



Consolidation requirements in Luxembourg



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Foreword

Consolidated accounts are aimed at providing financial information about a group of undertakings to shareholders and third parties. Shall an undertaking draw up consolidated accounts? Which accounting framework is allowed?

Do listing requirements exist with regards to consolidated accounts made available to the public? How do Luxembourg laws and regulations compare to other countries as far as consolidation is concerned?

These questions are considered by investors when looking at the Grand Duchy of Luxembourg as a potential business place and answers may not be neutral in making the decision to set up an undertaking or not.

The purpose of this brochure is to summarize the consolidation requirements applicable to undertakings having their registered office in the Grand Duchy of Luxembourg. The consolidation requirements, as well as the accounting framework, disclosure requirements, audit, filing and publication requirements are addressed by section XVI of the modified law of 10 August 1915 on commercial companies ("the Law"). The Law transposes the 2013/34/EU directive on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings ("the Directive"). Luxembourg legislation is therefore based on rules which are shared with other European Union ("EU") Member States.

Legal requirements discussed in this brochure are applicable to consolidated accounts for financial years starting on 1 January 2016 and onwards.

Undertakings required to draw up consolidated accounts

The following types of Luxembourg undertakings are scoped in by the Law and, hence, have to comply with the consolidation requirements as set out in the Law:

- public companies limited by shares (“sociétés anonymes” or “S.A.”);
- corporate partnerships limited by shares (“sociétés en commandite par actions” or “S.C.A.”);
- European companies (“sociétés européennes” or “S.E.”);
- private limited liability companies (“sociétés à responsabilité limitée” or “S.à r.l.”);
- general corporate partnership/unlimited companies (“sociétés en nom collectif” or “S.N.C.”) all of whose members with unlimited liability are joint stock companies;
- limited corporate partnerships (“sociétés en commandite simple” or “S.C.S.”) all of whose members with unlimited liability are joint stock companies.

Credit institutions, insurance and reinsurance undertakings and pension savings companies with variable capital (“sociétés d’épargne-pension à capital variable” or “SEPCAV”) are scoped out by the Law.

Consolidation requirements pertaining to credit institutions as well as insurance and reinsurance undertakings are set out in their respective accounting laws.

A parent undertaking which mainly holds one or more subsidiaries to be consolidated which are credit institutions or insurance companies may opt for the drawing up of consolidated accounts in accordance with the accounting laws of the banking or insurance sector.

The following types of entities are excluded from the obligation to draw up consolidated accounts:

- S.N.C. other than those described above;
- S.C.S. other than those described above;
- SEPCAV;
- Part II Funds;
- Investment companies in risk capital (“sociétés d’investissement en capital à risque” or “SICAR”);
- Specialised investment funds (“fonds d’investissement spécialisés” or “SIF”).

The financial information, including any consolidated accounts, of unregulated special limited partnerships (“sociétés en commandite spéciale” or “SCSp”) is ruled by their articles of incorporation.

The draft law 6929 on Reserved Alternative Investment Funds (“RAIF”) will introduce a new type of Luxembourg Alternative Investment Fund (“AIF”) managed by an authorized AIFM. The RAIF and its subsidiaries may be exempt from the requirement to consolidate the financial information of the companies owned for investment purposes.

Criteria determining the requirement to draw up consolidated accounts

Any Luxembourg undertaking scoped in by the Law shall draw up consolidated accounts if it:

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

Another criterion shall be considered when looking at consolidation requirements pertaining to credit institutions as well as insurance and reinsurance undertakings, holdings of insurance and reinsurance undertakings. Indeed the applicable accounting laws provide for criteria where the Luxembourg undertaking:

- has the power to exercise, or actually exercises, dominant influence or control over another undertaking; or
- that undertaking and another are managed on a unified basis.



Frequently asked questions

Does the size of the group affect consolidation requirements?

Consolidation requirements are triggered where control is exercised over at least one subsidiary. However a small size group may benefit from a consolidation exemption.

How do IAS 27 and the Directive interact?

The Commission and the EU Member States have considered, at the time IAS 27 was endorsed, the interaction of IAS 27 with the Directive. They concluded that IAS 27 would not override requirements in national law transposing the Directive regarding whether or when consolidated accounts have to be prepared.

