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## The consolidation

The purpose for drawing up consolidated accounts is to present a true and fair picture of the financial situation and financial results of a parent company and its subsidiaries as those of a single economic entity.

Consolidation accounting is the process of combining the financial results of several subsidiary companies into the combined financial results of the parent company in order to present the patrimony of a group and its operations towards third parties. The integration of the accounts requires the standardizing of data and the removal of all intra group operations.

The consolidated accounts comprise the consolidated balance sheet, the consolidated profit and loss account and the notes to the accounts

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### 1. How do the thresholds apply in practice ?

Article 309 and subsequent of the modified law of 10 August 1915 on commercial companies (« LSC ») addresses the requirements to prepare and publish consolidated accounts

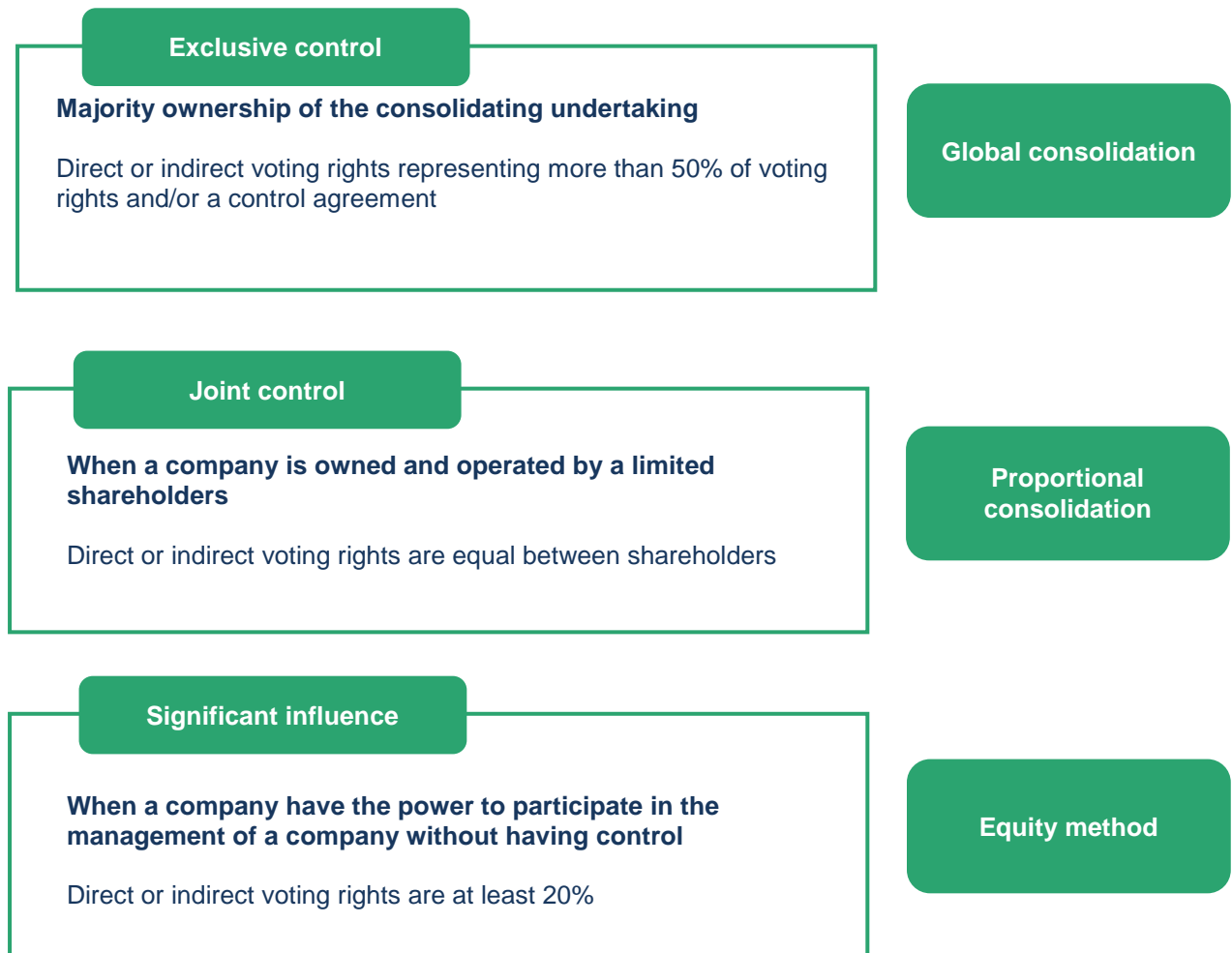
**However any group of entities may choose to consolidate for internal reasons in order to have a better overview of their assets.**

