



CPVO

Community Plant Variety Office

Final Accounts 2020

Issuance date: 28 May 2021

2020 Declaration of Assurance the President of the CPVO

I, the undersigned, Martin Ekvad, President of the CPVO, in my capacity as authorizing officer,

Declare that the information contained in **the Final Financial Accounts 2020** give a true and fair view of the financial position of the CPVO.

State that I have reasonable assurance that the resources assigned to the activities describe in the reports have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transaction. This reasonable assurance is based on my own judgment and on the information at my disposal.

Confirm that I am not aware of anything not reported in the annual report, which could harm the interests of Community Plant Variety Office.

Angers, 28/05/2021

Martin Ekvad



President of the CPVO

2020 Declaration of Assurance the Accounting Officer of the CPVO

The **final annual accounts** of the Community Plant Variety Office for the year 2020 have been prepared in accordance with the Financial Regulation of the European Union and the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

I acknowledge my responsibility for the preparation and presentation of the **final annual accounts** of the Community Plant Variety Office in accordance with the Title IX of the Financial Regulation.

I have obtained from the authorizing officer, who certified its reliability, all the information necessary for the production of the accounts that show the Community Plant Variety Office's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the Community Plant Variety Office.

Angers, 28/05/2021

Anne-Marie Fernandez



Accounting Officer of the CPVO

Mr Klaus-Heiner Lehne
President of the European Court of Auditors
12, rue Alcide de Gasperi
L-1615 LUXEMBOURG

To the attention of the President of the Court of Auditors

Subject: Final annual accounts for the financial year 2020 for the CPVO

Date: 28th May 2021

Dear Mr. Klaus-Heiner Lehne,

This representation letter is provided in connection with your audit of the final accounts of the Community Plant Variety Office hereafter the CPVO consisting of the "financial statements"¹ and the budget implementation reports for the financial year ended 31 December 2020 for the purpose of expressing an opinion as to whether these present fairly, in all material respects, the financial position of the CPVO as of 31 December 2020, the results of its operations, its cash flows and the changes in net assets for the year then ended.

We have fulfilled our responsibilities concerning the design, implementation and maintenance of internal control relevant to the preparation and presentation of the accounts of the CPVO that are free from material misstatement, whether due to fraud or error.

The accounting systems laid down by the accounting officer and where appropriate systems laid down by the Authorising Officer and his delegates to supply and justify accounting information have been validated.

We have disclosed to you any significant changes or impact in our systems, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and of BREXIT on our system of internal controls, EU Budget and accounts.

All the information necessary for the production of the final accounts of the CPVO which give a true and fair view of the assets and liabilities and of the budgetary implementation has been obtained from the Authorising Officer and his delegates.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, the following representations:

¹ The "financial statements" comprise the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets and the notes to the financial statements.

Final Accounts

1. The "Final annual accounts of the CPVO" for the financial year ended 31 December 2020 referred to above are presented in accordance with its Financial Regulation and the accounting rules adopted by the accounting officer of the European Commission based on internationally accepted accounting standards for the public sector (IPSAS). There is no material divergence requiring disclosure in the notes to the financial statements under Article 51 of the Financial Regulation of the CPVO (Article 80 (2) of the Financial Regulation of the Commission).
2. No issues having a sufficiently material impact requiring a reservation have been brought to our attention.
3. The methods, the data, and the significant assumptions² used in making accounting estimates, including those measured at fair value, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the accounting rules and internationally accepted accounting standards for the public sector.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the accounting rules.
5. All events subsequent to the date of the financial statements and for which the accounting rules require adjustment or disclosure have been adjusted or disclosed.
6. The effects of any uncorrected misstatements, summarised in the accompanying schedule, are immaterial, individually and in the aggregate, to the financial statements as a whole.
7. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. The carrying value of receivables and recoverables which are potentially irrecoverable has been corrected, where necessary.
8. The CPVO has satisfactory title to all assets and there are no liens or encumbrances on the assets.
9. All types of assets have been reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where appropriate, such assets have been written down to their recoverable amount.
10. All liabilities, both actual and contingent, have been recorded or disclosed, as appropriate, and all guarantees that have been given to third parties have been disclosed in the notes to the financial statements. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
11. All claims against the CPVO are reflected in the financial statements as a provision or, where relevant, as a contingent liability.
12. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. There are no lines of credit arrangements.
13. There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended 2019 which are shown as comparative amounts in the financial statements for year ended 2020. Any differences in the comparative

² Which included as well the potential impact of COVID-19 pandemic and of the BREXIT.

amounts from the amounts in the financial statements for the year ended 2019 are solely the result of reclassifications for comparative purposes.

Information Provided

With regard to the information provided and the representations below, I highlight that we have provided you with such information for the CPVO.

14. We have provided you with:

- Access to all information of which we are am aware that is relevant to the preparation of the accounts such as records, documentation and other matters;
- Additional information that you have requested for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

15. All transactions have been recorded in the accounting records and are reflected in the accounts.

16. We have communicated to you all deficiencies concerning the design, implementation and maintenance of internal control relevant to the preparation and presentation of the accounts of which management is aware.

17. We have disclosed to you the results of my assessment of the risk that the accounts may be materially misstated as a result of fraud.

18. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the agency's accounts that I have been informed of by management, current or previous employees or other relevant services, including the European Anti-Fraud Office (OLAF).

19. We have disclosed to you the identity of the agency's related parties and all the related party relationships and transactions of which we are aware, in accordance with the EU accounting rule 15.

20. We have disclosed to you all instances of non-compliance and of suspected non-compliance with laws and regulations that we are aware of and whose effects should be considered when preparing the accounts.



Internal control over financial reporting

21. We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware

22. Apart from the above, we confirm that:

- the accounts disclose adequately the provisional nature of those operations which are subject to future clearance of accounts or closure procedures;
- for all "probable" but not yet definitive receivables an adequate disclosure, including when possible an estimate of the amounts involved, is given in the notes to the accounts;
- the accounts include all the recovery orders issued by the Authorising Officers concerning the operations giving rise to reimbursement;
- Authorising Officers have not informed me of delays or other problems in the establishment of recovery orders.

Reservations

There is no reservation



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28/05/2021

Anne-Marie Fernandez

The Accounting Officer of the Community Plant Variety Office



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28/05/2021

Martin Ekvad

The President of Community Plant Variety Office



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THE CPVO



1. The CPVO

A system for the protection of plant variety rights has been established by Community legislation. The system allows intellectual property rights, valid throughout the Community, to be granted for plant varieties.

The Community Plant Variety Office (CPVO) implements and applies this scheme. The CPVO has been operating since 27 April 1995. On 6 December 1996, the Intergovernmental Conference of representatives of the Member States (IGC) decided that the seat of the CPVO would be in Angers (France). The CPVO, which is a decentralised Community agency, has its own legal status. It is self-financing, mainly on the basis of the various fees paid.

2. Mission of the CPVO

The CPVO was established by Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights (OJ L 227 of 01.09.94 p.1). It was established with a view to creating a system of industrial property rights for plants, with uniform effect in the territory of the European Union.

The mission statement below, which is broadly in line with the one defined for the period 2010-2015, provides a clear *raison d'être* for the CPVO. It is on this solid basis, that the Strategic Vision is developed and the objectives and actions over the period 2017-2021 are derived.

The mission is to deliver and promote an efficient Intellectual Property Rights system that supports the creation of new plant varieties for the benefit of Society.

The mission of the CPVO provides an incentive to create new varieties. By protecting new varieties return of investments to the breeder is ensured and opens the door for re-investments in the creation of new plant varieties. This will lead to higher and more sustainable agricultural outputs and job creation as outlined above in the introduction. This mission has many implications for how the CPVO works and develops over time. Achieving this means we will implement high quality, robust and defensible decisions which maintain the confidence of breeders and society as a whole. This in turn requires recruiting and developing staff with access to cutting-edge IT tools, maintaining excellent relations with all our stakeholders while taking our responsibility as a worldwide player in Intellectual Property Rights for plants.

3. Structure of the CPVO and the actors involved

- **The Administrative Council:** The CPVO is supervised by its Administrative Council, comprising a representative of each Member State and a representative of the European Commission, and their alternates. The Administrative Council advises the CPVO, formulates its general guidelines, provides opinions, constitutes the budgetary authority of the CPVO, examines and controls both its activities and those of its President.
 - **CPVO management:** the management of the CPVO is ensured by its President, nominated by the Council of the European Union. The President takes all the necessary measures in order to produce the budget of the CPVO and to ensure its correct implementation in the framework of the powers conferred on him under the Community Regulations. He is assisted by a Vice-President who ensures his replacement in case of impediment. The President has delegated some of his duties to the Vice-President.
 - **Internal organisation of the CPVO:** The CPVO is organised internally into three units: Technical, Administration and Legal units. There is also a service responsible for the quality auditing of examination offices. This service is under the administrative responsibility of the President while being independent with regard to its audit operations.
 - **The Board of Appeal:** a Board of Appeal has been established which is responsible for deciding on appeals made against certain kinds of decisions taken by the CPVO. The Board is made up of a Chairman and alternate, and members chosen by the Chairman from a list (drawn up on the basis of a strict regulatory procedure) depending on the cases under consideration. The members of the Board of Appeal are independent.
- The decisions of the Board of Appeal can be appealed against at the Court of Justice of the European Union in Luxembourg.
- **Other institutions:** Various Community institutions such as the Council of the European Union, the Court of Auditors (control of income and expenditure accounts), the European Parliament and the European Commission interact directly or indirectly with the activities of the CPVO.