In summary, national law dictates whether an EU undertaking is required to prepare consolidated accounts and when they must be prepared whereas IFRS as adopted by the EU dictate how to prepare those consolidated accounts.

How does the Law interact with the Luxembourg law of 11 January 2008 on transparency requirements for issuers of securities?

The Luxembourg law of 11 January 2008 on transparency requirements for issuers of securities does not require issuers for which Luxembourg is the home Member State to draw up consolidated accounts. Consolidation requirements are dictated by the Law or the equivalent national law in the Member State in which the undertaking is incorporated.

Where the issuer is not required to prepare consolidated accounts, the audited financial statements required by the Transparency law only comprise the annual accounts prepared in accordance with the national law of the Member State in which the undertaking is incorporated.

Do listing requirements exist that may require consolidated accounts?

No, the rules of the Luxembourg Stock Exchange do not require consolidated accounts to be drawn up in circumstances other than those provided by the Law or the national law of the State in which the undertaking is incorporated.

Consolidation methods

Consolidation methods are defined by the Law as follows:

- **Full consolidation**

The parent undertaking combines the annual accounts of the parent and its subsidiaries line by line. The carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated. Intragroup balances, transactions, income and expenses shall be eliminated in full.

- **Proportionate consolidation**

In preparing consolidated annual accounts, a jointly controlled undertaking is included in the consolidated accounts in proportion to the rights in its capital held by the undertaking preparing consolidated accounts.

- **Equity method**

Where an undertaking included in a consolidation exercises a significant influence over the operations and the financial policy of an associated undertaking in which it holds a participating interest, the carrying amount of the participating interest is replaced by the parent's portion of equity of this participating interest.

Eligible accounting framework

A Luxembourg undertaking may choose from the following accounting frameworks:

	IFRS (EU)	Lux GAAP + Certain IFRS options	Lux GAAP + Fair Value option	Lux GAAP
Listed undertakings	Obligation	Not possible	Not possible	Not possible
Credit institutions	Optional	Optional	Optional	Common regime
Insurance and reinsurance undertakings	Optional	Optional	Optional	Common regime
Other undertakings	Optional	Not possible	Optional	Common regime

Undertakings, whose securities are admitted to trading on a regulated market of a Member State of the EU, shall prepare their consolidated accounts in conformity with IFRS as adopted by the EU.

Other undertakings, including credit institutions, insurance and reinsurance undertakings, are allowed to opt for IFRS as adopted by the EU.

Frequently asked questions



Are US GAAP or other foreign GAAPs accepted?

US GAAP or other foreign GAAPs may be accepted on a case by case basis by the Luxembourg Ministry of Justice. Any Luxembourg undertaking scoped in by the Law and willing to use US GAAP or another foreign GAAP may apply for an individual exemption with the Luxembourg Ministry of Justice. Such request will be examined by the Luxembourg Accounting Standards Board ("Commission des normes comptables"). Any application to the Luxembourg Ministry of Justice for an individual exemption shall include detailed and valid explanations as well as appropriate supporting evidence.

When a Luxembourg undertaking prepares its consolidated accounts under a foreign GAAP following approval of the Ministry of Justice, it is common practice to include the result and equity reconciliation from the foreign GAAP to Luxembourg GAAP in the notes to the consolidated accounts.

“ The Law allows any undertaking to draw up consolidated accounts under IFRS. The nature of the business and the intended users are key selecting the most appropriate accounting framework in specific circumstances. ”

Fabrice **LEONARDI**,
KPMG

Consolidation exemptions

Consolidation exemptions, irrespective of the accounting framework selected, apply as follows:

	Non material subsidiaries	Small group	Parent / subsidiary	Scope exclusion of all subsidiaries
Credit institutions	✓		✓	
Insurance and reinsurance undertakings			✓	
Other undertakings	✓	✓	✓	✓

“Passive holding” exemption

The “passive holding” consolidation exemption previously granted to “Sociétés de gestion de patrimoine familial” was withdrawn by the amendments introduced by the law of 18 December 2015.

Non material subsidiaries

A parent undertaking shall be exempt from the obligation to draw up consolidated accounts if it only has subsidiary undertakings considered as not being material, both individually and as a whole.

