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# ANNUAL ACCOUNTS 2010

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Community Plant Variety Office

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**2010 Declaration of Assurance the President of the CPVO**

I, the undersigned, Bart Klewiet, President of the CPVO, in my capacity as authorizing officer,

Declare that the information contained in the Financial Accounts 2010 give a true and fair view of the financial position of the CPVO.

State that I have reasonable assurance that the resources assigned to the activities described in these 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 transactions. 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 the Community Plant Variety Office.

Angers 30 June 2011

  
Bart Klewiet  
President

**2010 Declaration of Assurance of Accounting Officer of the CPVO**

The annual accounts of the Community Plant Variety Office for the year 2010 have been prepared in accordance with the Financial Regulation of the EC and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Community Plant Variety Office in accordance with art 61 of the Financial Regulation.

I have obtained from the authorizing officer, who guaranteed 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 a true and fair view of the financial position of the Community Plant Variety Office in all material aspects.

Angers 30 June 2011

  
James Moran  
Accounting Officer



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# 1. OVERVIEW BUDGET IMPLEMENTATION 2010

## 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 2010 as well as an indication of the key events and developments which impact on the financial situation of the Office.

The report also includes the audited financial and budgetary accounts for 2010 for the CPVO.

## OVERVIEW

The Community system continued to thrive in 2010. The Office had 2899 applications, and with a relatively low rate of surrender of titles saw the total number of grants in force rise to 17610.

### 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. Budgetary receipts were just short of € 12 million for the year, with payments at € 10.8 million and non budget receipts of € 0.15 million giving a positive budget outturn at € 1.3 million.

This positive outturn can to a certain extent be considered as extraordinary given that budgetary payments were significantly lower than expected due to problems with certain examination offices both in terms of submitting the reports to the CPVO on the examinations carried out, and in invoicing the CPVO for the reports that were sent. It should be expected that the budgetary outturn will decrease significantly in 2011 once the examination offices clear out their backlogs of work and invoicing.

### Financial Accounts

The financial accounts show a significantly lower positive outturn of € 0.9 million. This figure takes into account invoices not yet received at year end and is as such a better reflection of the underlying financial situation of the office.

Going forward, the new cost structure for examinations has been agreed and entered into force on 01 January 2011. This will cause an increase in the operational costs for the CPVO and should help stabilise the economic outturn at levels closer to break-even.



## BUDGETARY OUTTURN

The budgetary outturn is the difference between the budgetary receipts and budgetary payments. The Office continued in 2010 with the strategy of keeping the budget outturn as close to equilibrium as possible. However, for receipts and payments, the office depends on clients to pay and suppliers to send invoices on a timely basis. Once invoices are received, the office processes them for payment within a very short space of time. In 2010, 90% of all invoices received were paid well within 30 days, and those which took longer than this amount of time were generally delayed due to questions concerning the amount of the invoice or technical details regarding the service provided.

Problems with certain examination offices in 2010 meant that the number of examination reports and invoices received was significantly lower than expected. This meant that despite rapid processing of invoices, the budget outturn for the year amounted to a surplus of € 1.15 million as compared to a deficit of € 74 448 in 2009 with a net outturn for the year of € 1.3 million compared to € 200 000 in 2009 once non-budgetary receipts are included.

Table 1: Budgetary outturn 2010

Description	2010	2009	Variation
Fee Revenue	11 904 332.00	11 390 680.00	4.5 %
Other Revenue	62 039.48	392 301.46	-84.2%
<b>Total Revenue</b>	<b>11 966 371.48</b>	<b>11 782 981.46</b>	<b>1.6%</b>
Staff Expenditure	5 508 664.27	5 176 003.09	6.4 %
Administrative expenditure	1 126 887.72	1 405 649.93	-19.8 %
Operational expenditure	4 175 118.94	5 275 777.37	-20.8 %
<b>Total expenditure</b>	<b>10 810 670.93</b>	<b>11 857 429.39</b>	<b>-8.8 %</b>
<b>Budgetary Outturn</b>	<b>1 155 700.55</b>	<b>-74 448.93</b>	
Non-budgetary receipts	156 603.73	274 681.81	
<b>Net outturn for the year</b>	<b>1 312 304.28</b>	<b>200 233.88</b>	



## REVENUE

Overall revenue increased by 1.56 % as compared to 2009. The increase came entirely from fees, with significant drops in all other income.

