



**CPVO**

Community Plant Variety Office

# Provisional Accounts 2020

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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%
	<b>Total</b>	<b>18 200 662,56</b>	<b>17 724 710,24</b>	<b>2,69%</b>
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%
	<b>Total</b>	<b>-18 538 059,57</b>	<b>-16 375 809,35</b>	<b>13,20%</b>
<b>Grand Total</b>		<b>-337 397,01</b>	<b>1 348 900,89</b>	<b>-125,01%</b>
Non budgetary income		123 921,17	70 832,21	74,95%
<b>Net outturn for the year</b>		<b>-213 475,84</b>	<b>1 419 733,10</b>	<b>-115,04%</b>

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%
<b>Grand Total</b>	<b>18 200 662,56</b>	<b>17 724 710,24</b>	<b>2,69%</b>

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%
<b>Grand Total</b>	<b>18 158 286,00</b>	<b>17 671 918,00</b>	<b>2,75%</b>

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%
<b>Grand Total</b>	<b>19 986 000,00</b>	<b>18 538 059,57</b>	<b>92,8%</b>	<b>1 447 940,43</b>	<b>7,2%</b>

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%
<b>Grand Total</b>	<b>18 538 059,57</b>	<b>16 375 809,35</b>	<b>13,2%</b>

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%
<b>Grand Total</b>		<b>8 056 000,00</b>	<b>7 619 870,16</b>	<b>94,6%</b>	<b>7 475 587,46</b>	<b>144 282,70</b>	<b>436 129,84</b>	<b>5,4%</b>

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%
<b>Grand Total</b>		<b>7 619 870,16</b>	<b>7 519 234,82</b>	<b>1,3%</b>

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%
<b>Grand Total</b>		<b>1 895 000,00</b>	<b>1 250 039,80</b>	<b>66,0%</b>	<b>824 060,15</b>	<b>425 979,65</b>	<b>644 960,20</b>	<b>34,0%</b>

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%
<b>Grand Total</b>		<b>1 250 039,80</b>	<b>1 288 466,29</b>	<b>-3,0%</b>

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%
<b>Grand Total</b>		<b>10 035 000,00</b>	<b>9 668 149,61</b>	<b>96,3%</b>	<b>366 850,39</b>	<b>3,7%</b>

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%
<b>Grand Total</b>		<b>9 668 149,61</b>	<b>7 568 108,24</b>	<b>27,7%</b>

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%
<b>Total</b>		<b>10 210 000</b>	<b>345 000,00</b>	<b>10 555 000</b>	<b>9 340 310,49</b>	<b>88,5%</b>

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
<b>Grand Total</b>		<b>18 258 971,02</b>	<b>9 340 310,49</b>	<b>-1 059 423,38</b>	<b>-9 668 149,61</b>	<b>16 871 708,52</b>

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
<b>Grand Total</b>		<b>19 986 000</b>	<b>-</b>	<b>-</b>	<b>19 986 000</b>	<b>20 506 000</b>	<b>-</b>	<b>-</b>	<b>20 506 000</b>

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
	<b>Total</b>		<b>168 372,54</b>	<b>98 073,44</b>	<b>58%</b>	<b>70 299,10</b>
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
	<b>Total</b>		<b>258 082,33</b>	<b>204 460,26</b>	<b>79%</b>	<b>53 622,07</b>
<b>Grand Total</b>			<b>426 454,87</b>	<b>302 533,70</b>	<b>71%</b>	<b>123 921,17</b>

