debt instruments (monetary assets), reversal of past impairment losses shall be recorded through profit or loss; • for equity investments (non-monetary assets), past impairment losses recognised in profit or loss shall not be reversed through profit or loss. This means that subsequent increases in fair value including those that have the effect of reversing earlier impairment losses are all recognised in equity.	Financial assets and debtors valued at fair value are not tested for impairment as any decrease in value, even if due to an impairment, is already recorded.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
Disclosure	IFRS 7 applies to all risks arising from all financial instruments. It requires comprehensive disclosure of the significance of financial instruments for an entity's financial position and performance as well as qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The qualitative disclosures describe the management's objectives, policies and processes for managing those risks. 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. **Credit Risk** Disclosures regarding credit risk include information relating to collateral and other credit enhancements available. This also covers the nature and carrying amount of assets obtained as collateral. If non-financial assets are obtained that are not readily convertible to cash and the entity does not plan to use them in its operations, the policy for disposing of such assets is disclosed. There are specific disclosures relating to impaired or past due assets and assets that would be either past due or impaired absent a renegotiation of terms. A financial asset is past due when a counterparty has failed to make a payment when contractually due. IFRS 7 also requires disclosures on credit quality of fully performing assets. Risk concentration disclosure shall be presented as well.	The following captions must disclose separately the amounts becoming due and payable within one year from the amounts becoming due and payable after more than one year: • claims resulting from sales and the provision of services/trade debtors; • amounts owed by affiliated undertakings; • amounts owed by undertakings with which the company is linked by virtue of participating interests; and • other receivables. Small-sized entities (refer to size criteria mentioned in the section "The Luxembourg regulatory framework") may draw up their balance sheet in the form of an abridged balance sheet showing in total – for all captions above listed – the amounts becoming due and payable within one year and the amounts becoming due and payable after more than one year. Movements in financial fixed assets shall be disclosed in the notes to the annual accounts. 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 annual accounts. **Historical cost convention** Where financial fixed assets are carried at an amount in excess of their fair value and where no impairment is booked, the management shall disclose the fair value in the notes to the annual accounts as well as the reasons for not reducing the book value, including the nature of the evidence that the book value will be recovered.

Subject	*IFRS*	*LuxGAAP*
Financial assets		
	Market Risk A sensitivity analysis for each component of market risk (currency, interest rate and other price risk) to which an entity is exposed should be given. This should illustrate how “reasonably possible” changes in the relevant risk variable would impact profit or loss and equity. The assumptions used in the analysis should be disclosed, and any changes in assumptions since the last period and the reasons for those changes should be given. **Liquidity Risk** For the disclosures regarding liquidity risk, refer to section “Financial liabilities”. **Fair Value** Each class of financial instruments that is measured at fair value in the financial statements is categorised into one level of the hierarchy, determined on the basis of the lowest level input that is significant to the fair value measurement. The three levels of the hierarchy are: • level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; • level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices); and • level 3: Inputs for the asset or liability that are not based on observable market data. The position in the hierarchy also drives a series of additional disclosures, namely: • significant transfers during the period between levels one and two of the fair value hierarchy; • a reconciliation of movements in the level 3 balance, from the beginning to the end of the period. The reconciliation should include gains and losses, transfers in and out of level 3, purchases, sales and settlements; • analyses of the gains and losses recognised on financial instruments within level 3, including where in the statement of comprehensive income they are recognised; and • sensitivity analysis of the assumptions applied to level 3 measurements. **Offsetting of financial instruments** Refer to section “Statement of financial position - balance sheet” described in the “Presentation of financial statements”.	**Fair value option** Where valuation at fair value of financial instruments has been applied, the notes to the annual accounts must disclose the following: • the main assumptions in relation to the models and valuation techniques used; • for each category of financial instruments, the fair value, the movements of fair value booked directly in the profit and loss account, as well as the movements on the fair value reserve; and • a table describing the movements in the fair value reserve during the year. For the financial assets that are not qualifying for fair value according to LuxGAAP and that apply fair value by reference to IFRS, IFRS disclosure requirements relating to the valuation of financial instruments apply.

Recent developments – IFRS 9 - Financial Instruments

The IASB has broken down IFRS 9 – the project of IAS 39 replacement – into three distinct stages: classification and measurement, impairment and hedging. The IASB has decided that each phase can be early adopted separately, as soon as each one is completed. On the contrary, EU has decided to endorse the standard only as a whole, all the phases at once, when IFRS 9 is entirely completed.

Status and timetable

Phase 1: Classification and measurement

IFRS 9 - Financial Instruments was published in November 2009 and contained requirements for financial assets (see below). Requirements for financial liabilities were added to IFRS 9 in October 2010 (refer to section "Financial liabilities" for further details).

On 28 November 2012, the IASB issued an Exposure Draft Classification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010)). The related comment period ends on 28 March 2013.

Phase 2: Impairment

For the second phase of the financial instruments project, a separate re-Exposure Draft has been issued on 7 March 2013. The IASB model is designed to recognise credit losses on a more timely basis. Expected credit losses are recognised on all financial instruments within the scope of this proposal from when they are originated or purchased.

Full lifetime expected credit losses are recognised when a financial instrument deteriorates significantly in credit quality. This is a significantly lower threshold than under the incurred loss model today which in practice has resulted in provisioning only when financial assets are close to default.

The publication of the final standard is not expected before 2014.

Phase 3: Hedging

On 7 September 2012, the IASB posted a draft of the forthcoming general hedge accounting requirements that will be added to IFRS 9. The final standard is targeted to be published in the second quarter of 2013 (refer to section "Derivatives and hedge accounting" for further details). Regarding macro-hedge accounting, the discussion paper is targeted for the first half of 2013.

Endorsement

Endorsement is expected not earlier than 1 January 2015, the currently planned effective date of the standard.

IFRS 9 - Financial assets

Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets.

A financial asset is measured at amortised cost if two criteria are met:

- the objective of the business model is to hold the financial asset to collect the contractual cash flows; and
- the contractual cash flows under the instrument solely represent payments of principal and interest. If the last criteria is met, it means that the instruments pass the contractual cash flow characteristics assessment.

The Board has clarified the primary objective of "hold to collect" by providing additional application guidance on the types of business activities and the frequency, volume and nature of sales that would allow assets to qualify for amortised cost measurement. For example, the Exposure Draft clarifies that sales due to deterioration in credit quality would not conflict with the objective of holding to collect cash flows. In addition, where an entity has a portfolio with assets that it would only sell in a stress case scenario and where that stress case is expected to be infrequent, then that would also be consistent with the amortised cost business model.

If a financial asset is not measured at amortised cost, it will be measured at fair value. Normally, the changes in fair value are recorded in profit or loss, falling within the fair value through profit or loss category, except if the instrument is elected and meets the conditions for the fair value through other comprehensive income classification.

Equity instruments

IFRS 9 classification principles indicate that all equity investments should be measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument by instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognised in profit or loss; IFRS 9 removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value.

Debt instruments

A fair value through other comprehensive income measurement category for eligible debt instruments is proposed in the Exposure Draft dated November 2012. A debt instrument would be measured at fair value through other comprehensive income only if it passes the solely payments of principal and interest test and is held in a business model that is managed both in order to collect contractual cash flows and for sale. A debt instrument measured at fair value through other comprehensive income will have the same impairment and interest income recognition as financial assets measured at amortised cost. Also, the cumulative fair value gain or loss recognised in other comprehensive income will be recycled from other comprehensive income to profit or loss when these financial assets are derecognised.

It is expected that debt instruments backing insurance contracts may fall into this category and will therefore have a consistent measurement with insurance liabilities under the proposals being discussed in the IASB's Insurance project.

Subject	*IFRS*	*LuxGAAP*
Financial liabilities		
Scope and standard	The applicable standards are IAS 32 - Financial Instruments: Presentation and IAS 39 - Financial Instruments: Recognition and Measurement. It does not apply to the following financial liabilities: • leases; • employee benefits; • insurance contracts; • contracts for contingent consideration in a business combination; • certain loan commitments; • contracts in business combinations; and • own use commodity contracts.	Financial liabilities are covered by the following articles of the Accounting Law: 34; 63; 64bis; 64ter; 64quater; 64quinquies and 65. For the purpose of this publication, derivatives are covered by section “Derivatives and hedge accounting”.
Definitions	A financial liability is any liability that is: • a contractual obligation to deliver cash or another financial asset to another entity; or • a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or • a contract that will or may be settled in the entity’s own equity instruments and is: - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity’s own equity instruments; 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 the entity’s own equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.	No specific definition in the Accounting Law. Financial liabilities are included within the subordinated and non-subordinated debts.
Definitions – *Categories of financial liabilities*	IAS 39 has two defined categories of financial liabilities: • financial liabilities at fair value through profit or loss; and • other financial liabilities (measured at amortised cost). Like financial assets, a financial liability can be classified as at fair value through profit or loss only if it meets either of the following conditions: • upon initial recognition, it is designated by the entity at fair value through profit or loss (refer to section “Financial assets” for fair value options conditions); or • it is classified as held for trading.	Financial liabilities are classified according to their nature: • bonds; • amounts owed to credit institutions; • payments received on account of orders insofar as they are not shown separately as deductions of inventories; • debts to trade creditors; • bills of exchange payable; • amounts owed to affiliated undertakings; • amounts owed to undertakings with which the company is linked by virtue of participating interests; • tax and social security debts; and • other creditors.
Recognition	Under IAS 39, an entity is required to recognise a financial liability on its balance sheet when, and only when, it becomes a party to the instrument’s contractual provisions.	There is no precise definition of financial liability in the Accounting Law. IFRS can be used as a benchmark except for the difference made between equity and liability classification.

Subject	*IFRS*	*LuxGAAP*
Financial liabilities		
Derecognition	A financial liability (trading or other) is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired. This condition is met when the debtor either: • discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or • is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor. Entities frequently negotiate with lenders to restructure their existing debt obligations. In the case of a substantial modification of the terms of an existing financial liability, this should be accounted for as an extinguishment of the original financial liability besides the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.	A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled, settled or expired; or the primary responsibility for the liability is legally transferred to another party.
Initial measurement	The classification of financial liabilities will impact the initial and subsequent measurement. When a financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.	Financial liabilities are recorded at their reimbursement value. Where the amount repayable on creditors exceeds the amount received, the difference may be shown as an asset and shown separately in the balance sheet or in the notes to the annual accounts. The amount of the difference must be written off by reasonable yearly amounts (based on an actuarial or linear method) and must be completely written off no later than the repayment date of the debt. Alternatively, the difference is booked in the profit and loss account upon issuance.

Subject	*IFRS*	*LuxGAAP*
Financial liabilities		
Subsequent measurement	Financial liabilities are measured at amortised cost or fair value through profit or loss. For details on fair value and amortised cost, refer to section “Financial assets”.	Financial liabilities can be measured as follows: • under the historical cost convention: reimbursement value of the instrument; • under LuxGAAP with fair value option: the company may use fair value to measure financial instrument liabilities. Financial instrument liabilities can only be valued at fair value if and only if they are: - held as part of a trading portfolio; or - derivative financial instruments; • alternatively, liabilities financial instruments, which cannot be fair valued as per the paragraph above, can follow IFRS fair valuation policy.
Subsequent measurement – *Other financial liabilities – Amortised cost*	After initial recognition, an entity should measure financial liabilities, other than those classified at fair value through profit or loss, at amortised cost using the effective interest method as described in the “Financial assets” section.	Amortised cost is not contemplated under LuxGAAP.
Subsequent measurement – *Financial liabilities at fair value through profit or loss*	After initial recognition, financial liabilities falling within this category (including liabilities held to trading and derivative liabilities not designated as hedging instruments) are measured at fair value. A change in a financial liability’s fair value classified in this category that is not part of a hedging relationship should be recognised in the profit or loss for the period.	At each year end closing, the change in fair value is recorded in the profit and loss account. However, such change may be included directly in an equity account, in a fair value reserve, where the change in the value relates to an available-for-sale asset other than a derivative financial instrument. The change of fair value shall be included directly in an equity account where the instrument accounted for is an hedging instrument under a system of hedge accounting and when the change in value relates to an exchange difference arising on a monetary item that forms part of an undertaking’s net investment in a foreign entity.

Subject	*IFRS*	*LuxGAAP*
Financial liabilities		
Convertible bond	"Split accounting" is used for convertible instruments where the conversion is a fixed amount of cash for a fixed number of shares if the conversion option is the choice of the holder. The proceeds are allocated between the two components, the equity conversion rights are recognised in equity and the liability is recognised at fair value calculated by discounting at a market rate for a non-convertible similar debt. Certain embedded derivatives may have to be bifurcated. One example is when there is an early repayment option to be made at an amount significantly different to the amortised cost carrying amount of the entire instrument at early redemption date. If the conversion option is the choice of the issuer, then the instrument as a whole is an equity instrument. Refer to section "Equity", subsection "Classification debt vs equity" for further details.	No specific definition but accounting principles follow the legal form. Convertible bonds are classified in full as liabilities until they are converted.
Disclosure	For general disclosures related to financial instruments, refer to section "Financial assets". One of the main disclosures regarding financial liabilities relates to the liquidity risks. Management shall describe how liquidity risk is managed and give quantitative details in a liquidity table. The table shall contain all the future undiscounted cash flows from financial liabilities, presented separated into time buckets when they are contractually due to be paid. The number of time buckets is not defined. So, the entity should use its judgement to decide what is relevant for its business.	LuxGAAP disclosures are not so detailed as IFRS and are limited to the following ones. **Historical cost convention** In case a financial debt is booked according to historical cost convention, disclosures are required such as rights related to convertible bonds, detail of maturity over five years, detail of debts secured by collateral on assets. **Fair value option** When the LuxGAAP fair value option is used, following disclosures are required in the notes to the annual accounts: • the main assumptions in relation to the models and valuation techniques used; • for each category of financial instruments, the fair value, the movements of fair value booked directly in the profit and loss account, as well as the movements on the fair value reserve; and • a table describing the movements on the fair value reserve during the financial year. **Fair value by reference to IFRS** For the financial liabilities that apply fair value by reference to IFRS, IFRS disclosure requirements relating to the valuation of financial instruments apply.

Recent developments – IFRS 9 - Financial liabilities

The IASB has updated IFRS 9 - Financial Instruments to include guidance on financial liabilities and derecognition of financial instruments (refer to “Recent developments – IFRS 9 - Financial Instruments” in the section “Financial assets” for information on other aspects of IFRS 9, including effective date and endorsement). The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39 - Financial Instruments: Recognition and Measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.

Key provisions

The requirements in IAS 39 regarding the classification and measurement of financial liabilities have been retained, including the related application and implementation guidance. This means that there continue to be two measurement categories for financial liabilities: fair value through profit or loss and amortised cost. The criteria for designating a financial liability at fair value through profit or loss also remain unchanged.

Entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract. The separated embedded derivative continues to be measured at fair value through profit or loss, and the residual debt host continues to be measured at amortised cost. The existing application guidance relating to embedded derivatives has also been included in IFRS 9; it will also continue to apply to derivatives embedded in non financial items, for example, foreign currency derivatives embedded in purchase and sales contracts.

The requirements in IAS 39 for determining when financial instruments are derecognised from the balance sheet have also been relocated to IFRS 9 without change.

New measurement guidance

Under the new standard, entities with financial liabilities designated at fair value through profit or loss recognise directly in other comprehensive income changes in the fair value due to changes in the liability’s credit risk. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss, but accumulated gains or losses may be transferred within equity.

However, if presenting the change in fair value attributable to the credit risk of the liability in other comprehensive income would create an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss. An entity is required to determine whether an accounting mismatch is created when the financial liability is first recognised, and this determination is not reassessed. The mismatch must arise due to an economic relationship between the financial liability and a financial asset that results in the liability’s credit risk being offset by a change in the fair value of the asset. Financial liabilities that are required to be measured at fair value through profit or loss (as distinct from those that the entity has designated at fair value through profit or loss), including financial guarantees and loan commitments measured at fair value through profit or loss, will continue to have all fair value movement recognised in profit or loss. Derivatives such as foreign currency forwards and interest rate swaps, or entity’s own liabilities that it holds in its trading portfolio, continue to have all fair value movements recognised in profit or loss.

