



CPVO

Community Plant Variety Office

Final Accounts 2018

2018 Declaration of Assurance the President of the CPVO

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

Declare that the information contained in **the Financial Accounts 2018** give a true and faire 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, 28/05/2019

Martin Ekvad



President of the CPVO

2018 Declaration of Assurance the Accounting Officer of the CPVO

The **annual accounts** of the Community Plant Variety Office for the year 2018 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 **annual accounts** of the Community Plant Variety Office in accordance with Article 61 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, 28/05/2019

Anne-Marie Fernandez



Accounting Officer

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 2018 for the CPVO

Date: 28th May 2019

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 "reports on the implementation of the budget" for the financial year ended 31 December 2018 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 2018 and of the results of its operations, its cash flows, and the changes in net assets for the year then ended.

In accordance with the Financial Regulation of the CPVO, the "financial statements" for the financial year 2018 are prepared on the basis of accounting rules adopted by the European Commission which adapt accruals based accounting principles to the specific environment of the European Union², while the "reports on the implementation of the budget" continue to be primarily based on movements of cash.

In line with Article 48 of the Financial Regulation of the CPVO, 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.

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.

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

Financial Accounts

1. The "Final annual accounts of the CPVO" for the financial year ended 31 December 2018 referred to above are presented in accordance with its Financial Regulation, its implementing rules and the accounting rules and methods established by the European Commission on the basis of internationally accepted accounting standards for the public sector.
2. No issues having a sufficiently material impact requiring a reservation have been brought to our attention.
3. Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
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. There are no uncorrected misstatements that are material, both 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 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.
10. All claims against the CPVO are reflected in the financial statements as a provision or, where relevant, as a contingent liability.
11. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. There are no lines of credit arrangements.

Information Provided

With regard to the information provided and the representations 12-17 below, I highlight that I have provided you with such information for the CPVO.

12. We have provided you with:
 - Access to all information of which I 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.
13. All transactions have been recorded in the accounting records and are reflected in the accounts.

14. 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.

15. 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).

16. 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.

17. 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.

18. 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.



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28/05/2019

Anne-Marie Fernandez

The Accounting Officer of the Community Plant Variety Office



.....
28/05/2019

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

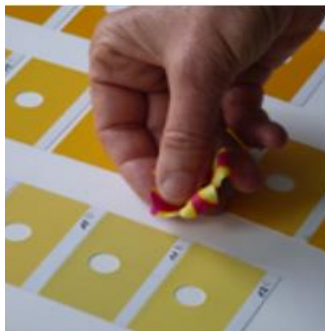
The mission of the CPVO provides an incentive to create new varieties. By protecting new varieties return of investments to the breeder is ensured and opens the door for re-investments in the creation of new plant varieties. This will lead to higher and more sustainable agricultural outputs and job creation 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 (audit the income and expenditure accounts in order to provide an opinion on the accounts), the European Parliament and the European Commission interact directly or indirectly with the activities of the CPVO.



Tomato



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Rosa

4. Overview Budget Implementation 2018

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 2018 as well as an indication of the key events and developments which impact on the financial situation of the Office.

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 more than 3.5 thousand applications in 2018 compared to 2017 (3.4 applications). In 2018, almost 2.8 thousand new titles were granted. Taking into account the surrenders of older titles, the total number titles in force rose almost 27 thousand..

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 € 17.63 million and expenses of € 16.43 million meant a budget outturn of € 1.2 million positive (€ 1.25 negative in 2017). Non-budgetary income of € 97 K lead to a net outturn of € 1.30 million positive

The outturn slightly decreased compared to 2017. The free reserve increased in line with an important increase of the total of the treasury of € 1.4 million with a small increase of € 0.23 K of the total of open the commitment for operational expenses.

4.4 Financial Accounts

The financial accounts show an economic result of € 95 K 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 out-turn for the year was approximately EUR 1.30 million positive and stable compared to the previous year showing a net out-turn of EUR 1.37 million.

Table 1 Budgetary outturn 2018

		2018	2017	% variation 2018
Income	Fees revenue	17 499 839,00	15 988 423,50	9,45%
	Other revenue	133 915,89	192 378,33	-30,39%
	Total	17 633 754,89	16 180 801,83	8,98%
Expenditure	Title 1 Staff expenditure	-7 062 334,39	-6 550 983,90	7,81%
	Title 2 Administrative expenditure	-1 304 132,68	-1 382 643,07	-5,68%
	Title 3 Operational expenditure	-8 062 122,89	-7 001 546,63	15,15%
	Total	-16 428 589,96	-14 935 173,60	10,00%
Grand Total		1 205 164,93	1 245 628,23	-3,25%
Non budgetary income		97 038,38	123 856,77	-21,65%
Net outturn for the year		1 302 203,31	1 369 485,00	-4,91%

The budget out-turn for 2018 remains rather stable (with a slight difference of EUR 0.07 million compared to 2017), thanks to the rise of the level of the annual fee in 2017. A slight decrease in administrative expenditure also contributed to the stability of the budget out-turn. Operational spending significantly increased due to the high number of examinations carried out.

5. Revenue

Table 2 Revenue breakdown

	2018	2017	% variation 2018
Fees	17 499 839,00	15 988 423,50	9,45%
Administrative operations	98 994,89	127 966,86	-22,64%
Interest	34 921,00	64 411,47	-45,78%
Grand Total	17 633 754,89	16 180 801,83	8,98%

Table 3 Breakdown of fee income

	2018	2017	% variation 2018
Annual fees	9 120 600,00	8 452 620,00	7,90%
Application fees	1 632 350,00	1 559 350,00	4,68%
Examination fees	6 061 000,00	5 427 864,50	11,66%
Other fees	685 889,00	548 589,00	25,03%
Grand Total	17 499 839,00	15 988 423,50	9,45%

The total fees received in 2018 amounted to EUR 17.5 million, representing an increase of 9.45 % in comparison with the previous year. Due to the rise in the level of the annual fee (€330 in 2017 and in 2018, €250 for 2016), annual fees increased compared to previous years, with a slightly higher number of titles in force. The income increased for all fee types in accordance with the cumulative increase of the applications received from the past years.