Small group exemption

A parent undertaking shall be exempt from the obligation to draw up consolidated accounts if at the balance sheet date of the parent undertaking, the undertakings which would have to be consolidated do not together, on the basis of their latest annual accounts, exceed the limits of two of the three criteria set out below:

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

The criteria relating to the balance sheet total and net turnover may be increased by 20% if intercompany balances have not been cancelled.

Where on their balance sheet date, the undertakings which would have to be consolidated do not together exceed or cease to exceed the limits of two of the three criteria indicated above, that fact shall affect the application of the exemption only if it occurs in two consecutive financial years.



Frequently asked questions

How do the thresholds apply in practice?

If the group exceeds the limits as of 31.12.N and 31.12.N+1, the change in size is effective as of 31.12.N+2. Therefore, the group shall prepare consolidated accounts for the year ending on 31.12.N+2 with comparative figures as of 31.12.N+1.

If the group has ceased to exceed the limits as of 31.12.N and 31.12.N+1, the change in size is effective as of 31.12.N+2. The group is still required to prepare consolidated accounts for the year that ended on 31.12.N+1.

How do the thresholds apply in practice for a newly created group?

The board of directors/the management board of the parent company shall in good faith establish forecasts to determine whether the group is expected to exceed two of the three criteria in its first financial year. The forecasts shall be established when the group is created.

If two of the three criteria are not expected to be exceeded, the parent company shall be exempted from the obligation to draw up consolidated accounts and a consolidated management report.

For further information, please refer to the Q&A CNC 19/019.

May a group avoid presenting comparative figures for the first set of consolidated accounts?

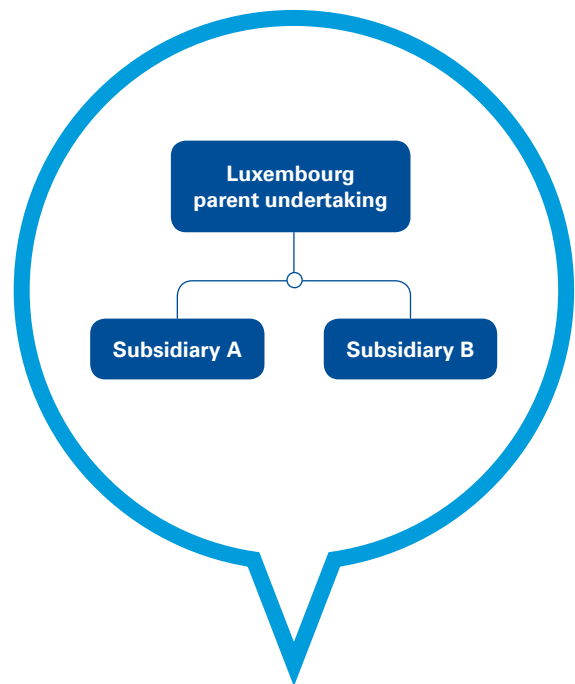
The Law provides that corresponding figures shall be disclosed in respect of each balance sheet and profit and loss account heading. The Law does not offer any exemption with regards to the first set of consolidated accounts.

This also means that a Réviseur d'Entreprises agréé, auditing the first set of consolidated accounts, will perform procedures on opening balances, i.e. comparative figures.

Potential pitfall

This exemption does not apply

- where one of the undertakings to be consolidated is an undertaking, the securities of which are admitted to trading on a regulated market of a Member State of the EU;
- to credit institutions, insurance and reinsurance undertakings, holdings of insurance and reinsurance undertakings.



Are securities admitted to trading on a regulated market of a Member State of the EU?





Frequently asked questions

“EU Parent / subsidiary” exemption

First scenario

The EU parent undertaking holds at least 90% of the shares of the Luxembourg subsidiary

Any Luxembourg parent undertaking which is also a subsidiary shall be exempt from the obligation to draw up consolidated accounts if its own parent undertaking is governed by the law of a Member State of the EU, in the following two cases:

- where that EU parent undertaking holds all of the shares in the exempted undertaking; or
- where that EU parent undertaking holds 90% or more of the shares in the exempted undertaking and the remaining shareholders in that exempted undertaking have approved the exemption.

