Luxembourg GAAP compared to IFRS: An overview

Updated edition February 2014
Introduction

We are pleased to present our updated edition of the Luxembourg GAAP compared to IFRS brochure, incorporating the changes in the Luxembourg legal and regulatory environment following the amendments to the applicable fund laws in Luxembourg and new International Financial Reporting Standards ("IFRSs") which have been issued.

The purpose of this publication is to provide a brief overview of the key differences between Luxembourg Generally Accepted Accounting Principles and IFRS. It is based on the IFRSs in issue and published by the International Accounting Standards Board (IASB) as at 31 December 2013 and which are required to be applied by an entity with an annual period beginning on or after 1 January 2013 ("currently effective" requirements).

Since our last publication, there have been a number of key changes to IFRS which are relevant to the fund industry. On 31 October 2012, the IASB published its first industry specific standard, *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* which can be early adopted for annual periods beginning 1 January 2013, whereby a qualifying investment fund is required to account for its investments in controlled entities as well as in associates and joint ventures at fair value through profit or loss with the exception of subsidiaries that are considered as an extension to the investment activities of the investment fund. In May 2011, the IASB published the *IFRS 13 Fair Value Measurement*, which provides a framework for determining fair value and sets out related disclosure requirements. The requirements of these new IFRSs and amendments are detailed and compared to Luxembourg GAAP in this brochure.

It should be noted that IFRSs and their interpretation change over time. Users of this publication should keep abreast of the unfolding developments and decisions with regard to the status of proposed amendments and apply the new requirements accordingly.

We would be pleased to assist you further with the analysis and interpretation of IFRSs. We also have a range of publications that can provide additional information, including *Insights into IFRS*, *Illustrative IFRS financial statements* and *IFRS Practice Issues*.
## Financial reporting framework

<table>
<thead>
<tr>
<th>Topic</th>
<th>Lux GAAP treatment and disclosure</th>
<th>IAS/IFRS reference</th>
<th>IFRS treatment and disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>First time adoption of framework</td>
<td>Not addressed.</td>
<td>IFRS 1</td>
<td>Full retrospective application of IFRS in force on the date of the first IFRS financial statements of the fund, unless the specific exceptions or optional exemptions permit or require otherwise. Reconciliation of the opening balances is required between the previous gaap and IFRS.</td>
</tr>
<tr>
<td>Materiality and aggregation</td>
<td>Items may not be aggregated.</td>
<td>IAS 1</td>
<td>Items may be aggregated provided that material and dissimilar items are presented separately. No disclosure required in the notes if items are immaterial.</td>
</tr>
<tr>
<td>Frequency of reporting</td>
<td>Complete set of financial statements required at least annually.</td>
<td>IAS 1</td>
<td>Complete set of financial statements required at least annually.</td>
</tr>
<tr>
<td>Consistency of presentation</td>
<td>The presentation and classification of items should be consistent from one period to the next.</td>
<td>IAS 1</td>
<td>The presentation and classification of items should be consistent from one period to the next.</td>
</tr>
</tbody>
</table>
## Financial statements