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.

Table 4 Budgetary execution 2018 - Payment appropriation

	Final appropriation	Paid	Paid %	Cancelled appropriations	Canceled %
Title 1 Staff expenditure	7 445 000,00	7 062 334,39	94,9%	382 665,61	5,1%
Title 2 Admin. expenditure	1 675 000,00	1 304 132,68	77,9%	370 867,32	22,1%
Title 3 Operational expenditure	8 120 000,00	8 062 122,89	99,3%	57 877,11	0,7%
Grand Total	17 240 000,00	16 428 589,96	95,3%	811 410,04	4,7%

Overall as can be seen, expenditure for the year was EUR 16.43 million (compared with EUR 14.93 million in 2017) with a very high execution rate for the budget (95.3%).

Table 5 Budgetary execution – Payment appropriation - comparison 2017 – 2018

	Budget execution 2018	Budget execution 2017	% Change
Title 1 Staff expenditure	7 062 334,39	6 550 983,90	7,8%
Title 2 Admin. expenditure	1 304 132,68	1 382 643,07	-5,7%
Title 3 Operational expenditure	8 062 122,89	7 001 546,63	15,1%
Grand Total	16 428 589,96	14 935 173,60	10,0%

Table 6 Budgetary execution 2018 – Payment appropriation - Title 1: Staff expenditure

Budget article	Description.	Final appropriation	Paid	Paid %	Paid in the year	Carried forward to 2019 (C8)	Cancelled appropriations	Canceled %
E1100	Staff	6 965 000,00	6 653 443,25	95,5%	6 610 470,08	42 973,17	311 556,75	4,5%
E1200	Training	90 000,00	71 122,06	79,0%	44 326,06	26 796,00	18 877,94	21,0%
E1300	Travel	270 000,00	257 390,57	95,3%	228 163,46	29 227,11	12 609,43	4,7%
E1400	Interim staff	80 000,00	52 208,18	65,3%	46 117,20	6 090,98	27 791,82	34,7%
E1500	Assistance	30 000,00	23 574,65	78,6%	15 580,20	7 994,45	6 425,35	21,4%
E1700	Representation	10 000,00	4 595,68	46,0%	4 095,68	500,00	5 404,32	54,0%
Grand Total		7 445 000,00	7 062 334,39	94,9%	6 948 752,68	113 581,71	382 665,61	5,1%

Table 7 Budgetary execution – Payment appropriation - Title 1: Staff expenditure – comparison 2017 – 2018

Budget article	Description.	Budget execution 2018	Budget execution 2017	% Change
E1100	Staff	6 653 443,25	6 009 209,63	10,7%
E1200	Training	71 122,06	75 753,04	-6,1%
E1300	Travel	257 390,57	254 000,00	1,3%
E1400	Interim staff	52 208,18	173 027,84	-69,8%
E1500	Assistance	23 574,65	28 761,86	-18,0%
E1700	Representation	4 595,68	10 231,53	-55,1%
Grand Total		7 062 334,39	6 550 983,90	7,8%

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.

Table 8 Budgetary execution 2018 – Payment appropriation - Title 2: Administrative expenditure

Budget article	Description.	Final appropriation	Paid	Paid %	Paid in the year	Carried forward to 2019 (C8)	Cancelled app ropriations	Canceled %
E2000	Property	350 000,00	261 525,57	74,7%	220 555,11	40 970,46	88 474,43	25,3%
E2100	IT expenses	620 000,00	574 044,77	92,6%	424 334,97	149 709,80	45 955,23	7,4%
E2200	Other equipment	60 000,00	29 971,29	50,0%	27 113,53	2 857,76	30 028,71	50,0%
E2300	General admin.	70 000,00	37 414,78	53,4%	34 033,34	3 381,44	32 585,22	46,6%
E2400	Postage and telecom	90 000,00	77 394,89	86,0%	70 661,44	6 733,45	12 605,11	14,0%
E2500	Meetings and notices	380 000,00	219 450,38	57,8%	163 206,57	56 243,81	160 549,62	42,2%
E2600	Audit and evaluation	105 000,00	104 331,00	99,4%	49 669,47	54 661,53	669,00	0,6%
Grand Total		1 675 000,00	1 304 132,68	77,9%	989 574,43	314 558,25	370 867,32	22,1%

Table 9 Budgetary execution – Payment appropriation - Title 2: Administrative expenditure – comparison 2017 – 2018

Budget article	Description.	Budget execution 2018	Budget execution 2017	% Change
E2000	Property	261 525,57	268 555,49	-2,6%
E2100	IT expenses	574 044,77	605 368,02	-5,2%
E2200	Other equipment	29 971,29	65 275,41	-54,1%
E2300	General admin.	37 414,78	39 770,51	-5,9%
E2400	Postage and telecom	77 394,89	62 526,55	23,8%
E2500	Meetings and notices	219 450,38	246 798,07	-11,1%
E2600	Audit and evaluation	104 331,00	94 349,02	10,6%
Grand Total		1 304 132,68	1 382 643,07	-5,7%

For Administrative expenses, there were slight decreases in most of the items. This is the result of constant efforts made to decrease the administrative expenditure: approximately - 6% in 2018 (-30% in 2017).