Table 2: Revenue 2010

Income type	2010	2009	Variation
Fees	11 904 332.00	11 390 680.00	4.5 %
Administrative operations & Misc	16 499.18	72 849.51	-77 %
Bank interest	79 011.71	154 023.95	-48 %
Multi-beneficiary funds	-33 471.41	165 428.00	-120 %
<b>Total receipts</b>	<b>11 966 371.48</b>	<b>11 782 981.46</b>	<b>1.56 %</b>

A more detailed analysis of the Fee income shows a steady increase in all except "other" fees which remained stable.

Table 3: Breakdown of fee income

Fee type	2010	2009	Variation
Annual fees	5 407 600	5 130 500	5.4 %
Examination fees	3 486 750	3 427 440	1.7 %
Application fees	2 638 800	2 458 800	7.3 %
Other fees	371 182	373 940	-0.7 %
<b>Total fees</b>	<b>11 904 332</b>	<b>11 390 680</b>	<b>4.5 %</b>

Administrative revenue varies greatly from year to year. The figure from 2009 included a € 30 765 reimbursement for translation fees from previous years and € 10 000 for insurance receipt.

As regards investments income, the Office continued with its policy of investing in low risk products - negotiated deposits with banks and also with State-backed treasury shares. Bank interest is significantly lower due to historically low interest rates. Despite the low rates, the Office will continue in future to follow its policy of minimizing risk to treasury resources by investing in secure, capital guaranteed products. Furthermore, the level of budgetary income depends on the date of end of term for deposits. A number of investments will mature in early 2011 and thus be shown as income in 2011.

The negative amount for the multi-beneficiary fund relates to a repayment to the European Commission for unused funds on the program for 2008.

Non-budgetary income, shown in table 1 above concerns the cancellation of outstanding C8 commitments from 2009, unused at 31 December 2010. This amounts to € 156 604 for titles 1 and 2 of the Office's budget.



## EXPENDITURE

Execution of expenses is made using separate 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 should 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 for the payment budget for operational expenditure.

Table 4: Budgetary execution (Payment Appropriations) 2010

Title	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Cancelled %
Title 1: Staff exp.	5 532 000	5 508 664.27	99.6%	23 335.73	0.4%
Title 2: Administrative exp.	1 487 000	1 126 887.72	75.8%	360 112.28	24.2%
Title 3: Operational exp.	6 128 000	4 175 118.94	68.1%	1 952 881.06	31.9%
<b>Grand Total</b>	<b>13 147 000</b>	<b>10 810 670.93</b>	<b>82.2%</b>	<b>2 336 329.07</b>	<b>17.8%</b>

As can be seen from table 4, the overall level of execution of the payment budget for 2010 was 82.2 %. This is down significantly from the position in 2009 of 89.6%. The drop in the level of the execution of the payment budget is almost entirely attributable to problems with spending on operational expenditure and examination fees in particular (see below).

### Title 1 – Staff Expenditure

For title 1 (salaries, social costs, indemnities) and related expenditure (missions, training costs and use of interim resources) the execution level is high as the salary amounts are stable and largely foreseeable.

Staff expenditure increased slightly in 2010 due the expected advances in career. The salary grid for staff of the Office, being governed by the levels set by the European Council is also subject to changes in line with inflation.

Where there are cancellations of payment appropriations means that initially foreseen expenses were not incurred.