<table>
<thead>
<tr>
<th>Topic</th>
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</table>
| Content of the financial statements| Per Schedule B of the fund law of 17 December 2010:                                                                                                                                  | IAS 1             | - Statement of financial position.  
- Statement of comprehensive income.  
- Statement of cash flows.  
- Statement of changes in equity and/or statement of changes in net assets attributable to redeemable shareholders.  
- Notes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                    | - Statement of assets and liabilities.  
- Number of shares in circulation.  
- Net assets value per share.  
- Portfolio Securities.  
- Statement of operations and changes in net assets.  
- Details on the derivative transactions.  
- Notes.  
- A comparative table covering the last three financial years for the total net assets value and the net assets value per share.                                                                                                                                                                                                                                                                                                                                                     |
<p>|                                    | Annex to the specialised investment fund law of 13 February 2007, as amended.                                                                                                                                                           |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|                                    | Description of the investment portfolio (qualitative and/or quantitative information).                                                                                                                                                 |                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Comparative figures                | Per Schedule B of the fund law of 17 December 2010: Comparative financial information is generally not required, except that three years comparatives are required for the total NAV and NAV per share. The same requirement exists for Specialised Investment Funds.                                                                                                                                     | IAS 1             | One year comparative financial information is required for all amounts reported in the financial statements.                                                                                                                                                                                                                                                                                                                                                                        |
| Presentation of balance sheet/statement of net assets | Prescribed format per Schedule B of the fund law of 17 December 2010 and the annex to the specialised investment funds law of 13 February 2007, as amended.                                                                                         | IAS 1             | Classification of assets and liabilities by maturity unless a liquidity-based presentation is more relevant.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Presentation of Statement of comprehensive income/statement of operations | Prescribed format per Schedule B of the fund law of 17 December 2010 and the annex to the specialised investment funds law of 13 February 2007, as amended.                                                                                       | IAS 1             | There is no prescribed format although expenses must be presented either by function or by nature.                                                                                                                                                                                                                                                                                                                                                                                                                      |</p>
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<tbody>
<tr>
<td>Presentation of statement of changes in equity/ statement of changes in net assets</td>
<td>Prescribed format per Schedule B of the fund law of 17 December 2010 and the annex to the specialised investment funds law of 13 February 2007, as amended. Subscriptions, redemptions, dividend payments and result for the period are shown in the statement of operations and changes in net assets. No reconciliation is required for each class of shares, but instead per subfund.</td>
<td>IAS 1</td>
<td>Statement shows capital transactions with owners and other comprehensive income. Disclosure of the reconciliation between the balances of each component of equity at the beginning and the end of the period. Where there is no equity (only redeemable shares classified as liability) a statement of changes in net assets attributable to holders of redeemable shares is prepared by analogy.</td>
</tr>
<tr>
<td>Presentation of statement of cash flows</td>
<td>No cash flow statement required.</td>
<td>IAS 7</td>
<td>Cash flow statement classified by: - Cash flow from operating activities presented either by direct or indirect method. - Cash flow from investing activities. - Cash flow from financing activities.</td>
</tr>
<tr>
<td>Statement of cash flows – definition of cash and cash equivalent</td>
<td>No cash flow statement required.</td>
<td>IAS 7</td>
<td>Cash is made of cash on hand and demand deposits. Cash equivalents are highly liquid assets that can be readily converted into cash, and have a maturity of less than 3 months from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity’s cash management are also included as a component of cash and cash equivalents.</td>
</tr>
</tbody>
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## Financial statements