Table 10 Budgetary execution 2018 – Payment appropriation – Title 3: Operational expenditure

Budget article	Description.	Final appropriation	Paid	Paid %	Cancelled appropriations	Canceled %
E3000	Examination office fees	7 271 614,35	7 251 535,74	99,7%	20 078,61	0,3%
E3200	Examination reports	409 040,00	409 040,00	100,0%	0,00	0,0%
E3400	Publications	48 051,60	48 051,60	100,0%	0,00	0,0%
E3500	Studies	206 294,05	206 294,05	100,0%	0,00	0,0%
E3600	Special advisors	185 000,00	147 201,50	79,6%	37 798,50	20,4%
Grand Total		8 120 000,00	8 062 122,89	99,3%	57 877,11	0,7%

Table 11 Budgetary execution – Payment appropriation – Title 3: Operational expenditure – comparison 2017 – 2018

Budget article	Description.	Budget execution 2018	Budget execution 2017	% Change
E3000	Examination office fees	7 251 535,74	6 293 996,61	15,2%
E3200	Examination reports	409 040,00	341 040,00	19,9%
E3400	Publications	48 051,60	71 659,24	-32,9%
E3500	Studies	206 294,05	194 419,66	6,1%
E3600	Special advisors	147 201,50	100 431,12	46,6%
Grand Total		8 062 122,89	7 001 546,63	15,1%

Operational expenditure consists mainly of remuneration for Examination Offices. Two main factors explain this increase in this expenditure. On the one hand, there has been a higher number of applications than in the previous years and the number of examinations rose up accordingly. On the other hand, the testing phase for upfront payments (payment of the examination cost at the beginning of the examination process) contributes also to the increase of the examination expenditure this year.

Table 12 Budgetary execution - commitment appropriation - 2018 – Title 3: Operational expenditure

Budget article	Description	Budget initial	Transferts	Budget final	Committed	% Committed
E3000	Examination office fees	7 600 000		8 600 000,00	8 070 719,24	93,8%
E3200	Examination reports	440 000	40 000,00	510 000,00	483 520,00	94,8%
E3400	Publications	170 000		170 000,00	44 393,95	26,1%
E3500	Studies	500 000		500 000,00	240 752,60	48,2%
E3600	Special advisors	200 000		200 000,00	171 026,88	85,5%
Total		8 910 000	40 000,00	9 980 000,00	9 010 412,67	90,3%

Table 13 Title 3 – Outstanding commitments

Budget Article	Outstanding beginning of the year	Committed	De-committed	Paid	Outstanding yearend
E3000	15 699 136,65	8 070 719,24	-670 292,25	-7 251 535,74	15 848 027,90
E3200	354 640,00	483 520,00	-7 200,00	-409 040,00	421 920,00
E3400	12 347,91	44 393,95	-4 379,48	-48 051,60	4 310,78
E3500	598 581,69	240 752,60	-12 037,80	-206 294,05	621 002,44
E3600	49 734,06	171 026,88	-24 143,57	-147 201,50	49 415,87
Grand Total	16 714 440,31	9 010 412,67	-718 053,10	-8 062 122,89	16 944 676,99

7. Budget amendments and transfers

As every year, transfers between budget lines are made where there are changes in spending.

Transfers were made from the lines for staff expenditure, studies, examination reports, publications and advisors mainly to cover the increase of examination office fees.

The table below shows the revisions and transfers for the payment budget:

Table 14 Revisions and transfers on the payment budget 2018

Budget article	Description.	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation
E1100	Staff	7 020 000	0	-55 000	6 965 000
E3000	Examination office fees	6 400 000	320 000	551 614	7 271 614
E3200	Examination reports	480 000	0	-70 960	409 040
E3400	Publications	150 000	0	-101 948	48 052
E3500	Studies	530 000	0	-323 706	206 294
E3600	Special advisors	200 000	0	-15 000	185 000
E2600	Audit and evaluation	90 000	0	15 000	105 000
Grand Total		14 870 000	320 000	0	15 190 000

All transfers were signaled to the Administrative Council during the year.

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 explanations of the amendment and transfers are mentioned on the previous paragraph.

For Title 3, an amendment was made to reinforce the budget line examination reports and audit & evaluation.

One budget revisions was made in 2018 to cover the increase the payment appropriation for examination office fees and examination reports.

Table 15 Revisions and transfers of the commitment budget 2018

Budget article	Description	Budget initial	Amendments	Transferts	Budget final
E1100	Staff	7 020 000,00		-55 000	6 965 000
E2600	Audit and evaluation	90 000,00		15 000	105 000
E3000	Examination office fees	7 600 000,00	1 000 000	0	8 600 000
E3200	Examination reports	440 000,00	30 000	40 000	510 000

8. Implementation of Carry-Over credits (C8)

Each year, for title 1 and title 2, commitments are made for which invoices 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 for some legal obligations the amounts to be invoiced are not precisely known at the year-end, they are estimated. So the total amount carried over is based on this estimation. 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, for the 2017 amounts carried over to 2018 for payment, there was a payment execution of 77% (€ 316 719.04) The amount unpaid (€ 97 038.38) which had been considered as a budgetary expenditure in 2017 is now "non-budgetary income" for 2018 and appears in the budget outturn account as such in the table 1.