Cucumber



Roses

4. Overview Budget Implementation 2020

4.1 Introduction

In accordance with the financial regulations of the Community Plant Variety Office, the present report provides an overview and analysis of the execution of the budget of the CPVO in 2020 as well as an indication of the key events and developments which impact on the financial situation of the Office.

The budget of the office for 2020 has been adopted by the Administrative Council in September 2019.

The reports shall be subject to audit by the European Court of Auditors, after which the final accounts shall be drawn up.

4.2 Overview

The Community Plant Variety Office received 3427 applications in 2020, compared to 3500 in 2019. In 2020, almost 3000 new titles were granted. Taking into account the surrenders of older titles, the total number titles in force rose to more than 29000.

4.3 Budgetary Accounts

The budgetary accounts, which are more or less a reflection of the cash receipts and expenditure for the year, are sensitive to the timing of receipts and payments. Receipts of EUR 18.20 million and expenses of EUR 18.54 million meant a budget outturn of EUR 0.34 million negative (EUR 1.3 million positive in 2019). Non-budgetary income of EUR 0.12 million lead to a net outturn of EUR 0.21 million negative.

The outturn significantly decreased compared to 2019. The free reserve increased in line with the decrease in the total of the open commitments for operational expenses (decrease of 1.4 million in 2020) and with a stable amount of the treasury of EUR 19.9 million in 2020 and 2019.

4.4 Financial Accounts

The financial accounts show an economic result of EUR 0.12 million positive. This figure takes into account *inter alia* invoices not yet received at year-end.

4.5 Budgetary Outturn

The budgetary outturn is the difference between the budgetary receipts and budgetary payments.

The net outturn for the year was approximately EUR 0.21 million negative, a significant decrease compared to the previous year showing a net out-turn of EUR 1.4 million positive.

Table 1 Budgetary outturn 2020

| | | 2020 | 2019 | % variation 2020 |
|---------------------------------|------------------------------------|-----------------------|-----------------------|---------------------|
| Income | Fees revenue | 18 158 286,00 | 17 671 918,00 | 2,75% |
| | Other revenue | 42 376,56 | 52 792,24 | -19,73% |
| | Total | 18 200 662,56 | 17 724 710,24 | 2,69% |
| Expenditure | Title 1 Staff expenditure | -7 619 870,16 | -7 519 234,82 | 1,34% |
| | Title 2 Administrative expenditure | -1 250 039,80 | -1 288 466,29 | -2,98% |
| | Title 3 Operational expenditure | -9 668 149,61 | -7 568 108,24 | 27,75% |
| | Total | -18 538 059,57 | -16 375 809,35 | 13,20% |
| Grand Total | | -337 397,01 | 1 348 900,89 | -125,01% |
| Non budgetary income | | 123 921,17 | 70 832,21 | 74,95% |
| Net outturn for the year | | -213 475,84 | 1 419 733,10 | -115,04% |

The budget outturn for 2020 significantly decreased compare to 2019. Receipts slightly increased in 2020, however, there was quite a significant movement in expenditure. Much of the increase in expenditure is accounted for by the change in approach to invoicing and payment with an Examination Office which availed of the "upfront payment" option agreed in the Administrative Council. This meant that there was a one-off increase in payments of +/- EUR 900.000 for examinations.

5. Revenue

Table 2 Revenue breakdown

| | 2020 | 2019 | % variation 2020 |
|---------------------------|----------------------|----------------------|------------------|
| Fees | 18 158 286,00 | 17 671 918,00 | 2,75% |
| Administrative operations | 26 993,60 | 23 992,37 | 12,51% |
| Interest | 15 382,96 | 28 799,87 | -46,59% |
| Grand Total | 18 200 662,56 | 17 724 710,24 | 2,69% |

Table 3 Breakdown of fee income

| | 2020 | 2019 | % variation 2020 |
|--------------------|----------------------|----------------------|------------------|
| Annual fees | 9 770 580,00 | 9 699 770,00 | 0,73% |
| Application fees | 1 566 950,00 | 1 599 250,00 | -2,02% |
| Examination fees | 6 149 425,00 | 5 706 110,00 | 7,77% |
| Other fees | 671 331,00 | 666 788,00 | 0,68% |
| Grand Total | 18 158 286,00 | 17 671 918,00 | 2,75% |

The total fees received in 2020 amounted to EUR 18.16 million, an increase of 2.75 % in comparison with the previous year. The slight increase is mainly due to examination fees which were increased from 1 April 2020 to allow "full recovery" of costs.

6. Expenditure

Execution of expenses is made using budgetary appropriations for commitments and appropriations for payments.

For staff costs and administrative expenditure (Title 1 and Title 2) the commitment and payment budgets are equal. This means that the amounts committed in a given year equal the amounts paid in that year (or carried forward to be paid early in the following year as C8 Credits).

For operational expenses (Title 3 – mainly examinations), commitments can be made in one year but payment can be spread out over a number of future years (depending on the species being examined). For this reason, the commitment budget is different from the payment budget for operational expenditure.

Tables 4 to 11 provide more details of the execution of payment appropriations.

Table 4 Budgetary execution 2020

| | Final payment appropriation | Executed | Paid % | Cancelled appropriations | Cancelled % |
|---------------------------------|-----------------------------|----------------------|--------------|--------------------------|-------------|
| Title 1 Staff expenditure | 8 056 000,00 | 7 619 870,16 | 94,6% | 436 129,84 | 5,4% |
| Title 2 Admin. expenditure | 1 895 000,00 | 1 250 039,80 | 66,0% | 644 960,20 | 34,0% |
| Title 3 Operational expenditure | 10 035 000,00 | 9 668 149,61 | 96,3% | 366 850,39 | 3,7% |
| Grand Total | 19 986 000,00 | 18 538 059,57 | 92,8% | 1 447 940,43 | 7,2% |

Overall, as can be seen, expenditure for the year was EUR 18.53 million (compared with EUR 16.36 million in 2019) with a very high execution rate for the budget 92.8% reflecting more accurate forecast.

Table 5 Budgetary execution – comparison 2019 – 2020

| | Budget execution 2020 | Budget execution 2019 | % Change |
|---------------------------------|-----------------------|-----------------------|--------------|
| Title 1 Staff expenditure | 7 619 870,16 | 7 519 234,82 | 1,3% |
| Title 2 Admin. expenditure | 1 250 039,80 | 1 288 466,29 | -3,0% |
| Title 3 Operational expenditure | 9 668 149,61 | 7 568 108,24 | 27,7% |
| Grand Total | 18 538 059,57 | 16 375 809,35 | 13,2% |

As already mentioned above, the operational expenditure significantly increased with the upfront payment exercise.

Table 6 Budgetary execution 2020 – Title 1: Staff expenditure

| Budget article | Description.. | Final payment appropriation | Executed | Paid % | Paid in the year | Carried forward to 2021 (C8) | Cancelled appropriations | Cancelled % |
|--------------------|----------------|-----------------------------|---------------------|--------------|---------------------|------------------------------|--------------------------|-------------|
| E1100 | Staff | 7 555 000,00 | 7 430 723,03 | 98,4% | 7 310 737,77 | 119 985,26 | 124 276,97 | 1,6% |
| E1200 | Training | 90 000,00 | 54 442,39 | 60,5% | 31 617,86 | 22 824,53 | 35 557,61 | 39,5% |
| E1300 | Travel | 261 000,00 | 38 989,27 | 14,9% | 38 477,27 | 512,00 | 222 010,73 | 85,1% |
| E1400 | Interim staff | 100 000,00 | 84 267,22 | 84,3% | 84 267,22 | 0,00 | 15 732,78 | 15,7% |
| E1500 | Assistance | 40 000,00 | 9 610,25 | 24,0% | 8 649,34 | 960,91 | 30 389,75 | 76,0% |
| E1700 | Representation | 10 000,00 | 1 838,00 | 18,4% | 1 838,00 | 0,00 | 8 162,00 | 81,6% |
| Grand Total | | 8 056 000,00 | 7 619 870,16 | 94,6% | 7 475 587,46 | 144 282,70 | 436 129,84 | 5,4% |

The overall budget execution for staff related expenditure was high at 94.6%, with a significant underspending except on staff.

Table 7 Budgetary execution – Title 1: Staff expenditure – comparison 2019 – 2020

| Budget article | Description. | Budget execution 2020 | Budget execution 2019 | % Change |
|--------------------|----------------|-----------------------|-----------------------|-------------|
| E1100 | Staff | 7 430 723,03 | 7 052 270,89 | 5,4% |
| E1200 | Training | 54 442,39 | 112 908,48 | -51,8% |
| E1300 | Travel | 38 989,27 | 225 531,82 | -82,7% |
| E1400 | Interim staff | 84 267,22 | 97 388,46 | -13,5% |
| E1500 | Assistance | 9 610,25 | 27 176,08 | -64,6% |
| E1700 | Representation | 1 838,00 | 3 959,09 | -53,6% |
| Grand Total | | 7 619 870,16 | 7 519 234,82 | 1,3% |

The salary grid for the staff of the Office, being governed by the levels set by the Council of the European Union, is also subject to changes in line with inflation and career progression.

The increase in staffing costs is due to a number of issues. Statutory increases (for inflation and country correction coefficients) have a direct impact and account for over 4% of the increase, particularly as the so-called "correction coefficient" (the difference in cost of living between Brussels and Agency Countries increased to 20%). The CPVO applied promotion and career advancement in line with institutional guidelines, and at the year-end, there were 48 staff in post (44 Officials and Temporaries and 4 Contract Agents). Recruitments during the year meant that there was only one vacant establishment plan post and two vacant contract agent posts.