Table 5: Budgetary execution 2010 Title 1: Staff Expenditure

Budget article	Description	Final budget approp.	Budget execution	Executed %	Paid during the year	Carried forward to following year (C8)	Cancelled	Cancelled %
E1100	Staff	5 196 759.24	5 185 211.81	99.8%	5 174 433.67	10 778.14	11 547.43	0.2%
E1200	Training	80 240.76	80 240.76	100.0%	30 723.26	49 517.50	-	-
E1300	Travel	210 000.00	210 000.00	100.0%	193 980.26	16 019.74	-	-
E1400	Interim staff	13 000.00	12 904.89	99.3%	7 144.86	5 760.03	95.11	0.7%
E1500	Assistance	15 000.00	12 846.94	85.6%	8 133.49	4 713.45	2 153.06	14.4%
E1700	Representation	17 000.00	7 459.87	43.9%	5 959.87	1 500.00	9 540.13	56.1%
<b>Grand Total</b>		<b>5 532 000.00</b>	<b>5 508 664.27</b>	<b>99.6%</b>	<b>5 420 375.41</b>	<b>88 288.86</b>	<b>23 335.73</b>	<b>0.4%</b>

The overall execution of the budget for Staff Expenditure was 99.6% (commitment execution) with only € 23 335 cancelled. Of the amount committed, 98% (€ 5 420 375) was paid during the year and 2 % (€ 88 289) should be paid in early 2011 once invoices are received.

## Title 2 – Administrative Expenditure

Title 2 (administrative expenditure) includes equipment, IT and property. While many of the costs in this title can be considered fixed (building charges, IT maintenance etc.), the title also contains budget lines for which expenditure is discretionary, i.e. costs which can potentially be postponed. This includes such items as IT project developments and hardware purchases .

In this regard, it can be seen that there is a high level of cancelled appropriations for Administrative expenditure. In particular, line E2300 has seen significant reductions in expenditure over the past 3 years with property and IT expenses also significantly lower than budgeted.

Table 6: Budgetary execution 2010 Title 2: Administrative expenditure

Budget article	Description	Final appropriation	Budget execution	Execution %	Paid during the year	Carried forward to following year (C8)	Cancelled Appns.	Cancelled %
E2000	Property	300 000.00	239 335.13	79.8%	178 864.91	60 470.22	60 664.87	20.2%
E2100	IT expenses	350 000.00	286 529.35	81.9%	247 034.74	39 494.61	63 470.65	18.1%
E2200	Other equipment	100 000.00	51 512.66	51.5%	43 966.40	7 546.26	48 487.34	48.5%
E2300	General admin.	192 000.00	58 989.85	30.7%	39 453.67	19 536.18	133 010.15	69.3%
E2400	Postage and telecom	100 000.00	80 600.00	80.6%	69 688.43	10 911.57	19 400.00	19.4%
E2500	Meetings and notices	300 000.00	286 688.13	95.6%	170 295.96	116 392.17	13 311.87	4.4%
E2600	Audit and evaluation	145 000.00	123 232.60	85.0%	58 082.60	65 150.00	21 767.40	15.0%
<b>Grand Total</b>		<b>1 487 000.00</b>	<b>1 126 887.72</b>	<b>75.8%</b>	<b>807 386.71</b>	<b>319 501.01</b>	<b>360 112.28</b>	<b>24.2%</b>





Of the total executed, 72% (€ 807 387) was paid during the year and 28% (€ 319 501) will be paid in 2011 once invoices are received.

### Title 3 – Operational Expenditure

Expenditure under Title 3 (Operational expenditure) is managed in a different manner from Titles 1 and 2. Under Title 3, commitments are made on “differentiated appropriations”. This means that commitments which have not been cancelled or paid at the year-end are carried forward for payment in future years. This is necessary as a commitment which is made for an examination of certain species could continue to be active for well over 5 years.

The table below shows the level of execution of the payment budget for operational expenses. The total amount paid (€ 4 175 118) concerns not only commitments made in 2010, but also commitments made in previous years for which examinations are ongoing.