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<tbody>
<tr>
<td>Schedule of investments</td>
<td>Required per Schedule B of the fund law of 17 December 2010. Portfolio, distinguishing between: a) Transferable securities admitted to official exchange listing. b) Transferable securities dealt in on another regulated market. c) Transferable securities referred to referred to in Article 41 (1) d). d) Other transferable securities of the type referred to in Article 41 (2) a).</td>
<td>-</td>
<td>Not required.</td>
</tr>
<tr>
<td></td>
<td>For specialised investment funds, subject to the Law of 13 February 2007, as amended: The financial statements should include qualitative and/or quantitative information on the investment portfolio enabling investors to make an informed judgment on the development of the activities and the results of the fund.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net asset value/net asset value per share</td>
<td>Required per Schedule B of the fund law of 17 December 2010. Disclosure of the total net asset value and net asset value per share as at the end of each financial year is required for the last three financial years.</td>
<td>-</td>
<td>Not required, but usually disclosed. A reconciliation between the net asset values prepared in accordance with IFRS and with the prospectus is included as a note to the financial statements.</td>
</tr>
<tr>
<td>Presentation of the notes</td>
<td>No prescribed format.</td>
<td>IAS 1</td>
<td>No prescribed format.</td>
</tr>
<tr>
<td>Derogation from the application of the accounting principles</td>
<td>Derogation is allowed in accordance with Article 26 of the company law of 19 December 2002 (SICAV/SICAF).</td>
<td>-</td>
<td>Not allowed.</td>
</tr>
<tr>
<td>Changes in accounting principles</td>
<td>The principle of consistency applies and therefore restatement is not allowed. Exceptional departure is possible when duly justified and disclosed (Article 26 of the company law of 19 December 2002). The impacts are recognised in the statement of operations and an explanatory information must be disclosed in the notes to the financial statements.</td>
<td>IAS 8</td>
<td>Restatement of comparatives is generally required against equity or net assets attributable to redeemable shares, except as otherwise required by specific provisions of a new standard.</td>
</tr>
<tr>
<td>Topic</td>
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</tr>
</tbody>
</table>
| Correction of errors in prior year’s financial statements | Not addressed.  
Impacts are recognised in the statement of operations and an explanatory information must be disclosed in the notes to the financial statements. | IAS 8              | Adequate disclosures should be made.  
Restatement of comparatives is required.  
If the error occurred in a period earlier than the prior year, the opening balances of assets, liabilities (including net assets attributable to redeemable shareholders) and equity of the prior period are restated. |
| Changes in accounting estimates           | Not addressed.  
Practice is similar to IFRS.                                                                 | IAS 8              | To be reported in the statement of comprehensive income/statement of operations in the current period and applied prospectively.                           |
| Interim financial reporting               | Condensed format prescribed by Schedule B (Chapter I to IV) of the fund law of 17 December 2010.  
Frequency of reporting is semi-annual.  
There are no such requirements for specialised investment funds. | IAS 34             | Contains the same primary statements as year-end financial statements presented in complete or condensed forms. Selected explanatory notes are also required when condensed interim financial statements are prepared.  
The accounting policies applied are those that will be applied in the current year annual financial statements.  
Frequency of reporting is imposed by local regulators or is at the discretion of the reporting entity.  
If new IFRS applies during the year, the new IFRS should be applied in the preparation of the interim financial statements, together with the disclosure of the new accounting policies. |
## Assets

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<tbody>
<tr>
<td>Formation expenses</td>
<td>Formation expenses may be capitalised and written off within a maximum period of 5 years.</td>
<td>IAS 38</td>
<td>Formation expenses are expensed as incurred.</td>
</tr>
<tr>
<td>Financial instruments –</td>
<td>Investments:</td>
<td>IAS 39</td>
<td>Five classifications possible:</td>
</tr>
<tr>
<td>classification</td>
<td>Per Schedule B of the fund law of 17 December 2010</td>
<td></td>
<td>1. Available for sale.</td>
</tr>
<tr>
<td></td>
<td>a) Transferable securities admitted to official exchange listing.</td>
<td>IFRS 9*</td>
<td>2. Held to maturity.</td>
</tr>
<tr>
<td></td>
<td>b) Transferable securities dealt in on another regulated market.</td>
<td></td>
<td>3. Loans and receivables.</td>
</tr>
<tr>
<td></td>
<td>c) Transferable securities of the type referred to in Article 41 (1) d).</td>
<td></td>
<td>4. Fair value through profit or loss.</td>
</tr>
<tr>
<td></td>
<td>d) Other transferable securities of the type referred to in Article 41 (2) a).</td>
<td></td>
<td>5. Other liabilities.</td>
</tr>
<tr>
<td></td>
<td>Other assets and liabilities: not defined.</td>
<td></td>
<td>Available for sale, held to maturity and loans and receivables categories are no longer</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>available.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Three categories for financial instruments:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Those measured at fair value through profit or loss.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>- Those measured at fair value through Other Comprehensive Income.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Those measured at amortised cost.</td>
</tr>
<tr>
<td>Financial instruments –</td>
<td>At trade date when and only when the entity becomes party to its contractual terms.</td>
<td>IAS 39, IFRS 9*</td>
<td>At trade date when and only when the entity becomes party to its contractual terms.</td>
</tr>
<tr>
<td>recognition</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*There is currently no mandatory application date for IFRS 9. This standard is not EU endorsed as at the date of this publication.*
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</thead>
</table>
| Financial instruments – measurement | Purchase price plus transaction costs.  
Subsequent measurement – fair value.  
For specialised investment funds, subsequent measurement can be on other basis than fair value if provided in the management regulations. | IAS 39 | For financial instruments measured at fair value through profit or loss:  
- initial measurement at fair value.  
Transaction costs are expensed when incurred.  
For financial instruments measured at amortised costs:  
- initial measurement at cost, including directly attributable transaction costs.  
Subsequent measurement:  
- Fair value through profit or loss – fair value.  
- Loans and receivables & held to maturity – amortised cost.  
- Other financial assets (available for sale) – fair value, with limited exceptions.  
- Financial liabilities – amortised cost.  
- Financial liabilities – at fair value. |
| Financial instruments – derecognition | Practice is similar to IFRS. | IAS 39 | Assets – derecognition when the contractual rights to the cash flows from that asset expire or when the entity transfers a financial asset and the transfer qualify for derecognition.  
Liabilities – derecognition when it is extinguished. |

