CNC Luxembourg
Commission des Normes Comptables

Commission des normes comptables
Groupement d'intérêt économique
R.C.S. Luxembourg C109
Centre administratif Pierre Werner
13, Rue Erasme
L-1468 Luxembourg
e-mail : cnc@mj.etat.lu

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Activity report
for 2018

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 financial year 2018 of the Economic Interest Grouping (EIG) "Commission des normes comptables (CNC)" (Accounting Standards Board).

- **Renewal of mandates (2018 / 2021)**

2018 was marked by the renewal of the terms of office of the members of the GIE CNC's Management Board, the first 4-year term of office (2013 / 2017) having come to an end. Following this renewal, 4 new members joined the Management Board for the period 2018 / 2021 and 8 members had their terms of office renewed. In addition, the composition of the Board now reflects perfect parity between women (6 members) and men (6 members).

- **Work programme (2018 / 2021)**

During 2018, CNC's new Management Board worked to develop a balanced work programme that takes into account both accounting priorities and the CNC's limited resources.

At the end of its deliberations, the Management Board defined the project to overhaul Luxembourg accounting law as a priority for the 2018 / 2021 period. Despite a number of periodic amendments, Luxembourg accounting law is still essentially based on the old law of 4 May 1984 and, after 35 years, requires a comprehensive review of both form and substance.

- **General administration**

From an organisational point of view, the draft internal regulations (ROI) initiated during the year 2017 were finalised during the first quarter of 2018. The ROI define the internal organisation, operation and working procedures of the Management Board and of its working groups and are also intended to specify the rules of conduct, neutrality and independence, including provisions relating to the prevention and management of conflicts of interest. As announced last year, the ROI will shortly be posted on the CNC's website, in the interests of public information and transparency.

- **Accounting doctrine**

During 2018, CNC examined several issues of a doctrinal nature, including those relating to the accounting regime applicable to reserved alternative investment funds (FIARs) and the accounting of crypto-currencies, digital tokens and other transactions linked to the so-called *Blockchain* technology.

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

Following the adoption in June 2018 by the Government Council of the draft Grand Ducal Regulation revising the PCN, CNC in collaboration with CTIE and STATEC prepared and published various communications for the attention of the public. As a reminder, the revised PCN is due to be applied from financial years beginning on 1st January 2020.

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

During the year 2018, the CNC drew up a questionnaire enabling undertakings submitting a derogation request to carry out a self-assessment of their situation with regard to accounting law. Only applications submitted by undertakings that are in compliance can thus be examined and, where appropriate, granted authorisation.

During 2018, CNC received 24 applications for exemption under Article 27 of the amended law of 2002 (2017: 34, 2016: 17). Of these 24 applications, 19 were applications for renewal of prior authorisations and 5 were new applications for authorisation.

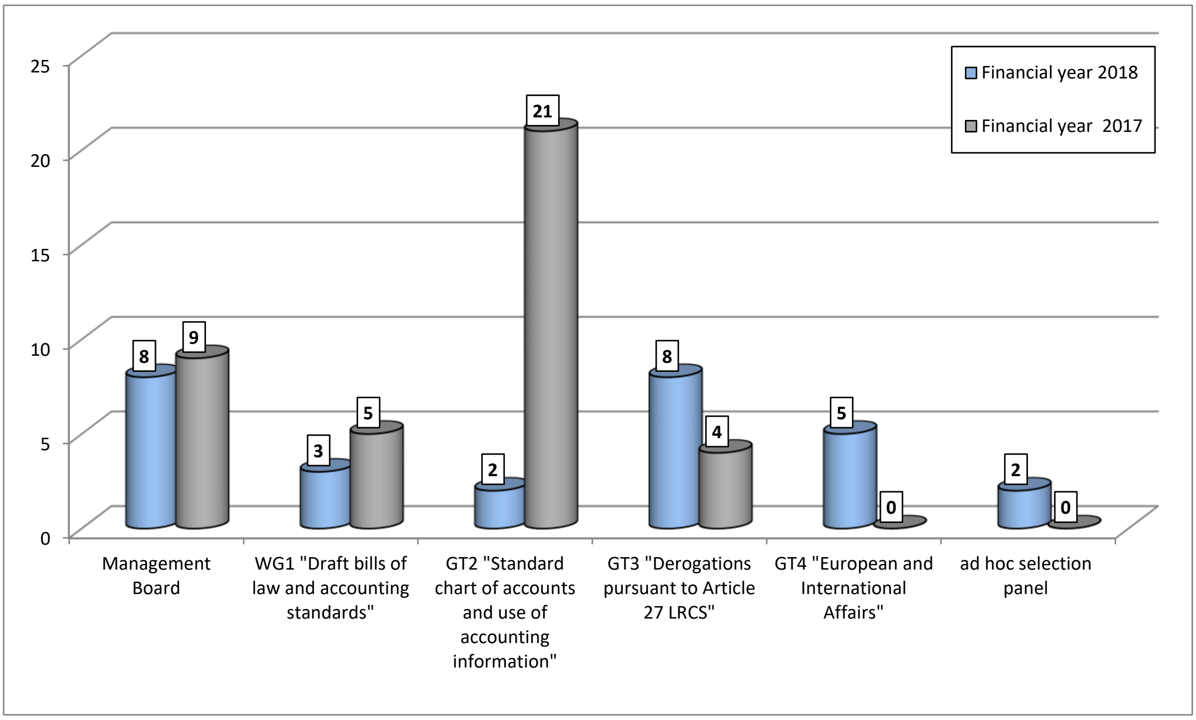
- **European and international affairs**