The exemption is subject to all of the following conditions:

- 1 the exempted undertaking and all of its subsidiaries are fully consolidated in the accounts of a larger body of undertakings, the parent undertaking of which is governed by the law of a Member State of the EU;
- 2 the consolidated accounts and the consolidated management report of the larger body of undertakings shall be drawn up by the parent undertaking of that body and audited;
- 3 the consolidated accounts and the consolidated management report of the larger body of undertakings and the related audit report shall be published by the exempted undertaking with the Luxembourg “commercial and companies register” within one month of their approval;
- 4 the notes to the annual accounts of the exempted undertaking must disclose:
 - the name and registered office of the parent undertaking which draws up the consolidated accounts; and
 - the exemption from the obligation to draw up consolidated accounts and a consolidated management report.

Another condition shall be fulfilled when looking at consolidation requirements pertaining to credit institutions if the parent undertaking is a credit institution.

What happens when the EU parent undertaking prepares consolidated accounts on a voluntary basis?

In some situations, the parent undertaking is not legally required to prepare consolidated accounts, but still prepares consolidated accounts on a voluntary basis. The nature of any audit assignment i.e. whether legal or contractual, is to be assessed on a case-by-case basis.

The parent/subsidiary exemption may be applicable provided that the Luxembourg subsidiary fulfills all the conditions as set out above, and in particular that the consolidated accounts and the consolidated management report of the larger body of undertakings and the related audit report are published by the exempted undertaking with the Luxembourg “commercial and companies register” within one month of their approval.

Second scenario

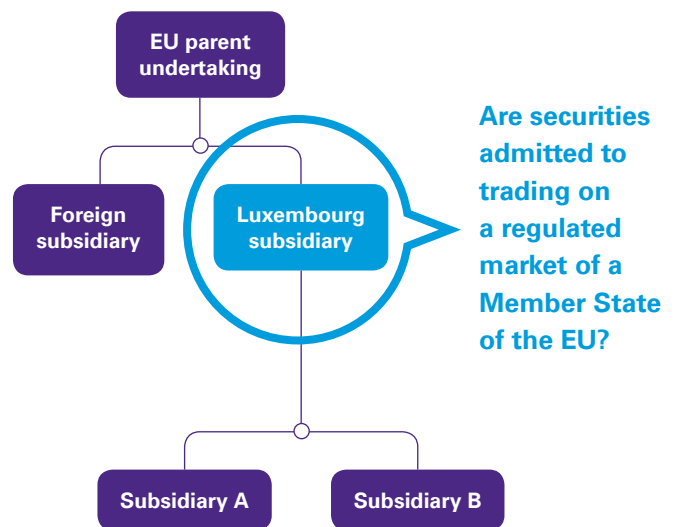
The EU parent undertaking holds at least 50% but less than 90% of the shares of the Luxembourg subsidiary

Any parent undertaking which is also a subsidiary shall be exempt from the obligation to draw up consolidated accounts if its own parent undertaking is governed by the law of a Member State of the EU, provided that:

- 1 all the conditions listed above in the first scenario are fulfilled and
- 2 the shareholders in the exempted undertaking, who own at least 10% of the subscribed capital of that undertaking, in the case it is a S.A. or a S.C.A., and at least 20%, in the case it is a S.à r.l. (for credit institutions, insurance and reinsurance undertakings, holdings of insurance and reinsurance undertakings: in the case of another type of undertaking), have not requested the preparation of consolidated accounts at least six months before the end of the financial year.

Potential pitfall

This exemption does not apply where a Luxembourg parent undertaking, which is also a subsidiary of a parent undertaking governed by the law of another Member State, has securities admitted to trading on a regulated market of a Member State of the EU.



“Non EU Parent / subsidiary” exemption

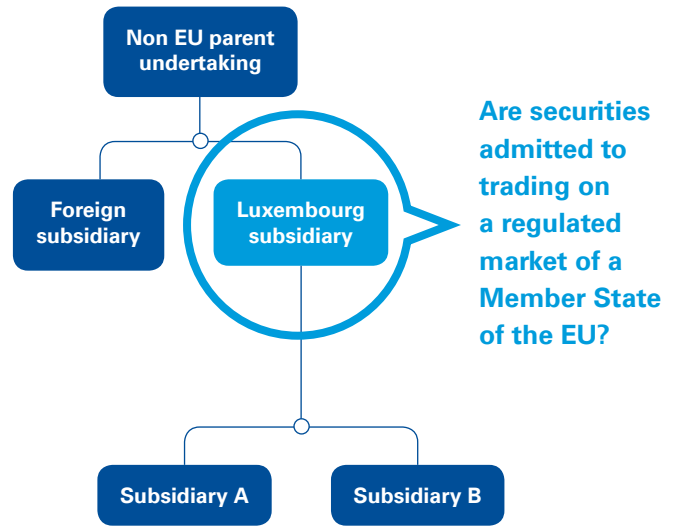
Any parent undertaking which is also a subsidiary shall be exempt from the obligation to draw up consolidated accounts if its own parent undertaking is governed by the law of a non Member State of the EU, if all of the following conditions are fulfilled:

- 1** the exempted undertaking and all of its subsidiaries are fully consolidated in the accounts of a larger body of undertakings;
- 2** the consolidated accounts and, where appropriate, the consolidated management report must be drawn up in accordance with the Directive or in a manner equivalent thereto;
- 3** the consolidated accounts must have been audited;
- 4** the consolidated accounts and the consolidated management report of the larger body of undertakings and the related audit report shall be published by the exempted undertaking with the Luxembourg “commercial and companies register” within one month of their approval;
- 5** the notes to the annual accounts of the exempted undertaking must disclose:
 - the name and registered office of the parent undertaking which draws up the consolidated accounts; and
 - the exemption from the obligation to draw up consolidated accounts and a consolidated management report;
- 6** the shareholders in the exempted undertaking, who own at least 10% of the subscribed capital of that undertaking, in the case it is a S.A. or a S.C.A., and at least 20%, in the case it is a S.à r.l. (for credit institutions, insurance and reinsurance undertakings, holdings of insurance and reinsurance undertakings: in the case of another type of undertaking), have not requested the preparation of consolidated accounts at least six months before the end of the financial year.

Another condition shall be fulfilled when looking at consolidation requirements pertaining to credit institutions if the parent undertaking is a credit institution.

Potential pitfall

This exemption does not apply where a Luxembourg parent undertaking, which is also a subsidiary of a parent undertaking governed by the law of a non Member State of the EU, has securities admitted to trading on a regulated market of a Member State of the EU.



Frequently asked questions



What happens when the non EU parent undertaking prepares consolidated accounts on a voluntary basis?

In some situations, the parent undertaking is not legally required to prepare consolidated accounts, but still prepares consolidated accounts on a voluntary basis. These consolidated accounts are then audited on a contractual basis.

The parent/subsidiary exemption may be applicable provided that the Luxembourg subsidiary fulfills all the conditions as set out above, and in particular that the consolidated accounts and the consolidated management report of the larger body of undertakings and the related audit report are published by the exempted undertaking with the Luxembourg "commercial and companies register" within one month of their approval.

Which accounting framework is equivalent to the Directive?

The Luxembourg Accounting Standards Board has made a view about the equivalence of accounting frameworks with the Directive.

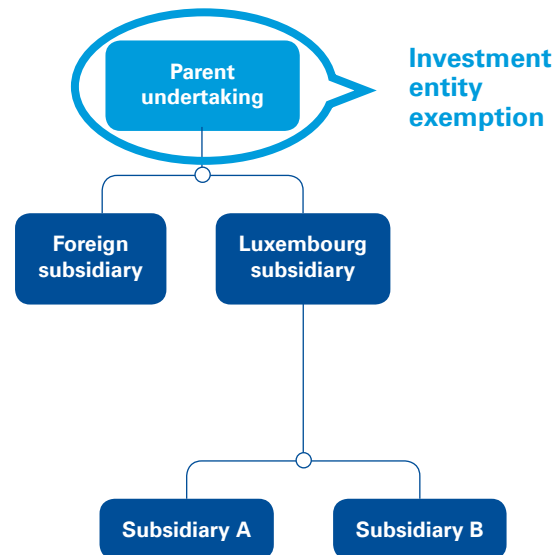
Consolidated accounts of a larger body of undertakings are drawn up in a manner equivalent to the Law when these consolidated accounts are prepared in accordance with:

- Lux GAAP, Lux GAAP + fair value option or IFRS as adopted by the European Union;
- a GAAP of one of the Member State of the European Union or of the European Economic Area, i.e. Norway, Iceland and Liechtenstein;
- a GAAP considered as equivalent to IFRS as adopted by the European Union. The European Commission adopted a regulation which identified the following GAAPs as equivalent to IFRS-EU:
 - IFRS – IASB;
 - US GAAP;
 - Japanese GAAP;
 - Chinese GAAP;
 - Canadian GAAP;
 - GAAP of South Korea; and
 - GAAP of India.
- a GAAP determined as equivalent by the Luxembourg undertaking, knowing that -as a general rule- local GAAPs resulting from a national endorsement of IFRS standards (e.g. AASB Australia, HKFRS standards of Hong-Kong, TAS/TFRS Standards of Turkey) are deemed equivalent to the Law.