Subject	*IFRS*	*LuxGAAP*
Equity		
Scope and standard	The applicable standards are the followings: • IAS 1 - Presentation of Financial Statements; • IAS 32 - Financial Instruments: Presentation; • IAS 39 - Financial Instruments: Recognition and Measurement; and • IFRS 7 - Financial Instruments: Disclosures.	Equity is covered by the following articles: 26-5*; 37 (2); 49-2*; 49-8*; 55; 65 (1) 3°, 4°, 5° and 68 (3).
Definitions	An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. A puttable instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset or is automatically put back to the issuer on the occurrence of an uncertain future event or the death or retirement of the instrument holder.	No definition as per the Accounting Law. Classification depends on the legal form of the instrument. The Accounting Law categorised the components of the equity as follows: • subscribed capital; • share premium and similar premiums; • revaluation reserves; • reserves; • result brought forward; • result for the financial year; • interim dividends; • capital investment subsidies; and • temporary not taxable gains.
Recognition – *Classification debt vs. equity*	An instrument is classified as equity when it does not contain an obligation to transfer economic resources. For instruments settled in cash, if the cash payments are discretionary – that is, the issuer has the ability to avoid making a payment - then the instrument, or that feature of the instrument is equity. The entity has discretion over cash payments when it has no contractual obligation or mandatory cash flows to pay. This is the key feature of equity. Regarding the instruments that are settled in own equity shares, only a contract to deliver a fixed number of shares or to exchange a fixed amount of cash for a fixed number of shares is an equity instrument. Such an exchange is a forward sale of own shares, which is therefore an equity transaction. This is generally known as the "fixed for fixed" requirement. "Fixed for fixed" requirement can be broken and the instrument is still to be classified as equity only in very limited circumstances like anti-dilution clauses. Preferred shares that are not redeemable, or that are redeemable solely at the option of the issuer, and for which distributions are at the discretion of the issuer, are classified as equity. Preferred shares requiring the issuer to redeem for a fixed	The classification in equity or liability is based on the legal features of the instrument at the time of recognition. There is no split between equity and debt for hybrid instruments.

Subject	*IFRS*	*LuxGAAP*
Equity		
	or determinable amount at a fixed or determinable future date and for which distributions are not at the discretion of the issuer are classified as liabilities. However, if dividends are discretionary, the instrument is treated as a compound instrument with a debt and equity component. Preferred shares where the holder has the option of redemption and for which distributions are not at the discretion of the issuer are also classified as liabilities; in addition there is an embedded put option that may have to be accounted for separately. Only derivative contracts that result in the delivery of a fixed amount of cash, or other financial asset for a fixed number of an entity's own equity instruments, are classified as equity instruments. All other derivatives on the entity's own equity are accounted for as derivatives. Puttable instruments at fair value may be recognised as equity instruments under certain strict conditions, including the fact that these instruments must be the most subordinated class of financial instruments issued by the entity. As an exception to the definition of financial liabilities, a puttable instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets all the following specific conditions: • the instrument must be in the most subordinated class of instruments; • all the instruments in that class must have identical features; • the holder of the put should receive a pro rata share of net assets at liquidation; • the total cash flows of the puttable instrument must be substantially based on net earnings or changes in fair value of the entity or changes in recognised net assets as presented under IFRS; • the instrument has a residual return that is not fixed or restricted; and • apart from the put option of the holder, there must be no other liability feature.	
Initial measurement	Equity instruments are measured at the fair value of the consideration received or receivable, net of direct issue costs.	Shares are accounted for at their nominal value or their accounting par value. The subscribed capital unpaid is recognised as an asset.
Subsequent measurement	There is no subsequent remeasurement of the equity. Dividends on ordinary equity shares are recorded when they are authorised by the shareholders.	Similar to IFRS.

Subject	*IFRS*	*LuxGAAP*
Equity		
Disclosure	An entity shall disclose information that enable users of financial statements to evaluate objectives, policies and processes for managing capital. IAS 1 requires qualitative disclosure about how an entity manages capital, quantitative data about what the entity regards as capital, whether the entity has complied with any external capital requirements such as loan covenants. Indeed, capital as defined by IAS 1 may encompass other elements which are not included in the entity's equity but are considered as quasi-permanent in nature (e.g. subordinated long-term debt). A key requirement is that if a company has breached an externally imposed capital requirement, consequences of such non-compliance have to be disclosed. Loan covenants are an example of an externally imposed capital requirement. Mandatory is only to disclose the consequences of the breach in case there is a breach. If there is no breach, an entity would not need to disclose exactly what those loan covenants are; the focus is on what the entity regards as capital, and how its management of that capital is affected by any externally imposed requirements.	The notes to the annual accounts must at least set out the following information on the subscribed capital: • the number and the nominal value 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 authorised capital; • 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; and • the existence of any founders' shares, convertible bonds or similar securities or rights, with an indication of their number and the rights they confer. Small-sized companies (refer to size criteria mentioned in the section "The Luxembourg regulatory framework") are exempted to disclose this latest information, unless they issue securities which are admitted to official trading on a regulated market of any Member State of the European Union.
Own shares	If an entity re-acquires its own equity instruments, those instruments ("treasury shares") shall be deducted from equity. No gain or loss shall be recognised 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 recognised directly in equity.	Own shares and own corporate units have to be disclosed as an asset for their acquisition price. A non-distributable reserve has to be set-up for an amount corresponding to the acquisition price or, in case of redeemable shares, to the nominal value or accounting par value of those shares. Own shares are subject to impairment test. In case of purchase of own shares, the following disclosure shall be included in the management report (or in the notes to the annual accounts in absence of such report): • the 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 they represent; • in the case of acquisition or disposal for value, the consideration for the shares; and • 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.

Subject	*IFRS*	*LuxGAAP*
Derivatives and hedge accounting		
Scope and standard	The applicable standard is IAS 39 - Financial Instruments: Recognition and Measurement.	Derivatives are covered by the following articles: 64bis; 64ter; 64quater; 64sexies and 64septies.
Definitions	A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A derivative is a financial instrument: • whose 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 analogue specific variable (sometimes called the “underlying”); • that 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 • that is settled at a future date. 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 hybrid 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. Variation of the cash flows over the contract’s term is a critical indicator of the presence of one or more embedded derivatives.	There is no definition of a derivative in LuxGAAP. The IFRS definition can be used as a reference.

Subject	*IFRS*	*LuxGAAP*
Derivatives and hedge accounting		
Recognition	A derivative follows the recognition rules of any financial instrument under IAS 39, i.e. are recognised only when the entity becomes a party to its contractual provision. Refer to section “Financial assets”. Embedded derivative should be separated from the host contract and accounted for as a derivative if all of the following three conditions are met: • 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 recognised in profit or loss.	A derivative follows the recognition rules of any financial instrument, i.e. are recognised only when the entity becomes a party to its contractual provision. Derivative acquired for no consideration has to be disclosed as an off-balance sheet item.
Initial measurement	All derivatives are initially recognised at fair value.	Derivatives follow the measurement rules of financial instrument. They are initially recognised at cost (asset) or reimbursement value (liability).
Subsequent measurement	Derivatives classified as held for trading are measured at fair value through profit or loss. Derivatives which are designated as hedging instruments under a hedge accounting relationship follow the hedge accounting rules described hereunder. However, a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot reliably be measured should be measured at cost.	General rules for financial instruments apply. For asset derivatives, there are three possible options: cost less impairment, lower of cost or market value or fair value. For liability derivatives, accounting policy applied can be reimbursement value or fair value option. When the underlying contract is not recorded in the balance sheet, the company has to account for a provision if needed.

Subject	*IFRS*	*LuxGAAP*
Derivatives and hedge accounting		
Hedge accounting	Hedging is the process of using a financial instrument (usually a derivative) to mitigate all or some of the risk of a hedged item. Hedge accounting changes the timing of recognition of gains and losses on either the hedged item or the hedging instrument so that both are recognised in profit or loss in the same accounting period in order to record the economic substance of the combination of the hedged item and its instrument.	Hedge accounting is not defined under LuxGAAP. Refer to IFRS for guidance.
	To qualify for hedge accounting, an entity must: • formally designate and document a hedge relationship between a qualifying hedging instrument and a qualifying hedged item at the inception of the hedge; and • both at inception and on an ongoing basis, demonstrate that the hedge is highly effective, i.e. in a range of 80% - 125%.	No such requirement in the Accounting Law.
	IAS 39 requires documentation of a hedging relationship at inception. This documentation includes the hedged item and hedging instrument, the risk management objective, the strategy for undertaking the hedge and the efficiency test performed both prospectively and retrospectively.	No such requirement in the Accounting Law.
	IAS 39 permits three types of hedging relationship: • cash flow hedges; • fair value hedges; and • hedges of a net investment in a foreign operation.	Not specified in the Accounting Law. Same types of hedging relationship than in IFRS are permitted under LuxGAAP.
	IAS 39 restricts the risks or portions in a financial instrument that can be hedged based on a principal that those risks or portions must be separately identifiable components of the financial instrument, and changes in the cash flows or fair value of the entire financial instrument arising from changes in the designated risks and portions	Not specified in the Accounting Law.

Subject	*IFRS*	*LuxGAAP*
Derivatives and hedge accounting		
	must be reliably measurable. A broader array of risks is therefore eligible for hedging under IAS 39 (for example, equity price risk and one-sided risks). IAS 39 allows a group of similar items to be designated as a hedged item.	
	IAS 39 permits hedging instruments to be: • derivatives that are not net written options; it is permitted to separately designate the intrinsic value of an option or the spot component of a forward contract; and • non-derivative assets or liabilities when used as a hedge of foreign currency risk. The entity is required to perform quantitative retrospective and prospective effectiveness tests at least once per reporting period. A specific method for testing effectiveness is not defined, but the entity documents its chosen method as part of the hedging documentation.	Not specified in the Accounting Law.
	Where an entity designates a cash flow hedge hedging relationship and it complies with the conditions above, it recognises in profit or loss any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flows (hedge ineffectiveness). The effective part is recognised in other comprehensive income. The amount recognised in other comprehensive income is recognised in profit or loss when the hedged item affects profit or loss or when the hedging relationship ends. IAS 39 specifies that the amounts recognised in other comprehensive income are based on cumulative changes in the fair value of the hedging instrument and hedged risk. In the case of a fair value hedge: • the gain or loss from remeasuring the hedging instrument at fair value (for a derivative hedging instrument) or the foreign currency component of its carrying amount measured in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates (for a non-derivative hedging instrument) should be recognised in profit or loss; and • the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss. This applies even if the hedged item is an available-for-sale financial asset or if it is otherwise measured at cost. Hedge accounting is discontinued when: • the hedging instrument expires, is sold or terminated; • the hedge no longer meets the criteria for hedgeaccounting; or • the entity revokes the designation.	Not specified in the Accounting Law. For hedging instruments following the lower of cost or market value accounting policy, the unrealised losses and realised gains and losses are accounted through the profit and loss account. For hedging instruments following fair value accounting policy, the adjustment in fair value has to be accounted for in the profit and loss account if the fair value adjustment of the hedged item is recorded in the profit and loss. In case of cash flow hedged and hedge of a net investment in a foreign entity, the variation has to be recorded in the revaluation reserve. The Accounting Law does not foresee how to account for the hedged items neither during the period of hedging nor when the underlying transaction is settled.

Subject	*IFRS*	*LuxGAAP*
Derivatives and hedge accounting		
Disclosure – *Derivatives*	Refer to sections "Financial assets" and "Financial liabilities".	**Historical cost convention** For each class of derivatives that are not fair valued, the fair value and the nature of the instruments shall be disclosed in the notes to the annual accounts. **Fair value option** When using fair value accounting, the notes to the annual accounts shall include: • the main assumptions in relation to the models and valuation techniques used; • for each category of financial instruments, the fair value, the movements of fair value booked directly in the profit and loss account as well as the movements on the fair value reserve; • for each class of derivative financial instruments, indication of the volume and nature of the instruments, and in particular, the main modalities and conditions likely to impact the amount, timetable and the certainty of future cash flows; and • a table describing the movements on the fair value reserve during the financial year.

Disclosure – *Hedge accounting*	The entity shall disclose the following separately for each type of hedge relationship (i.e. fair value hedges, cash flow hedges and hedges of net investments in foreign operations):
	• a description of each type of hedge;
	• a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and
	• the nature of the risks being hedged.
	
	For cash flow hedges, the entity shall disclose:
	• the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;
	• a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;
	• the amount that was recognised in equity during the period;
	• the amount that was removed from equity and included in profit or loss for the period, showing the amount included in each line item in the income statement; and
	• the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.
	
	The entity shall disclose separately:
	• in fair value hedges, gains or losses:
	  - on the hedging instrument; and
	  - on the hedged item attributable to the hedged risk;
	• the ineffectiveness recognised in profit or loss that arises from cash flow hedges; and
	• the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.
		For each class of derivatives that are not fair valued, the fair value and the nature of the instruments shall be disclosed.
		
		When using fair value accounting, the notes to the annual accounts shall include:
		• the main assumptions in relation to the models and valuation techniques used;
		• for each category of financial instruments, the fair value, the movements of fair value booked directly in the profit and loss account as well as the movements on the fair value reserve;
		• for each class of derivative financial instruments, indication of the volume and nature of the instruments, and in particular, the main modalities and conditions likely to impact the amount, timetable and the certainty of future cash flows; and
		• a table describing the movements on the fair value reserve during the financial year.

Recent developments – IFRS 9 - Final draft on hedge accounting

On 7 September 2012, the IASB posted a final draft of the forthcoming general hedge accounting requirements that will be added to IFRS 9 - Financial Instruments. The hedge accounting standard is targeted to be published in the first half of 2013. EU endorsement is expected not earlier than 1 January 2015, the current planned effective date of completion of IFRS 9 (refer to "Recent developments – IFRS 9 - Financial Instruments" in the section "Financial assets" for information on other aspects of IFRS 9).

The rules on hedge accounting in IAS 39 - Financial Instruments: Recognition and Measurement have frustrated many preparers, as the requirements have not been well linked with common risk management practices. The detailed rules have at times made achieving hedge accounting impossible or very costly, even when the hedge has been an economically rational risk management strategy. Users have also found the current distinction between achieving hedge accounting or not as meaningless. They have often struggled to fully understand an entity's risk management activities based on its application of the hedge accounting rules. The IASB is addressing several of these concerns in this third phase of its efforts to replace IAS 39 with IFRS 9.

Hedge effectiveness tests and eligibility for hedge accounting

The final draft proposes relaxing the requirements for hedge effectiveness assessment and consequently the eligibility for hedge accounting. Under IAS 39 today, the hedge must both be expected to be highly effective (a prospective test) and be demonstrated to have actually been highly effective (a retrospective test) with highly effective defined as a bright line quantitative test of 80-125%. The final draft replaces this with a requirement for the hedge to be designated so as to be neutral and unbiased, and in a way that minimises expected ineffectiveness. This could be demonstrated qualitatively or quantitatively, depending on the characteristics of the hedge. For example, in a simple hedge where all the critical terms match, a qualitative test might be sufficient. On the other hand, in highly complex hedging strategies, some type of quantitative analysis – such as that required under current rules – would need to be performed. The 80-125% bright line rule would be removed. However, hedge ineffectiveness must still be measured and reported in profit or loss.

Hedged items

A number of changes are proposed to the rules for determining what can be designated as a hedged item. The proposed changes primarily remove restrictions that today prevent some economically rational hedging strategies from qualifying for hedge accounting. For example, the Exposure Draft proposes that risk components can be designated for non-financial hedged items provided the risk component is separately identifiable and measurable. This is good news for entities that hedge non-financial items for a commodity price risk that is only a component of the overall price risk of the item, as it is likely to result in more hedges of such items qualifying for hedge accounting.

In addition, the final draft would make the hedging of groups of items more flexible, although it does not cover macro hedging. This will be the subject of a separate Exposure Draft. Treasurers commonly group similar risk exposures and hedge only the net position (for example, the net of forecast purchases and sales in a foreign currency). Under IAS 39 today, such a net position cannot be designated as the hedged item. The final draft proposes that this be permitted if it is consistent with an entity's risk management strategy. However, if the hedged net positions consist of forecasted transactions, all hedged transactions have to relate to the same period.

Hedging instruments

The final draft relaxes the rules on using purchased options and non-derivative financial instruments as hedging instruments. For example, under the current hedging rules, the time value of purchased options is recognised on mark-to-market basis in net income, which can create significant volatility in profit or loss. In contrast, the final draft views a purchased option as similar to an insurance contract such that the initial time value (that is generally the premium paid) will be recognised in profit or loss, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects profit or loss if the hedge is transaction related. Any changes in the option's fair value associated with time value will only be recognised in other comprehensive income. This should result in less volatility in profit or loss for these types of hedges.