*There is currently no mandatory application date for IFRS 9. This standard is not EU endorsed as at the date of this publication.*
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</thead>
<tbody>
<tr>
<td>Fair value definition</td>
<td>Not specified in the law.</td>
<td>IFRS 13</td>
<td>Long position – use of most representative fair value. Short position – use of most representative fair value. Not quoted on an active market – fair value is determined using a valuation technique.</td>
</tr>
<tr>
<td></td>
<td>Practice is latest available price, which could be closing or trading.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Not quoted on an active market – valuation to be estimated and determined by the board of directors based on probable sale price.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disclosure</td>
<td>Limited disclosures such as: - List of derivatives such as options, forwards, swaps and futures. - Securities lending. - Purchase and repurchase agreements - Sale with right of repurchase transactions. For the transactions listed above, additional disclosures are required by the ESMA guidelines on ETFs and other UCIs issues (ESMA 2012/832EN) and CSSF Circulars 13/559 and 08/356 which include mainly: - Names of the counterparties. - The exposure obtained. - Collateral received by the Fund to reduce counterparty exposure. - Direct and indirect operational costs incurred as a result of the transaction. - Commitment.</td>
<td>IFRS 7</td>
<td>Extensive requirements such as: Specific disclosures for financial instruments: – Disclosures related to the financial statements:  &gt; Collateral.  &gt; Default or breaches.  &gt; Fair value disclosures – categorisation of fair value information. – Disclosures related to risk management:  &gt; Qualitative and quantitative disclosures.  &gt; Credit risks; liquidity risks; market risks; interest rate risk; currency risks.  &gt; Sensitivity analysis.  &gt; Maturity analysis. – Disclosures related to the fair value hierarchy for financial instruments at fair value. – Disclose valuation technique and inputs, the effects of the measurement on profit and loss or other comprehensive income if significant unobservable inputs are used.</td>
</tr>
<tr>
<td>Topic</td>
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</tr>
</tbody>
</table>
| Impairment of assets| Practice is similar to IFRS.  
Value adjustment is required to the lower of the recoverable amount if it is expected that the reduction in value will be permanent.  
If an asset is no longer impaired, reversal of the impairment loss is required.                                                                                     | IAS 36              | *Non-financial assets*                                                                                                                                                                                                                                                                                                                                     |
|                     |                                                                                                                                                                                                                                                                   |                     | If an asset is impaired, it is written down to the highest of the fair value less costs to sell and the value in use based on discounted net cash flows from continuing use and disposal.  
If an asset is no longer impaired, reversal of the impairment loss is required, other than in respect of goodwill.  
*Financial assets (only at amortised cost)*  
If an asset is impaired, it is written down to the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.  
If the asset is no longer impaired and the decrease of the impairment loss can be objectively related to an event occurring after the impairment is recognised, the write down is reversed through the statement of operations. |
| Investment property | Investment property initially recognised at cost.  
Subsequent measurement – at fair value.  
Subsequent expenditure – not addressed.  
In practice, subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits.                                                                                      | IAS 40              | Investment property is a property held to earn rental income or capital appreciation or both.  
Investment property initially recognised at cost.  
Subsequent measurement – fair value model or cost model.  
Disclosure of the fair value required when the cost model is used.  
Subsequent expenditure is capitalised only when it is probable that it will give rise to future economic benefits. |
# Liabilities / Equity