Table 16 Execution of C8 credit – 2018

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Title 1 Staff expenditure	E1100	Staff	41 839,14	33 569,87	80%	8 269,27
	E1200	Training	37 651,00	37 651,00	100%	0,00
	E1300	Travel	9 946,57	4 830,80	49%	5 115,77
	E1400	Interim staff	0,00	0,00	0%	0,00
	E1500	Assistance	9 713,94	9 528,78	98%	185,16
	E1700	Representation	0,00	0,00	0%	0,00
	Total		99 150,65	85 580,45	86%	13 570,20
Title 2 Admin. expenditure	E2000	Property	60 606,74	47 365,51	78%	13 241,23
	E2100	IT expenses	115 252,30	105 055,63	91%	10 196,67
	E2200	Other equipment	13 741,76	13 739,77	100%	1,99
	E2300	General admin.	5 688,10	3 856,09	68%	1 832,01
	E2400	Postage and telecom	13 826,12	2 724,95	20%	11 101,17
	E2500	Meetings and notices	68 261,75	34 306,64	50%	33 955,11
	E2600	Audit and evaluation	37 230,00	24 090,00	65%	13 140,00
	Total		314 606,77	231 138,59	73%	83 468,18
Grand Total			413 757,42	316 719,04	77%	97 038,38

9. Treasury reserve

Table 17 Calculation of the free reserve

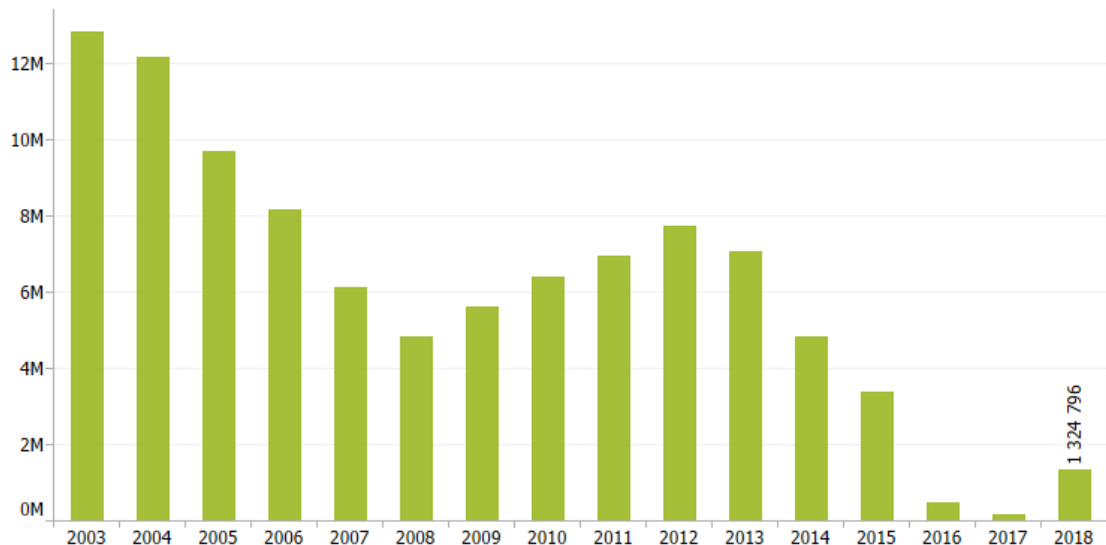
Description	2018
Treasury amount	18 697 613
Title 1: Amount carried over to next year	-113 582
Title 2: Amount carried over to next year	-314 558
Title 3: Amount carried over (diffrenciated credit)	-16 944 677
Grand Total	1 324 796

The so-called free reserve is the difference between total treasury in the CPVO and the outstanding commitments open.

The treasury total (cash, cash equivalents and investments) of the CPVO at 31 December 2018 amounted to € 18.7 million (higher than the position at the same time in 2017). However, the outstanding budgetary commitments made with third parties (mainly with examination offices) at the same period amounted to € 17.4 million (€ 17.1 for 2017). The increase of the free reserve is in line with the expectation of the CPVO.

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

Table 18 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 .
- 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 - Annexes

11.1 Budget Outturn Account

Table 19 Detailed budget outturn

		2018	2017	% variation 2018
Income	Fees revenue	17 499 839,00	15 988 423,50	9,45%
	Other revenue	133 915,89	192 378,33	-30,39%
	Total	17 633 754,89	16 180 801,83	8,98%
Expenditure	Title 1 Staff expenditure	-7 062 334,39	-6 550 983,90	7,81%
	Title 2 Administrative expenditure	-1 304 132,68	-1 382 643,07	-5,68%
	Title 3 Operational expenditure	-8 062 122,89	-7 001 546,63	15,15%
	Total	-16 428 589,96	-14 935 173,60	10,00%
Grand Total		1 205 164,93	1 245 628,23	-3,25%
Non budgetary income		97 038,38	123 856,77	-21,65%
Net outturn for the year		1 302 203,31	1 369 485,00	-4,91%

11.2 Budget income

Table 20 Budget income detailed

Budget Posts	Description	Budget after amendments and transfers	Income recorded in 2018	Income received in 2018	Variation with budget (%)
1000	Fees	16 160 000	17 499 839	17 499 839	8,29%
3000	Deficit reserve	820 000			
5000	Income from administrative operations	110 000	98 995	98 995	-10,00%
9100	Other income (mainly financial income)	150 000	34 921	34 921	-76,72%
Total		17 240 000	17 633 755	17 633 755	2,28%

For the budgetary execution, the deficit reserve was not impacted as the total of the income was higher than the total of the expenditure in 2018.