As could be expected, there was a significant reduction in travel expenses, training and assistance due to the COVID crisis.

Table 8 Budgetary execution 2020 – Title 2: Administrative expenditure

| Budget article | Description. | Final payment appropriation | Executed | Paid % | Paid in the year | Carried forward to 2021 (C8) | Cancelled appropriations | Cancelled % |
|--------------------|----------------------|-----------------------------|---------------------|--------------|-------------------|------------------------------|--------------------------|--------------|
| E2000 | Property | 445 000,00 | 410 934,73 | 92,3% | 226 831,74 | 184 102,99 | 34 065,27 | 7,7% |
| E2100 | IT expenses | 720 000,00 | 651 472,51 | 90,5% | 481 751,11 | 169 721,40 | 68 527,49 | 9,5% |
| E2200 | Other equipment | 60 000,00 | 17 796,90 | 29,7% | 17 466,90 | 330,00 | 42 203,10 | 70,3% |
| E2300 | General admin. | 66 000,00 | 26 320,98 | 39,9% | 20 975,76 | 5 345,22 | 39 679,02 | 60,1% |
| E2400 | Postage and telecom | 95 000,00 | 61 717,03 | 65,0% | 58 236,99 | 3 480,04 | 33 282,97 | 35,0% |
| E2500 | Meetings and notices | 356 000,00 | 14 610,23 | 4,1% | 14 610,23 | 0,00 | 341 389,77 | 95,9% |
| E2600 | Audit and evaluation | 153 000,00 | 67 187,42 | 43,9% | 4 187,42 | 63 000,00 | 85 812,58 | 56,1% |
| Grand Total | | 1 895 000,00 | 1 250 039,80 | 66,0% | 824 060,15 | 425 979,65 | 644 960,20 | 34,0% |

The execution of the administrative budget was lower than expected, due mainly to the decrease on meeting expenses. Meetings were not allowed with the sanitary situation.

Table 9 Budgetary execution – Title 2: Administrative expenditure – comparison 2019 – 2020

| Budget article | Description. | Budget execution 2020 | Budget execution 2019 | % Change |
|--------------------|----------------------|-----------------------|-----------------------|--------------|
| E2000 | Property | 410 934,73 | 293 469,46 | 40,0% |
| E2100 | IT expenses | 651 472,51 | 472 881,15 | 37,8% |
| E2200 | Other equipment | 17 796,90 | 19 541,40 | -8,9% |
| E2300 | General admin. | 26 320,98 | 16 971,43 | 55,1% |
| E2400 | Postage and telecom | 61 717,03 | 69 835,21 | -11,6% |
| E2500 | Meetings and notices | 14 610,23 | 251 923,28 | -94,2% |
| E2600 | Audit and evaluation | 67 187,42 | 163 844,36 | -59,0% |
| Grand Total | | 1 250 039,80 | 1 288 466,29 | -3,0% |

Spending on administration remained very stable as compared to 2019. There was an increase in property as a major commitment was made for the refurbishment of the physical security installation.

Table 10 Budgetary execution 2020 – Title 3: Operational expenditure

| Budget article | Description. | Final payment appropriation | Executed | Paid % | Cancelled appropriations | Cancelled % |
|--------------------|-------------------------|-----------------------------|---------------------|--------------|--------------------------|-------------|
| E3000 | Examination office fees | 8 810 000,00 | 8 799 378,75 | 99,9% | 10 621,25 | 0,1% |
| E3200 | Examination reports | 460 000,00 | 449 360,00 | 97,7% | 10 640,00 | 2,3% |
| E3400 | Publications | 135 000,00 | 95 733,47 | 70,9% | 39 266,53 | 29,1% |
| E3500 | Studies | 450 000,00 | 218 308,80 | 48,5% | 231 691,20 | 51,5% |
| E3600 | Special advisors | 180 000,00 | 105 368,59 | 58,5% | 74 631,41 | 41,5% |
| Grand Total | | 10 035 000,00 | 9 668 149,61 | 96,3% | 366 850,39 | 3,7% |

Table 11 Budgetary execution – Title 3: Operational expenditure – comparison 2019 – 2020

| Budget article | Description. | Budget execution 2020 | Budget execution 2019 | % Change |
|--------------------|-------------------------|-----------------------|-----------------------|--------------|
| E3000 | Examination office fees | 8 799 378,75 | 6 881 065,25 | 27,9% |
| E3200 | Examination reports | 449 360,00 | 441 936,00 | 1,7% |
| E3400 | Publications | 95 733,47 | 35 659,27 | 168,5% |
| E3500 | Studies | 218 308,80 | 167 252,48 | 30,5% |
| E3600 | Special advisors | 105 368,59 | 42 195,24 | 149,7% |
| Grand Total | | 9 668 149,61 | 7 568 108,24 | 27,7% |

The tables above show the payments for title 3 (operational expenditure). The significant increase in payments for examination fees has already been mentioned above: in 2020 one major Examination Office (Naktuinbouw), made use of the new possibility for payments upfront (instead of at the end of growing periods). This caused a once-off increase in payments, but also simultaneously reduced outstanding commitments.

Table 12 Budgetary execution - commitment appropriation 2020 – Title 3: Operational expenditure

| Budget article | Description | Budget initial | Transfers | Budget final | Committed | % Committed |
|----------------|-------------------------|-------------------|-------------------|-------------------|---------------------|--------------|
| E3000 | Examination office fees | 9 000 000 | 345 000,00 | 9 345 000 | 8 278 358,00 | 88,6% |
| E3200 | Examination reports | 460 000 | | 460 000 | 459 200,00 | 99,8% |
| E3400 | Publications | 150 000 | | 150 000 | 93 766,49 | 62,5% |
| E3500 | Studies | 400 000 | | 400 000 | 335 165,00 | 83,8% |
| E3600 | Special advisors | 200 000 | | 200 000 | 173 821,00 | 86,9% |
| Total | | 10 210 000 | 345 000,00 | 10 555 000 | 9 340 310,49 | 88,5% |

Table 13 Title 3 – Outstanding commitments

| Budget Article | DESCRIPTION | Outstanding beginning of the year | Committed | De-committed | Paid | Outstanding yearend |
|--------------------|--------------------------|-----------------------------------|---------------------|----------------------|----------------------|----------------------|
| E3000 | Examination offices fees | 16 805 410,40 | 8 278 358,00 | -977 795,50 | -8 799 378,75 | 15 306 594,15 |
| E3200 | Examination reports | 438 240,00 | 459 200,00 | -11 280,00 | -449 360,00 | 436 800,00 |
| E3400 | Publications | 15 840,18 | 93 766,49 | -7 576,86 | -95 733,47 | 6 296,34 |
| E3500 | Studies | 881 095,79 | 335 165,00 | -5 115,00 | -218 308,80 | 992 836,99 |
| E3600 | Special advisors | 118 384,65 | 173 821,00 | -57 656,02 | -105 368,59 | 129 181,04 |
| Grand Total | | 18 258 971,02 | 9 340 310,49 | -1 059 423,38 | -9 668 149,61 | 16 871 708,52 |

The total amount of open commitments for the title 3 significantly decreased compared to 2019. The open amount of EUR 16.87 million in 2020 compared to EUR 18.26 million in 2019 meant a decrease of 7.6%.

7. Budget amendments and transfers

No budget amendments to the budget through the Administrative Council occurred in 2020 (apart from a temporary update to the establishment plan to allow an overlap between a departing staff member and a newly arrived staff member).

Every year, transfers between budget items are performed when made necessary following a change in planning. A number of transfers between budget lines were made, particularly at year-end, while staying within the overall envelope provided at the beginning of the year.

Table 14 Transfers on the commitment and payment budget 2020

| Budget article | Description. | Payment appropriations | | | | Commitment appropriations | | | |
|--------------------|-------------------------|------------------------|---------------------------|--------------------------|-----------------------------|---------------------------|------------------------------|-----------------------------|-------------------------|
| | | Initial payment budget | Payment budget amendments | Payment budget transfers | Final payment appropriati.. | Initial Commitment Budget | Commitment budget amendments | Commitment budget transfers | Final commitment budget |
| E1100 | Staff | 7 830 000 | - | -275 000 | 7 555 000 | 7 830 000 | - | -275 000 | 7 555 000 |
| E1200 | Training | 90 000 | - | - | 90 000 | 90 000 | - | - | 90 000 |
| E1300 | Travel | 290 000 | - | -29 000 | 261 000 | 290 000 | - | -29 000 | 261 000 |
| E1400 | Interim staff | 80 000 | - | 20 000 | 100 000 | 80 000 | - | 20 000 | 100 000 |
| E1500 | Assistance | 40 000 | - | - | 40 000 | 40 000 | - | - | 40 000 |
| E1700 | Representation | 10 000 | - | - | 10 000 | 10 000 | - | - | 10 000 |
| E2000 | Property | 370 000 | - | 75 000 | 445 000 | 370 000 | - | 75 000 | 445 000 |
| E2100 | IT expenses | 800 000 | - | -80 000 | 720 000 | 800 000 | - | -80 000 | 720 000 |
| E2200 | Other equipment | 60 000 | - | - | 60 000 | 60 000 | - | - | 60 000 |
| E2300 | General admin. | 66 000 | - | - | 66 000 | 66 000 | - | - | 66 000 |
| E2400 | Postage and telecom | 95 000 | - | - | 95 000 | 95 000 | - | - | 95 000 |
| E2500 | Meetings and notices | 395 000 | - | -39 000 | 356 000 | 395 000 | - | -39 000 | 356 000 |
| E2600 | Audit and evaluation | 170 000 | - | -17 000 | 153 000 | 170 000 | - | -17 000 | 153 000 |
| E3000 | Examination office fees | 8 400 000 | - | 410 000 | 8 810 000 | 9 000 000 | - | 345 000 | 9 345 000 |
| E3200 | Examination reports | 440 000 | - | 20 000 | 460 000 | 460 000 | - | - | 460 000 |
| E3400 | Publications | 150 000 | - | -15 000 | 135 000 | 150 000 | - | - | 150 000 |
| E3500 | Studies | 500 000 | - | -50 000 | 450 000 | 400 000 | - | - | 400 000 |
| E3600 | Special advisors | 200 000 | - | -20 000 | 180 000 | 200 000 | - | - | 200 000 |
| Grand Total | | 19 986 000 | - | - | 19 986 000 | 20 506 000 | - | - | 20 506 000 |

For Title 1 and Title 2, the Commitment budget is subject to the same transfers as the Payment budget as the credits are non-dissociated credits. The budget line for interim staff and property had to be reinforced.