<table>
<thead>
<tr>
<th>Topic</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Provisions</td>
<td>Practice is similar to IFRS. However no discounting is required.</td>
<td>IAS 37</td>
<td>Recognise provision in the statement of financial position for present obligation arising from past events if an outflow of resources is probable and can be reliably estimated. Discounting is required if time value is material.</td>
</tr>
<tr>
<td>Equity classification</td>
<td>Shares and units are classified as equity.</td>
<td>IAS 32</td>
<td>Redeemable shares may be puttable instruments and classified as liabilities irrespective of their legal form. However if certain conditions are complied with, redeemable shares are classified as equity. For closed ended funds, the shares are usually classified as equity.</td>
</tr>
</tbody>
</table>
## Revenues

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenue recognition</td>
<td>Interest is recognised on an accrual basis.</td>
<td>IAS 18</td>
<td>General requirement: Revenues are recognised when the amount can be measured reliably and it is probable that the economic benefit from the transaction will flow to the entity.</td>
</tr>
<tr>
<td></td>
<td>Dividends are recognised when the fund’s right to receive payment is established.</td>
<td></td>
<td>Interest is recognised on an accrual basis using the effective interest method.</td>
</tr>
<tr>
<td></td>
<td>Other revenues – Practice is similar to IFRS.</td>
<td></td>
<td>Dividends are recognised when the fund’s right to receive payment is established.</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>Not addressed.</td>
<td>IAS 33</td>
<td>Basic and diluted earnings per share must be disclosed in the statement of comprehensive income and in the notes for each class of ordinary shares that are publicly traded.</td>
</tr>
<tr>
<td></td>
<td>In practice, earnings per share are not disclosed, unless required in countries of distribution.</td>
<td></td>
<td>No disclosure is required for redeemable shares if they are classified as financial liabilities in accordance with IAS 32.</td>
</tr>
</tbody>
</table>
Expenses

<table>
<thead>
<tr>
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<th>IFRS treatment and disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>Recognised on an accrual basis.</td>
<td>IAS 1</td>
<td>Recognised on an accrual basis.</td>
</tr>
</tbody>
</table>
| Transaction costs             | For UCITS funds, transaction costs should be disclosed either in the notes or as a separate item in the statement of operations. | IAS 39            | Transaction costs in respect of instruments classified at fair value through profit or loss are recognised in the profit or loss when incurred. 
For other categories, transaction costs are included in the acquisition cost. |
<p>| Dividends to shareholders     | Dividends are recorded in the statement of changes in net assets (equity) or statement of operations and changes in net assets. | IAS 32            | Dividends are considered as finance costs if the redeemable shares are considered as liabilities, otherwise they are shown in the statement of changes in equity. |
| Income taxes - current        | Current tax is accounted for in the period in which the taxable profit or loss that gives rise to the tax occurs. | IAS 12            | Current tax is accounted for in the period in which the taxable profit or loss that gives rise to the tax occurs. |</p>
<table>
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</thead>
<tbody>
<tr>
<td>Withholding tax</td>
<td>Interest and dividend are shown net of withholding taxes.</td>
<td>IAS 12</td>
<td>Income and dividend received are usually shown gross in the statement of comprehensive income and the withholding taxes are represented as a separate line as income tax for the period.</td>
</tr>
</tbody>
</table>
| Income tax - Deferred taxes  | Deferred taxes are not recognised.  Disclosed if amount is significant.                           | IAS 12             | Deferred tax asset/liability is recognised for all temporary differences between the tax base of an asset/liability and its carrying amount in the financial statements.  
Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled. 
Deferred tax assets are recognised to the extent that it is probable that a future taxable profit will be available. |
## Other accounting and reporting topics