Subject	*IFRS*	*LuxGAAP*
Provisions and contingency		
Scope and standard	The standard applicable is IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.	Provisions are covered by the following articles: 34; 38; 44; 51; 64 and 65 (1) 7°.
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 entity's control.	Provisions include: • provisions for pensions and similar obligations; • provisions for taxation; and • other provisions. Provisions are 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. Provisions may also be created in order to cover charges which have their origin in the financial year under review or in a previous 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. Provisions may not be used to adjust the value of assets.
Recognition	A provision is recognised when: • the entity has a present obligation to transfer economic benefits as a result of past events; • it is probable (more likely than not) that such a transfer will be required to settle the obligation; and • a reliable estimate of the amount of the obligation can be made. A present obligation arises from an obligating event. It may take the form of either a legal obligation or a constructive obligation. An obligating event leaves the entity no realistic alternative to settle the obligation created by the event. If the entity can avoid the future expenditure by its future actions, it has no present obligation and a provision is not recognised.	Based on the prudence principle, companies are required to take into account all foreseeable liabilities and potential losses. It is also allowed to recognise provisions for future costs.

Subject	*IFRS*	*LuxGAAP*
Provisions and contingency		
Recognition – *Restructuring provision*	A present obligation exists only when the entity is demonstrably committed to the restructuring. An entity is usually demonstrably committed when there is a legal obligation or when the entity has a detailed formal plan for the restructuring. The entity must be unable to withdraw because it has started to implement the plan or announced its main features to those affected (constructive obligation). A current provision is unlikely to be justified if there will be a delay before the restructuring begins or the restructuring will take an unreasonably long time to complete.	No specific guidance under LuxGAAP. General conditions apply. In practice, similar to IFRS but less restrictive: management approval and commitment to the restructuring plan are sufficient.
Recognition – *Onerous contract*	IFRS requires recognition of an onerous loss for executory contracts if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract must be recognised and measured as a provision. Provisions are recognised when a contract becomes onerous regardless of whether the entity has ceased using the rights under the contract.	No specific guidance in the Accounting Law. General conditions apply. In practice, similar to IFRS. Provisions must be recorded to cover all potential losses (onerous contracts).
Recognition – *Contingent assets*	Contingent assets are not recognised in the financial statements because this may result in the recognition of income that may never be realised. If the inflow of economic benefits is probable, the entity should disclose a description of the contingent asset. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset, and its recognition is appropriate.	Not defined in the Accounting Law.
Recognition – *Contingent liabilities*	Contingent liabilities are disclosed in the notes unless the probability of outflows is remote.	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 annual accounts, a distinction being made between the various types of guarantees provided for by the Accounting Law and specific disclosure being made of any collateral granted on assets (such as guarantees, future rent payments, orders of equipment, pensions, etc.).

Subject	*IFRS*	*LuxGAAP*
Provisions and contingency		
Recognition – *Decommissioning, restoration and similar liabilities (asset retirement obligations)*	The present value of the costs of dismantling, removing or restoring as a result of a legal or constructive obligation is recognised as a liability and the corresponding cost capitalised as part of the related property, plant or equipment (refer to section "Property, plant and equipment"). An obligation arises either when the item is acquired or as a result of using the item during a particular period for purposes other than to produce inventories during that period. The accounting for changes in the measurement of the liability is different for the cost and the revaluation model.	Not defined in the Accounting Law.
Measurement	The amount recognised as a provision is the best estimate of the amount required to settle the obligation at the reporting date. Where material, the amount of the provision is the present value of the amount expected to be required to settle the obligation. Where there is a continuous range of possible outcomes and each point in that range is as likely as any other, the midpoint of the range is used.	No specific guidance on measurement in the Accounting Law. The amount recognised as a provision is the best estimate of the amount required to settle the obligation at the reporting date. The only specification in the Accounting Law is that a provision shall not exceed in amount the sums which are necessary.
Disclosure	For each class of provision, an entity shall disclose: • the carrying amount at the beginning and end of the period; • additional provisions made in the period, including increases to existing provisions; • amounts used (i.e. 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. As an exception to the general rules, comparative figures are not required for these disclosures.	The provisions shown in the balance sheet under "Other Provisions" must be disclosed in the notes to the annual accounts if they are material. The same applies to taxes recorded as provision. The total amount of any financial commitments that are not included in the balance sheet must be set out in the notes to the annual accounts insofar as this information is of assistance in assessing the financial position. Any commitments concerning pensions and commitments existing in respect of affiliated undertakings must be shown separately.

Subject	*IFRS*	*LuxGAAP*
Provisions and contingency		
	An entity shall disclose the following for each class of provision: • a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits; • an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events; and • the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement. Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable: • an estimate of its financial effect; • an indication of the uncertainties relating to the amount or timing of any outflow; and • the possibility of any reimbursement.	

Subject	*IFRS*	*LuxGAAP*
Employee benefits		
Scope and standard	The applicable standard is IAS 19 – Employee Benefits. IAS 19 applies to all types of employee benefits (except for share-based payments, refer to section “Share-based payment”), including: • short-term benefits payable during employment; • long-term benefits payable during employment; • termination benefits payable upon termination of employment; and • post-employment benefits. Benefits may be settled by payments (or the provision of goods or services) made either directly to the employees, ex-employees, to their spouses, children or other dependants or to others, such as insurance undertakings. These benefits may be set up by employers, insurance companies, the government or other institutions such as employer associations.	Staff expenses are covered by the following articles: 34; 46 and 65.
Definitions	Short-term employee benefits represent employee benefits (other than termination and equity compensation) due within 12 months after the employee rendered the related service. Examples include: salaries, social security contributions, paid sick leave, paid annual leave, bonuses, etc. and non-monetary benefits (medical care, car, etc.). Post-employment benefits represent employee benefits (other than termination and equity compensation) payable after the completion of service. It includes retirement benefits, such as pensions, and other post-employment benefits, such as post-employment life insurance and post-employment health care. Defined contribution plans 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 hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Define benefit plans are post-employment benefit plans under which employer’s obligation is to provide the agreed amount of benefits to current and former employees. The benefits are typically based on such factors as age, length of service and compensation. The actuarial risks and investment risks are retained by the employer. If actuarial or investment experience is different than expected, an employer’s obligation may increase or decrease through remeasurements.	There is no precise definition in the Accounting Law. Reference to IFRS definitions can be used. Staff expenses includes the following: • wages and salaries; • social security costs; • supplementary pension costs; and • miscellaneous social security costs.

Subject	*IFRS*	*LuxGAAP*
Employee benefits		
	Defined benefit plans may be unfunded, or they may be wholly or partly funded. A funded plan is one where contributions from an entity, and sometimes its employees, are paid into a fund that is legally separate from the entity and from which the employee benefits are paid. Remeasurements of the net defined benefit liability (asset) comprise: • actuarial gains and losses; • the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and • any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset). Actuarial gains and losses are: • past experience adjustments, i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred; and • the effects of changes in actuarial assumptions about future. Past-service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods resulting in the current period from the introduction of or changes to post-employment benefits or other long-term employee benefits contracts. Past-service costs may be either positive or negative. A curtailment occurs when an entity reduces significantly the number of employees, a curtailment gives rise to a past-service cost. Other long-term employee benefits include long-service leave, jubilee or other long-service benefits, long-term disability benefits, bonus if payable after 12 months, etc. Termination benefits are benefits payable to employees upon termination of their employment. Termination can occur either voluntarily or involuntarily.	

Subject	*IFRS*	*LuxGAAP*
Employee benefits		
Recognition	The standard requires an entity to recognise: • a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and • an expense when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.	The recognition of the employment benefits as liability and as expenses follows the same rules as IFRS.
	Termination benefits are recognised once a detailed formal plan is prepared and has been communicated to the relevant employees or their representatives.	Termination benefits are not specified in the Accounting Law. In practice, the rules for provision apply. Termination benefits are recognised once a detail formal plan is prepared and has been duly approved by the management.
	Past-service costs are recognised in the period of a plan amendment.	Past-service costs are recognised immediately in the profit and loss account.
	Curtailment gains/losses are accounted for as past-service costs.	Curtailment gains/losses are not specified in the Accounting Law. IFRS can be used as a benchmark.
Measurement – *Short-term employee benefits*	Expense is represented by the undiscounted amount of benefits payable during the accounting period. Any amount unpaid is a liability, any excess paid is an asset.	Not specified in the Accounting Law. IFRS can be used as a benchmark.
Measurement – *Post-employment benefits – Defined contribution plan*	Accounting for defined contribution plan is determined by the amounts to be contributed by the entity for the current period. For example, if monthly payments are required, the company should recognise an expense equal to these 12 monthly contributions. In the event that only 11 monthly payments have been made, an accrual will be required. If the company has paid in advance, a prepayment will be needed to reduce the expense. Obligations are measured on an undiscounted basis, except where they do not fall due within 12 months of the employee rendering the service. The amount recognised as an expense shall be disclosed.	Not specified in the Accounting Law. IFRS can be used as a benchmark.
Measurement – *Post-employment benefits – Defined benefit plan*	Accounting for defined benefit plan involves the following steps: • the use of actuarial techniques and assumptions to make reliable estimates of the amount of benefits earned by employee in return for services rendered in current and prior periods; • the determination of the present value of the defined benefit obligation and current service cost using the projected unit credit method; this method 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;	Not specified in the Accounting Law. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Employee benefits		
	• the determination of the net interest by multiplying the discount rate to the net defined benefit obligation (asset), both as determined at the beginning of the period taking into account any changes in the period due to contributions and benefit payments; • the calculation of the fair value of the plan assets (if any); • the determination of the actual return on plan assets; the difference between the actual return and expected return computed within net interest mentioned above is part of the remeasurements, the one resulting from changes in assumptions on plan assets; • the determination of the amount of actuarial gains and losses and past-service costs that shall be recognised on the defined benefit obligation; this is that part of remeasurements resulting from changes in assumptions on defined benefit obligations; and • it is established whether a settlement has occurred.	
	The liability in the balance sheet comprises the defined benefit obligation less the plan assets.	IFRS can be used as a benchmark.
	The amount recognised in an employer's profit or loss comprise: • current service cost; • net interest cost; • past-service costs recognised in full immediately (since 1 January 2013); and • the effect of any settlement.	IFRS can be used as a benchmark.
	Remeasurements are recognised in full immediately in the other comprehensive income (since 1 January 2013). Actuarial gains and losses are part of the remeasurements. Actuarial gains and losses arise from unexpected increases or decreases in the defined benefit obligation, including the effects of changes in assumptions. For example, actuarial gains and losses will result from unexpected high or low rates of employee turnover, early retirements, or mortality; unexpected changes in salaries or medical costs; and changes in the discount rate. Remeasurements include also differences between the expected and the actual return on plan assets.	Gains and losses are fully recognised in the profit and loss account.

Subject	*IFRS*	*LuxGAAP*
Employee benefits		
Measurement – *Other long-term employee benefits*	The measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits. These benefits are seldom “funded” whereas pensions or post-employment healthcare usually are. Furthermore, the introduction of, or changes to, other long-term employee benefits rarely causes a material amount of past-service cost.	Not specified. IFRS principles are acceptable under LuxGAAP.
Measurement – *Termination benefits*	Termination benefits shall be remeasured through profit or loss based on the number of employees expected to accept the offer. Where benefits fall due more than 12 months after the balance sheet date, the amount of the obligation shall be discounted.	Termination benefits are recognised in the profit and loss account when the plan is prepared and approved by the management.

Subject	*IFRS*	*LuxGAAP*
Employee benefits		
Disclosure	IAS 19 does not require any specific disclosures of short-term and other long-term benefits. If there is uncertainty about the number of employees who will accept termination benefits, a contingent liability should be disclosed. The only specific disclosure required by IAS 19 in respect of defined contribution plans is the amount recognised as an expense in the period. Disclosures specific to defined benefit plan includes: • a general description of the plans; • the principal actuarial assumptions including discount rates, expected rates of return on plan assets, expected rates of salary increases, medical cost trend rates, and any other material assumptions such as mortality; • the expense recognised for the period in the statement of comprehensive income; • the amounts recognised in the balance sheet should be reconciled to the present value of the defined benefit obligation less the fair value of the plan assets and past-service cost; • a reconciliation of opening and closing balances of the present value of the defined benefit obligations showing separately, if applicable, current service cost, interest cost, contributions by plan participants, actuarial gains and losses, exchange differences, benefits paid, past-service cost and any effects of a business combination or settlement; • a reconciliation of opening and closing balances of the fair value of plan assets (if any) showing separately, if applicable, expected return on plan assets, remeasurements, exchange differences, contributions by the employer and plan participants, benefits paid and any effects of a business combination or settlement; • an explanation on how involvement in defined benefit plans affect future entity's cash flows regarding timing, amount and uncertainty; and • information about the maturity profile of the benefit obligation.	No specific disclosures required by the Accounting Law. True and fair view principle must be met so any information useful for investors should be disclosed. The notes to the annual accounts must at least set out the amount of the emoluments granted in respect of the financial year to the members of the management and the supervisory bodies in that capacity 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.

Subject	*IFRS*	*LuxGAAP*
Share-based payment		
Scope and standard	The applicable standard is IFRS 2 - Share-based Payment. Share-based payment transactions include equity-settled and cash-settled share-based payments.	The Accounting Law does not deal with share-based payment as such. The only requirement is covered by article 65 (1) 12°.
Definitions	Share-based payments encompass all arrangements where an entity purchases goods or services in exchange for the issue of equity instruments (including shares or share options), or cash payments based on the price (or value) of the equity instruments of the entity or another group entity. Share-based payment transactions include: • equity-settled share-based payment transactions (entity receives goods or services as consideration for its own equity instruments or the entity has no obligation to settle the share-based payment transaction); • cash-settled share-based payment transactions (entity acquires goods or services by incurring liabilities, but amount is based on the price (or value) of the equity instruments of the entity or another group entity); and • choice of settlement, where arrangements provide either the entity or the counterparty with a choice of settlement in cash or equity.	There is no definition in the Accounting Law. Share-based payment transactions include equity-settled and cash-settled share-based payments in the frame of incentive plans, notably stock option plans or share plans.
Recognition	An entity recognises the goods or services in a share-based payment transaction when it obtains the goods or receives the services.	Stock option plans are only recognised in balance sheet when issued for a consideration. Therefore in most cases, options are not accounted for on the balance sheet as they are usually granted for free to the employees. The accounting treatment of the share award plans is the same as for stock option plans.
Measurement – *Equity-settled share-based transactions*	Transactions are initially measured at fair value of the goods or services received. If the entity cannot estimate reliably these fair values, which is deemed always to be the case for transactions with employees, the transactions are initially measured at the fair value of the equity instruments granted, ignoring any service or non-market vesting conditions or reload features. Subsequently, as any other equity instrument, equity-settled share-based transactions are not remeasured.	No specific guidance. Options settled in newly issued shares only impact equity for the exercise price of the options. For options settled in existing shares, the difference between the cost of shares to deliver and the consideration to be paid by the option holder is booked as provision. This spread is amortised over the vesting period of the options for plans remunerating the employee’s future services.

Subject	*IFRS*	*LuxGAAP*
Share-based payment		
Measurement – *Cash-settled share-based transaction*	Cash-settled share-based payment transactions are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at each reporting date and at the date of final settlement, with any changes in fair value recognised in profit or loss.	A provision based on the spread between the exercise price of the option and the cost at closing date of the shares to deliver is accounted for. As for equity-settled plans, if this remuneration is for consideration of future services, the spread is amortised over the vesting period.
Measurement – *Settlement choice*	Awards that offer the counterparty the choice of settlement in equity instruments or settlement in cash should be bifurcated and treated as a compound instrument. If the entity may choose the method of settlement, it should determine whether, in substance, it has created an obligation to settle in cash. This may be for example if: • the choice of settlement in equity instruments has no commercial substance (for example, because the entity is prohibited from issuing shares); • the entity has a past practice or stated policy of settling in cash; or • the entity generally settles in cash whenever the counterparty requests it. If obligation to settle in cash does exist, the entity accounts for transaction as a cash-settled share-based payment. Otherwise, the transaction is treated as an equity-settled share-based payment.	For awards that offer the counterparty the choice of settlement in equity instruments or settlement in cash, the prudence principle shall be applied and a provision might be required. If the entity may choose the method of settlement, the accounting treatment depends on the settlement foreseen by the management.
Disclosure	The disclosures required have the purpose of enabling the users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period. The description of the share-based payment, the weighted exercise prices of the share options by different type of groups, as well as information about the options outstanding at year end (e.g. the remaining contractual life) are examples of disclosures required. There are also other specific disclosures required with the purpose to enable 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. In addition, the entity shall disclose information that enable 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.	Each share-based payment shall be disclosed in the notes to the annual accounts detailing the rights they confer. In addition, disclosure is required for share-based payment granted to management and supervisory bodies.