11.3 Budget implementation

Table 21 Commitment appropriation 2018

Title	Budget article	Description	Budget initial	Amendments	Transferts	Budget final	Committed	% Committed	Cancelled
Title 1 Staff expenditure	E1100	Staff	7 020 000	0	-55 000,00	6 965 000,00	6 653 443,25	95,5%	311 556,75
	E1200	Training	90 000	0	0,00	90 000,00	71 122,06	79,0%	18 877,94
	E1300	Travel	270 000	0	0,00	270 000,00	257 390,57	95,3%	12 609,43
	E1400	Interim staff	80 000	0	0,00	80 000,00	52 208,18	65,3%	27 791,82
	E1500	Assistance	30 000	0	0,00	30 000,00	23 574,65	78,6%	6 425,35
	E1700	Representation	10 000	0	0,00	10 000,00	4 595,68	46,0%	5 404,32
	Total		7 500 000	0	-55 000,00	7 445 000,00	7 062 334,39	94,9%	382 665,61
Title 2 Admin. expenditure	E2000	Property	350 000	0	0,00	350 000,00	261 525,57	74,7%	88 474,43
	E2100	IT expenses	620 000	0	0,00	620 000,00	574 044,77	92,6%	45 955,23
	E2200	Other equipment	60 000	0	0,00	60 000,00	29 971,29	50,0%	30 028,71
	E2300	General admin.	70 000	0	0,00	70 000,00	37 414,78	53,4%	32 585,22
	E2400	Postage and telecom	90 000	0	0,00	90 000,00	77 394,89	86,0%	12 605,11
	E2500	Meetings and notices	380 000	0	0,00	380 000,00	219 450,38	57,8%	160 549,62
	E2600	Audit and evaluation	90 000	0	15 000,00	105 000,00	104 331,00	99,4%	669,00
	Total		1 660 000	0	15 000,00	1 675 000,00	1 304 132,68	77,9%	370 867,32
Title 3 Operational expenditure	E3000	Examination office f..	7 600 000	1 000 000	0,00	8 600 000,00	8 070 719,24	93,8%	529 280,76
	E3200	Examination reports	440 000	30 000	40 000,00	510 000,00	483 520,00	94,8%	26 480,00
	E3400	Publications	170 000	0	0,00	170 000,00	44 393,95	26,1%	125 606,05
	E3500	Studies	500 000	0	0,00	500 000,00	240 752,60	48,2%	259 247,40
	E3600	Special advisors	200 000	0	0,00	200 000,00	171 026,88	85,5%	28 973,12
	Total		8 910 000	1 030 000	40 000,00	9 980 000,00	9 010 412,67	90,3%	969 587,33
Grand Total			18 070 000	1 030 000	0,00	19 100 000,00	17 376 879,74	91,0%	1 723 120,26

Table 22 Payment appropriation 2018

Title.	Budget article	Description.	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation	Paid	Paid %	Paid in the year	Carried forward to 2019 (C8)	Cancelled appropriations	Canceled %
Title 1 Staff expenditure	E1100	Staff	7 020 000,00	0,00	-55 000,00	6 965 000,00	6 653 443,25	95,5%	6 610 470,08	42 973,17	311 556,75	4,5%
	E1200	Training	90 000,00	0,00	0,00	90 000,00	71 122,06	79,0%	44 326,06	26 796,00	18 877,94	21,0%
	E1300	Travel	270 000,00	0,00	0,00	270 000,00	257 390,57	95,3%	228 163,46	29 227,11	12 609,43	4,7%
	E1400	Interim staff	80 000,00	0,00	0,00	80 000,00	52 208,18	65,3%	46 117,20	6 090,98	27 791,82	34,7%
	E1500	Assistance	30 000,00	0,00	0,00	30 000,00	23 574,65	78,6%	15 580,20	7 994,45	6 425,35	21,4%
	E1700	Representation	10 000,00	0,00	0,00	10 000,00	4 595,68	46,0%	4 095,68	500,00	5 404,32	54,0%
	Total		7 500 000,00	0,00	-55 000,00	7 445 000,00	7 062 334,39	94,9%	6 948 752,68	113 581,71	382 665,61	5,1%
Title 2 Admin. expenditure	E2000	Property	350 000,00	0,00	0,00	350 000,00	261 525,57	74,7%	220 555,11	40 970,46	88 474,43	25,3%
	E2100	IT expenses	620 000,00	0,00	0,00	620 000,00	574 044,77	92,6%	424 334,97	149 709,80	45 955,23	7,4%
	E2200	Other equipment	60 000,00	0,00	0,00	60 000,00	29 971,29	50,0%	27 113,53	2 857,76	30 028,71	50,0%
	E2300	General admin.	70 000,00	0,00	0,00	70 000,00	37 414,78	53,4%	34 033,34	3 381,44	32 585,22	46,6%
	E2400	Postage and telecom	90 000,00	0,00	0,00	90 000,00	77 394,89	86,0%	70 661,44	6 733,45	12 605,11	14,0%
	E2500	Meetings and notices	380 000,00	0,00	0,00	380 000,00	219 450,38	57,8%	163 206,57	56 243,81	160 549,62	42,2%
	E2600	Audit and evaluation	90 000,00	0,00	15 000,00	105 000,00	104 331,00	99,4%	49 669,47	54 661,53	669,00	0,6%
	Total		1 660 000,00	0,00	15 000,00	1 675 000,00	1 304 132,68	77,9%	989 574,43	314 558,25	370 867,32	22,1%
Title 3 Operational expenditure	E3000	Examination office fees	6 400 000,00	320 000,00	551 614,35	7 271 614,35	7 251 535,74	99,7%	7 251 535,74	0,00	20 078,61	0,3%
	E3200	Examination reports	480 000,00	0,00	-70 960,00	409 040,00	409 040,00	100,0%	409 040,00	0,00	0,00	0,0%
	E3400	Publications	150 000,00	0,00	-101 948,40	48 051,60	48 051,60	100,0%	48 051,60	0,00	0,00	0,0%
	E3500	Studies	530 000,00	0,00	-323 705,95	206 294,05	206 294,05	100,0%	206 294,05	0,00	0,00	0,0%
	E3600	Special advisors	200 000,00	0,00	-15 000,00	185 000,00	147 201,50	79,6%	147 201,50	0,00	37 798,50	20,4%
	Total		7 760 000,00	320 000,00	40 000,00	8 120 000,00	8 062 122,89	99,3%	8 062 122,89	0,00	57 877,11	0,7%
Grand Total			16 920 000,00	320 000,00	0,00	17 240 000,00	16 428 589,96	95,3%	16 000 450,00	428 139,96	811 410,04	4,7%