In 2018, CNC also participated in the public consultation launched by the European Commission services entitled "*Quality check of the EU legislative framework on information to be published by undertakings*".

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

- **CNC meetings in 2018**

During 2018, the CNC Management Board and its working groups met 28 times (2017: 39).



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- **Key figures for GIE CNC** [1]

		2018	2017	2016
Profit and loss account				
State subsidy	(1)	€ 290 000	€ 288 000	€ 238 000
Other income	(2)	€ 7 350	€ 5 490	€ 4 320
Staff costs and similar expenses	(3)	€ (195 832)	€ (222 539)	€ (197 774)
Contribution to EFRAG ("NFM")	(4)	€ (10 000)	€ (15 000)	€ (15 000)
Other expenses	(5)	€ (15 152)	€ (14 103)	€ (13 393)
Net profit		**€ 76 366**	**€ 41 848**	**€ 16 153**

	2018	2017	2016
Balance sheet			
Fixed assets	€ 3 712	€ 9 005	€ 11 776
Current assets	€ 144 878	€ 62 611	€ 16 948
Total assets	€ 148 590	€ 71 616	€ 28 724
Liabilities	€ 9 436	€ 8 829	€ 7 785
Shareholders' equity	€ 139 154	€ 62 787	€ 20 939

(1) CNC is mainly financed by an annual subsidy (Government grant) from the State's budget, which is intended to cover the investments and expenses generated by the tasks entrusted by law to CNC, GIE.

(2) "Other income" consists mainly of ancillary income generated by organising information sessions on current accounting issues as part of the continuing education programme of the "*Institut des réviseurs d'entreprises* " (IRE) and the "*Ordre des experts comptables* " (OEC).

(3) "Personnel and similar expenses" includes all remuneration paid to persons contributing directly to the work of GIE CNC, including the costs of salaried staff, the Chairman's remuneration 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 a financial contribution (*"National funding mechanism (NFM)"*) of €10 000 per year from 2018 (previously €15 000 per 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 auditing of the accounts, civil liability insurance, IT costs, travel expenses and other administrative costs. In addition, the CNC EIG receives logistical support from the Ministry of Justice, which provides it with a fully equipped office and administrative support free of charge.

[1] **The key figures above are an abbreviated version of the annual accounts for the financial years ended 31 December 2016, 2017 and 2018 as filed with the Registre de Commerce et des Sociétés (RCS). Said annual accounts have been contractually audited by an approved statutory auditor who has issued an unqualified audit opinion for each of the financial years.**

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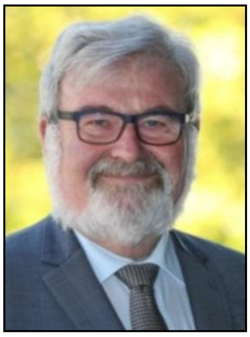
I would like to thank all the members of the Management Board and the experts in the working groups for their support and contribution to CNC's activities and missions during the past year.



Alphonse KUGELER
President of the Management Board