Frequently asked questions



May a Luxembourg undertaking refer to the financial statements of a parent undertaking applying the investment entity consolidation exemption?



The Law requires a Luxembourg undertaking which controls at least one subsidiary to draw up consolidated accounts. The Luxembourg undertaking which is a sub-group of a foreign parent undertaking may be exempt from the obligation to draw up consolidated accounts if the Luxembourg undertaking meets all the conditions of the "parent/subsidiary exemption" set out by the Law.

The foreign parent undertaking of the Luxembourg undertaking may draw up financial statements in accordance with IFRS and use the investment entity consolidation exemption. In this case, the foreign parent undertaking does not consolidate its subsidiaries -including the Luxembourg undertaking- and measures any investment in a subsidiary at fair value through profit or loss.

The Luxembourg Accounting Standards Board has made a view stating that, in such a scenario, the Luxembourg undertaking may refer to the financial statements of the foreign parent undertaking and use the "parent/subsidiary exemption" set out by the Law. The financial statements of the foreign parent undertaking shall be filed with the Luxembourg "commercial and companies register" and published.

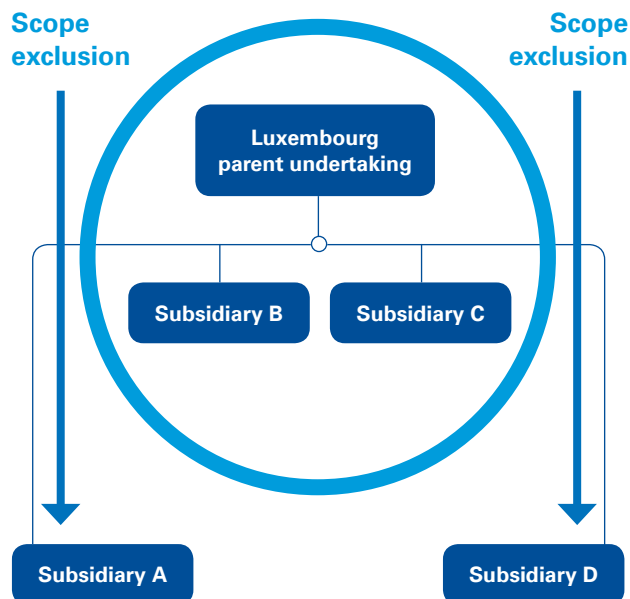
Scope exclusions of all subsidiaries

Where a Luxembourg undertaking is required by the Law to draw up consolidated accounts, it may look for possible scope exclusions. This means that consolidated accounts are drawn up but one or more subsidiaries may not be consolidated.

A parent undertaking cannot exclude from the consolidation scope those undertakings to be consolidated and whose activities are so different that their inclusion in the consolidated accounts would be incompatible with the obligation of true and fair view.

The Law provides for consolidation exclusions in consolidated accounts drawn up in accordance with Lux GAAP as follows:

	Immateriality	Restricted exercise	Cost / Delay	Subsequent resale
Credit institutions	✓	✓	✓	✓
Insurance and reinsurance	✓	✓	✓	✓
Other undertakings	✓	✓	✓	✓



An undertaking need not be included in consolidated accounts where:

- it is not material for the purposes of providing a true and fair view;
Where two or more undertakings are individually considered not material, they must nevertheless be included in consolidated accounts if, as a whole, they are material for the purposes of providing a true and fair view;
- severe long-term restrictions substantially hinder the parent undertaking in the exercise of its rights over the assets or management of that undertaking;
- the information necessary for the preparation of consolidated accounts in accordance with the Law cannot be obtained without disproportionate expense or undue delay;
- the shares of that undertaking are held exclusively with a view to their subsequent resale.