Table 23 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	41 839,14	33 569,87	80%	8 269,27
	E1200	Training	37 651,00	37 651,00	100%	0,00
	E1300	Travel	9 946,57	4 830,80	49%	5 115,77
	E1400	Interim staff	0,00	0,00	0%	0,00
	E1500	Assistance	9 713,94	9 528,78	98%	185,16
	E1700	Representation	0,00	0,00	0%	0,00
	Total		99 150,65	85 580,45	86%	13 570,20
Title 2 Admin. expenditure	E2000	Property	60 606,74	47 365,51	78%	13 241,23
	E2100	IT expenses	115 252,30	105 055,63	91%	10 196,67
	E2200	Other equipment	13 741,76	13 739,77	100%	1,99
	E2300	General admin.	5 688,10	3 856,09	68%	1 832,01
	E2400	Postage and telecom	13 826,12	2 724,95	20%	11 101,17
	E2500	Meetings and notices	68 261,75	34 306,64	50%	33 955,11
	E2600	Audit and evaluation	37 230,00	24 090,00	65%	13 140,00
	Total		314 606,77	231 138,59	73%	83 468,18
Grand Total			413 757,42	316 719,04	77%	97 038,38

12. Financial Accounts:

12.1 Balance sheet

				2018	2017
Assets	Non-Current assets	Intangible Assets	1	160,72	1 865,04
		Tangible Assets	2	2 829 196,38	3 093 537,71
		Medium term investments	3	7 549 000,00	7 756 500,00
		Total		10 378 357,10	10 851 902,75
	Current assets	Short-term receivables	4	3 927 545,54	4 002 451,63
		Treasury	5	11 148 612,92	9 541 945,75
		Other receivable	6	86 561,46	58 336,44
		Total		15 162 719,92	13 602 733,82
	Total			25 541 077,02	24 454 636,57
Liabilities	Accumulated result	Reserve		8 763 350,92	9 799 661,25
		Profit / deficit		95 231,84	(1 036 310,33)
		Total		8 858 582,76	8 763 350,92
	Current liabilities	Accrued charges and deferred income	7	16 520 702,01	15 505 231,38
		Current payables	8	37 142,25	29 454,27
		Short-term provision	9	124 650,00	156 600,00
		Total		16 682 494,26	15 691 285,65
	Total			25 541 077,02	24 454 636,57

12.2 Statement of financial performance

Table 24 Statement of financial performance

		2018	2017
Income	Income from fees	16 938 125,96	14 484 760,35
	Income from administrative operations	105 994,89	101 259,64
	Total	17 044 120,85	14 586 019,99
Expenditure	Operational expenses	(8 424 493,94)	(7 435 688,64)
	Salaries and social taxes	(6 818 284,88)	(6 343 588,28)
	Overheads	(1 498 953,98)	(1 649 783,24)
	Depreciation	(270 110,18)	(257 188,85)
	Total	(17 011 842,98)	(15 686 249,01)
Result		32 277,87	(1 100 229,02)
Financial revenue	Interest income	66 533,88	66 882,38
	Total	66 533,88	66 882,38
Financial expenditure	Bank charges & exchange differences	(3 579,91)	(2 963,69)
	Total	(3 579,91)	(2 963,69)
Result		62 953,97	63 918,69
Economic outturn for the year		95 231,84	(1 036 310,33)

12.3 Cash-flow (Indirect method)

Table 25 Cash flow

	2018	2017
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	83 241,84	-1 036 310,33
<i>Operating activities</i>		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	1 704,32	7 754,96
Depreciation (tangible fixed assets) +	268 405,86	249 433,89
Impairment (tangible fixed assets) +		
Increase/(decrease) in Provisions for risks and liabilities	-31 950,00	-49 067,35
(Increase)/decrease in Long term Receivables	207 500,00	-1 661 000,00
(Increase)/decrease in Short term Receivables	46 681,07	-667 568,89
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	1 023 158,61	2 642 188,59
<i>Net cash flow from operating activities</i>	1 598 741,70	-514 569,13
<i>Cash Flows from investing activities</i>		
Increase of tangible and intangible fixed assets (-)	0,00	-220 990,49
Proceeds from tangible and intangible fixed assets (+)		
Loss on decommissioning of assets (+)	7 925,47	
<i>Net cash flow from investing activities</i>	7 925,47	-220 990,49
<i>Net Increase/(decrease) in cash and equivalent</i>	1 606 667,17	-735 559,62
Cash and cash equivalents at the beginning of the period	9 541 945,75	10 277 505,37
Cash and cash equivalents at the end of the period	11 148 612,92	9 541 945,75
<i>Net Increase/(decrease) in cash and equivalent</i>	1 606 667,17	-735 559,62
<i>Difference</i>	0,00	0,00