For Title 3, 2 transfers were made to reinforce the budget line examination office fees and examination reports for commitment and payment appropriations.

8. Management of Carry-Over credits (C8)

Each year, for title 1 and title 2, commitments are made for invoices which have not been received at the year-end. These amounts are shown as budget execution for the year but carried over to the following year to be paid. As the invoice amounts are not always known at the year-end, the total amount carried over is an estimate. For budgetary reasons, it is necessary that there is a margin. When the amount carried over is too high, the resulting "lost credits" become non-budgetary income for the following year.

The table below shows a payment execution of 71% with EUR 302 533.70 paid in 2020 for amounts carried over from 2019. The unpaid amount of EUR 123 921.17, which had been considered as a budgetary expenditure in 2020, becomes a "non-budgetary income" in 2020 and appears in the budget outturn account as such in table 1.

Table 15 Execution of C8 credit – 2020

| Title | Budget article | Description | Budget final | Payments | % Paid | Lost C8 credits |
|----------------------------|----------------|----------------------|-------------------|-------------------|------------|-------------------|
| Title 1 Staff expenditure | E1100 | Staff | 53 866,78 | 33 991,71 | 63% | 19 875,07 |
| | E1200 | Training | 62 515,00 | 43 478,00 | 70% | 19 037,00 |
| | E1300 | Travel | 31 678,20 | 11 457,72 | 36% | 20 220,48 |
| | E1400 | Interim staff | 14 270,95 | 5 515,44 | 39% | 8 755,51 |
| | E1500 | Assistance | 5 391,22 | 3 035,58 | 56% | 2 355,64 |
| | E1700 | Representation | 650,39 | 594,99 | 91% | 55,40 |
| | Total | | 168 372,54 | 98 073,44 | 58% | 70 299,10 |
| Title 2 Admin. expenditure | E2000 | Property | 47 005,31 | 43 162,92 | 92% | 3 842,39 |
| | E2100 | IT expenses | 86 109,28 | 62 803,52 | 73% | 23 305,76 |
| | E2200 | Other equipment | 4 714,64 | 4 472,12 | 95% | 242,52 |
| | E2300 | General admin. | 1 730,53 | 1 441,33 | 83% | 289,20 |
| | E2400 | Postage and telecom | 3 629,06 | 1 731,62 | 48% | 1 897,44 |
| | E2500 | Meetings and notices | 54 923,51 | 31 265,41 | 57% | 23 658,10 |
| | E2600 | Audit and evaluation | 59 970,00 | 59 583,34 | 99% | 386,66 |
| | Total | | 258 082,33 | 204 460,26 | 79% | 53 622,07 |
| Grand Total | | | 426 454,87 | 302 533,70 | 71% | 123 921,17 |

The reasons for the non-execution of these credits are varied. For training for example, the COVID crisis meant that training committed in 2019 and continuing in 2020 could not be completed and therefore the money was not spent. For meetings and notices, the full potential amount of requests for reimbursement from external parties was retained, but not all parties requested reimbursement within the period allowed. In many cases, estimations needed to be made, and for budgetary reasons, a cautious approach was taken.

9. Treasury reserve

Table 16 Calculation of the free reserve

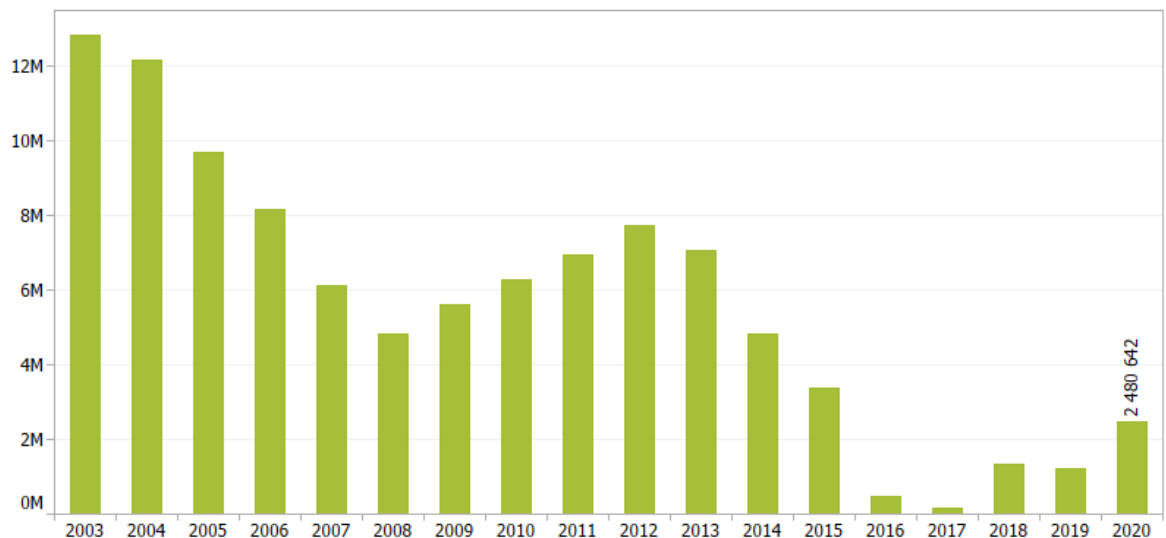
| Description | 2020 |
|---|------------------|
| Treasury amount | 19 922 613 |
| Title 1: Amount carried over to next year | -144 283 |
| Title 2: Amount carried over to next year | -425 980 |
| Title 3: Amount carried over (diffrenciated credit) | -16 871 709 |
| Free reserve | 2 480 642 |

The so-called free reserve is the difference between total treasury held by the CPVO and the outstanding commitments opened.

The reserve of cash and cash equivalents of the CPVO at 31 December 2020 amounted to EUR 19.9 million (same level in 2019). However, the outstanding budgetary commitments made with third parties (mainly with examination offices) at the same period amounted to EUR 16.9 million (EUR 18.7 for 2019). The increase of the free reserve, in line with the expectation of the CPVO, is due to the decrease of the opened commitments for the title 3 (operational expenses) with the upfront payments to Naktuinbouw.

The graph below shows the evolution of the free reserve since its highest point in 2003.

Table 17 Evolution of the free reserve



10. Budgetary Principles

The following principles are applied for the implementation of the budget of the CPVO.

- Principle of unity and budget accuracy: The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Office. No revenue shall be collected and no expenditure effected unless booked to a line in the budget. An appropriation must not be entered in the budget of the Office if it is not for an item of expenditure considered necessary. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget of the Office.
- Principle of annuality: The appropriations entered are authorised for one financial year and must therefore be used during that year. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.
- Principle of equilibrium: The Office's budget revenue and expenditure must be in balance.
- Principle of unit of account: The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro. The rate of conversion between the euro and other currencies is taken from the monthly publication established by the European Commission (InforEuro).
- Principle of universality: Total revenue shall cover all expenditure. All revenue and expenditure shall be entered in full without any adjustment against each other.
- Principle of specification: The appropriations shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.
- Principle of sound financial management: Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.
- Principle of transparency: The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency.

