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Activity report for 2017

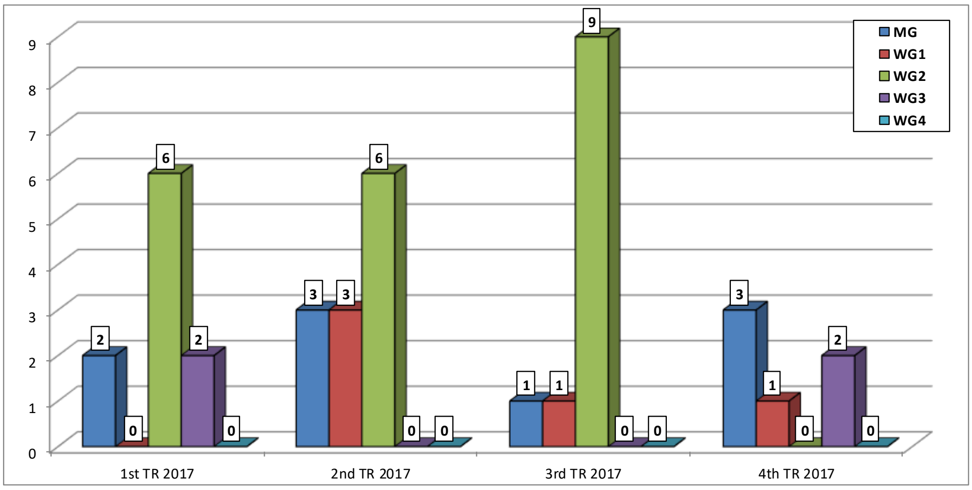
Disclaimer: This document – provided as a courtesy – is an unofficial translation of the French original document. In case of discrepancy in interpretation, the French version shall prevail.

Luxembourg, ________________

Ladies and Gentlemen,

I have the honour of reporting to you on the activities during the financial year 2017 of the Economic Interest Grouping (EIG) "Commission des normes comptables (CNC)" (Accounting Standards Board).

During 2017, the Management Board and the working groups of the CNC met 39 times (2016: 43) and maintained a steady pace of work.



- **General administration**

The website underwent improvements during 2017 with the launch of a responsive web design (RWD) at the end of June 2017, making it easier to consult, particularly for smartphone and tablet users.

In addition, and in accordance with the GIE CNC's articles of association (art. 9), the Management Board worked during 2017 to draw up draft internal regulations (ROI) defining the internal organisation, the operations and the working procedures of the Management Board and of its working groups. The purpose of the ROI is also to specify the rules of conduct, neutrality and independence, including provisions relating to the prevention and management of conflicts of interest. The draft ROI will be finalised during the year 2018 and will be available online on CNC's website.

- **Accounting doctrine**

During 2017, several Q&A with doctrinal scope were published, namely:

- Q&A CNC 17/012 – Research and development costs: new applicable accounting regime (2016)
- Q&A CNC 17/013 – Concept of turnover (art. 48 LRCS): impact of the amendments introduced by the law of 18 December 2015
- Q&A CNC 17/014 - Notes to the annual accounts of parent undertakings and subsidiaries: information on consolidated accounts
- Q&A CNC 17/015 - Disclosure in the notes to the annual accounts of participating interests held (art. 65 (1) 2° LRCS) and exception to the principle of exemption for small undertakings (art. 66 LRCS)

CNC also examined other doctrinal issues, the conclusions of which will be finalised in 2018. These include the accounting regime applicable to small undertakings, including financial holding companies and various issues relating to consolidated accounts.

- **Standard chart of accounts (PCN)**

Work on revising the Standard Chart of Accounts – initiated in 2015 – continued at a steady pace (21 meetings of WG 2) and was concluded during the 2nd half of 2017 with the formulation of proposals submitted to the Minister of Justice in the form of a preliminary draft Grand Ducal regulation.

According to the information received from the Ministry of Justice and in view of the coordination process initiated by the latter and the ordinary regulatory procedure, the financial years starting in 2018 will not be affected by this revision.

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

During 2017, CNC received 34 individual requests for exemptions pursuant to Article 27 of the amended 2002 Act. At 31 December 2017, the processing of 29 of these requests had been finalised. The examination of 5 applications was still in progress, pending additional information or the regularisation of their file by the applicant companies.

In addition, the discussions initiated in 2016 on the future of the derogations granted under article 27 of the amended 2002 law continued in 2017 and should lead to recommendations being made to the Minister of Justice in 2018.

- **European and international affairs**

In 2017, the CNC contributed to the work of the European Financial Reporting Advisory Group (EFRAG), in particular through its financial support (*National Funding Mechanism (NFM)*) and its participation as a member organisation in EFRAG's general meetings.

CNC also took part in the work of the EFRAG Board through the active participation of its President. As part of the statutory rotation provided for on the EFRAG Board, this mandate came to an end on 1st November 2017.

In addition, discussions have been launched to determine how to make this collaboration between the CNC and EFRAG more concrete – for stakeholders interested in accounting in Luxembourg.

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- **Key figures of the GIE CNC** [i]

		2017	2016	2015
Profit and loss account				
State subsidy	(1)	€288 000	€238 000	€234 982
Other income	(2)	€5 490	€4 320	€24 420
Staff costs and similar expenses	(3)	€(222 539)	€(197 774)	€(223 809)
Contribution to EFRAG ("NFM")	(4)	€(15 000)	€(15 000)	€(15 000)
Other expenses	(5)	€(14 103)	€(13 393)	€(18 412)
Net profit		**€41 848**	**€16 153**	**€2 181**

	2017	2016	2015
Balance sheet			
Fixed assets	€9 005	€11 777	€12 589
Current assets	€62 611	€16 948	€1 879
Total assets	€71 616	€28 724	€14 468
Liabilities	€8 829	€7 785	€9 682
Shareholders' equity	€62 787	€20 939	€4 786

(1) For 2018, the state subsidy (Government grant) granted to GIE CNC amounts to €290 000 and covers the entire budget of income and expenses, thus ensuring the continuity of GIE CNC's operations.

(2) The caption "other income" corresponds essentially to ancillary income generated by the organisation of training sessions in accounting law as part of the continuing education programme of the "*Institut des réviseurs d'entreprises* " (IRE).

(3) "Staff costs and similar expenses" covers all remuneration paid to persons contributing directly to the work of the 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 pays financial assistance (*"National funding mechanism (NFM)"*) of €15 000 per full year to support the activities of EFRAG, whose main task is to advise the European Commission on the adoption of International Financial Reporting Standards (IFRS).

(5) "Other expenses" mainly include the costs of contractual audit of accounts, company secretarial services (computation of salaries / wages), civil liability insurance, IT costs, travel expenses and the costs of organising CNC annual conferences. GIE CNC also receives 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 their contribution to the activities and missions of the CNC during the past year.

Alphonse KUGELER
President of the Management Board

[i] The key figures above are an abbreviated version of the annual accounts for the financial years ended 31 December 2015, 2016 and 2017 as filed with the Trade and companies register (RCS). Said annual accounts have been subject to a contractual audit by an approved statutory auditor who has issued an unqualified audit opinion for each of the financial years.