Subject	*IFRS*	*LuxGAAP*
Deferred taxes		
Scope and standard	The applicable standard is IAS 12 - Income Taxes.	Deferred taxes are covered by the articles 65 (1) 11° and 332 (4)*.
Definitions	Deferred tax represents the amounts of income taxes payable (potentially recoverable) in future in respect of taxable (deductible) temporary differences (and the carry-forward of unused tax losses and tax credits) between the carrying amount and related tax basis.	The deferred taxes are not clearly defined in the Accounting Law.
	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.	Not defined. IFRS can be used as a benchmark.
	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.	Not defined. IFRS can be used as a benchmark.
	Temporary differences are differences between the tax basis of an asset or liability and its carrying amount in the financial statements that will result in a taxable or deductible amount when the carrying amount of the asset or liability is recovered or settled.	Not defined. IFRS can be used as a benchmark.
Recognition	A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the exemptions mentioned below.	Deferred tax may result from the discrepancies between the individual's commercial balance sheet and the individual's tax balance sheet. Generally, in Luxembourg, there is no deferred tax recognised in the stand-alone accounts as the tax balance sheet is linked to the commercial balance sheet. A deferred tax liability is recognised in the consolidated balance sheet with a charge in the consolidated profit and loss account as the consolidation result is not the sum of the results of the companies included in the consolidated accounts as different valuation rules might be applied than in loacl accounts and as intercompany transactions are eliminated in the consolidated accounts.
	A deferred tax asset shall be recognised for all deductible temporary differences, unless the deferred tax asset arises from the exemptions mentioned below, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.	No guidance. IFRS can be used as a benchmark. However, following the prudence principle, deferred tax assets are recognised up to the amount of deferred tax liabilities. Deferred tax assets are recognised for the preparation of the consolidated accounts when it is probable that an actual tax charge will arise within the foreseeable future for one of the undertakings included in the consolidation.

Subject	*IFRS*	*LuxGAAP*
Deferred taxes		
	Exceptions are: • non-deductible goodwill (which is not deductible for tax purposes) and negative goodwill; • initial recognition of an asset or liability in a transaction that: - is not a business combination; and - affects neither accounting profit nor taxable profit at the time of the transaction; and • investment in subsidiaries, branches and associates, and interests in joint ventures, where: - the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and - it is probable that the temporary difference will not reverse in the foreseeable future. Other amounts that do not have a tax consequence (commonly referred to as permanent differences) exist and depend on the tax rules and jurisdiction of the entity. The concept of valuation allowance is not applicable as a deferred tax is only recognised to the extent that it is probable that there will be sufficient future taxable profit to enable recovery of the deferred tax asset.	
Recognition – *Review of deferred tax assets*	The carrying amount of the deferred tax asset is reviewed at each reporting date and is reduced when it is no longer probable that sufficient taxable profit will be available to allow recovery of the deferred tax asset. This reduction is reversed when subsequently it becomes probable that sufficient taxable profit will be available.	Not specified in the Accounting Law.
Recognition – *Recognition directly in other comprehensive income*	Current and deferred tax is recognised in profit of loss, except to the extent that the tax arises from a business transaction or a transaction or event that is recognised in the same or other period in other comprehensive income.	When the company choose to recognise at fair value through equity, the deferred taxes due to adjustment of fair value of financial instruments and/or other categories of assets which can be classified in a revaluation reserve account shall be accounted in the same caption. When the recognition is at fair value through profit and loss, the deferred tax charge/income shall be recorded in the profit and loss account in counterpart of the related deferred tax liability/asset.
Recognition – *Business combinations – acquisitions*	Step-up of acquired assets/liabilities to fair value originate the recognition of a deferred tax unless the tax base of the asset is also stepped up. Previously unrecognised tax losses of the acquirer originate the recognition of a deferred tax asset if the recognition criteria for the deferred tax asset are met as a result of the acquisition. Offsetting credit is recorded in income statement, not goodwill. Tax losses of the acquiree follow similar requirements as for the acquirer, except the offsetting credit, which is recorded against goodwill.	Not specified in the Accounting Law.

Subject	*IFRS*	*LuxGAAP*
Deferred taxes		
	Previously tax losses of the acquirer that existed at the date of acquisition originate the recognition of a deferred tax asset that reduces goodwill and then reduces tax expense. There is no time limit for recognition of this deferred tax asset.	
Recognition – *Specific applications*	While not specifically addressed within IFRS, an entity reflects the tax consequences that follow from the manner in which it expects, at the statement of financial position date, to be paid to (recovered from) the taxation authorities. The tax position is measured using either an expected value approach or a single best estimate of the most likely outcome. The cumulative probability model is not permitted under IFRS.	Not specified in the Accounting Law
Recognition – *Share-based compensation*	If a tax deduction exceeds cumulative share-based compensation expense, deferred tax calculations based on the excess deduction are recorded directly in equity. If the tax deduction is less than or equal to cumulative share-based compensation expense, deferred taxes arising are recorded in income statement. The unit of accounting is an individual award. If changes in the stock price impact the future tax deduction, the measurement of the deferred tax asset is based on the current stock price.	Not specified in the Accounting Law.
Measurement	IAS 12 requires deferred tax to be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. 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. Rate used is the applicable rate for expected manner of recovery, it means that it is dependent on whether asset is to be used or sold or a combination of these. For investment properties carried under the fair value model (refer to section "Investment property"), there is a rebuttable presumption of recovery through sale. IAS 12 prohibits discounting of deferred tax assets and liabilities to reflect the time value of money.	No guidance. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Deferred taxes		
Disclosure	Offset of deferred tax assets and liabilities is permitted only when the entity has a legally enforceable right to offset, and the balance relates to tax levied by the same authority. Deferred tax assets and liabilities are classified net as non-current on the statement of financial position, with supplemental note disclosure for the components of the temporary differences, and amounts expected to be recovered within 12 months and more than 12 months of the statement of financial position date. Reconciliation of actual and expected tax expense is required calculated by applying the applicable tax rates to accounting profit, disclosing also the basis on which the applicable tax rates are calculated.	Deferred tax liabilities are recorded in the caption “Provisions for taxation”. Not defined for deferred tax assets but they are generally classified in the caption “Debtors – Other receivables”. The notes to the annual accounts must set out the difference between the tax charged for the financial year and for earlier financial years and the amount of tax already paid or payable in respect of those years, to the extent that this difference is material for purposes of future taxation.

Subject	*IFRS*	*LuxGAAP*
Investment in subsidiaries, associates and jointly controlled entities in separate financial statements		
Scope and standard	The applicable standard is IAS 27 – Consolidated and Separate Financial Statements.	Investments in subsidiaries, associates and joint ventures are covered by the following articles of the Accounting Law: 34; 39; 41; 55; 58; 61; 64bis; 64ter; 64quater; 64quinquies and 65.
Definitions	Refer to the various subsections of section "Consolidation and business combinations".	Refer to the various subsections of section "Consolidation and business combinations".
Recognition	A subsidiary is recognised when the entity has control over the subsidiary. Meaning of control is detailed in the section "Consolidated financial statements". An associate is recognised when the entity has significant influence over it. Joint operation is recognised when parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangements. Joint venture is recognised when the parties that jointly control the arrangement have rights to the net assets of the arrangement.	A subsidiary is recognised when the entity has control over the subsidiary while an associate is recognised when the entity has significant influence over it. When joint control is obtained, jointly controlled undertakings are recognised.
Initial measurement	Subsidiaries, associates and jointly controlled entities are initially recognised at cost which is normally the fair value of the considerations paid by the purchaser. There is a policy choice to include transaction costs as part of the initial measurement or to expense these costs in profit or loss.	Subsidiaries and participating interests are initially recorded at purchase price or net equity. Two accounting treatments are possible to record these assets under the net equity method: • they are recorded at cost and the difference between the proportion of capital plus reserves and the cost is disclosed in the notes to the annual accounts; • they are recorded at the amount corresponding to the proportion of the capital and reserves owned. If the positive difference calculated is not attributable to a category of assets or liabilities, it is then accounted for as goodwill and amortised over a period of five years maximum or more provided that the period of amortisation does not exceed the useful economic life of the asset. The purchase price or the net equity includes all expenses incidental thereto like transaction costs.

Subject	*IFRS*	*LuxGAAP*
Investment in subsidiaries, associates and jointly controlled entities in separate financial statements		
Subsequent measurement	Accounting for subsidiaries, associates and joint ventures in the separate financial statements is either at cost or at fair value in accordance with IAS 39 - Financial Instruments: Recognition and Measurement (refer to section "Financial assets"). The accounting policy chosen shall be disclosed in the notes to the financial statements and shall be applied consistently. Accounting for joint operations is the same in the separate financial statements and in consolidated financial statements and it is described in the section "Investments in joint arrangements".	Subsequently, investment in subsidiaries, associates and jointly controlled entities can be measured at cost less permanent value reduction, lower of cost or market value, net equity or fair value. **Historical cost convention** ***Valuation at purchase price*** Investment in subsidiaries, associates and jointly controlled undertakings remain valued at purchase price including the expenses incidental thereto. In the case of durable depreciation in value, value adjustments are made in respect of financial fixed assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply. ***Valuation at the "lower of cost or market value"*** Investment in subsidiaries, associates and jointly controlled undertakings are valued at the lower of purchase price including the expenses incidental thereto or the market value. Market value corresponds to: • the last available quote on the valuation day for securities listed on a stock exchange or traded on another regulated market; or • the probable market estimated with due care and in good faith, without set off of individual gains and losses in value, for unlisted securities or securities that are not traded on another regulated market, for securities listed on a stock exchange or traded on another regulated market where the latest quote is not representative. The value adjustment is not continued if the reasons for which it was made have ceased to apply. ***Net equity method*** At each balance sheet date, the proportion of the net result attributable to the subsidiaries and to the participating interests can be recorded: • in the profit and loss account; or • in a revaluation reserve not available for distribution. ***Fair value option*** According to art. 64bis (4), interests in subsidiaries, associated undertakings and joint ventures can not be valued at fair value. By way of derogation to the above mentioned article, these assets can be valued at fair value if permitted under IFRS. So if applicable, refer to IFRS guidance and disclosure requirements.

Subject	IFRS	LuxGAAP
Investment in subsidiaries, associates and jointly controlled entities in separate financial statements		
Disclosure	When a parent, in accordance with IFRS 10 - Consolidated Financial Statements, elects not to prepare consolidated financial statements 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, joint ventures and associates, including: - the name of those investees; - the principal place of business (and country of incorporation, if different) of those investees; and - its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees; and • a description of the method used to account for the investments listed above. When a parent (other than a parent covered by the above paragraph) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with IFRS to which they relate.	Shares in affiliated undertakings and participating interests in which the company holds at least 20% of the share capital, shall be described in the notes to the annual accounts, and in particular, in relation to the following: • the name and registered office of each of the undertakings; • the proportion of capital held; and • the amount of capital and reserves and the profit and loss for the latest financial year of the undertaking concerned for which the accounts have been approved. The information above prescribed may be included in a separate statement filed with the register of commerce and companies; this must be disclosed in the notes to the annual accounts. These information may be omitted when they are negligible as regards to the true and fair view, or when its nature is such that it would be seriously prejudicial to any of the undertakings. The information concerning capital and reserves and the profit and loss may be omitted when the undertaking does not publish its balance sheet and less than 50% of its capital is held, directly or indirectly, by the company; or when the undertaking is included in consolidated accounts; or when the parent company discloses these rights in its annual accounts or in its consolidated accounts. Where the company has unlimited liability on its undertaking, the name, registered office and legal form of the latest shall be disclosed in the notes to the annual accounts.

Subject	*IFRS*	*LuxGAAP*
Investment in subsidiaries, associates and jointly controlled entities in separate financial statements		
	The parent or investor shall also disclose in its separate financial statements: • the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law; • a list of significant investments in subsidiaries, joint ventures and associates, including: - the name of those investees; - the principal place of business (and country of incorporation, if different) of those investees; - its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees; and • a description of the method used to account for the investments listed above.	In addition, movements in financial fixed assets shall be disclosed in the notes to the annual accounts. If financial fixed assets are valued according to purchase price less durable impairment and its fair value is below acquisition price but no impairment is booked, the management shall disclose the fair value in the notes to the annual accounts as well as the reasons for not reducing the book value, including the nature of the evidence that the book value will be recovered. 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 annual accounts. When the amortisation of the goodwill exceeds five years, this fact shall be disclosed in the notes to the annual accounts with the reasons therefore.

Revenue and expenses

Subject	*IFRS*	*LuxGAAP*
Revenue recognition		
Scope and standard	The applicable standards are IAS 18 - Revenue and IAS 11 - Construction Contracts. Those standards capture revenue transactions within four broad categories: • sale of goods; • rendering of services; • others' use of an entity's assets (yielding interest, royalties, etc.); and • construction contracts.	Revenue recognition is covered by the following articles: 46; 48; 51 (1) c); 64bis and 65 (1) 8°, 14°.
Definitions	Income is increases in economic benefits during the reporting period in the form of inflows or enhancements of assets; or decreases in liabilities that result in increases in equity, other than those relating to contributions from equity investors. Income is defined in the Conceptual Framework as including revenues and gains. Revenue is income that arises in the course of an entity's ordinary activities. It is referred to by a variety of terms including sales, fees, interest, dividends, royalties and rent. A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use. Retentions are amounts of progress billings that are not paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. Progress billings are amounts billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts received by the contractor before the related work is performed.	No specific definition of income in the Accounting Law. In practice, it includes revenues and realised gains. Unrealised gains can be accounted for financial instruments and for some other categories of assets when using the fair value option. The net turnover shall comprise the amounts derived from the sale of products and the provision of services falling within the company's ordinary activities, after deductions of sales and rebates and of value added tax and other taxes directly linked to the turnover.
Recognition	The standard on revenue recognition describes specific criteria for the sale of goods, the rendering of services and interest, royalties and dividends. The revenue recognition criteria common to each of these are the probability that the economic benefits associated with the transaction will flow to the entity, and that the revenue and costs can be measured reliably.	All income relating to the current year must be accounted for whether or not paid.
Recognition – *Sale of goods*	In addition to the general revenue recognition criteria above, revenue from the sale of goods is recognised when: • the entity has transferred to the buyer the significant risks and rewards of ownership of goods; and • the entity retains neither continuing managerial involvement nor effective control over the goods sold.	IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Revenue recognition		
Recognition – *Rendering of services*	Service transactions are accounted for under the percentage of completion method when the outcome of a transaction can be reliably estimated. Revenue may be recognised on a straight-line basis if the services are performed by an indeterminate number of acts over a specified period of time. When the outcome of a service transaction cannot be estimated reliably, revenue is only recognised to the extent of recoverable expenses incurred. Recognition of revenue may have to be deferred in instances where a specific act is more significant than any other acts and recognised when the significant act is executed.	Not specified in the Accounting Law but in practice, service transactions are accounted for under the percentage of completion method or the completed contract method. Under the percentage of completion method, costs allocated to the contract and incurred before the close of the financial year are compared to the total estimated costs of the completed contract. That percentage of completion is applied to the gross revenue from the contract to determine the amount to be recorded. Under the completed contract method, revenue, expenses, and gross profit is deferred until the completion of the contract. If work on a contract remains incomplete at the end of the financial year, no revenue, expenses, and profit on that contract is recognised in the current year on the profit and loss account; all costs are accumulated in respective balance sheet accounts. However for both methods, expected loss should be recognised fully and immediately due to prudence principle. The method applied should be described in the notes to the annual accounts.
Recognition – *Financial fee income*	IAS 18 (appendix) considers 3 types of financial fee income: • commissions which are an integral part of the effective yield of a financial instrument, such as loan commitment fees when the credit is drawn. These commissions are part of interest income, which is accrued on the basis of the effective interest method; • commissions which are earned when services are rendered, such as credit maintenance fees or custodian fees; and • commissions which are earned upon execution of a significant act, such as arrangement fees. These are immediately recognised as income when the significant act is rendered and the entity has no further obligation to service an asset or to provide other services.	Not specified in the Accounting Law.
Recognition – *Interest*	Interest shall be recognised using the effective interest method. For details regarding the effective interest method, refer to section “Financial assets”.	Interest revenue is recognised on an accrual basis. The effective interest method can be used as an alternative.