Table 7: Budgetary execution (Payment Appropriations) 2010 Title 3: Operational expenditure

Budget article	Description	Final appropriation	Total payments title 3	Execution %	Cancelled appropriations	Cancelled %
E3000	Examination office fees	5 200 000.00	3 685 795.43	70.9%	1 514 204.57	29.1%
E3200	Examination reports	288 000.00	207 580.63	72.1%	80 419.37	27.9%
E3400	Publications	200 000.00	123 369.87	61.7%	76 630.13	38.3%
E3500	Studies	200 000.00	50 000.00	25.0%	150 000.00	75.0%
E3600	Special advisors	40 000.00	8 371.03	20.9%	31 628.97	79.1%
E3700	Multi beneficiary program	200 000.00	100 001.98	50.0%	99 998.02	50.0%
<b>Grand Total</b>		<b>6 128 000.00</b>	<b>4 175 118.94</b>	<b>68.1%</b>	<b>1 952 881.06</b>	<b>31.9%</b>

The payment for examinations foreseen in the budget is based on receiving reports and the related invoices from examination offices. The number of examination reports received in 2010 was lower than expected. This late arrival of reports was generalized for all crop sectors but the impact on the budget outturn was particularly problematic as regards fruit examinations which are the most costly examination. These amounts should be paid in future years once the examinations are completed and the CPVO remains in contact with these offices in order to find a solution.

Furthermore, for a number of examination offices, invoices for certain reports received in 2010 were not sent to the CPVO on time in 2010 meaning that for these reports, the payment could not be made.

The total level of commitments on title 3 for 2010 was € 5 351 718 (84 % of budgeted amount).



Table 8: Commitment execution title 3

Budget article	Article description	Initial budget	Budget revisions	Budget transfers	Final budget	Committed	Percent committed
E3000	Examination office fees	5 200 000	-	-	5 200 000	4 774 661	91.8%
E3200	Examination reports	288 000	-	-	288 000	269 280	93.5%
E3400	Publications	200 000	-	-	200 000	143 636	71.8%
E3500	Studies	300 000	-	-	300 000	35 236	11.7%
E3600	Special advisors	40 000	-	-	40 000	28 515	71.3%
E3700	Multi beneficiary program	300 000	-	-	300 000	100 390	33.5%
<b>Total</b>		<b>6 328 000</b>	<b>-</b>	<b>-</b>	<b>6 328 000</b>	<b>5 351 718</b>	<b>84.6%</b>

As can be seen above, the level of commitments for title 3 examinations remained strong in 2010 (91.8%) for examinations.

The following table provides an overview of the total value of outstanding commitments made in 2010 and in previous years which will be paid in the future.

Table 9: Title 3 outstanding commitments

Budget article	Outstanding beginning 2010	Committed 2010	De-committed	Paid 2010	Outstanding end 2010
E3000 Examination office fees	8 872 687	4 774 661	-353 590	-3 685 795	9 607 963
E3200 Examination reports	246 000	269 280	-15 619	-207 581	292 080
E3400 Publications	61 880	143 636	-16 402	-123 370	65 745
E3500 Studies	138 238	35 236	-38 243	-50 000	85 231
E3600 Special advisors	236	28 515	-236	-8 371	20 144
E3700 Multi-beneficiary program	100 633	100 390	-2 042	-100 002	98 979
<b>Total</b>	<b>9 419 675</b>	<b>5 351 718</b>	<b>-426 133</b>	<b>-4 175 119</b>	<b>10 170 142</b>

The figure for amounts outstanding at end-2010 (€ 10 170 142) is important as it provides an indication of the obligations of the office to make payments in the future. This figure has increased by € 750 000 from 2009 and this reflects the fact that examination offices have not provided invoices and reports to the CPVO and also that future spending should increase.



### Management 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 carried over to the following year to be paid. As the invoice amounts are not known at the year-end, the total amount carried over is an estimate.