11. Budgetary Accounts

11.1 Budget Outturn Account – Detailed

Table 18 Detailed budget outturn

| | | 2020 | 2019 | % variation 2020 |
|---------------------------------|------------------------------------|-----------------------|-----------------------|---------------------|
| Income | Fees revenue | 18 158 286,00 | 17 671 918,00 | 2,75% |
| | Other revenue | 42 376,56 | 52 792,24 | -19,73% |
| | Total | 18 200 662,56 | 17 724 710,24 | 2,69% |
| Expenditure | Title 1 Staff expenditure | -7 619 870,16 | -7 519 234,82 | 1,34% |
| | Title 2 Administrative expenditure | -1 250 039,80 | -1 288 466,29 | -2,98% |
| | Title 3 Operational expenditure | -9 668 149,61 | -7 568 108,24 | 27,75% |
| | Total | -18 538 059,57 | -16 375 809,35 | 13,20% |
| Grand Total | | -337 397,01 | 1 348 900,89 | -125,01% |
| Non budgetary income | | 123 921,17 | 70 832,21 | 74,95% |
| Net outturn for the year | | -213 475,84 | 1 419 733,10 | -115,04% |

11.2 Budget income

Table 19 Budget income detailed

| Budget Posts | Description | Budget after amendments and transfers | Income recorded and received in 2020 | Variation with budget (%) |
|--------------|--|---------------------------------------|--------------------------------------|---------------------------|
| 1000 | Fees | 19 130 000 | 18 158 286 | -5,08% |
| 3000 | Deficit reserve | 756 000 | | |
| 5000 | Income from administrative operations | 20 000 | 26 994 | 34,97% |
| 9100 | Other income (mainly financial income) | 80 000 | 15 383 | -80,77% |
| Total | | 19 986 000 | 18 200 663 | -8,93% |

11.3 Budget Outturn – detailed reports

Table 20 Commitment appropriation 2020

| Title | Budget article | Description | Budget initial | Amendments | Transfers | Budget final | Committed | % Committed | Cancelled |
|---------------------------------|----------------|------------------------|-------------------|------------|-----------------|-------------------|----------------------|--------------|---------------------|
| Title 1 Staff expenditure | E1100 | Staff | 7 830 000 | - | -275 000 | 7 555 000 | 7 430 723,03 | 98,4% | 124 276,97 |
| | E1200 | Training | 90 000 | - | - | 90 000 | 54 442,39 | 60,5% | 35 557,61 |
| | E1300 | Travel | 290 000 | - | -29 000 | 261 000 | 38 989,27 | 14,9% | 222 010,73 |
| | E1400 | Interim staff | 80 000 | - | 20 000 | 100 000 | 84 267,22 | 84,3% | 15 732,78 |
| | E1500 | Assistance | 40 000 | - | - | 40 000 | 9 610,25 | 24,0% | 30 389,75 |
| | E1700 | Representation | 10 000 | - | - | 10 000 | 1 838 | 18,4% | 8 162,00 |
| | Total | | 8 340 000 | - | -284 000 | 8 056 000 | 7 619 870,16 | 94,6% | 436 129,84 |
| Title 2 Admin. expenditure | E2000 | Property | 370 000 | - | 75 000 | 445 000 | 410 934,73 | 92,3% | 34 065,27 |
| | E2100 | IT expenses | 800 000 | - | -80 000 | 720 000 | 651 472,51 | 90,5% | 68 527,49 |
| | E2200 | Other equipment | 60 000 | - | - | 60 000 | 17 796,9 | 29,7% | 42 203,10 |
| | E2300 | General admin. | 66 000 | - | - | 66 000 | 26 320,98 | 39,9% | 39 679,02 |
| | E2400 | Postage and telecom | 95 000 | - | - | 95 000 | 61 717,03 | 65,0% | 33 282,97 |
| | E2500 | Meetings and notices | 395 000 | - | -39 000 | 356 000 | 14 610,23 | 4,1% | 341 389,77 |
| | E2600 | Audit and evaluation | 170 000 | - | -17 000 | 153 000 | 67 187,42 | 43,9% | 85 812,58 |
| | Total | | 1 956 000 | - | -61 000 | 1 895 000 | 1 250 039,8 | 66,0% | 644 960,20 |
| Title 3 Operational expenditure | E3000 | Examination office f.. | 9 000 000 | - | 345 000 | 9 345 000 | 8 278 358 | 88,6% | 1 066 642,00 |
| | E3200 | Examination reports | 460 000 | - | - | 460 000 | 459 200 | 99,8% | 800,00 |
| | E3400 | Publications | 150 000 | - | - | 150 000 | 93 766,49 | 62,5% | 56 233,51 |
| | E3500 | Studies | 400 000 | - | - | 400 000 | 335 165 | 83,8% | 64 835,00 |
| | E3600 | Special advisors | 200 000 | - | - | 200 000 | 173 821 | 86,9% | 26 179,00 |
| | Total | | 10 210 000 | - | 345 000 | 10 555 000 | 9 340 310,49 | 88,5% | 1 214 689,51 |
| Grand Total | | | 20 506 000 | - | - | 20 506 000 | 18 210 220,45 | 88,8% | 2 295 779,55 |

Table 21 Payment appropriation 2020

| Title. | Budget article | Description. | Initial payment budget | Payment budget amendments | Payment budget transfers | Final payment appropriation | Executed | Paid % | Paid in the year | Carried forward to 2021 (C8) | Cancelled appropriations | Cancelled % |
|------------------------------------|----------------|-------------------------|------------------------|---------------------------|--------------------------|-----------------------------|----------------------|--------------|----------------------|------------------------------|--------------------------|--------------|
| Title 1 Staff expenditure | E1100 | Staff | 7 830 000 | - | -275 000 | 7 555 000 | 7 430 723,03 | 98,4% | 7 310 737,77 | 119 985,26 | 124 276,97 | 1,6% |
| | E1200 | Training | 90 000 | - | - | 90 000 | 54 442,39 | 60,5% | 31 617,86 | 22 824,53 | 35 557,61 | 39,5% |
| | E1300 | Travel | 290 000 | - | -29 000 | 261 000 | 38 989,27 | 14,9% | 38 477,27 | 512,00 | 222 010,73 | 85,1% |
| | E1400 | Interim staff | 80 000 | - | 20 000 | 100 000 | 84 267,22 | 84,3% | 84 267,22 | 0,00 | 15 732,78 | 15,7% |
| | E1500 | Assistance | 40 000 | - | - | 40 000 | 9 610,25 | 24,0% | 8 649,34 | 960,91 | 30 389,75 | 76,0% |
| | E1700 | Representation | 10 000 | - | - | 10 000 | 1 838,00 | 18,4% | 1 838,00 | 0,00 | 8 162,00 | 81,6% |
| | Total | | 8 340 000 | - | -284 000 | 8 056 000 | 7 619 870,16 | 94,6% | 7 475 587,46 | 144 282,70 | 436 129,84 | 5,4% |
| Title 2 Admin. expenditure | E2000 | Property | 370 000 | - | 75 000 | 445 000 | 410 934,73 | 92,3% | 226 831,74 | 184 102,99 | 34 065,27 | 7,7% |
| | E2100 | IT expenses | 800 000 | - | -80 000 | 720 000 | 651 472,51 | 90,5% | 481 751,11 | 169 721,40 | 68 527,49 | 9,5% |
| | E2200 | Other equipment | 60 000 | - | - | 60 000 | 17 796,90 | 29,7% | 17 466,90 | 330,00 | 42 203,10 | 70,3% |
| | E2300 | General admin. | 66 000 | - | - | 66 000 | 26 320,98 | 39,9% | 20 975,76 | 5 345,22 | 39 679,02 | 60,1% |
| | E2400 | Postage and telecom | 95 000 | - | - | 95 000 | 61 717,03 | 65,0% | 58 236,99 | 3 480,04 | 33 282,97 | 35,0% |
| | E2500 | Meetings and notices | 395 000 | - | -39 000 | 356 000 | 14 610,23 | 4,1% | 14 610,23 | 0,00 | 341 389,77 | 95,9% |
| | E2600 | Audit and evaluation | 170 000 | - | -17 000 | 153 000 | 67 187,42 | 43,9% | 4 187,42 | 63 000,00 | 85 812,58 | 56,1% |
| | Total | | 1 956 000 | - | -61 000 | 1 895 000 | 1 250 039,80 | 66,0% | 824 060,15 | 425 979,65 | 644 960,20 | 34,0% |
| Title 3 Operational expenditure | E3000 | Examination office fees | 8 400 000 | - | 410 000 | 8 810 000 | 8 799 378,75 | 99,9% | 8 799 378,75 | 0,00 | 10 621,25 | 0,1% |
| | E3200 | Examination reports | 440 000 | - | 20 000 | 460 000 | 449 360,00 | 97,7% | 449 360,00 | 0,00 | 10 640,00 | 2,3% |
| | E3400 | Publications | 150 000 | - | -15 000 | 135 000 | 95 733,47 | 70,9% | 95 733,47 | 0,00 | 39 266,53 | 29,1% |
| | E3500 | Studies | 500 000 | - | -50 000 | 450 000 | 218 308,80 | 48,5% | 218 308,80 | 0,00 | 231 691,20 | 51,5% |
| | E3600 | Special advisors | 200 000 | - | -20 000 | 180 000 | 105 368,59 | 58,5% | 105 368,59 | 0,00 | 74 631,41 | 41,5% |
| | Total | | 9 690 000 | - | 345 000 | 10 035 000 | 9 668 149,61 | 96,3% | 9 668 149,61 | 0,00 | 366 850,39 | 3,7% |
| Grand Total | | | 19 986 000 | - | - | 19 986 000 | 18 538 059,57 | 92,8% | 17 967 797,22 | 570 262,35 | 1 447 940,43 | 7,2% |