Subject	*IFRS*	*LuxGAAP*
Revenue recognition		
Recognition – *Royalties*	Royalties shall be recognised on an accrual basis in accordance with the substance of the relevant agreement.	Royalties are recognised on an accrual basis.
Recognition – *Dividends*	Dividends are recognised when the shareholder's right to receive payment is established.	Dividends are recognised when the shareholder's right to receive payment is established.
Recognition – *Agreements for the construction of real estate*	An entity that undertakes the construction of real estate and that enters into an agreement with one or more buyers accounts for the agreement as a sale of services using the percentage of completion method if: • 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; or • the buyer acquires and supplies construction materials and the entity provides only construction services.	Not specified in the Accounting Law. Operation can be accounted for under the percentage of completion method or the completed contract method.
Recognition – *Construction contracts*	When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised 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 shall be recognised immediately in full. When the outcome of the construction contract cannot be estimated reliably: • revenue shall be recognised only to the extent of contract costs incurred that it is probable to be recovered; and • contract costs shall be recognised as an expense in the period in which they are incurred.	Not specified in the Accounting Law. These contracts can be accounted for under the percentage of completion construction contracts method or the completed contract method.
Recognition – *Warranty and product maintenance contracts*	When the product's selling price includes an identifiable component for subsequent servicing, the latter is deferred and recognised over the warranty period.	Similar to IFRS. Provisions for probable warranties costs need to be recognised.

<table>
<tr><th>Subject</th><th>IFRS</th><th>LuxGAAP</th></tr>
<tr><td colspan="3">Revenue recognition</td></tr>
<tr><td>Recognition – Barter transactions</td><td>A barter arrangement exists when two companies enter into a non-cash transaction to exchange goods or services. Under IFRS, revenue may generally be recognised on the exchange of dissimilar goods and services if the amount of revenue can be measured reliably. The transaction must be measured at the fair value of goods or services received; however, where the fair value of goods or services received cannot be reliably measured, the fair value of the goods and services given up is used. The fair value of advertising received or provided in a barter transaction is generally measured by reference to equivalent non-barter transactions.</td><td>Not specified in the Accounting Law. LuxGAAP does not make a distinction between exchanges of similar and dissimilar goods or services. However, there are two possible options that can be used at initial recognition:
• the acquisition value of goods or services received by exchange equals the book value of the goods or services exchanged; or
• the acquisition value of goods or services received by exchange equals the fair value of the goods or services exchanged.</td></tr>
<tr><td>Recognition – Multiple element arrangements</td><td>The revenue recognition criteria are usually applied separately to each transaction. However, in certain circumstances, it is necessary to separate a transaction into identifiable components in order to reflect the substance of the transaction. Two or more transactions may need to be grouped together if they are linked in such a way that the whole commercial effect cannot be understood without reference to the series of transactions as a whole.</td><td>Not specified in the Accounting Law.</td></tr>
<tr><td>Measurement</td><td>Measurement of revenue at the fair value of the consideration received or receivable is required.</td><td>Not specified in the Accounting Law. IFRS can be used as a benchmark.</td></tr>
<tr><td>Disclosure</td><td>A wide series of disclosure is required, especially on areas like contracts and work in progress.

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.

An entity shall disclose each of the following for 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.

Additional specific presentation and disclosure is required regarding the retentions, progress billings and advances.</td><td>The notes to the annual accounts must at least set out the net turnover broken down by categories of activity, and into geographical markets insofar as, taking account of the manner in which the sale of products and the provision of services falling within the undertaking’s ordinary activities are organised, these categories and markets differ substantially from one to another.

Additionally information must be given concerning the income in respect of the financial year which is receivable after the end of the financial year and are shown under “Debtors”, when such income is material.</td></tr>
</table>

Recent developments – Exposure Draft, Revenue Recognition

This Exposure Draft proposes a new revenue standard that will replace IAS 11 - Construction Contracts and IAS 18 - Revenue. The proposal is a single model for the recognition of revenue that should apply to all contracts with customers, identifying obligations to perform. There are also proposed changes to the measurement of revenue with contingent fees and credit risk being taken into account.

The IASB and FASB (together "the boards") reached a number of decisions regarding their project on revenue recognition. The boards addressed two fundamental issues: identifying separate performance obligations and determining when control over goods or services is transferred. The boards also reached decisions on other key areas.

Identifying separate performance obligations

A key step in the revenue recognition model is identifying the separate performance obligations in a contract. The boards agreed to clarify the principle for identifying separate performance obligations and refine the criteria for identifying when goods or services are distinct. An entity will account for a promised good or service (or a bundle of goods or services) as a separate performance obligation if it:

- could be distinct (the customer can benefit from the good or service either on its own or together with other resources readily available to the customer); and
- is distinct based on the substance of the contract (not highly dependent on or interrelated with other promised goods or services in the contract).

Performance obligations satisfied over time

The boards clarified the criteria to determine when a performance obligation is satisfied over time. The guidance was refined to better address service contracts. The indicators of when an asset has no alternative use and when the entity has a right to payment for performance to date were also refined.

Transfer of goods and services

An entity would recognise revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer.

Presentation of the effects of credit risk

Impairment as a result of credit risk is presented as a separate line item adjacent to revenue. Both the initial impairment assessment and any subsequent changes in the estimate are recorded in this line item, such that the cash ultimately received from the customer equals the sum of the two line items if the contract does not have a significant financing component.

Contract cost

An entity would recognise as an asset the incremental costs of obtaining a contract if the entity expects to recover those costs.

Onerous performance obligations

An entity recognises a loss for a performance obligation that is satisfied over a period greater than one year if the performance obligation is onerous. A performance obligation is onerous if the lower of the cost to settle or fulfil the performance obligation exceeds the transaction price allocated to that performance obligation.

Reasonably assured constraint

Revenue is only recognised to the extent that the entity is reasonably assured to be entitled to the consideration.

Warranties

Only warranties that provide a service in addition to quality assurance should be accounted for as a separate performance obligation. Warranties for quality assurance should be accounted for as a cost accrual similar to current guidance.

Contract combination

Interrelated contracts should be combined. Contracts might be interrelated if they are entered into at or near the same time, with the same party (or related parties), and if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective;
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods or services promised in the contracts (or some goods or services promised in the contracts) are a single performance obligation.

Timetable

The boards' timeline indicates issuance of a final standard in the second quarter of 2013. The final standard is expected to have an effective date no earlier than 2015 and will have to be endorsed by the EU.

Subject	*IFRS*	*LuxGAAP*
Expenses recognition		
Scope and standard	The applicable guidance is given by the Conceptual Framework.	Expenses are not specifically defined in the Accounting Law.
Definitions	Expenses are decreases in economic benefits during the reporting period in the form of outflows, depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity investors.	Expenses are not specifically defined in the Accounting Law.
Recognition	The recognition of expenses results directly from the recognition and measurement of assets and liabilities. Expenses are recognised in the statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an outflow of future economic benefits due to increase of a liability has arisen that can be measured reliably.	Expenses are recognised when incurred or when probable. Interest expense is recognised on an accrual basis. The effective interest method can be used as an alternative.

Consolidation and business combinations

Recent developments – Consolidation standards

In 2012, the IASB released IFRS 10, IFRS 11, IFRS 12 and has amended IAS 27 and IAS 28, this project being known under "pack of five".

IFRS 10 - Consolidated Financial Statements is introducing new guidance on control and consolidation. Before issuance of IFRS 10, the applicable standards for consolidated financial statements were IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation – Special Purpose Entities. After application of IFRS 10, IAS 27 continues to exist, but under the new name of: "Separate Financial Statements" and with the scope reduced accordingly.

IFRS 11 - Joint Arrangements focuses on the rights and obligations of the arrangement, rather than its legal form. IAS 31 - Interests in Joint Ventures will be fully replaced by IFRS 11. Changes in the definitions have reduced the "types" of joint arrangements to two: joint operations and joint ventures. The concept of "joint venture" had a broader meaning under IAS 31 compared to IFRS 11; the equivalent category under IFRS 11 is "joint arrangement". Under IFRS 11, the concept of "joint venture" is narrower becoming a subclass within the "joint arrangement" concept; it is comparable to the concept of "jointly controlled entities" under IAS 31 in terms of comprehensiveness. Proportional consolidation of joint ventures is no longer allowed.

The IASB issued a new version of IAS 28 - Investments in Associates and Joint Ventures, now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 12 - Disclosure of Interests in Other Entities is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

The new standards as issued by the IASB are effective for annual periods beginning on or after 1 January 2013. The EU has endorsed the standards in December 2012 with an effective date for annual periods beginning on or after 1 January 2014; early application is permitted.

In conclusion, for the annual periods starting on 1 January 2013 or earlier, Luxembourg entities can apply the old version of IAS 27 - Consolidated and Separate Financial Statements, SIC 12 - Consolidation – Special Purpose Entities, IAS 28 - Investments in Associates and IAS 31 - Interests in Joint Ventures or can early adopt the entire pack of five.

Since two versions of the IFRS are applicable in 2013, they are both presented in this section.

On 31 October 2012, the IASB has issued an amendment to IFRS 10 in order to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The amendment is effective 1 January 2014 with early adoption permitted. However, this amendment is not yet endorsed by the EU at the date of this publication. Endorsement is expected before year end 2013. Consequently, Luxembourg entities cannot currently apply the amendment. Further details on this amendment are given in the section "Recent developments – Amendment to IFRS 10 - Investment Entities".

Subject	*IFRS (IAS 27/SIC 12)*	*IFRS (IFRS 10)*	*LuxGAAP*
Consolidated financial statements			
Scope and standard	The applicable standard is IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation – Special Purpose Entities.	The applicable standard is IFRS 10 - Consolidated Financial Statements.	The consolidation is covered by articles 309* to 344* of the Company Law. The valuation rules are defined by the Accounting Law.
Definitions	A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent). A parent is an entity that has one or more subsidiaries. A group is a parent and all its subsidiaries. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Consolidated financial statements are the financial statements of a group presented as those of a single economic entity.	Subsidiary is defined as being an entity that is controlled by another entity. A parent is defined as being an entity that controls one or more entities. The definitions of a group and non-controlling interest are similar to IAS 27. 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 is not defined in the Commercial Law. A subsidiary is a company that is controlled by the entity. A parent is an entity that has one or more subsidiaries. A group is a parent and all its subsidiaries. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Consolidated financial statements are the financial statements of a group presented as those of a single economic entity.
Requirement to prepare consolidated financial statements	Parent entities prepare consolidated financial statements that include all subsidiaries. An exemption applies to a parent entity when all of the following conditions apply: • it is itself a wholly-owned subsidiary, or is a partially-owned subsidiary and its other owners (including those not entitled to vote) have been informed about and do not object to the parent not presenting consolidated financial statements; • the parent's debt or equity securities are not publicly traded and the parent is not in the process of issuing securities in public security markets; and • the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with IFRS.	Similar to IAS 27.	LuxGAAP requires the preparation of consolidated financial statements for all companies as defined in the Company Law, if the undertaking: • has a majority of shareholders' or voting rights in another undertaking; or • has the right to appoint or remove a majority of the management or supervisory body of another undertaking and is at the same time a shareholder in or member of that undertaking; or • is a shareholder in or member of another undertaking and controls alone a majority of the voting rights, pursuant to an agreement with other shareholders. Exemptions exist under certain conditions for: • small-sized groups[3]. This exemption shall not apply to

3 A group is categorised as a small-sized group when the parent company does not, on a consolidated basis, exceed the limits of two of the three criteria set out below during two consecutive years :
- total balance sheet: 17.5m euros;
- net turnover: 35m euros;
- average number of full-time staff: 250.

Subject	IFRS (IAS 27/SIC 12)	IFRS (IFRS 10)	LuxGAAP
Consolidated financial statements			
			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. • financial holding companies under certain conditions; • subsidiaries of a parent company preparing consolidated accounts and incorporated in one of the Member States of the European Union. In that case, consolidated financial statements of the parent must be published in Luxembourg. 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; or • subsidiaries of a parent in a foreign country outside the European Union that prepares consolidated accounts in accordance with the Luxembourg Company Law or in an equivalent manner. In that case, consolidated financial statements of the parent must be published in Luxembourg. 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.
Consolidation scope	Consolidated financial statements shall include all subsidiaries of the parent. A subsidiary is not excluded from consolidation because its business activities are dissimilar from those of the other entities within the group. Relevant information is provided by consolidating such subsidiaries and disclosing additional information in the consolidated financial statements about the different business activities of subsidiaries. For example, the disclosures required by IFRS 8 - Operating Segments help to explain the significance of different business activities within the group.	Parent entities which meet the definition of investment entity shall not consolidate their subsidiaries but instead, shall account for them at fair value through profit or loss (refer to section "Recent developments – Amendment to IFRS 10 - Investment Entities"). All other terms are similar to IAS 27.	All subsidiaries are consolidated. However, exclusions exist for subsidiaries: • that are not material; • for which information cannot be obtained without disproportionate expenses or delay; • for which restrictions on ownership rights exist; and • that are held for resale in the near future. Specific rules applied to venture capital or private equity companies willing to use the held for resale exclusion (Accounting Standard Committee, CNC recommendation 2 - 1). The exclusion is applicable when the following conditions are met: - the parent company is a Luxembourg commercial company owned by one or more sophisticated investors;

Subject	*IFRS (IAS 27/SIC 12)*	*IFRS (IFRS 10)*	*LuxGAAP*
Consolidated financial statements			
Consolidation scope	A subsidiary that meets, on acquisition, the criteria to be classified as held for sale (refer to section "Non-current assets held for sale and discontinued operations"), applies the presentation for assets held for sale (i.e. separate presentation of assets and liabilities to be disposed of) rather than normal line by line consolidation presentation. A subsidiary is not excluded from consolidation simply because the investor is a venture capital organisation, mutual fund, unit trust or similar entity.		- its sole purpose is to invest in venture capital to realise a gain on the subsequent sale of its investment; - the Board of directors/managers formally defined, ex-ante, the exit strategy of its investment in a written document communicated to the investors. The exit strategy must be planned over a middle term period (three to eight years); - the parent company invests in order to provide to its investors a return on investment according to the risk taken; - where the investment(s) is (are) not recorded in the balance sheet at the fair value, the parent company must disclose this fair value in the notes to the annual accounts; and - any event, any warranty or any uncertainty that may have a significant impact on the going concern, on the cash position, or on the liquidity or on the solvency must be properly disclosed in the notes to the annual accounts.
Concept of control	IAS 27 focuses on the concept of control in determining whether a parent-subsidiary relationship exists. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a parent owns, directly or indirectly, 50 percent of the voting power. IFRS specifically requires potential voting rights to be considered in assessing whether an entity has the power to govern the financial and operating policies of another entity. Instruments that are currently exercisable or convertible are included in the assessment, with no requirement to assess whether exercise is economically reasonable (provided such rights have economic substance).	The key principle in the new standard is that control exists, and consolidation is required, only if the investor possesses all of the following three elements: • power over the investee; • has exposure to variable returns from its involvement with the investee; and • has the ability to use its power over the investee to affect its returns. IFRS 10 provides guidance on the following issues when determining who has control assessment of the purpose and design of an investee: • nature of rights, whether substantive or merely protective in nature; • impact of exposure to variable returns;	Control is presumed to exist when: • the parent has the majority of the shareholders' or unitholders' voting rights in another undertaking; • the parent has the right to appoint or revoke the majority of the members of the administrative, managerial or supervisory body of another undertaking and is at the same time a shareholder in or unitholder of that undertaking; or • the parent 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, the majority of shareholders' or unitholders' voting rights in that undertaking.

Subject	*IFRS (IAS 27/SIC 12)*	*IFRS (IFRS 10)*	*LuxGAAP*
Consolidated financial statements			
Concept of control	Control also exists when a parent owns half or less of the voting power, but has legal or contractual rights to control the majority of the entity's voting power or Board of directors. In rare circumstances, a parent could also have control over an entity where it holds less than 50 percent of the voting rights of an entity and lacks legal or contractual rights by which to control the majority of the entity's voting power or Board of directors (de facto control).	• assessment of voting rights and potential voting rights; • whether an investor is a principal or an agent when exercising its controlling power; • relationships between investors and how they affect control; and • existence of power over specified assets only. IFRS 10 links power and returns by introducing an additional requirement that the investor is capable of wielding that power to influence its exposure to variable returns. When assessing power, it shall be assessed: • what are the relevant activities of the entity? i.e. which activities most significantly affect returns; • how are decisions about these relevant activities made? and • do the investors rights provide the investor the current ability to direct those relevant activities? Thereafter it shall be assessed whether the investor has exposure to variable returns. Finally, it shall be considered the link between the power and returns. This involves assessing principal-agent relationships. Regarding the ability to direct relevant activities, this arises from the investor's rights. Investor's rights can be substantive and protective. IFRS 10 requires that only substantive rights should be considered in assessing power. Protective rights are not considered. An investor must have the practical ability to exercise those rights in order for them to be substantive.	The voting rights and the rights of appointment and removal as described above shall be understood as direct or indirect rights.
Recognition	A subsidiary is recognised when the parent obtains control over it.	Similar to IAS 27.	A subsidiary is recognised when the entity has control over it.