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

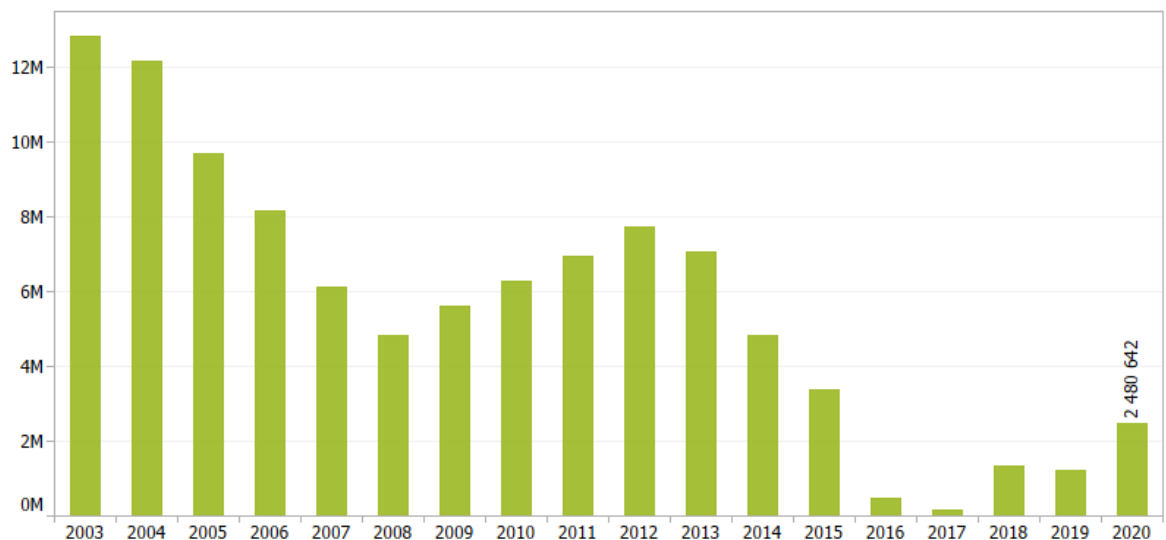
Description	2020
Treasury amount	19 922 613
Title 1: Amount carried over to next year	-144 283
Title 2: Amount carried over to next year	-425 980
Title 3: Amount carried over (diffrenciated credit)	-16 871 709
<b>Free reserve</b>	<b>2 480 642</b>

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%
	<b>Total</b>	<b>18 200 662,56</b>	<b>17 724 710,24</b>	<b>2,69%</b>
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%
	<b>Total</b>	<b>-18 538 059,57</b>	<b>-16 375 809,35</b>	<b>13,20%</b>
<b>Grand Total</b>		<b>-337 397,01</b>	<b>1 348 900,89</b>	<b>-125,01%</b>
Non budgetary income		123 921,17	70 832,21	74,95%
<b>Net outturn for the year</b>		<b>-213 475,84</b>	<b>1 419 733,10</b>	<b>-115,04%</b>

### 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%
<b>Total</b>		<b>19 986 000</b>	<b>18 200 663</b>	<b>-8,93%</b>



### 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
	<b>Total</b>		<b>8 340 000</b>	<b>-</b>	<b>-284 000</b>	<b>8 056 000</b>	<b>7 619 870,16</b>	<b>94,6%</b>	<b>436 129,84</b>
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
	<b>Total</b>		<b>1 956 000</b>	<b>-</b>	<b>-61 000</b>	<b>1 895 000</b>	<b>1 250 039,8</b>	<b>66,0%</b>	<b>644 960,20</b>
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
	<b>Total</b>		<b>10 210 000</b>	<b>-</b>	<b>345 000</b>	<b>10 555 000</b>	<b>9 340 310,49</b>	<b>88,5%</b>	<b>1 214 689,51</b>
<b>Grand Total</b>			<b>20 506 000</b>	<b>-</b>	<b>-</b>	<b>20 506 000</b>	<b>18 210 220,45</b>	<b>88,8%</b>	<b>2 295 779,55</b>

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%
	<b>Total</b>		<b>8 340 000</b>	<b>-</b>	<b>-284 000</b>	<b>8 056 000</b>	<b>7 619 870,16</b>	<b>94,6%</b>	<b>7 475 587,46</b>	<b>144 282,70</b>	<b>436 129,84</b>	<b>5,4%</b>
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%
	<b>Total</b>		<b>1 956 000</b>	<b>-</b>	<b>-61 000</b>	<b>1 895 000</b>	<b>1 250 039,80</b>	<b>66,0%</b>	<b>824 060,15</b>	<b>425 979,65</b>	<b>644 960,20</b>	<b>34,0%</b>
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%
	<b>Total</b>		<b>9 690 000</b>	<b>-</b>	<b>345 000</b>	<b>10 035 000</b>	<b>9 668 149,61</b>	<b>96,3%</b>	<b>9 668 149,61</b>	<b>0,00</b>	<b>366 850,39</b>	<b>3,7%</b>
<b>Grand Total</b>			<b>19 986 000</b>	<b>-</b>	<b>-</b>	<b>19 986 000</b>	<b>18 538 059,57</b>	<b>92,8%</b>	<b>17 967 797,22</b>	<b>570 262,35</b>	<b>1 447 940,43</b>	<b>7,2%</b>