12.4 Reconciliation between the economic result and the budgetary result

Table 26 Reconciliation table

	sign +/-	Amount
Economic result (+ for surplus and - for deficit)	+/-	83 241,84
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-14 417 896,96
Adjustments for Accrual Cut-off (cut- off 31.12.N)	+	15 448 940,90
Depreciation of intangible and tangible assets	+	270 110,18
Value reduction	+	7 925,47
Recovery Orders issued in the year in class 7 and not yet cashed	-	-3 393 206,00
Payments made from carry over of payment appropriations	+	316 719,04
Prefinancing received in previous year and cleared in the year	-	
Asset acquisitions (less unpaid amounts)	-	
Budgetary recovery orders issued before the financial year and cashed	+	3 316 730,00
Payment appropriations carried over to the next year	-	-428 139,96
Cancellation of unused carried over payment appropriations from previous year	+	97 038,38
total (1)		1 301 462,89
Budgetary result (+ for surplus) (2)		1 302 203,31
Including amount of exchange rate differences - (+ for gain and - for loss) - (3)		-740,42
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 01.01.2018	+		634 612,95			634 612,95
Additions	+					0,00
Disposals	-					
Transfer between headings	+/-					
Other changes	+/-					
Gross carrying amounts 31.12.2018		0,00	634 612,95	0,00	0,00	634 612,95
Accumulated amortization and impairment 01.01.2018	-		-632 747,91			-632 747,91
Amortization	-		-1 704,32			-1 704,32
Disposals	+					
Write-back of impairment	+					
Transfer between headings	+/-					
Accumulated amortization and impairment 31.12.2018		0,00	-634 452,23	0,00	0,00	-634 452,23
Net carrying amounts 31.12.2018		0,00	160,72	0,00	0,00	160,72

Note 2 Tangible Fixed Assets

		Land	Buildings	Plant and Equipment	Computer hardware	Tangible assets under construction	Total
Gross carrying amounts 01.01.2018	+	292 220,00	5 753 731,31	360 839,35	383 878,82	0,00	6 790 669,48
Additions	+						0,00
Disposals	-		-8 803,05	-3 805,00	-26 253,00		-38 861,05
Impairment (regularisation entry)	+/-						0,00
Other changes	+/-						0,00
Gross carrying amounts 31.12.2018		292 220,00	5 744 928,26	357 034,35	357 625,82	0,00	6 751 808,43
Accumulated amortization and impairment 01.01.2017	-		-3 024 582,92	-328 055,29	-344 493,56		-3 697 131,77
Depreciation	-		-237 691,47	-6 777,53	-23 936,86		-268 405,86
Write-back of depreciation	+						0,00
Disposals	+		877,58	3 805,00	26 253,00		30 935,58
Transfer between headings	+/-						0,00
Accumulated amortization and impairment 31.12.2018		0,00	-3 261 396,81	-331 027,82	-342 177,42	0,00	-3 934 602,05
Net carrying amounts 31.12.2018		292 220,00	2 483 531,45	26 006,53	15 448,40	0,00	2 817 206,38

In 2018, the accounting policy for the recognition of the assets has been updated. The threshold for purchased assets has been increased from € 420 to € 5000 and for the self-developed assets (software) from € 500 000 euro to € 2 000 000. Assets purchased in the prior years under € 5000 (purchased price) are still reported in the balance sheet.

Note 3 Medium term investments

	2018	2017
Medium term investments	7 549 000,00	7 756 500,00
Grand Total	7 549 000,00	7 756 500,00

In 2018, the amount of medium term investments decreased slightly due to the maturity of one investment, which is now classified on short-term investment. The amount of € 7 549 000 is divided in different investments and different as it can be seen on the table below:

	2018	2017
BNP - financial investment	-	550 000,00
C.E. - financial investment	2 949 000,00	1 794 000,00
CRCA - financial investment	4 000 000,00	4 000 000,00
HSBC - financial investment	600 000,00	1 412 500,00
Grand Total	7 549 000,00	7 756 500,00

Note 4 Short-term receivables

	2018	2017
Customers	3 539 153,87	3 539 087,87
VAT	279 906,98	344 220,17
Deferred charges	108 484,69	119 143,59
Total	3 927 545,54	4 002 451,63

Note 5 Treasury

	2018	2017
Short-term investments	5 195 361,31	5 021 864,97
Current accounts	5 902 651,91	4 471 455,86
Imprest account	50 599,70	48 624,92
Total	11 148 612,92	9 541 945,75

Breakdown of short-term investments

	2018	2017
BNP	3 050 000,00	2 958 000,00
CAISSE D'EPARGNE	-	733 000,00
HSBC	812 500,00	
LCL	1 332 861,31	1 330 864,97
Total	5 195 361,31	5 021 864,97

Note 6 Other receivables

	2018	2017
Interest to be received	68 468,07	36 855,19
Sundry receivables (staff)	13 129,22	21 481,25
Sundry receivables (suppliers)	4 964,17	
Total	86 561,46	58 336,44

Interest rates are still very low in 2018 and for the future; the Office expects less return on investments. Furthermore, the CPVO does not accept negative interests.

Note 7 Accrued charges and differed income

	2018	2017
Deferred income	11 089 315,09	10 521 346,05
Invoices to be received	5 058 569,91	4 621 416,18
Suspense account	48 638,84	127 332,84
Accrued holidays	167 554,17	158 519,31
Charge accounts	156 624,00	76 617,00
Total	16 520 702,01	15 505 231,38

The increase of deferred income from fees was due to the increase of the number of annual fees linked to the increase of the titles granted, but also to the accumulation of the number of examination invoiced since 2014.