Subject	*IFRS (IAS 27/SIC 12)*	*IFRS (IFRS 10)*	*LuxGAAP*
Consolidated financial statements			
Special purpose entities ("SPE")	An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity may take the form of a corporation, trust, partnership or unincorporated entity. Special purpose entities are consolidated when the substance of the relationship indicates that an entity controls the SPE. Indicators of control are as follows: • the SPE conducts its activities on behalf of the entity; • the entity has the decision-making power to obtain themmajority of the benefits of the SPE; • the entity has other rights to obtain the majority of the benefits of the SPE; or • the entity has the majority of the residual or ownership risks of the SPE or its assets. Post-employment benefit plans or other long-term employee benefit plans to which IAS 19 - Employee Benefits applies are excluded from this rule. The guidance applies to activities regardless of whether they are conducted by a legal entity.	Voting rights may not always have a significant effect on an investee's returns. For example, voting rights might relate to administrative tasks only and contractual arrangements might dictate how the investee should carry out its activities. Where such arrangements are in place, these entities are described as "structured entities". All substantive powers in such entities may appear to have been surrendered to contracts that impose rigid control over the entities' activities. None of the parties may appear to have power. However, entities may be indirectly controlled by one of the parties involved. This is a highly judgmental area and a detailed analysis of the control criteria is enquired. IFRS 10 provides the following guidance where the operations of an entity are dictated by contractual arrangements.	If the group is controlling an entity without owning any shares in its capital, that entity will not be part of the consolidation scope.
Special purpose entities – *Involvement and decisions made at the investee's inception as part of its design*	Matter not specifically and directly addressed by SIC 12.	A key concept of understanding the application of IFRS 10 in terms of assessing the purpose and design of an entity is that an entity must consider the involvement of various participants in the design of the investee at its inception. Such involvement, by an investor, is not sufficient to demonstrate control. However, participants who were involved in the design may have the opportunity to obtain powerful rights and therefore this may be an indicator of power and ultimately control. Decisions made at the investee's inception should be evaluated to determine whether the transaction terms provide any participant with rights that are sufficient to constitute power.	Not applicable under LuxGAAP as the entity is not consolidated.

Subject	*IFRS (IAS 27/SIC 12)*	*IFRS (IFRS 10)*	*LuxGAAP*
Consolidated financial statements			
Special purpose entities – *Contractual arrangements established at investee's inception*	Matter not specifically and directly addressed by SIC 12.	A structured entity is often governed not only by its constitution documents, but by contracts that bind the structured entity to its original purpose. These include call rights, put rights, liquidation rights, or other contractual arrangements that may provide investors with power. When these contractual arrangements involve activities that are closely related to the investee, these are considered relevant activities. This is true even if the activities do not occur within the structured entity itself, but occurs in another entity rights to direct relevant activities that arise upon the occurrence of certain events. IFRS 10 states that it is necessary to consider decision rights that take effect only when particular circumstances arise or events occur. An investor with these rights can have power even if those circumstances have not yet arisen.	Not applicable under LuxGAAP as the entity is not consolidated.
Special purpose entities – *Commitment to ensure that investee operates as designed*	Matter not specifically and directly addressed by SIC 12.	An explicit or implicit commitment by an investor to ensure that an investee continues to operate as designed may increase exposure to variability of returns and heighten the likelihood of control. However, on its own, this factor is insufficient to demonstrate power or prevent other parties from having power.	Not applicable under LuxGAAP as the entity is not consolidated.
Uniform accounting policies	Consolidated financial statements are prepared using uniform accounting policies for all entities in a group.	Similar to IAS 27.	Similar to IFRS, valuation rules for consolidated companies should be the same as for the parent entity. Where there are special circumstances, different policies may be used with disclosure of the distinctive features and the effect in the notes to the consolidated accounts.
Reporting periods	The consolidated financial statements of the parent and the subsidiaries are usually drawn up at the same reporting date. However, the consolidation of subsidiaries accounts can be drawn up at a different reporting	Similar to IAS 27.	Consolidated accounts must be drawn up as at the same date as the annual accounts of the parent company. However, consolidated accounts may be drawn up as at another date in order to take account

Subject	*IFRS (IAS 27/SIC 12)*	*IFRS (IFRS 10)*	*LuxGAAP*
Consolidated financial statements			
Reporting periods	date provided the difference between the reporting dates of the subsidiaries is not more than three months. Adjustments are made for significant transactions that occur in the gap period.		of the balance sheet dates of the largest number or the most important undertakings included in the consolidation. Where use is made of this derogation, the following points need to be respected: • the use of another closing date than the year end of the parent company needs to be properly disclosed in the notes to the consolidated accounts; and • important events occurred in the interim period have to be recorded or disclosed in the notes to the consolidated accounts for companies whose year end is before the consolidated accounts year end. The annual accounts of all the companies included in the consolidation must be established maximum three months before the consolidated balance sheet date. If they are established more than three months before the consolidated balance sheet date, the undertakings shall be consolidated on the basis of interim accounts established at the consolidated balance sheet date
Transactions with minority shareholders, partial disposals and loss of control	The adoption of the economic entity model, which treats all providers of equity capital as the entity's shareholders, even when they are not shareholders in the parent company, is mandatory. Consequently, partial disposal of an interest in a subsidiary without losing control does not result in a gain or loss but in an increase or decrease in equity. Purchase of non-controlling interests is treated as a treasury transaction and accounted for in equity with no effect on existing goodwill. A partial disposal of an interest in a subsidiary in which the parent loses control but retains an interest triggers recognition of a gain or loss on the entire interest. A gain or loss on the disposal is recorded and the new investment is recognised at fair value.	Similar to IAS 27.	No specific guidance in the Accounting Law. In LuxGAAP, partial disposal of an interest in a subsidiary without losing control does not result in a gain or loss but in an increase or decrease in equity. Purchase of non-controlling interests is not specifically treated under LuxGAAP. IFRS can be used as a benchmark. A partial disposal of an interest in a subsidiary in which the parent loses control but retains an interest triggers recognition of a gain or loss for the disposal part.

Recent developments – Amendment to IFRS 10 - Investment Entities

On 31 October 2012, the IASB has issued an amendment to IFRS 10 in order to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The amendment is effective 1 January 2014 with early adoption permitted. However, this amendment was not yet endorsed by EU. Endorsement is expected to take place before end of 2013. Consequently, Luxembourg entities cannot apply the amendment until the endorsement date.

Many funds and similar entities will be exempted from consolidating controlled investees as a result of IASB issuing amendments to IFRS 10, IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 - Separate Financial Statements. These amendments will particularly benefit funds, as those that qualify will be able to fair value controlled investments, rather than having to consolidate them.

The amendment to IFRS 10 defines an investment entity and introduces an exception to consolidation. The amendments to IFRS 12 introduce disclosures that an investment entity needs to make.

Definition of an investment entity
First it shall be assessed whether the entity meets the investment entity definition. 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.

In addition, there is a set of typical characteristics that shall be taken into consideration. The characteristics are:
- holding more than one investment;
- having more than one investor;
- having investors that are not entity's related parties; and
- having ownership interests in the form of equity or similar interests.

The absence of one or more of these typical characteristics does not prevent the entity from qualifying as an investment entity but it is needed to determine why it is an investment entity even though it does not meet at least one of the typical characteristics; disclosures shall be given in the notes.

An entity will not be disqualified from being an investment entity where it also carries out any of the following activities:
- providing investment-related services to third parties and to its investors, even when substantial;
- providing management services and financial support to its investees, but only when these do not represent a separate substantial business activity and are carried out with the objective of maximising the investment return from the entity's investees.

Accounting by an investment entity and disclosures
Instead of consolidating the entity's subsidiaries, these are accounted for at fair value through profit or loss. The only exception is for subsidiaries providing services that are related to the entity's investment activity, which should be consolidated.

IFRS 12 requires additional disclosures, including:
- the fact the entity is an investment entity;
- information about significant judgments 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.

Accounting by a non-investment entity parent for investments of an investment entity subsidiary
The concerned entity might be an investment entity but its parent might not be an investment entity. A non-investment entity parent is required to consolidate line by line all entities it controls including those controlled through an investment entity.

Subject	*IFRS*	*LuxGAAP*
Investments in associates		
Scope and standard	The applicable standard is IAS 28 - Investments in Associates. Venture capital organisations and mutual funds are exempted to apply IAS 28 for the investments in associates and can designate those investments at fair value through profit or loss in accordance with IAS 39 - Financial Instruments: Recognition and Measurement (refer to section “Financial assets”).	Investments in associates are covered by article 336*.
Definitions	An associate is an entity over which the investor has significant influence - that is, the power to participate in, but not control or jointly control, an associate’s financial and operating policies. Participation by an investor in the entity’s financial and operating policies via representation on the entity’s Board demonstrates significant influence. A 20% or more interest by an investor in an entity’s voting rights leads to a presumption of significant influence.	Similar to IFRS.
Cost model	Not permitted except in separate financial statements.	Not permitted except in separate financial statements.
Equity method	Initial recognition is at cost. Cost is not defined in IAS 28. In other standards, it is defined as including transaction costs, except in IFRS 3 - Business Combinations which requires transaction costs in a business combination to be expensed. Entities have therefore a policy choice: to expense transactions costs or to include them in the cost of investment. On acquisition of the investment, the acquirer accounts for the difference between cost of investment and the investor’s share of the net asset at fair value as goodwill. The goodwill is included in the carrying amount of the investment.	Initial recognition is at purchase price or at the net equity of the associate. The purchase price shall be calculated by adding to the price paid the expenses incidental thereto. If the purchase price is used, the difference between that value and the amount corresponding to the proportion of capital and reserves represented by the participating interest shall be disclosed separately in the notes to the consolidated accounts. That difference shall be calculated as at the date as at which that method is used for the first time.

Subject	*IFRS*	*LuxGAAP*
Investments in associates		
	Subsequently, the investor remeasures its investment in the associate adding to the cost: • the share of post-transaction profits and losses through the statement of comprehensive income; • the share of charge in the associate's equity through equity; and • the share of the associate's other comprehensive income through other comprehensive income. The amount of (dividend) distribution received from the associate is accounted for as a decrease in the value of the investment in the associate on the balance sheet. Losses that reduce the investment to below zero are applied against any long-term interests that, in substance, form part of the investor's net investment in the associate – for example, preference shares and long-term receivables and loans. Lossesrecognised in excess of the investor's investment in ordinary shares applied to the other components in reverse order of priority in a winding up. Further losses are provided for as a liability only to the extent that the investor has incurred legal or constructive obligations to make payments on behalf of the associate.	For subsequent measurement, the book value or the amount corresponding to the proportion of the associated undertaking's capital and reserves shall be 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 the participating interest. Moreover, the Accounting Law requires the disclosure of goodwill separately in the notes to the consolidated accounts. Information about the name and proportion of the interest in the associate must be presented in the notes to the consolidated accounts. If the net equity method is used, the difference between the amount corresponding to the proportion of the associated undertaking's capital and reserves represented by the participating interest and the book value shall be disclosed separately in the consolidated balance sheet or in the notes to the consolidated accounts. That difference shall be calculated as at the date at which that method is used for the first time.
Impairment	If the investor has objective evidence of one of the indicators of impairment set out in IAS 39 - Financial Instruments: Recognition and Measurement – for example, significant financial difficulty – the investment is tested for impairment as prescribed under IAS 36 - Impairment of Assets. The entire carrying amount of the investment is tested by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. In the estimation of future cash flows for value in use, the investor may use either its share of future net cash flows expected to be generated by the investment (including the cash flows from its operations) together with the proceeds on ultimate disposal of the investment or the cash flows expected to arise from dividends to be received from the associate together with the proceeds on ultimate disposal of the investment.	Not required in LuxGAAP.

Subject	*IFRS (IAS 31)*	*IFRS (IFRS 11)*	*LuxGAAP*
Investments in joint arrangements			
Scope and standard	The applicable standard is IAS 31 - Interests in Joint Ventures. Venture capital organisations and mutual funds are exempted to apply IAS 31 for the investments in joint ventures and can designate those investments at fair value through profit or loss in accordance with IAS 39 - Financial Instruments: Recognition and Measurement (refer to section “Financial assets”).	The applicable standard is IFRS 11 - Joint Arrangements. The Board decided to maintain the option that permits venture capital organisations and mutual funds to measure their interests in joint ventures at fair value through profit or loss in accordance with IFRS 9 - Financial Instruments, but clarified that this is an exemption from the requirement to measure interests in joint ventures using the equity method, rather than an exception to the scope of IFRS 11 for joint ventures in which these entities have interests.	Jointly controlled undertakings are covered by article 335*.
Definitions	A joint venture is defined as a contractual arrangement whereby two or more parties (the venturers) undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity; it exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.	A joint arrangement is defined as an arrangement of which two or more parties have joint control. All joint arrangements have a contractual arrangement that: • binds the parties; and • provides two or more of those parties with joint control of the arrangement. 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 the control. The contractual arrangement is usually established in writing in the form of a contract between the parties; it can also take the form of a documented discussion, although this is unusual.	There is no definition in the Commercial Law. Jointly controlled undertaking is an undertaking whereby two or more parties jointly control the undertaking.

Subject	*IFRS (IAS 31)*	*IFRS (IFRS 11)*	*LuxGAAP*
Investments in joint arrangements			
		Joint control can also be established through local legislation, other statutory mechanisms or as part of the governing rules of the entity, either individually or in conjunction with other contractual agreements between the parties. Joint control is a key definition under the standard. It is defined as 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 the control. Joint control and control are mutually exclusive. At least two parties must have joint control, and this must be a contractually agreed sharing of control requiring unanimous consent over activities that significantly affect returns of arrangement.	
Types of joint ventures (IAS 31)/joint arrangements (IFRS 11)	IAS 31 distinguishes between three types of joint ventures: • jointly controlled entities – the arrangement is carried on through a separate entity (company or partnership); • jointly controlled operations – each venturer uses its own assets for a specific project; and • jointly controlled assets – a project is carried on with assets that are jointly owned.	The standard distinguishes between two types of joint arrangements: • joint operations; and • joint ventures. 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. Joint venture is a joint arrangement whereby the parties that joint control of the arrangement have rights to the net assets of the arrangement. For example, the contractual arrangement only gives the parties rights to a share of the net outcome generated by the economic activity. The distinction between the two types of arrangements is not driven by the legal form.	No distinction is made in the Company Law.

Subject	*IFRS (IAS 31)*	*IFRS (IFRS 11)*	*LuxGAAP*
Investments in joint arrangements			
Accounting for jointly controlled entities (IAS 31)/for joint ventures (IFRS 11)	A venture shall account for all of its interests in jointly controlled entities using one of the following: • proportionate consolidation method; or • equity method. Proportionate consolidation requires the venturer's share of the assets, liabilities, income and expenses to be combined on a line by line basis with similar items in the venturer's financial statements, or reported as a separate line item in the venturer's financial statements. Gains and losses on contribution or sales of assets to a joint venture by a venturer are recognised to the same extent as that of the interests of the other venturers provided the assets are retained by the joint venture and significant risks and rewards of ownership of the contributed assets have been transferred. The venture recognises the full amount of any loss when there is evidence of impairment loss from the contribution or sale.	In consolidated financial statements, joint ventures are accounted for in accordance with the equity method (refer to section "Investments in associates").	A jointly controlled entity can be either proportionally consolidated or equity accounted in the consolidated accounts.
Accounting for joint operations	Requirements are similar to jointly controlled entities without an incorporated structure. A venturer recognises in its financial statements: • the assets that it controls; • the liabilities it incurs; • the expenses it incurs; and • its share of income from the sale of goods or services by the joint venture.	Joint operators recognise their interest in the direct rights and obligations of the arrangement, and their share of those assets, liabilities and transactions incurred jointly.	Not specified in the Company Law. IFRS can be used as a benchmark.
Accounting for jointly controlled assets (IAS 31)	A venturer accounts for its share of the jointly controlled assets and any liabilities it has incurred.	Not applicable.	Not specified in the Company Law. IFRS can be used as a benchmark.