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
	<b>Total</b>		<b>168 372,54</b>	<b>98 073,44</b>	<b>58%</b>	<b>70 299,10</b>
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
	<b>Total</b>		<b>258 082,33</b>	<b>204 460,26</b>	<b>79%</b>	<b>53 622,07</b>
<b>Grand Total</b>			<b>426 454,87</b>	<b>302 533,70</b>	<b>71%</b>	<b>123 921,17</b>

## 12. Financial Accounts:

### 12.1 Balance sheet

				2020	2019
<b>Assets</b>	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
		<b>Total</b>		<b>12 429 300,25</b>	<b>11 492 070,75</b>
	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
		<b>Total</b>		<b>14 283 231,95</b>	<b>15 523 396,49</b>
	<b>Total</b>			<b>26 712 532,20</b>	<b>27 015 467,24</b>
<b>Liabilities</b>	Accumulated result	Reserve		9 353 623,54	8 858 582,76
		Profit / deficit		121 107,17	495 040,78
		<b>Total</b>		<b>9 474 730,71</b>	<b>9 353 623,54</b>
	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
		<b>Total</b>		<b>17 237 801,49</b>	<b>17 661 843,70</b>
	<b>Total</b>			<b>26 712 532,20</b>	<b>27 015 467,24</b>

## 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
	<b>Total</b>	<b>17 794 271,16</b>	<b>17 335 014,85</b>
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)
	<b>Total</b>	<b>(17 719 992,61)</b>	<b>(16 890 536,50)</b>
<b>Result</b>		<b>74 278,55</b>	<b>444 478,35</b>
Financial revenue	Interest income	48 388,34	52 415,13
	<b>Total</b>	<b>48 388,34</b>	<b>52 415,13</b>
Financial expenditure	Bank charges & exchange differences	(1 559,72)	(1 852,70)
	<b>Total</b>	<b>(1 559,72)</b>	<b>(1 852,70)</b>
<b>Result</b>		<b>46 828,62</b>	<b>50 562,43</b>
<b>Economic outturn for the year</b>		<b>121 107,17</b>	<b>495 040,78</b>

### 12.3 Cash-flow (Indirect method)

Table 24 Cash flow

	2020	2019
Cash Flows from ordinary activities		
<b>Surplus/(deficit) from ordinary activities</b>	<b>121 107,17</b>	<b>495 040,78</b>
<b><i>Operating activities</i></b>		
<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
<b><i>Net cash flow from operating activities</i></b>	<b>-1 182 697,16</b>	<b>-77 024,71</b>
<b><i>Cash Flows from investing activities</i></b>		
Increase of tangible and intangible fixed assets (-)		-49 795,00
Proceeds from tangible and intangible fixed assets (+)		
Loss on decommissioning of assets (+)		
<b><i>Net cash flow from investing activities</i></b>		<b>-49 795,00</b>
<b><i>Net Increase/(decrease) in cash and equivalent</i></b>	<b>-1 182 697,16</b>	<b>-126 819,71</b>
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
<b><i>Net Increase/(decrease) in cash and equivalent</i></b>	<b>-1 182 697,16</b>	<b>-126 819,71</b>
<b><i>Difference</i></b>	<b>0,00</b>	<b>0,00</b>

## 12.4 Reconciliation between the economic result and the budgetary result

Table 25 Reconciliation table

	sign +/-	Amount
<b>Economic result (+ for surplus and - for deficit)</b>	<b>+/-</b>	<b>121 107,17</b>
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
<b>total (1)</b>		<b>-213 391,73</b>
<b>Budgetary result (+ for surplus) (2)</b>		<b>-213 475,84</b>
<b>Including amount of exchange rate differences - (+ for gain and - for loss) - (3)</b>		<b>84,11</b>
<b>Delta not explained (1) - (2) - (3)</b>		<b>0,00</b>