Table 22 Budget outturn of non-differentiated credits carried forward (C8)

| Title | Budget article | Description | Budget final | Payments | % Paid | Lost C8 credits |
|----------------------------|----------------|----------------------|-------------------|-------------------|------------|-------------------|
| Title 1 Staff expenditure | E1100 | Staff | 53 866,78 | 33 991,71 | 63% | 19 875,07 |
| | E1200 | Training | 62 515,00 | 43 478,00 | 70% | 19 037,00 |
| | E1300 | Travel | 31 678,20 | 11 457,72 | 36% | 20 220,48 |
| | E1400 | Interim staff | 14 270,95 | 5 515,44 | 39% | 8 755,51 |
| | E1500 | Assistance | 5 391,22 | 3 035,58 | 56% | 2 355,64 |
| | E1700 | Representation | 650,39 | 594,99 | 91% | 55,40 |
| | Total | | 168 372,54 | 98 073,44 | 58% | 70 299,10 |
| Title 2 Admin. expenditure | E2000 | Property | 47 005,31 | 43 162,92 | 92% | 3 842,39 |
| | E2100 | IT expenses | 86 109,28 | 62 803,52 | 73% | 23 305,76 |
| | E2200 | Other equipment | 4 714,64 | 4 472,12 | 95% | 242,52 |
| | E2300 | General admin. | 1 730,53 | 1 441,33 | 83% | 289,20 |
| | E2400 | Postage and telecom | 3 629,06 | 1 731,62 | 48% | 1 897,44 |
| | E2500 | Meetings and notices | 54 923,51 | 31 265,41 | 57% | 23 658,10 |
| | E2600 | Audit and evaluation | 59 970,00 | 59 583,34 | 99% | 386,66 |
| | Total | | 258 082,33 | 204 460,26 | 79% | 53 622,07 |
| Grand Total | | | 426 454,87 | 302 533,70 | 71% | 123 921,17 |

12. Financial Accounts:

12.1 Balance sheet

| | | | | 2020 | 2019 |
|--------------------|---------------------|-------------------------------------|---|----------------------|----------------------|
| Assets | Non-Current assets | Intangible Assets | 1 | - | - |
| | | Tangible Assets | 2 | 2 341 442,39 | 2 609 212,89 |
| | | Medium term investments | 3 | 10 087 857,86 | 8 882 857,86 |
| | | Total | | 12 429 300,25 | 11 492 070,75 |
| | Current assets | Short-term receivables | 4 | 4 299 234,45 | 4 398 580,72 |
| | | Treasury | 5 | 9 839 096,05 | 11 021 793,21 |
| | | Other receivable | 6 | 144 901,45 | 103 022,56 |
| | | Total | | 14 283 231,95 | 15 523 396,49 |
| | Total | | | 26 712 532,20 | 27 015 467,24 |
| Liabilities | Accumulated result | Reserve | | 9 353 623,54 | 8 858 582,76 |
| | | Profit / deficit | | 121 107,17 | 495 040,78 |
| | | Total | | 9 474 730,71 | 9 353 623,54 |
| | Current liabilities | Accrued charges and deferred income | 7 | 17 031 082,22 | 17 537 532,82 |
| | | Current payables | 8 | 86 869,27 | 29 804,88 |
| | | Short-term provision | 9 | 119 850,00 | 94 506,00 |
| | | Total | | 17 237 801,49 | 17 661 843,70 |
| | Total | | | 26 712 532,20 | 27 015 467,24 |

12.2 Statement of financial performance

Table 23 Statement of financial performance

| | | 2020 | 2019 |
|--------------------------------------|---------------------------------------|------------------------|------------------------|
| Income | Income from fees | 17 766 974,50 | 17 318 007,75 |
| | Income from administrative operations | 27 296,66 | 17 007,10 |
| | Total | 17 794 271,16 | 17 335 014,85 |
| Expenditure | Operational expenses | (8 716 287,23) | (7 929 237,77) |
| | Salaries and social taxes | (7 557 721,35) | (7 233 295,23) |
| | Overheads | (1 178 213,53) | (1 458 064,29) |
| | Depreciation | (267 770,50) | (269 939,21) |
| | Total | (17 719 992,61) | (16 890 536,50) |
| Result | | 74 278,55 | 444 478,35 |
| Financial revenue | Interest income | 48 388,34 | 52 415,13 |
| | Total | 48 388,34 | 52 415,13 |
| Financial expenditure | Bank charges & exchange differences | (1 559,72) | (1 852,70) |
| | Total | (1 559,72) | (1 852,70) |
| Result | | 46 828,62 | 50 562,43 |
| Economic outturn for the year | | 121 107,17 | 495 040,78 |

12.3 Cash-flow (Indirect method)

Table 24 Cash flow

| | 2020 | 2019 |
|--|----------------------|--------------------|
| Cash Flows from ordinary activities | | |
| Surplus/(deficit) from ordinary activities | 121 107,17 | 495 040,78 |
| <i>Operating activities</i> | | |
| <u>Adjustments</u> | | |
| Amortization (intangible fixed assets) + | | 160,72 |
| Depreciation (tangible fixed assets) + | 267 770,50 | 269 778,49 |
| Impairment (tangible fixed assets) + | | |
| Increase/(decrease) in Provisions for risks and liabilities | 25 344,00 | -30 144,00 |
| (Increase)/decrease in Long term Receivables | -1 205 000,00 | -1 333 857,86 |
| (Increase)/decrease in Short term Receivables | 57 467,38 | -487 496,28 |
| Increase/(decrease) in Other Long term liabilities | | |
| Increase/(decrease) in Accounts payable | -449 386,21 | 1 009 493,44 |
| <i>Net cash flow from operating activities</i> | -1 182 697,16 | -77 024,71 |
| <i>Cash Flows from investing activities</i> | | |
| Increase of tangible and intangible fixed assets (-) | | -49 795,00 |
| Proceeds from tangible and intangible fixed assets (+) | | |
| Loss on decommissioning of assets (+) | | |
| <i>Net cash flow from investing activities</i> | | -49 795,00 |
| <i>Net Increase/(decrease) in cash and equivalent</i> | -1 182 697,16 | -126 819,71 |
| Cash and cash equivalents at the beginning of the period | 11 021 793,21 | 11 148 612,92 |
| Cash and cash equivalents at the end of the period | 9 839 096,05 | 11 021 793,21 |
| <i>Net Increase/(decrease) in cash and equivalent</i> | -1 182 697,16 | -126 819,71 |
| <i>Difference</i> | 0,00 | 0,00 |

12.4 Reconciliation between the economic result and the budgetary result

Table 25 Reconciliation table

| | sign +/- | Amount |
|--|------------|--------------------|
| Economic result (+ for surplus and - for deficit) | +/- | 121 107,17 |
| Adjustments for Accrual Cut-off (reversal 31.12.N-1) | - | -16 291 249,05 |
| Adjustments for Accrual Cut-off (cut- off 31.12.N) | + | 15 862 880,13 |
| Depreciation of intangible and tangible assets | + | 267 770,50 |
| Value reduction | + | |
| Recovery Orders issued in the year in class 7 and not yet cashed | - | -3 846 529,00 |
| Payments made from carry over of payment appropriations | + | 302 533,70 |
| Prefinancing received in previous year and cleared in the year | - | |
| Asset acquisitions (less unpaid amounts) | - | |
| Budgetary recovery orders issued before the financial year and cash | + | 3 816 436,00 |
| Payment appropriations carried over to the next year | - | -570 262,35 |
| Cancellation of unused carried over payment appropriations from previous year | + | 123 921,17 |
| total (1) | | -213 391,73 |
| Budgetary result (+ for surplus) (2) | | -213 475,84 |
| Including amount of exchange rate differences - (+ for gain and - for loss) - (3) | | 84,11 |
| Delta not explained (1) - (2) - (3) | | 0,00 |

12.5 Notes to the financial accounts

Note 1 Intangible fixed assets

| | | Internally generated Computer Software | Computer Software | Other Intangible assets | Intangible assets under construction | Total |
|---|-----|---|----------------------|-------------------------------|---|--------------------|
| Gross carrying amounts 01.01.2020 | + | | 634 612,95 | | | 634 612,95 |
| Additions | + | | | | | 0,00 |
| Disposals | - | | | | | |
| Transfer between headings | +/- | | | | | |
| Other changes | +/- | | | | | |
| Gross carrying amounts 31.12.2020 | | 0,00 | 634 612,95 | 0,00 | 0,00 | 634 612,95 |
| Accumulated amortization and impairment 01.01.2020 | - | | -634 612,95 | | | -634 612,95 |
| Amortization | - | | | | | 0,00 |
| Disposals | + | | | | | |
| Write-back of impairment | + | | | | | |
| Transfer between headings | +/- | | | | | |
| Accumulated amortization and impairment 31.12.2020 | | 0,00 | -634 612,95 | 0,00 | 0,00 | -634 612,95 |
| Net carrying amounts 31.12.2020 | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |

Note 2 Tangible Fixed Assets

| | | Land | Buildings | Plant and Equipment | Computer hardware | Tangible assets under construction | Total |
|---|-----|-------------------|----------------------|------------------------|----------------------|--|----------------------|
| Gross carrying amounts 01.01.2020 | + | 292 220,00 | 5 744 928,26 | 334 435,94 | 402 122,17 | 0,00 | 6 773 706,37 |
| Additions | + | | | | | | 0,00 |
| Disposals | - | | | -1 562,33 | -22 118,09 | | -23 680,42 |
| Impairment | +/- | | | | | | 0,00 |
| Other changes (1) | +/- | | | | | | 0,00 |
| Gross carrying amounts 31.12.2020 | | 292 220,00 | 5 744 928,26 | 332 873,61 | 380 004,08 | 0,00 | 6 750 025,95 |
| Accumulated amortization and impairment 01.01.2020 | - | | -3 499 088,28 | -314 672,95 | -350 732,25 | | -4 164 493,48 |
| Depreciation | - | | -237 691,47 | -6 203,53 | -23 875,50 | | -267 770,50 |
| Write-back of depreciation | + | | | | | | 0,00 |
| Disposals | + | | | 1 562,33 | 22 118,09 | | 23 680,42 |
| Transfer between headings | +/- | | | | | | |
| Accumulated amortization and impairment 31.12.2020 | | 0,00 | -3 736 779,75 | -319 314,15 | -352 489,66 | 0,00 | -4 408 583,56 |
| Net carrying amounts 31.12.2020 | | 292 220,00 | 2 008 148,51 | 13 559,46 | 27 514,42 | 0,00 | 2 341 442,39 |