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Contingent assets</td>
<td>Practice is similar to IFRS.</td>
<td>IAS 37</td>
<td>Possible assets whose existence is uncertain – not recognised on the balance sheet.</td>
</tr>
<tr>
<td>Contingent liabilities</td>
<td>Practice is similar to IFRS.</td>
<td>IAS 37</td>
<td>Present obligations that arise from past events with uncertainties about either the probability of outflows of resources or about the amount of the outflows, or possible obligations when the existence of an obligation is uncertain – not recognised unless in a business combination. Detailed disclosures in the notes to the financial statements required unless probability is remote.</td>
</tr>
<tr>
<td>Related party transactions</td>
<td>The notes include information about transactions entered into with related parties (including the amount, the nature of the related party relationship and other information for an understanding of the financial position of the fund), if such transactions are material and have not been concluded under normal market conditions. In practice, details of the main contracts such as investment management fees and performance fees are also disclosed.</td>
<td>IAS 24</td>
<td>Related parties are parties that influence the reporting entity and/or that are influenced by it. Influence may take the form of direct/indirect control, common control or significant influence. Related party relationship must be disclosed when control exists even if there have been no transactions. For related party transactions, their nature, the amounts of the transactions, the outstanding balance at year end and their terms and conditions must be disclosed. Disclosure is also required if there are management compensations for key management personnel.</td>
</tr>
<tr>
<td>Functional currency - definition</td>
<td>No definition of functional currency.</td>
<td>IAS 21</td>
<td>Functional currency is the currency of the primary economic environment in which the entity operates.</td>
</tr>
<tr>
<td>Topic</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Functional currency – transactions in another currency | Not specifically addressed. Practice is similar to IFRS. | IAS 21              | Foreign currency transactions are converted into functional currency at rates prevailing on transaction date.  
At the period end, monetary items are converted at the closing rate.  
Non-monetary items measured at historical cost are translated at the rate on the transaction date. Non monetary items, measured using the revaluation model or held at fair value, are translated at the date of the revaluation.  
Differences arising are recognised in profit and loss or using the recognition method applied to gains/losses from revaluation. |
| Functional currency - foreign operations | Practice is similar to IFRS. | IAS 21              | Financial statement of entities included in the consolidation are translated into group’s presentation currency as follows:  
– Assets and liabilities are translated at the closing rate.  
– Income and expenses are translated at the rate on transaction date (or average rate for simplification purposes).  
All exchange differences are recognised in other comprehensive income. |
| Extraordinary/ exceptional items | Its use should be infrequent and reserved for items that justify a prominence greater than that achieved by separate disclosure or presentation. | IAS 1               | Prohibited.  
Separate disclosure is required for items that are of such size, incidence or nature that their separate disclosure is necessary to explain the performance of the reporting entity. |
Other accounting and reporting topics