When all the subsidiaries of an undertaking (other than a credit institution or insurance and reinsurance) are excluded from the consolidation scope based on the above conditions, the parent undertakings shall be exempt to draw up consolidated accounts.



// While the exemption appears useful at first sight, many private equity houses have elected to continue preparing consolidated accounts. Conditions that affect the decision are:

- disclosure of proprietary/ confidential information (fair value),
- necessity to prepare consolidated financial statements due to contractual arrangements (e.g. bank covenants),
- desire of the stakeholders to publish accounts at Luxembourg level rather than in the country(ies) of the target company(ies). **//**

Thierry **RAVASIO**,
KPMG

Frequently asked questions



What does the phrasing “with a view to their subsequent resale” mean?

The Luxembourg Accounting Standards Board has made a view about the phrasing “with a view to their subsequent resale” in the specific case of investment companies in risk capital (venture capital / private equity) that are not regulated as a SICAR and yet meet the criteria set out below.

Irrespective of the obligation resulting from other legal or regulatory requirements, including those of prudential nature and/or of shareholders’ right to request their undertaking to draw up consolidated accounts, any investment company in risk capital (venture capital / private equity) can exclude subsidiaries from the consolidation scope under the following conditions:

- 1 The undertaking is an undertaking under Luxembourg law held by one or several well-informed investors.
- 2 Its exclusive aim is to place its assets in one or several securities representing risk capital, which is defined as the direct or indirect contribution to one or several undertakings in view of their launch, their development or their listing on a stock exchange. This investment is held by the undertaking with the intention to resell at a profit.
- 3 Its management or governance body formally defines ex ante an exit strategy in a written document communicated to its investors (within the framework of their investment policy) and that involves the intention of a divestment on a mid-term basis, generally within three to eight years. This investment policy is different from a strategic investment held without a predefined exit date.
- 4 Its objective is to provide its investors with the benefit of the profits obtained out of the management of its investment(s) in return for the risk they have incurred.
- 5 If the investment is not carried at fair value in the balance sheet, the fair value shall be disclosed in the notes to the annual accounts of the undertaking in order to provide relevant information to its investors.
- 6 Any event, any guarantee or any uncertainty that might have a significant impact on the continuity of the undertaking’s activities, on its cash-flow situation, on its liquidity or its solvency, must be adequately disclosed in the notes to the annual accounts of the undertaking.

What shall a parent undertaking that excludes all of its subsidiaries from consolidation disclose in its annual accounts?

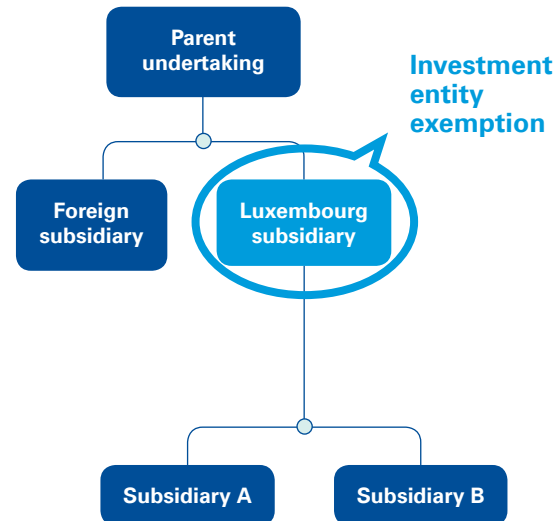
When a parent undertaking excludes all of its subsidiaries from consolidation, it shall disclose in the notes to the annual accounts the following information:

- the names and registered office of the undertakings excluded from the consolidation;
- the proportion of the capital held in the undertakings excluded from the consolidation;
- the reasons for the exclusion of the undertakings from the consolidation.

Frequently asked questions



May a Luxembourg undertaking use the investment entity consolidation exemption?



The Law requires a Luxembourg undertaking which controls at least one subsidiary to draw up consolidated accounts.

The Luxembourg undertaking may draw up financial statements in accordance with IFRS and use the investment entity consolidation exemption. In this case, the Luxembourg undertaking does not consolidate its subsidiaries and measures any investment in a subsidiary at fair value through profit or loss.

The Luxembourg Accounting Standards Board has made a view stating that, in such a scenario, the financial statements of the Luxembourg undertaking meet the consolidation requirements set out by the Law. These financial statements shall be filed with the Luxembourg “commercial and companies register” and published instead of consolidated accounts.