Note 3 Medium term investments

| | 2020 | 2019 |
|-------------------------|----------------------|---------------------|
| Medium term investments | 10 087 857,86 | 8 882 857,86 |
| Grand Total | 10 087 857,86 | 8 882 857,86 |

In 2020, the amount of medium-term investments increased in line with the increase of the treasury but it was also a choice to invest for longer periods to get a better return on investment. The amount of EUR 10 087 857.86 is divided in different investments and different banks as it can be seen on the table below:

| | 2020 | 2019 |
|-----------------------------|----------------------|---------------------|
| C.E. - financial investment | 2 954 000,00 | 2 949 000,00 |
| CRCA - financial investment | 4 000 000,00 | 4 000 000,00 |
| HSBC - financial investment | - | 600 000,00 |
| LCL - financial investment | 3 133 857,86 | 1 333 857,86 |
| Grand Total | 10 087 857,86 | 8 882 857,86 |

Note 4 Short-term receivables

| | 2020 | 2019 |
|------------------|---------------------|---------------------|
| Customers | 3 985 558,05 | 3 965 770,69 |
| VAT | 282 712,55 | 342 035,89 |
| Deferred charges | 30 963,85 | 90 774,14 |
| Total | 4 299 234,45 | 4 398 580,72 |

Note 5 Treasury

| | 2020 | 2019 |
|------------------------|---------------------|----------------------|
| Short-term investments | 2 500 000,00 | 2 500 000,00 |
| Current accounts | 7 284 044,04 | 8 473 634,54 |
| Imprest account | 55 052,01 | 48 158,67 |
| Total | 9 839 096,05 | 11 021 793,21 |

Breakdown of short-term investments

| | 2020 | 2019 |
|--------------|---------------------|---------------------|
| BNP | 2 500 000,00 | 2 500 000,00 |
| HSBC | - | - |
| LCL | - | - |
| Total | 2 500 000,00 | 2 500 000,00 |

Note 6 Other receivables

| | 2020 | 2019 |
|--------------------------------|-------------------|-------------------|
| Interest to be received | 125 088,71 | 92 083,33 |
| Sundry receivables (staff) | 14 057,04 | 7 731,56 |
| Sundry receivables (suppliers) | 5 755,70 | 3 207,67 |
| Total | 144 901,45 | 103 022,56 |

Interest rates are still very low but there is an increase in 2020 based on the provision for interests which are being generated over the years but that will be cashed in the future (*in fine*). It is important to mention that the CPVO does not accept negative interests.

Note 7 Accrued charges and differed income

| | 2020 | 2019 |
|-------------------------|----------------------|----------------------|
| Deferred income | 12 361 939,84 | 11 940 535,34 |
| Invoices to be received | 4 415 105,91 | 5 379 384,71 |
| Suspense account | 83 161,92 | 66 508,69 |
| Accrued holidays | 170 874,55 | 151 104,08 |
| Total | 17 031 082,22 | 17 537 532,82 |

The increase of deferred income related to fees is essentially due to the increase of the examination fees to rise 100% a recovery of costs.

Note 8 Current payables

| | 2020 | 2019 |
|------------------------|------------------|------------------|
| Sundry credit accounts | 39 954,80 | 6 706,00 |
| Suppliers | 46 914,47 | 23 098,88 |
| Total | 86 869,27 | 29 804,88 |

Note 9 Short-term provision

| | 2020 | 2019 |
|------------------------------|-------------------|------------------|
| Provision for doubtful debts | 119 850,00 | 94 506,00 |
| Grand Total | 119 850,00 | 94 506,00 |

Table 26 Statement of changes in net assets

| | 2020 | 2019 |
|--------------------------|---------------------|---------------------|
| Reserve | 9 353 623,54 | 8 858 582,76 |
| Profit / deficit | 121 107,17 | 495 040,78 |
| Cumulated reserve | 9 474 730,71 | 9 353 623,54 |

12.6 Other Disclosures

Off Balance Sheet Commitments

At the year-end there was a total of EUR 16 871 709 of commitments opened on title 3 (operational expenditure) and a further EUR 570 262 for titles 1 and 2 carried to 2021 as C8 credits. Out of this total, EUR 4 415 106 relate to work carried out in or before 2020 but not yet invoiced for which there is a provision in the financial accounts. The balance of EUR **13 026 865** relates to commitments made which relate to work to be undertaken in the future. These commitments are existing financial commitments for which the submission date is foreseen within the coming years. There is no real liability for the Office yet, as the applicants could still cancel the examination before the submission date of material, resulting in the initial commitment being de-committed. Therefore, they are taken as off-balance sheet commitments.

Contingent liabilities

There are 4 pending appeal cases for which the CPVO could be liable for the experts' costs in charge with the different cases. The remuneration to the Members of the Board of Appeal to be paid could reach a maximum of EUR 86 000 and would be payable upon closure of the appeal files planned in 2021.

Contingent assets

The CPVO won a court case and is thus entitled to recover expenses (lawyer's fees, travel expenses) for a maximum of EUR 7 900.

Secondly, the General Court dismissed an applicant actions in three joined litigations and the fixing cost to be recovered is EUR 18 031.28.

Asset Management

The comparison between the accounting inventory and the physical inventory revealed that some assets registered on the balance sheet account did not have a physical location in the inventory list. The situation will be clarified and regularized in 2021. The total amount of the goods concerned amounts to EUR 39 000 (net value, after deduction of cumulated depreciation).

Related parties

As at 31 December 2020, no related parties were identified. The key management personnel of the Office is shown below:

| Grade | N° of staff |
|--------------|-------------|
| AD15 | 1 |
| AD12 | 1 |
| Total | 2 |

Post balance sheet events

There are no relevant post balance sheet events to be reported.

12.7 Statement of financial risk - Financial Instruments

Financial instruments comprise cash, current receivables and recoverables, current payables, amounts due to and from consolidated entities. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks, information about which and how they are managed is set out below. Prepayments, accrued income, accruals and deferred income are not included.

LIQUIDITY RISK

Liquidity risk arises from the ongoing financial obligations, including settlement of payables.

Bank accounts opened in the name of the CPVO may not be overdrawn. Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulations, the internal control standards, and audit principles. The CPVO budget principles ensure that overall cash resources for a given year are always sufficient for the execution of all payments.

Details of contractual maturities for assets and liabilities form an important source of information for the management of liquidity risk.

The carrying amounts of financial instruments are as follows:

Financial assets: Medium term investments

The Offices has medium term investments with the financial institutions mentioned below with maturities in the coming 5 years.

| Long term receivables | 1-2 years | 3-4 years | >5 years | total |
|-------------------------------|------------------|------------------|------------------|-------------------|
| Medium term investment Caisse | 1 794 000 | 400 000 | 760 000 | 2 954 000 |
| Medium term investment Crédit | 4 000 000 | | | 4 000 000 |
| Medium term investment LCL | | 1 333 858 | 1 800 000 | 3 133 858 |
| Total | 5 794 000 | 1 733 858 | 2 560 000 | 10 087 858 |

Financial assets: Cash and cash equivalent

| | 2020 | 2019 |
|------------------------|---------------------|----------------------|
| Short-term investments | 2 500 000,00 | 2 500 000,00 |
| Current accounts | 7 284 044,04 | 8 473 634,54 |
| Imprest account | 55 052,01 | 48 158,67 |
| Total | 9 839 096,05 | 11 021 793,21 |

The CPVO holds enough liquidity to cope with the expenses as the total cash corresponds to more than half of annual expenses and the total of the income received each year exceeds € 18 M.

In case of unforeseeable and exceptional expenses, the CPVO can shorten the medium term investments (€ 10 087 858) to recover quickly the funds, after a delay of 32 days.

Investing on medium term investments is a deliberate choice aiming at securing funds as current accounts are more vulnerable and subject to frauds.

In essence, it is very unlikely that the CPVO needs the funds, therefore the medium term investments will be held until maturity.