Subject	*IFRS (IAS 31)*	*IFRS (IFRS 11)*	*LuxGAAP*
Investments in joint arrangements			
Disclosures	The following disclosures are required by IAS 27 - Consolidated and Separate Financial Statements to be given in the group's consolidated financial statements: • the nature of the relationship between a parent and its subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than 50% of the subsidiary's voting power; • in a situation where a parent and its subsidiaries own, directly or indirectly more than 50% of the voting or potential voting power of an investee and does not consolidate the entity, why that does not constitute control; • a supplemental schedule that shows the effects that transactions with the non-controlling interests have on the equity attributable to the parent for each period that an income statement is presented; • if an entity loses control of a subsidiary, it should disclose the total amount of gain or loss recognised through sale or through other means. If control is lost, but there is a retained investment, the entity should disclose the amount of gain or loss related to the fair value remeasurement of that retained non-controlling equity investment in the former subsidiary separately from the total gain or loss recognised. Entities must also disclose the line item in the statement of comprehensive income where the gain or loss is recognised. The following disclosures are required by IAS 28 - Investments in Associates regarding an associate: • the fair value of investments in associates for which there are published price quotations; • summarised financial information of associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss;	IFRS 12 - Disclosure of Interests in Other Entities shall be applied by an entity that has an interest in any of the following: • subsidiaries; • joint arrangements (i.e. joint operations or joint ventures); • associates; and • unconsolidated structured entities. IFRS 12 does not apply to: • post-employment benefit plans or other long-term employee benefit plans; • an entity's separate financial statements; however, if an entity prepares separate financial statements as its only financial statements, it shall present disclosures related to its interests in unconsolidated structured entities; • an interest held by an entity that participates in, but does not have joint control of, a joint arrangement unless that interest results in significant influence over the arrangement or is an interest in a structured entity. An entity should disclose the following: • significant judgments and assumptions it has made in determining the nature of its interest in another entity or arrangement; and • information about its interests in subsidiaries and unconsolidated structured entities. In particular, an entity should disclose significant judgments and assumptions made in determining that: • it holds more than half of the voting rights of another entity where it does not have control; • it holds less than half of the voting rights of another entity where it has control; and • it is an agent or a principal. Regarding interest in subsidiaries, it shall be disclosed: • the group's composition;	In addition to the disclosures required for the stand-alone accounts, the following additional disclosures are required by the Commercial Law: • the names and registered offices of the undertakings included in the consolidation, as well as those excluded from the consolidation; • the proportion of the capital and the pourcentage of the voting rights held in undertakings included in the consolidation, as well as those excluded from the consolidation; • the names and registered offices of undertakings not included in the consolidation in which an undertaking included in the consolidation exercises a significant influence and the proportion of their capital held by undertakings included in the consolidation; • the names and registered offices of undertakings proportionally consolidated, the factors on which joint arrangement is based and the proportion of their capital held by undertakings included in the consolidation; and • the name and registered office of each of the undertakings in which undertakings included in the consolidation hold at least 20% of the capital, showing the proportion of the capital held, the amount of the capital and reserves, and the profit and loss for the latest financial year of the undertakings concerned. This information may be omitted where it is of negligible importance with respect to the true and fair view. The information concerning capital and reserves and the profit and loss may also be omitted where the undertaking concerned does not publish its balance sheet and where less than 50% of its capital is held by the undertakings included in the consolidation.

Subject	*IFRS (IAS 31)*	*IFRS (IFRS 11)*	*LuxGAAP*
Investments in joint arrangements			
	• the reasons why the presumption that an investor does not have significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, less than 20 per cent of the voting or potential voting power of the investee but concludes that it has significant influence; • the reasons why the presumption that an investor has significant influence is overcome if the investor holds, directly or indirectly through subsidiaries, 20 per cent or more of the voting or potential voting power of the investee but concludes that it does not have significant influence; and • summarised financial information of associates, either individually or in groups, that are not accounted for using the equity method, including the amounts of total assets, total liabilities, revenues and profit or loss. IAS 31 - Interests in Joint Venture requires that a venturer shall disclose the aggregate amount of the following contingent liabilities, unless the probability of loss is remote, separately from the amount of other contingent liabilities: • any contingent liabilities that the venturer has incurred in relation to its interests in joint ventures and its share in each of the contingent liabilities which have been incurred jointly with other venturers; • its share of the contingent liabilities of the joint ventures themselves for which it is contingently liable; and • those contingent liabilities that arise because the venturer is contingently liable for the liabilities of the other venturers of a joint venture.	• the interest that non-controlling interests have in the group's activities and cash flows; • the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group; • the nature of, and changes in, the risks associated with its interests in consolidated structured entities; • the consequences of changes in its ownership interest in a subsidiary that do not result in a loss of control; and • the consequences of losing control of a subsidiary during the reporting period. IFRS 12 requires the following additional disclosures for each of an entity's subsidiaries that have material non-controlling interests: • the subsidiary's name; • its principal place of business (and country of incorporation if different); • the proportion of ownership interests held by non-controlling interests; • the proportion of voting rights held by non-controlling interests, if different from the proportion of ownership interests held; • the profit or loss allocated to non-controlling interests of the subsidiary during the reporting period; • the accumulated non-controlling interests of the subsidiary at the end of the reporting period; and • summarised financial information about the subsidiary.	The above mentioned disclosures may be omitted when their nature is such that they would be seriously prejudicial to any of the undertakings concerned by these provisions. Any such omission must be disclosed in the notes to the accounts. When the parent company use the derogation to draw up its consolidated accounts at an another date than the one used to draw up its annual accounts, the use of this derogation shall be disclosed in the notes to the consolidated accounts together with the reasons thereof. In addition, account must be taken or disclosure made of important events concerning the assets and liabilities, the financial position or the profit and loss of an undertaking included in a consolidation which have occurred between the undertaking's balance sheet date and the consolidated balance sheet date. Assets and liabilities included in the consolidated accounts shall be valued according to uniform methods and in accordance with the valuation rules as defined in the Accounting Law. The parent company which draws up consolidated accounts must apply the same methods of valuation as in its annual accounts. However, other methods of valuation complying with the valuation rules defined in the Accounting Law may be used. Where use is made of this derogation, the fact shall be disclosed in the notes to the consolidated accounts together with the reasons thereof.

Subject	*IFRS (IAS 31)*	*IFRS (IFRS 11)*	*LuxGAAP*
Investments in joint arrangements			
	A venturer shall disclose the aggregate amount of the following commitments in respect of its interests in joint ventures separately from other commitments: • any capital commitments of the venturer in relation to its interests in joint ventures and its share in the capital commitments that have been incurred jointly with other venturers; • its share of the capital commitments of the joint ventures themselves. Both IAS 27 and IAS 28 are requiring the following disclosures: • the subsidiary's/the associate's reporting date where its financial statements used in the consolidation/in applying equity method are non-coterminous with those of the parent/investor or are for a different reporting period, and the reason for using a different reporting date or period; and • the nature and extent of any significant restrictions (for example, that result from borrowing arrangements or regulatory requirements) on the subsidiary's/associate's ability to transfer funds to its parent/investor in the form of cash dividends or to repay loans or advances. IAS 28 and IAS 31 do not apply to the accounting for associates and respectively to the investments in jointly controlled entities held by venture capital organisations or mutual funds, unit trusts and similar entities including investment linked insurance funds when the entities use the fair value option in IAS 39 - Financial Instruments Recognition and Measurement to account for their interests in jointly controlled entities. However, the disclosure requirements mentioned above are required in addition to the disclosure requirements of IFRS 7 - Financial Instruments: Disclosures.	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. 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. 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.	Where assets and liabilities included in consolidated accounts have been valued by undertakings by methods differing from those used for the consolidation, they must be revalued in accordance with the methods used for the consolidation, unless the results of such revaluation are not material for the purposes of the true and fair view. Departures from this principle shall be permitted in exceptional cases. Such departures shall be disclosed in the notes to the consolidated accounts together with the reasons therefor.

Subject	*IFRS*	*LuxGAAP*
Business combinations		
Scope and standard	The applicable standard is IFRS 3 - Business Combinations. Combinations including entities or businesses under common control or formation of a joint venture are excluded from the scope.	Not specified in the Accounting Law.
Definitions	A business is defined as 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, increased share prices or other economic benefits to investors. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. If a group of acquired assets is not accompanied by any associated processes and outputs, the acquired group is not a business and shall be recognised as a group of assets.	Not defined as such in the Accounting Law.
Acquisition date	The acquisition date corresponds to the date at which the acquirer obtains control over the acquiree.	Not specified. IFRS may be used as a benchmark. In practice, the acquisition date corresponds to the date of exercising control together with a transfer of ownership.
Identification of the acquirer	All business combinations within the scope of IFRS 3 are accounted for as acquisitions and purchase method of accounting applies. The acquirer is the combining entity that obtains control of the acquiree. Guidance in IAS 27 - Consolidated and Separate Financial Statements shall be used. In some business combinations, the acquirer is the entity whose entity interests have been acquired, and the issuing entity is the acquiree (reverse acquisitions). In reverse acquisitions, consolidated financial statements are issued under the name of the legal parent but described in the notes as a continuation of the legal subsidiary’s financial statements.	Not specified in the Accounting Law.
Purchase accounting	The fair value of acquired assets and liabilities (with some exceptions) is compared to the fair value of the consideration to determine goodwill. IFRS 3 defines negative goodwill as bargain purchase. In addition, the step-based accounting for a business combination includes an additional step that consists of reamesuring the previously held equity interest in the acquiree at its fair value at the acquisition date. Gains or losses are recorded in profit or loss.	The fair value of acquired assets and liabilities is compared to the fair value of the consideration to determine goodwill. This comparison is done at the time of the first consolidation. In this case, the difference between consideration paid and the balance sheet items is allocated to the extent possible. Alternatively, the comparison can be done at the time of acquisition of the subsidiary using the fair value of the assets and liabilities at that time. The remaining difference is the goodwill.

Subject	*IFRS*	*LuxGAAP*
Business combinations		
Consideration transferred	Consideration transferred is the sum of the acquisition date fair values of the assets transferred, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer to the former owners. It shall include all forms of consideration (transferred) such as cash, other assets, business or subsidiaries of the acquirer, deferred and contingent considerations, equity instruments, options, warrants and replacement share-based awards. IFRS 3 lists some elements that shall be excluded from the consideration transferred, such as payments made at the time of acquisition for transaction costs and costs to issue debt or equity, settlement of pre-existing relationships (except for the case described below), remuneration for future employee services or transactions for paying the acquirer's acquisition in costs. These elements shall be expensed as incurred.	Not specifically addressed by the Accounting Law. In practice, transaction costs are included in the acquisition cost so that they may be recognised as part of the initial goodwill. There is no guidance on contingent consideration or other consideration transferred so that IFRS treatment may be used as a benchmark.
Recognition and measurement of identifiable assets and liabilities acquired	IFRS requires separate recognition, by the acquirer, of the acquiree's identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition. These assets and liabilities are recognised at fair value at the date of acquisition. Specific criteria apply to the recognition of intangible assets and restructuring provisions. Some exceptions to these recognition and measurement rules also apply to contingent liabilities (recognised at fair value although not meeting all recognition criteria for liabilities), income taxes (measured in accordance with IAS 12 - Income Taxes), employee benefits (measured in accordance with IAS 19 - Employee Benefits), indemnification assets (recognised by the acquirer at the same time and on the same basis as the indemnified item is recognised as a liability of the acquiree), re-acquired rights previously granted to the acquiree to use an asset such as franchise agreements (measured based on market rates and conditions at the acquisition date), share-based payment awards of the acquiree (measured in accordance with IFRS 2 - Share-based Payment) and assets held for sale (measured in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations). Contracts should be re-assessed for conditions existing at acquisition date except for insurance and leases for which classification is made on the basis of the contractual terms and other factors at the inception of the contract.	Not specified in LuxGAAP. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Business combinations		
Restructuring provisions	The acquirer may recognise restructuring provisions as part of the acquired liabilities only if the acquiree has at the acquisition date an existing liability for a restructuring recognised in accordance with the guidance for provisions. In addition, IFRS 3 includes further guidance that a restructuring plan conditional on the completion of the business combination is not recognised in the accounting of the acquisition. These expenses are recognised post-acquisition.	IFRS can be used as a benchmark.
Non-controlling interests	Where an investor acquires less than 100% of a subsidiary, the non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or at the proportionate share in the net identifiable assets of the acquiree.	Where an investor acquires less than 100% of a company, the minority interests in a subsidiary that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at the proportionate share in the net identifiable assets of the subsidiary.
Goodwill	Goodwill is recognised at cost and not amortised but reviewed for impairment annually, and when indicators of impairment arise.	Goodwill can be either treated as an intangible asset and then amortised through profit and loss or directly deducted from the reserves. Amortisation is over five years unless management can justify a longer useful life.
Impairment	As stated in the section "Impairment of non-financial assets", the impairment to be booked is the excess of the carrying amount of the respective assets over its recoverable amount. The recoverable amount cannot be estimated individually for the goodwill; therefore it should be estimated for groups of assets that generate cash flows that are largely independent of each other. These are referred to as cash-generating units ("CGUs"). Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from the synergies of the combination. IAS 36 - Impairment of Assets includes comprehensive guidance on how to allocate goodwill under several circumstances. Goodwill is tested for impairment at the lowest level at which it is monitored by management. CGUs may be grouped for testing, but the grouping cannot be higher than an operating segment as defined in IFRS 8 - Operating Segments (before aggregation). Refer to section "Segment reporting" for details on operating segment).	In addition to the annual amortisation, goodwill is reviewed for impairment annually.
Negative goodwill (gain or bargain purchase)	If any excess of fair value over the purchase price arises, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after reassessment is recognised immediately in the income statement.	Negative goodwill is recognised in the profit and loss account if it corresponds to the expectation of unfavourable future results of the relevant undertaking, to costs that could incur or to a realised gain. Otherwise, it is recorded in the equity.

Subject	*IFRS*	*LuxGAAP*
Business combinations		
Subsequent adjustments to assets and liabilities	Adjustments against goodwill to the provisional fair values recognised at acquisition are permitted provided those adjustments are made within 12 months of the acquisition date. Adjustments made after 12 months are recognised in the income statement.	No adjustment foreseen by the Accounting Law. If the price is adjusted, it is accounted for as a correction of error.
Business combinations achieved in stages	When a business combination is achieved in stages, the acquirer remeasures its previously held interests in the acquiree at its fair value at the date control is obtained, recognising a resulting gain or loss in profit or loss. The prior interest held is deemed to be part of the consideration paid in exchange for the controlling interest.	When the acquisition is done in two or more stages, the set-off between the acquisition price and the proportion of capital and reserves acquired is done at the date on which the undertaking becomes a subsidiary.
Disclosure	IFRS 3 requires extensive disclosures about business combinations effected during a period. The main disclosures are: • names and descriptions of the acquirees; • the acquisition date; • the percentage of voting equity instruments acquired; • the primary reasons for the business combination and a description of how the acquirer obtained control of the acquire; • the qualitative descriptions of the factors comprising goodwill; and • the total amount of goodwill expected to be tax deductible. For each business combination of the period (or in aggregate for business combinations that are individually immaterial but collectively material), the main disclosures are: • gross amount of goodwill and accumulated impairment losses at the beginning of the period; • additional goodwill recognised during the period; • goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations; • goodwill derecognised during the period; • impairment losses recognised during the period; • net exchange difference; • any other changes in the carrying amount; and • gross amount of goodwill and accumulated impairment at the end of the period.	No specific disclosure required for acquisition of the year. Disclosure is required if the information is relevant to understand the financial situation of the group.

Other accounting and reporting topics

Subject	*IFRS*	*LuxGAAP*
Fair value		
Scope and standard	The standard applicable is IFRS 13 - Fair Value Measurement. The guidance in IFRS 13 does not apply to transactions within the scope of IFRS 2 - Share-based Payment, or IAS 17 - Leases, or to certain other measurements that are required by other standards and are similar to, but are not, fair value (for example, value in use in IAS 36 - Impairment of Assets).	Fair value is covered by the articles 64 bis to 64 septies.
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 (exit price). The fair value of a liability therefore reflects non-performance risk (that is, own credit risk).	The fair value is not defined under LuxGAAP.
Measurement – *Principal or most advantageous market*	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. The principal market is the market with the greatest volume and level of activity for the asset or liability that can be accessed by the entity.	The fair value shall be determined by reference to: • a market value, for those financial instruments for which 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.
Measurement – *Market participant assumptions*	Fair value is measured using the same assumptions and taking into account the same characteristics of the asset or liability as market participants would. Fair value is a market-based, not entity-specific measurement.	Not defined in LuxGAAP.
Measurement – *Highest and best use*	For non-financial assets only, fair value is determined based on the highest and best use of the asset as determined by market participants.	Not forseen in LuxGAAP.
Measurement – *Bid and ask prices*	The use of bid prices for asset positions and ask prices for liability positions is permitted if those prices are most representative of fair value in the circumstances, but it is not required.	Not foreseen in LuxGAAP. IFRS can be used as a benchmark.