Note 8 Current payables

	2018	2017
Sundry credit accounts	6 497,75	-
Suppliers	30 644,50	29 454,27
Total	37 142,25	29 454,27

Note 9 Short-term provision

	2018	2017
Provision for doubtful debts	124 650,00	156 600,00
Grand Total	124 650,00	156 600,00

Table 27 Statement of changes in net assets

	2018	2017
Reserve	8 763 350,92	9 799 661,25
Profit / deficit	95 231,84	(1 036 310,33)
Cumulated reserve	8 858 582,76	8 763 350,92

12.6 Other Disclosures

Off Balance Sheet Commitments

At the year-end there was of a total of € 16 944 677 of commitments open on title 3 (operational expenditure) and a further € 428 140 for titles 1 and 2 carried to 2018 as C8 credits. Of this total, € 5 058 570 relates to work carried out in or before 2017 but not yet invoiced an amount for which there is a provision in the financial accounts. The balance of **€ 12 314 247** 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 as of yet no real liability yet for the Office, as the applicants could still cancel the examination before the submission date of material. Therefore, they are taken as off-balance sheet commitments.

Contingent liabilities

There is an ongoing Court case for which the CPVO could be liable for the expenses incurred by the winning parties plus expenses incurred for the lawyer's fees. The cost to be paid could reach up to a maximum of € 20 000.

There are two ongoing litigations and the where the CPVO could be liable for the expenses incurred by the winning parties plus expenses incurred for the lawyer's fees. The cost to be paid could reach up to a maximum of € 80 000.

Related parties

As at 31 December, 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	2-3 years	4-5 years	total
Medium term investment Caisse d'Epargne	755 000		2 194 000	2 949 000
Medium term investment Crédit Agricole		4 000 000		4 000 000
Medium term investment HSBC	600 000			600 000
total	1 355 000	4 000 000	2 194 000	7 549 000

Financial assets: Cash and cash equivalent

	2018	2017
Short-term investments	5 195 361,31	5 021 864,97
Current accounts	5 902 651,91	4 471 455,86
Imprest account	50 599,70	48 624,92
Total	11 148 612,92	9 541 945,75

Financial assets: Maturity term of receivables

Short term receivables	< 1 year	1-2 years	>2 years	total
Customers	3 539 153,87			3 539 153,87
VAT	279 906,98			279 906,98
Deferred charges	104 916,64	8 691,83	5 535,12	119 143,59
total	3 923 977,49	8 691,83	5 535,12	3 938 204,44

The table below concerns more particularly receivables from our customers.

Counterparties without external credit rating	Receivables with Member States	All receivables with third parties including accruals & deferrals	Short-term deposits	Bank accounts	Total
Customers		3 539 153,87			3 539 153,87
Debtors who defaulted in the past					
Total	0,00	3 539 153,87	0,00	0,00	3 539 153,87

For customers of the CPVO, the provision for potential loss is defined below.

Customers	2018	2017
Amount due by customers	3 539 153,87	3 539 087,87
Provision at the start of the year	-156 600,00	-205 667,35
Additional provision (-)	-31 270,00	-9 660,00
Reduction of the provision (+)		21 907,35
Write-offs	63 220,00	36 820,00
Accumulated impairment (-)	-124 650,00	-156 600,00
Net amount at the end of the year	3 414 503,87	3 382 487,87

The trend of the provision for customers linked to the fees invoiced is downward since a few years. In 2018, the provision for these clients amounts to € 31 270. The decrease is mainly due to a new decision taken by the Board of Appeal to cancel open notes concerned by cancellation procedure.

Break down of the provision for customers	2018	2017
Receivables from 2011		32 070,00
Receivables from 2012	14 700,00	45 850,00
Receivables from 2013	24 320,00	24 320,00
Receivables from 2014	22 060,00	22 060,00
Receivables from 2015	23 740,00	23 640,00
Receivables from 2016	16 570,00	8 660,00
Receivables from 2017	23 260,00	
Net amount at the end of the year	124 650,00	156 600,00

Financial liabilities: Maturity of liabilities

The following table takes into account the treasury received for charge accounts and the amounts due to suppliers. There is a significant decrease of the payables as only 2 charge accounts out of 14 are still be used but should be closed in March 2019.

	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	156 624,00			156 624,00
Payables with consolidated entities				
Total	156 624,00	0,00	0,00	156 624,00

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 its bank accounts. This is with a view to limit its risk exposure. The overall treasury balances fluctuated between approximately € 16 Million and € 20 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 receivables with third parties concerned medium term investment for 7 549 000 €, 108 484.69 € for deferred charges already paid in 2018; income to be received (interests from investments) in 2019 from 2018 for 68 468.07 €.

Counterparties with external credit rating	Receivables with Member States	All receivables with third parties including accruals & deferrals *	Short-term deposits	Bank accounts and cash	Total	% of the total
Prime and high grade	239 773,94	7 725 952,36	5 195 361,31	5 953 251,61	19 114 339,22	99,79%
Upper medium grade	40 071,26				40 071,26	0,21%
Lower medium grade	61,78				61,78	0,00%
Non-investment grade					0,00	0,00%
Total	279 906,98	7 725 952,36	5 195 361,31	5 953 251,61	19 154 472,26	100,00%

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

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 2018 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 prepared for the financial year running from 1 January 2018 to 31 December 2018.

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 143 and Article 144 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

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.

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 a government bond portfolio. This portfolio, divided into units which are quoted on a daily basis, are "Available-for-Sale" and as such the valuation in the fair value is taken directly to the equity of the balance sheet in accordance with the European Commission's

Accounting Rule 11. Recognition of a gain or a loss will happen at the moment of the sale (partial or total) of the portfolio. The assets are valued on a weighted average basis.

- 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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