<table>
<thead>
<tr>
<th>Topic</th>
<th>Lux GAAP treatment and disclosure</th>
<th>IAS/IFRS reference</th>
<th>IFRS treatment and disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post balance sheet events</td>
<td>Financial statements are adjusted for events that provide evidence of conditions at the date of the financial statements and have a material impact on the amounts presented. Non-adjusting events are disclosed.</td>
<td>IAS 10</td>
<td>Financial statements are adjusted for events that provide evidence of conditions at the date of the financial statements and have a material impact on the amounts presented. Non-adjusting events are disclosed.</td>
</tr>
<tr>
<td>Segment reporting</td>
<td>Not addressed. In practice there is no segment reporting but reporting per sub-fund.</td>
<td>IFRS 8</td>
<td>Segment reporting applies for entities where equity or debt securities are publicly traded, or that are in the process of issuing such securities. Segment reporting requires specific segment disclosures and entity-wide disclosures. Operating segments are reportable if they meet one of three quantitative tests, based on revenues, profits and assets.</td>
</tr>
<tr>
<td>Offsetting</td>
<td>A financial asset and a financial liability can be offset and the net amount reported when an entity has a legally enforceable right to set off the amounts.</td>
<td>IAS 32</td>
<td>A financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity: (i) has a legally enforceable right to set off the amounts; and (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.</td>
</tr>
</tbody>
</table>
## Consolidated financial statements

<table>
<thead>
<tr>
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</thead>
</table>
| Consolidated financial statements – basis for consolidation | *For SICAVs*  
The commercial law of 10 August 1915 applies.  
Consolidated financial statements are required if the entity has at least one subsidiary unless the specific exemptions permit or require otherwise.  
*For FCPs*  
No guidance is provided.  
Combined figures of subfunds are required in accordance with Chapter L of CSSF Circular 91/75. | IFRS 10            | Consolidated financial statements are required if the entity controls at least one subsidiary.  
However, a qualifying investment entity is required to account for investments in subsidiaries, associates and joint ventures at fair value through profit or loss with the exception of entities that provide services that relate to the investment entity’s investment activities. This consolidation exemption to qualifying investment entities is mandatory.  
In order to qualify, an investment entity must: (i) obtain funds from one or more investors for the purpose of providing those investors with investment management services; (ii) commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation and/or investment income; and (iii) measure and evaluate the performance of substantially all of its investments on a fair value basis. |

| Subsidiary – definition                       | Entity controlled by another entity.  
Control exists if the parent company:  
- Has the majority of the voting rights in another undertaking.  
- Has the right to appoint or remove the members of the board or the supervisory body and is a shareholder of the undertaking.  
- Is a shareholder and controls alone pursuant to an agreement with other shareholders the majority of the voting rights. | IFRS 10            | Entity controlled by another entity.  
An investor controls an investee if and only if the investor has all of the following elements: (i) power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee’s returns) (ii) exposure, or rights, to variable returns from its involvement with the investee (iii) the ability to use its power over the investee to affect the amount of the investor’s returns. |
### Consolidated financial statements

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Associate – definition</td>
<td>Entities over which the investor has significant influence. Significant influence is presumed from a 20% holding.</td>
<td>IAS 28</td>
<td>Entities over which the investor has significant influence. Significant influence is presumed from a 20% holding and whenever the investor has the power to participate in the financial and operating policy decision process without controlling these policies.</td>
</tr>
<tr>
<td>Associate – accounting treatment</td>
<td>Investments in associates are accounted for at fair value.</td>
<td>IAS 28</td>
<td>Investments in associates are accounted for using the equity method in the consolidated financial statements with the exception of qualifying investment entities where these investment are accounted for at fair value through profit or loss.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Associates are initially recognised at cost, and the carrying amount is adjusted in subsequent periods to reflect changes in the investor’s share of the associates net assets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Under IAS 39, venture capital organisations, mutual funds, unit trusts and similar entities may elect to account for investments in associates and jointly controlled entities as financial assets at fair value through profit or loss.</td>
</tr>
<tr>
<td>Master feeder structures</td>
<td>The report of a feeder UCITS must indicate how the annual and half-yearly report of the master UCITS can be obtained.</td>
<td>IFRS 10</td>
<td>Feeder should consolidate the Master if control exists, except when the Feeder meets the definition of investment entity.</td>
</tr>
<tr>
<td></td>
<td>For non-UCITS funds, no guidance is provided.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Master accounts may be annexed in feeder funds’ accounts.</td>
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</tr>
</tbody>
</table>
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