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Activity report for 2016

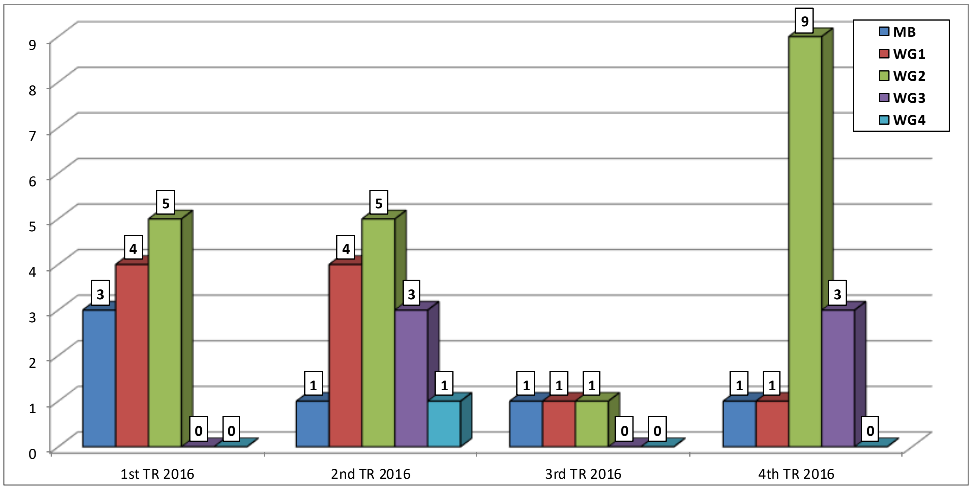
Disclaimer: This document – provided as a courtesy – is an unofficial translation of the French original document. In case of discrepancy in interpretation, the French version shall prevail.

Luxembourg, ________________

Ladies and Gentlemen,

I have the honour of reporting to you on the activities during the financial year 2016 of the Economic Interest Grouping (EIG) "Commission des normes comptables (CNC)" (Accounting Standards Board).

During 2016, the CNC's Management Board and its working groups met 43 times (2015: 48; 2014: 44) and maintained a steady pace of work.



- **General administration**

In order to facilitate the dissemination of the CNC's doctrinal work and to make it more visible, particularly to the Luxembourg accounting community, the website project was finalised and put online during the summer of 2016.

CNC's website is now accessible at the following URL address: www.cnc.lu.

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The site will undergo gradual improvements: the launch of a responsive version (*smartphones, tablets*) and a secure members' area are planned for 2017.

- **Accounting doctrine**

Following the adoption of the law of 18 December 2015 transposing Directive 2013/34/EU, CNC's doctrinal work focused on implementing the main changes introduced by the new law.

Several Q&A with doctrinal scope were thus published in 2016, namely:

- Q&A CNC 16/007 Land and buildings under LUX GAAP: application of the cost model
- Q&A CNC 16/008 eCDF / PCN – Removal of the category of extraordinary income and expenses: practical consequences
- Q&A CNC 16/009 Investment property under LUX GAAP and LUX GAAP - FV: cost model vs. fair value model
- Q&A CNC 16/010 eCDF / PCN – New layouts of balance sheet and profit and loss account (2016): practical consequences
- Q&A CNC 16/011 eCDF / PCN – Changes in the presentation of financial income and expenses (2016): practical consequences

CNC also addressed other doctrinal issues on which work was still in progress at the end of 2016.

- **Standard chart of accounts**

Work on revising the Standard Chart of Accounts – initiated in 2015 – continued at a sustained pace in 2016 (20 meetings of WG 2). The revision of the Standard chart of accounts (PCN) should be completed in the first half of 2017.

- **Accounting derogations (art. 27 L.2002)**

As part of the wider project to overhaul Luxembourg accounting law, a review was initiated in 2016 of the future of exemptions granted under Article 27 of the amended law of 2002.

To this end, an assessment was carried out for the 10 years that the mechanism has been in use. This assessment should lead to the articulation of recommendations for the attention of the Minister of Justice.

- **European and international affairs**

During 2016, the CNC responded to a public consultation launched by the European Commission on the methodology applicable to the publication of non-financial information and contributed to the work of the “Accounting Regulatory Committee (ARC)”.

In addition, the CNC contributed to the work of the *European Financial Reporting Advisory Group* (EFRAG) through its financial support (*National Funding Mechanism (NFM)*) and the active participation of its President in the EFRAG Board, whose work focused mainly on the issue of bank / insurance and the interaction between IFRS 9 and IFRS 4, as well as on the impacts associated with the implementation of the new IFRS 16 on leases.

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- **GIE CNC key figures** [i]

		2016	2015	2014
Profit and loss account				
State subsidy	(1)	€238 000	€234 982	€230 000
Other income	(2)	€4 320	€24 420	€15 000
Staff costs and similar expenses	(3)	€(197 774)	€(223 809)	€(217 528)
Contribution to EFRAG ("NFM")	(4)	€(15 000)	€(15 000)	€(7 500)
Other expenses	(5)	€(13 393)	€(18 412)	€(17 367)
Net profit		**€16 153**	**€2 181**	**€2 605**

	2016	2015	2014
Balance sheet			
Assets	€28 724	€14 468	€44 277
Liabilities	€7 785	€9 682	€41 672
Equity	€20 939	€4 786	€2 605

(1) For the year 2017, the State subsidy (Government grant) awarded to GIE CNC amounted to €288 000 and fully covered the budget of income and expenses, thereby ensuring the continuity of GIE CNC's operations.

(2) The caption "Other income" mainly comprises ancillary revenue generated by the organisation of the CNC's annual conference (2014 and 2015) and by training sessions on accounting law (2015 and 2016).

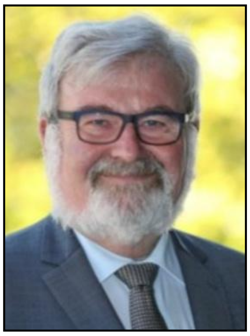
(3) The caption "Staff and similar expenses" comprises all remuneration paid to persons contributing directly to the work of GIE CNC, including the costs of salaried staff, the Chairman's allowance and the attendance fees paid to members and observers of the Management Board and to experts in the working groups.

(4) As a member organisation of EFRAG Aisbl, GIE CNC provides financial support (*"National Funding Mechanism (NFM)"*) of €15 000 per full year to support the activities of EFRAG, whose main remit is to advise the European Commission on the adoption of International Financial Reporting Standards (IFRS).

(5) The caption "Other expenses" mainly comprises the costs of contractual audit of the accounts, civil liability insurance, IT costs, travel expenses and the organisation of CNC's annual conferences. Furthermore, GIE CNC benefits from logistical support from the Ministry of Justice, which provides it with a fully equipped office and administrative support free of charge.

I would like to thank all the members of the Management Board and the experts of the working groups for their support and contribution to the CNC's activities and missions over the past year.

Alphonse KUGELER
President of the Management Board



[i] **The above key figures are an abbreviated version of the annual accounts for the financial years ended 31 December 2015 and 2016 as filed with the Companies Registry on 26 February 2016 (reference L160035164) and 17 February 2017 (reference L170027780). Said annual accounts have been subject to a contractual audit by an approved statutory auditor of undertakings who has issued an unqualified audit opinion for each of the financial years.**