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## 2. Which companies have to draw up consolidated accounts ?

The undertakings that will draw up consolidated accounts will have to set up a consolidation scope. This scope is determined according to the « direct or indirect influence/control» of the consolidating undertaking over its Luxembourg and/or foreign subsidiaries.

→ There are three types of control/ influence shaping the consolidating methods :



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### 3. Which accounting standards to choose ?

The companies which transferable securities are admitted to trading on a regulated market have to draw up consolidated accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

An unlisted company may choose between three accounting frameworks :

- \_ Luxembourg Accounting Standards under historical cost convention <sup>1</sup>
- \_ Luxembourg Accounting Standards under fair value option <sup>2</sup>
- \_ Full IFRS <sup>3</sup>

A derogation to draw up accounts according to different standards can be granted pursuant to Article 27 of the law of 19 December 2002 on the Register of Commerce and Companies and the Accounting and Annual Accounts of Undertakings.

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### 4. What are the main exemptions to consolidation requirements? (non-comprehensive list)

- \_ « A parent company shall be exempted from the obligation to draw up consolidated accounts and a consolidated management report if at the balance sheet date for the parent company, the undertakings which would have to be consolidated do not together, on the basis of their latest annual accounts, exceed the limits of at least two of the three criteria set out below » Article 313 of the law of 10 August 1915

Total balance sheet :  
20 million euros <sup>4</sup>

Net turnover : 40 million  
euros <sup>4</sup>

Average number of full-time  
staff employed : 250 <sup>4</sup>

- \_ Undertakings which are consolidated in the accounts of a larger body of undertakings.
- \_ *Sociétés de participation financière* ( SOPARFI<sup>o</sup>)
- \_ Entities which are fully controlled and that are exclusively acting on behalf of investments entities in risk capital (venture capital / Private Equity) might be exempted from consolidating.
- \_ Companies which are being liquidated

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<sup>1</sup> Refer to law of 19 December 2002 section 7 : Valuation rules

<sup>2</sup> Refer to law of 17 Décembre 2010 section 7 Bis : Fair value valuation rules

<sup>3</sup> Refer to law of 10 August 1915 on Luxembourg Commercial Companies chapter II Bis « On the preparation of annual accounts in accordance with international accounting standards »

<sup>4</sup> On consolidation basis

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## 5. How we can help you ?

If you wish to present consolidated accounts of your group or if you need assistance in the consolidation work, we can assist you in every step of the consolidation process (providing advice on a specific matter to complete outsource of the production of your consolidated accounts).

- \_ Analysis and assessment of your scope of consolidation
- \_ Drawing-up of your consolidating manual of procedures & group accounting policies
- \_ Identification and processing of your complex operations and offering tailor-made solutions
- \_ Preparation and checking of your reconciliation statements and drawing-up financial statements
- \_ Setting up and defining of « KPIs » according to your needs
- \_ Analyzing and calculation of your financial ratios when considering bank loans

Our multilingual and multidisciplinary team will assist you in defining and setting up your consolidation process according to either Luxembourg Accounting Standards or International Financial Reporting Standards (IFRS).

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## 6. Your contact person

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