Subject	*IFRS*	*LuxGAAP*
Fair value		
Measurement – *Fair value hierarchy*	Fair value measurements are categorised into a three level hierarchy, based on the type of inputs to the valuation techniques used, as follows: • level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured. Consistent with current IFRS, if there is a quoted price in an active market (that is, a level 1 input), an entity uses that price without adjustment when measuring fair value; • level 2 inputs are other observable inputs; and • level 3 inputs are unobservable inputs, but that nevertheless must be developed to reflect the assumptions that market participants would use when determining an appropriate price for the asset or liability. Each fair value measurement is categorised based on the lowest level input that is significant to it.	No fair value hierarchy under LuxGAAP.
Disclosure	The guidance includes enhanced disclosure requirements that could result in significantly more work for reporting entities. These requirements are similar to those in IFRS 7 - Financial Instruments: Disclosures, but apply to all assets and liabilities measured at fair value, not just financial ones. The required disclosures include: • information about the hierarchy level into which fair value measurements fall; • transfers between levels 1 and 2; • methods and inputs to the fair value measurements and changes in valuation techniques; and • additional disclosures for level 3 measurements that include a reconciliation of opening and closing balances, quantitative information about unobservable inputs and assumptions used, a description of the valuation processes in place, and qualitative discussion about the sensitivity of recurring level 3 measurements.	Where valuation at fair value of financial instruments has been applied, the notes to the annual accounts must disclose the following: • the main assumptions in relation to the models and valuation techniques used, in the cases where fair value was determined so; • for each category of financial instruments, the fair value, the movements of fair value booked directly in the profit and loss account, as well as the movements on the fair value reserve; and • a table describing the movements in the fair value reserve during the period. For the financial assets that are not qualifying for fair value according to LuxGAAP and that apply fair value by reference to IFRS, IFRS disclosure requirements relating to the valuation of financial instruments apply.

Recent developments – Fair value under IFRS

IFRS 13 - Fair Value Measurement defines fair value, provides guidance related to its measurement and lists the disclosures that shall be included in the financial statements in relation to fair value. It is not within the scope of IFRS 13 to state when it is required for fair value to be used. For this information, users shall refer to each relevant standard. For example, regarding items of property, plant and equipment the users shall refer to IAS 16 - Property, Plant and Equipment, regarding financial instruments the users shall refer to IAS 39 - Financial Instruments: Recognition and Measurement. These standards include information about when the fair value may or shall be used in relation to the respective items.

IFRS 13 is effective from 1 January 2013, early application is permitted and has been endorsed by EU in December 2012.

IFRS 13 consolidates fair value measurement guidance from across various IFRSs into a single standard (IAS 16 - Property, Plant and Equipment, IAS 38 - Intangible Assets, IAS 39 - Financial Instruments: Recognition and Measurement, IAS 40 - Investment Property, IAS 41 - Agriculture, IFRS 3 - Business Combinations, IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations).

Disclosures are comprehensive and include the ones related to fair value hierarchy currently within IFRS 7 - Financial Instruments: Disclosures. Refer to section “Financial assets”, sub-section “Disclosure”.

Subject	*IFRS*	*LuxGAAP*
Foreign currency translation		
Scope and standard	The applicable standard is IAS 21 - The Effects of Changes in Foreign Exchange Rates.	The Accounting Law does not cover exchange translation rules.
Definitions	Functional currency is defined as the currency of the primary economic environment in which an entity operates. IFRS provides a list of primary and secondary indicators to consider when determining functional currency. If the indicators are mixed and the functional currency is not obvious, management should use its judgement to determine the functional currency that most faithfully represents the economic results of the entity's operations. This is driven by the currency of the economic that determines the pricing of transactions (not the currency in which transactions are denominated) and the currency that most influences labour, material, and other costs of providing goods and services. Additional evidence (secondary in priority) may be provided from the currency in which funds from financing activities are generated or receipts from operating activities are usually retained, as well as the nature of activities and extent of transactions between the foreign operation and the reporting entity. The presentation currency is the currency in which the financial statements are presented.	Functional currency is not defined by the Accounting Law. Presentation of financial statements' currency is generally established based on the currency in which the share capital is expressed. Another currency can be chosen.
Reporting for foreign currency transactions into the functional currency	A foreign currency transaction is expressed in the functional currency using the exchange rate at the transaction date. Foreign currency balances representing cash or amounts to be received or paid in cash ("monetary items") are reported at the end of the reporting period using the exchange rate on that date. Non-monetary balances that are not remeasured at fair value and are denominated in a foreign currency are expressed in the functional currency using the exchange rate at the transaction date. Where a non-monetary item is remeasured at fair value in the financial statements, the exchange rate at the date when fair value was determined is used. Income statement amounts are translated using historical rates of exchange as at date of the transactions or at the average rate for the period as a practical alternative.	There is no rule defined in the Accounting Law for the translation of items denominated in foreign currency. Translation of transactions denominated in foreign currency is converted at the exchange rate prevailing on the date of the transaction. Short-term/monetary items are translated at the closing rate. Realised gains and losses are recorded in the profit and loss account together with unrealised losses. Unrealised gains are either ignored or recorded in the regularisation account. Long-term/monetary items remain at the historical rate. Non-monetary/long-term items at fair value are reported using the exchange rate that existed when the fair value was determined. The variation of exchange rate is generally recorded with the fair value adjustment. Where there is an economic link between an asset and a liability, these can be valued in total according to the method described above.

Subject	*IFRS*	*LuxGAAP*
Foreign currency translation		
	Exchange gains and losses arising from an entity's own foreign currency transactions are reported as part of the profit or loss for the year. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Any changes in fair value that are recognised directly in equity through the statement of changes in equity also include any related foreign exchange element.	
Translation from the functional currency into presentation currency	Assets and liabilities are translated from the functional currency to the presentation currency at the closing rate at the end of the reporting period. The income statement is translated at exchange rates at the dates of the transactions or at the average rate if that approximates the actual rates. All resulting exchange differences are recognised in other comprehensive income and accumulate in a currency translation reserve in an equity. The appropriate amount of cumulative translation difference relating to a foreign operation is transferred to the income statement on disposal of a foreign operation and included in the profit or loss on sale. For a partial disposal, the proportionate share of the related cumulative translation difference is included in the gain or loss.	Not applicable in LuxGAAP.
Disclosure	As per IAS 21, 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 - Financial Instruments: Recognition and Measurements; and • 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. 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. 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.	The accounting policy relating to foreign exchange translations shall be disclosed in the notes to the annual accounts.

Subject	*IFRS*	*LuxGAAP*
Earnings per share		
Scope and standard	The applicable standard is IAS 33 - Earnings Per Share (“EPS”). Earnings attributable to ordinary shareholders are therefore determined by deducting from net income the earnings attributable to holders of more senior equity instruments. An entity whose ordinary shares are listed on a recognised stock exchange or are otherwise publicly traded is required to disclose both basic and diluted EPS with equal prominence in its separate or individual financial statements, or in its consolidated financial statements if it is a parent. Furthermore, entities that file or are in the process of filing financial statements with a securities commission or other regulatory body for the purposes of issuing ordinary shares (that is, not a private placement) are also required to comply with IAS 33.	Presentation of earnings per share is not required by the Accounting Law.
Definitions	Earnings per share is a ratio that is widely used by financial analysts, investors and others to gauge an entity’s profitability and to value its shares. EPS is normally calculated in the context of ordinary shares of the entity.	Not applicable.
Basic and diluted EPS	Basic EPS is calculated by dividing the profit or loss for the period attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding (including adjustments for bonus and rights issues). Where an entity issues new shares by way of a bonus issue or stock dividend during a period, the effect is to increase only the number of shares outstanding after the issue. There is no effect on earnings as there is no flow of funds as a result of the issue. Consequently, the shares should be treated as outstanding as if the issue had occurred at the beginning of the earliest period reported. Diluted EPS is calculated by adjusting the profit or loss and the weighted average number of ordinary shares by taking into account the conversion of any dilutive potential ordinary shares. Potential ordinary shares are those financial instruments and contracts that may result in issuing ordinary shares such as convertible bonds and options (including employee share options). Potential ordinary shares should be included in the calculation of diluted EPS for the period in which they were outstanding.	Not applicable.

Subject	*IFRS*	*LuxGAAP*
Earnings per share		
Disclosure	Basic and diluted EPS for both continuing and total operations are presented with equal prominence in the statement of comprehensive income or in the separate income statement where one is presented for each class of ordinary shares. Separate EPS figures for discontinued operations are disclosed in the same statements or in the notes.	Not applicable.

Subject	*IFRS*	*LuxGAAP*
Related party transactions		
Scope and standard	The applicable standard is IAS 24 - Related Party Disclosures.	Related party transactions are covered by the following articles: 65 (1) 7°, 7bis°, 12°, 13°, 14°.
Definitions	Related party relationships are generally determined by reference to the control or indirect control of one party by another or by the existence of joint control or significant influence by one party over another. Related parties include: • parents; • subsidiaries; • fellow subsidiaries; • associates of the entity and other members of the group; • joint ventures of the entity and other members of the group; • 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. Finance providers are not related parties simply because of their normal dealings with the entity.	Related parties are defined in LuxGAAP by reference to IFRS.
Disclosure	IAS 24 requires entities to disclose transactions with related parties. The objective of the disclosures required is to ensure that users of financial statements are made aware of the extent to which the financial position and results of operations may have been influenced by the existence of related parties. Certain disclosures are always required, regardless of whether transactions between the parties have taken place. These include the existence of the related party relationship, the name of the related party and the name of the ultimate controlling party. There are some exemptions from disclosure available for certain subsidiaries and transactions under IFRS. Management discloses the name of the entity's parent and, if different, the ultimate controlling party (which could be a person). Relationships between a parent and its subsidiaries are disclosed irrespective of whether there have been transactions with them.	Disclosures on related parties are limited to the significant transactions not concluded under normal conditions and to certain transactions with management and supervisory bodies. Transactions between group members held entirely are out of scope for the disclosure requirements. Possible modification contemplated by draft bill n°6376: exemption extended to medium-sized non-listed entities not organised as an S.A. All entities except small-sized non-listed entities (refer to size criteria mentioned in the section "The Luxembourg regulatory framework") not organised as an S.A. shall disclose: • the nature of the transaction; • the nature of the relation; • the amount of the transaction; and • all other information needed to better assess the financial situation of the company.

Subject	*IFRS*	*LuxGAAP*
Related party transactions		
Disclosure	Where there have been related party transactions during the period, management discloses the nature of the relationship and information about the transactions and outstanding balances – including commitments – necessary for users to understand the potential impact of the relationship on the financial statements. Disclosure is made by category of related party and by major type of transaction. Items of a similar nature may be disclosed in aggregate, except when separate disclosure is necessary for an understanding of the effects of related party transactions on the entity's financial statements. Management only discloses that related party transactions were made on terms equivalent to those that prevail in arm's length transactions if such terms can be substantiated. An entity is exempt from the disclosure of transactions (and outstanding balances) with a related party that is either a government that has control, joint control or significant influence over the entity, or is another entity that is under the control, joint control or significant influence of the same government as the entity. Where the entity applies the exemption, it discloses the name of the government and the nature of its relationship with the entity. It also discloses the nature and amount of each individually significant transaction and the qualitative or quantitative extent of any collectively significant transactions.	Moreover, disclosure on the following related parties shall also be disclosed: • receivables/payables from/to subsidiaries and associates; • income and expenses from subsidiaries and associates; • financial commitments; and • amount of the emoluments, advances and loans granted to management personnel and commitments arising or entered into in respect of retirement pensions for former members of the management, as well as indication of interest rates, main conditions and the amounts which may have been repaid, as well the commitments entered into on their behalf by way of guarantees of any kind (given as a total for each category).

Subject	*IFRS*	*LuxGAAP*
Segment reporting		
Scope and standard	The applicable standard is IFRS 8 - Operating Segments. The standard is mandatory only for entities whose equity or debt instruments are publicly traded (or that are in the process of issuing equity or debt instruments in a public market). IFRS 8 aligns the identification and reporting of operating segments with internal management reporting. Segment reporting under IFRS 8 should highlight the information and measures that management believes are important and are used to make key decisions. It should also provide a better link between the financial statements and the information reported in management accounts. IFRS requirements are reflected below.	Segment reporting is covered by the following articles: 65 and 67 (2). The segmentation is only applicable to the turnover.
Definitions	An operating segment is a component of an entity: • that engages in business activities from which it may earn revenues and incur expenses; • whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance; and • for which discrete financial information is available. The CODM is a function and not necessarily a person. That function is to allocate resources to, and assess the performance of, the operating segments. It is likely to vary from entity to entity – it may be the chief executive officer, the chief operating officer, the senior management team or the Board of directors. The title or titles of the person(s) identified as CODM is not relevant, as long as it is the person(s) responsible for making strategic decisions about the entity's segments.	There is no definition of a segment in the Accounting Law.
Identification of segments	There are four key steps to identify the operating segments. Entities will need to: • identify the CODM; • identify their business activities (which may not necessarily earn revenue or incur expenses); • determine whether discrete financial information is available for the business activities; and • determine whether that information is regularly reviewed by the CODM. Not all operating segments need to be separately reported. Operating segments are only required to be reportable if they exceed quantitative thresholds (such as 10% of the combined revenue of all operating segments). Two or more operating segments may be combined as a single reportable segment under specific conditions.	Not specified by the Accounting Law, but segments shall be done by activities and geographical markets to the extent that these markets differ substantially from one to another.

Subject	*IFRS*	*LuxGAAP*
Segment reporting		
	After determining the reportable segments, the entity should ensure that the total external revenue attributable to those reportable segments is at least 75% of the entity's total revenue. When the 75% threshold is not met, additional reportable segments should be identified (even if they do not meet the 10% thresholds), until at least 75% of the entity's total external revenue is included in its reportable segments.	
Disclosure	The following information is required to be disclosed: • factors used to identify the reportable segments; • types of product/service from which each reportable segment derives its revenue; • a measure of profit or loss and total assets; • a number of specific disclosures, such as revenues from external customers if they are included in segment profit or loss and presented regularly to the CODM; • explanation of the measurement of the segment disclosures; • the basis of accounting for transactions between reportable segments; • the nature of differences between the measurements of segment disclosures and comparable items in the entity's financial report (for example, accounting policy differences and asymmetrical allocations); • totals of segment revenue, segment profit or loss, segment assets and segment liabilities and any other material segment items to corresponding totals within the financial statements; • revenues from external customers for each product and service, or each group of similar products and services; • revenues from external customers attributed to the entity's country of domicile and attributed to all foreign countries from which the entity derives revenues; • revenues from external customers attributed to an individual foreign country, if material; • non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in the entity's country of domicile and in all foreign countries in which the entity holds assets; • non-current assets in an individual foreign country, if material; and • extent of reliance on major customers, including details if any customer's revenue is greater than 10% of the entity's revenue.	The Accounting Law only requires disclosures of the net turnover by categories of activities and under geographical markets, to the extent that these markets differ substantially from one to another. Small-sized and medium-sized companies (refer to size criteria mentioned in the section "The Luxembourg regulatory framework") are exempt from this requirement.

Subject	*IFRS*	*LuxGAAP*
Post balance sheet events		
Scope and standard	The applicable standard is IAS 10 - Events After the Reporting Period.	Post balance sheet events are covered by articles 51 and 68.
Adjusting events after the statement of financial position date	Adjusting events that occur after the statement of financial position date are defined as events that provide additional evidence of conditions that existed at the statement of financial position date and materially affect the amounts included. The amounts recognised in the financial statements are adjusted to reflect adjusting events after the statement of financial position date.	All liabilities which have arisen in the course of the financial year or in a previous financial year have to be taken into account, even if the liabilities become apparent only between the date of the balance sheet and the date on which it is drawn up. In addition, companies 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 the liabilities or losses become apparent only between the date of the balance sheet and the date on which it is drawn up.
Non-adjusting events after the statement of financial position date	Non-adjusting events that occurred after the statement of financial position date are defined as events that are indicative of conditions that arose after the statement of financial position date. The nature and estimated financial effects of such events are disclosed to prevent the financial statements being misleading.	Not defined in the Accounting Law, but the practice is similar to IFRS. Non-adjusting post balance sheet events have to be described in the management's report and in the notes to the annual accounts.
Announcement of a dividend relating to the financial year just ended	This is a non-adjusting event.	Similar to IFRS. Annual accounts are presented before profit allocation. Profit allocation is disclosed in a separate statement which is filed with the annual accounts.

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