## 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	+/-					
<b>Gross carrying amounts 31.12.2020</b>		<b>0,00</b>	<b>634 612,95</b>	<b>0,00</b>	<b>0,00</b>	<b>634 612,95</b>
Accumulated amortization and impairment 01.01.2020	-		-634 612,95			-634 612,95
Amortization	-					0,00
Disposals	+					
Write-back of impairment	+					
Transfer between headings	+/-					
<b>Accumulated amortization and impairment 31.12.2020</b>		<b>0,00</b>	<b>-634 612,95</b>	<b>0,00</b>	<b>0,00</b>	<b>-634 612,95</b>
<b>Net carrying amounts 31.12.2020</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>

### 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
<b>Gross carrying amounts 31.12.2020</b>		<b>292 220,00</b>	<b>5 744 928,26</b>	<b>332 873,61</b>	<b>380 004,08</b>	<b>0,00</b>	<b>6 750 025,95</b>
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	+/-						
<b>Accumulated amortization and impairment 31.12.2020</b>		<b>0,00</b>	<b>-3 736 779,75</b>	<b>-319 314,15</b>	<b>-352 489,66</b>	<b>0,00</b>	<b>-4 408 583,56</b>
<b>Net carrying amounts 31.12.2020</b>		<b>292 220,00</b>	<b>2 008 148,51</b>	<b>13 559,46</b>	<b>27 514,42</b>	<b>0,00</b>	<b>2 341 442,39</b>



#### Note 3 Medium term investments

	2020	2019
Medium term investments	10 087 857,86	8 882 857,86
<b>Grand Total</b>	<b>10 087 857,86</b>	<b>8 882 857,86</b>

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
<b>Grand Total</b>	<b>10 087 857,86</b>	<b>8 882 857,86</b>

#### 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
<b>Total</b>	<b>4 299 234,45</b>	<b>4 398 580,72</b>

#### 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
<b>Total</b>	<b>9 839 096,05</b>	<b>11 021 793,21</b>

#### Breakdown of short-term investments

	2020	2019
BNP	2 500 000,00	2 500 000,00
HSBC	-	-
LCL	-	-
<b>Total</b>	<b>2 500 000,00</b>	<b>2 500 000,00</b>

#### 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
<b>Total</b>	<b>144 901,45</b>	<b>103 022,56</b>

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
<b>Total</b>	<b>17 031 082,22</b>	<b>17 537 532,82</b>

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
<b>Total</b>	<b>86 869,27</b>	<b>29 804,88</b>

Note 9 Short-term provision

	2020	2019
Provision for doubtful debts	119 850,00	94 506,00
<b>Grand Total</b>	<b>119 850,00</b>	<b>94 506,00</b>

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
<b>Cumulated reserve</b>	<b>9 474 730,71</b>	<b>9 353 623,54</b>

## 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
<b>Total</b>	<b>2</b>

### 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
<b>Total</b>	<b>5 794 000</b>	<b>1 733 858</b>	<b>2 560 000</b>	<b>10 087 858</b>

#### 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
<b>Total</b>	<b>9 839 096,05</b>	<b>11 021 793,21</b>

## 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
<b>Total</b>	<b>4 296 274,96</b>	<b>2 334,07</b>	<b>625,86</b>	<b>4 299 234,89</b>

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					
<b>Total</b>	<b>0,00</b>	<b>14 249 281,21</b>	<b>0,00</b>	<b>0,00</b>	<b>14 249 281,21</b>

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

Customers	2020	2019
<b>Amount due by customers</b>	<b>3 985 558,05</b>	<b>3 965 770,69</b>
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
<b>Accumulated impairment (-)</b>	<b>-119 850,00</b>	<b>-94 506,00</b>
<b>Net amount at the end of the year</b>	<b>3 865 708,05</b>	<b>3 871 264,69</b>

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 63220 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	
<b>Net amount at the end of the year</b>	<b>119 850,00</b>	<b>94 506,00</b>

## 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				
<b>Total</b>	<b>130 076,39</b>	<b>0,00</b>	<b>0,00</b>	<b>130 076,39</b>

## 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%
<b>Total</b>	<b>282 712,55</b>	<b>2 500 000,00</b>	<b>7 339 096,05</b>	<b>10 121 808,60</b>	<b>100,00%</b>

\* 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 statements<sup>1</sup> 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 Communities<sup>2</sup>, 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.

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<sup>1</sup> 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.

<sup>2</sup> 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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