Financial assets: Maturity term of receivables

The total of the receivables is rather stable compare to 2019 (EUR 4 398 580.72).

| Short term receivables | < 1 year | 1-2 years | >2 years | total |
|------------------------|---------------------|-----------------|---------------|---------------------|
| Customers | 3 985 558,05 | | | 3 985 558,05 |
| VAT | 282 712,55 | | | 282 712,99 |
| Deferred charges | 28 003,92 | 2 334,07 | 625,86 | 30 963,85 |
| Total | 4 296 274,96 | 2 334,07 | 625,86 | 4 299 234,89 |

The table below concerns: receivables from customers for EUR 3 985 558; medium term investment for EUR 10 087 858; EUR 30 964 for deferred charges already paid in 2020; income from 2020 to be received (interests from investments) in the future for EUR 125 089 and finally, EUR 19 813 for advanced payment to suppliers and amounts to be recovered from the staff. The increase of the total amount compare to 2019 (EUR 13 042 425.25) is mainly due to the increase of the medium term investments.

| Counterparties without external credit rating | Receivables with Member States | All receivables with third parties including accruals & deferrals | Short-term deposits | Bank accounts | Total |
|---|--------------------------------|---|---------------------|---------------|----------------------|
| Debtors who never defaulted | | 14 249 281,21 | | | 14 249 281,21 |
| Debtors who defaulted in the past | | | | | |
| Total | 0,00 | 14 249 281,21 | 0,00 | 0,00 | 14 249 281,21 |

For customers of the CPVO, the provision for potential loss is defined below. The net amount of the debt is stable.

| Customers | 2020 | 2019 |
|--|---------------------|---------------------|
| Amount due by customers | 3 985 558,05 | 3 965 770,69 |
| Provision at the start of the year | -94 506,00 | -124 650,00 |
| Additional provision (-) | -35 640,00 | -43 376,00 |
| Reduction of the provision (+) | 796,00 | |
| Write-offs | 9 500,00 | 73 520,00 |
| Accumulated impairment (-) | -119 850,00 | -94 506,00 |
| Net amount at the end of the year | 3 865 708,05 | 3 871 264,69 |

The general trend of the provision for customers linked to the fees invoiced is downward since a few years. In 2020, the provision for clients amounted to EUR 35 640 (less than in 2019: EUR 43376). The CPVO proceeded to the annual write-off for unpaid fees for EUR 9 500. The cumulated amount is slightly higher as the write off from 2020 is strongly lower than in the previous years (EUR 73 520 in 2019 ; EUR 63 220 in 2018). In order to understand the relative importance of this provision, we can consider the total amount invoiced to client from 2014 to 2019 EUR 90 615 420 (the same period of the provision below) compare to the total of the provision or EUR 119 850. The ratio is 0.1 % in 2020, 2019 and 2018.

| Break down of the provision for customers | 2020 | 2019 |
|---|-------------------|------------------|
| Receivables from 2012 | | |
| Receivables from 2013 | | 4 820,00 |
| Receivables from 2014 | 3 780,00 | 8 560,00 |
| Receivables from 2015 | 9 240,00 | 9 240,00 |
| Receivables from 2016 | 8 320,00 | 8 320,00 |
| Receivables from 2017 | 49 080,00 | 49 080,00 |
| Receivables from 2018 | 28 970,00 | 14 486,00 |
| Receivables from 2019 | 20 460,00 | |
| Net amount at the end of the year | 119 850,00 | 94 506,00 |

Financial liabilities: Maturity of liabilities

The following table takes into account the treasury received from clients (non-identified payments for EUR 83 162) and the amounts due to suppliers. The increased compare to 2019 (EUR 66 509) is essentially due to the increase of the unidentified payments received from clients.

| | < 1 year | 1 - 5 years | > 5 years | Total |
|-------------------------------------|-------------------|-------------|-------------|-------------------|
| Payables with third parties | 130 076,39 | | | 130 076,39 |
| Payables with consolidated entities | | | | |
| Total | 130 076,39 | 0,00 | 0,00 | 130 076,39 |

CREDIT RISK

Credit risk is the risk of loss due to a debtor's non-payment or other failure to meet a contractual obligation. The default events include a delay in repayments.

Treasury resources are kept with commercial banks. The CPVO recovers fees from clients and ensures appropriate cash management in order to maintain a minimum cash balance on bank accounts. This is with a view to limit its risk exposure. The overall treasury balances fluctuated between approximately EUR 18 Million and EUR 21 Million.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the CPVO is exposed. Commercial banks are selected by call for tenders.

The minimum short-term and credit rating required for admission to the tendering procedures is "A-1" (S&P), "P-1" (Moody's) or "F13" (Fitch Rating).

Credit quality of financial assets

CPVO financial assets and their related risk are outlined in the table below.

For Member State receivables, this refers to VAT to be recovered.

The maturity of medium terms investments can be seen under the item of "liquidity risk".

| Counterparties with external credit rating | Receivables with Member States | Short-term deposits | Bank accounts and cash | Total | % of the total |
|--|--------------------------------|---------------------|------------------------|----------------------|----------------|
| Prime and high grade | 206 086,85 | 2 500 000,00 | 7 339 096,05 | 10 045 182,90 | 99,24% |
| Upper medium grade | 76 563,92 | | | 76 563,92 | 0,76% |
| Lower medium grade | 61,78 | | | 61,78 | 0,00% |
| Non-investment grade | | | | 0,00 | 0,00% |
| Total | 282 712,55 | 2 500 000,00 | 7 339 096,05 | 10 121 808,60 | 100,00% |

* excluding receivables with MS and receivables with consolidated entities

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

Currency exposure

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

The CPVO has no exposure to non-EURO currencies. All balances are in EURO and should be paid in EURO.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The CPVO does not borrow any funds. As a result it is not exposed to interest rate risk. It does, however, earn interests on investments. As mentioned on under the item "credit risk", to limit the risk, investments are made with banks having a minimum rating of "A-1" (S&P), "P-1" (Moody's) or "F13" (Fitch Rating). Investments are based on fixed rated pre-determined at the beginning of the investing period.

The CPVO does not accept negative interests.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The CPVO is not concerned by this risk.

12.8 Summary of main accounting principles

In accordance with the Financial Regulation (EC, Euratom) n°1605/2002 of the Council of 25 June 2002, amended by Council Regulation (EC, Euratom) n° 1995/2006 of 13 December 2006 and (EC) n° 1525/2007 of 17 December 2007, the CPVO's financial statements¹ for the financial year 2020 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the Communities², while the "Reports on implementation of the budget" continue to be primarily based on movements of cash.

The accounts are kept in euro and they have been prepared for the financial year running from 1 January 2020 to 31 December 2020.

Accounting Principles

The objective of the financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For the CPVO, the objectives are more specifically to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it.

In accordance with Article 98 and Article 99 of the Financial Regulation, the CPVO applies the following accounting principles in drawing up the financial statements:

- going concern basis
- prudence
- consistent accounting methods
- comparability of information
- materiality
- no netting
- reality over appearance
- accrual-based accounting

In terms of materiality, the selected materiality threshold is the same as the one used by the European Court of Auditors. To get the assurance that the financial accounts do not contain any significant error, the materiality threshold is set at 2% of the total of the balance sheet or if they exceed 25 % of a given balance sheet heading as a minimum 0.5% of the balance sheet total.

¹ The Financial Statements comprise the balance sheet, the statement of financial performance, the cash flow table, the statement of changes in net assets and explanatory notes.

² The accounting rules adopted are inspired by International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants or, in their absence, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Balance Sheet

Assets

- Assets are recorded as such based on a threshold of EUR 5000 (compared to a threshold of EUR 420 before 2017).

Intangible Fixed Assets

- Acquired computer software licenses are stated at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives, being 4 years.
- Should the software be developed internally, it is recorded at its directly attributable costs of development, the threshold being EUR 2 000 000. However, in accordance with international accounting standards, this can only be done if these costs can be measured reliably.

Property, plant and equipment

- All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.
- Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and its cost can be measured reliably. Repairs and maintenance are charged in the statement of financial performance during the financial period in which they are incurred.
- Land is not depreciated as they are deemed to have an infinite life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Depreciation rates:

| Type of asset | Straight line depreciation rate |
|-------------------|---------------------------------|
| Buildings | 4% |
| Furniture | 12.5% |
| Vehicles | 12.5% |
| Computer hardware | 33% |

Gains and losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset. These are included in the statement of financial performance.

Medium term financial assets:

- The office invests part of its cash reserve in "Term Deposit". These investments do not allow any risk on capital or interests. The interests which will be received are known from the start of the contracts as far as the investments are not interrupted.
- For held-to-maturity assets (negotiated deposits with an expiry date of greater or less than one year), interest is recorded on an accrual basis.

Impairment of non-financial assets:

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Receivables:

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the CPVO will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest for similar borrowers. The amount of the write-down is recognized in the statement of financial performance.

Cash and cash equivalents:

Cash and cash equivalents are defined as short-term assets. They include cash at hand, deposits held at call with banks, other short-term highly liquid investments.

Pension obligations:

The pension obligations for the CPVO are managed by and recognized as a liability in the accounts of the European Communities which operates defined benefit pension plans. A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Provisions:

Provisions are recognized when the CPVO has a present legal or constructive obligation as a result of past events (it is more likely than not) that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Payables:

Payables arising from the purchase of goods and services are recognized at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the CPVO.

Accrued and deferred income and charges:

- A critical element in accrual accounting is the exercise of ensuring that transactions are recorded in the accounting year to which they relate. This exercise is referred to as the cut-off exercise.
- The CPVO applies the accounting rules of the EC in this regard. According to the European Communities accounting rules, transactions and events are recognized in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognized based on an estimated amount of the transfer obligation of the period. The calculation of the accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Commission which aim at ensuring that the financial statements reflect a true and fair view.

Revenue is also accounted for in the period to which it relates.

In addition, at year-end, if an invoice is issued but the services have not yet been rendered, the revenue will be deferred and recognized in the subsequent accounting period.

Statement of financial performance

Revenue:

- Revenue from fees and other miscellaneous revenue are entered in the accounts once the corresponding service is considered rendered to the client and when it is considered to be certain.
- In the case of the application fee, revenue is recorded when the filing date has been assigned. In the case of the CPVO, this means the moment when the Agency issues an invoice or recovery order.

Interest income and expense:

Interest income and expense are recognized in the statement of financial performance over the relevant period.

Expenditure:

- Exchange expenses arising from the purchase of goods and services are recognized when the supplies are delivered and accepted by the CPVO. They are valued at original invoice cost.
- Provisions for expenditure are made if the following conditions are satisfied:
 - (a) a current obligation exists as a result of a past event;
 - (b) resources representing economic benefits will probably have to be used to extinguish the obligation;
 - (c) the amount of the obligation can be reliably estimated.

The members of the Administrative Council are invited to take note of this document

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