Other aspects with regards to consolidated accounts

Layout

Undertakings drawing up consolidated accounts under Lux GAAP shall use the layout of the consolidated profit and loss account and consolidated balance sheet set out by the Grand-Ducal regulation of 18 December 2015 on the form and content of the balance sheet and profit and loss layouts. The two layouts of balance sheet and two layouts of profit and loss account set out by articles 10, 11 and 13 of the Directive 2013/34/EU may also be used for drawing up the consolidated accounts.

Undertakings may opt for a banking/insurance layout of the consolidated accounts if one or several subsidiaries are banks or insurance companies.

Consolidated notes

The Law defines the content of the notes to the consolidated accounts drawn up in accordance with Lux GAAP.

Undertakings drawing up consolidated accounts in conformity with IFRS as adopted by the EU, whether on a mandatory or optional basis, shall comply both with IFRS disclosure requirements and with Luxembourg specific requirements as to the content of the notes to the consolidated accounts, i.e.:

- average number of staff employed during the financial year;
- emoluments / pensions granted to (former) directors;
- advances, loans and guarantees granted to directors;
- total fees charged by each Réviseur d'Entreprises agréé;
- information on the consolidation scope.



Frequently asked questions

Does a S.à r.l. need to have consolidated accounts?

Provided that the S.à r.l. exercises control over at least one subsidiary, managers of the S.à r.l. are responsible for drawing up consolidated accounts and have them audited by a Réviseur d'Entreprises agréé.

Consolidated management report and corporate governance report

Luxembourg undertakings scoped in by the Law shall prepare a consolidated management report.

Where undertakings have securities admitted to trading on a regulated market of a Member State of the EU, such consolidated management report shall include a description of the main features of the group's internal control and risk management systems in relation to the process for preparing consolidated accounts.

The draft law 6868 on the publication of non-financial information may require medium and large public interest entities having more than 500 employees to include a non-financial statement in the consolidated management report. Such statement will discuss environment, social and employee matters as well as compliance with human rights and anti-bribery aspects

Other information

The Law requires large undertakings and public interest entities which are active in the extractive industry or logging of primary forests to draw up a separate annual consolidated report disclosing material payments to governments in the countries in which they operate.



Audit of the consolidated accounts

Where consolidation is required by the Law, consolidated accounts shall be audited by a Réviseur d'Entreprises agréé.

The Réviseur d'Entreprises agréé shall express an "avis" on:

- whether the consolidated management report is consistent with the consolidated accounts for the same financial year; and
- whether the consolidated management report has been prepared in accordance with the applicable legal requirements.

Filing and publication

Consolidated accounts, duly approved by the general meeting of shareholders, the consolidated management report, the consolidated report on the corporate governance statement and the consolidated report on payments made to governments if any, together with the audit report of the Réviseur d'Entreprises agréé, shall be filed with the Luxembourg "commercial and companies register" and published.

Responsibility for the consolidated accounts

The Law provides for a collective duty for the members of the administrative, management and supervisory bodies to prepare and publish the consolidated accounts in accordance with the Law and IFRS if applicable, the consolidated management report and, when relevant, the corporate governance statement and the consolidated report on payments to governments.

The Law includes criminal provisions in this respect.

Specific parent/subsidiary regime

When a parent undertaking is governed by the law of a Member State of the EU and is preparing consolidated accounts, a Luxembourg subsidiary including in this consolidation may be exempted from the obligation to draw up annual accounts, have them audited by a Réviseur d'Entreprises agréé and published with the Luxembourg "commercial and companies register" provided certain conditions protecting third parties are met.

Outlook

The IASB issued some narrow-scope amendments on IFRS 10, IFRS 11 and IAS 28 in order to address inconsistencies between these standards, e.g. in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The effective date of these amendments which was annual periods beginning on or after 1 January 2016 has been postponed in the European Union.

Member state options of the Directive have not been transposed into local law yet and further changes may come at a later stage.

// Recent and forthcoming legal changes do not significantly change the Luxembourg consolidation landscape. Complexity arises from sometimes competing requirements, such as IFRS vs European directives, and needs to be carefully considered when making decisions as to group financial reporting. **//**

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