Table 10 below shows, for the 2009 amounts carried over to 2010 for payment, there was a payment level of 68% (€ 331 750). The amount unpaid which had been considered as a budgetary expenditure in 2009 is now "non-budgetary income" for 2010 and appears in the budget outturn account as such in table 1.

Table 10: Execution of C8 credits 2010

Title	Budget article	Description	Final budget	Payments	% Paid	Unused C8 credits
Title 1	E1100	Expenditure related to staff employed	4 897.61	1 905.80	39%	2 991.81
	E1200	Further professional training	29 344.00	29 344.00	100%	-
	E1300	Missions and travel expenses	5 200.62	2 544.14	49%	2 656.48
	E1400	Interim staff. administrative/technical assistance	-	-	-	-
	E1500	Special assistance grants, other welfare expend.	5 458.65	5 142.36	94%	316.29
	E1700	Entertainment and representation expenses	1 000.00	-	0%	1 000.00
	<b>Total</b>		<b>45 900.88</b>	<b>38 936.30</b>	<b>85%</b>	<b>6 964.58</b>
Title 2	E2000	Property related costs	86 188.71	45 816.31	53%	40 372.40
	E2100	Equipment, software and other external services	102 753.35	100 665.78	98%	2 087.57
	E2200	Office furniture, transport, tech.& library equip.	12 818.97	5 196.26	41%	7 622.71
	E2300	General administrative expenditure	94 857.45	29 210.12	31%	65 647.33
	E2400	Postage and telecommunications charges	29 780.43	10 248.19	34%	19 532.24
	E2500	Meeting and notices	59 883.02	46 394.12	77%	13 488.90
	E2600	Internal audits and evaluations	56 171.34	55 283.34	98%	888.00
	<b>Total</b>		<b>442 453.27</b>	<b>292 814.12</b>	<b>66%</b>	<b>149 639.15</b>
<b>Grand Total</b>			<b>488 354.15</b>	<b>331 750.42</b>	<b>68%</b>	<b>156 603.73</b>

The level of carryover has been steadily reduced over the past three years with a significant reduction in the amounts of lost credits. The amount carried over from 2010 to 2011 will be € 407 789.



## TREASURY RESERVE

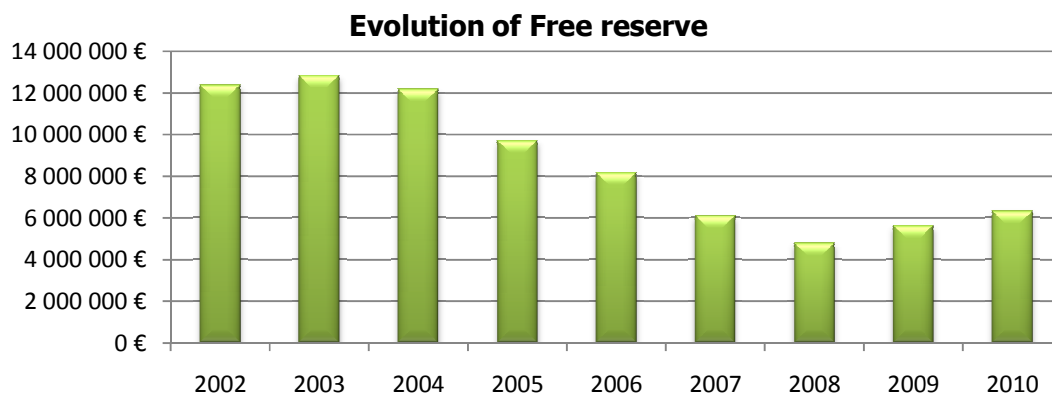
The reserve of cash and cash equivalents of the CPVO at 31 December 2010 amounted to € 16.87 million. However, the outstanding commitments made with third parties (mainly with examination offices) at the same period amounted to € 10.58 million

Table 10: Calculation of free reserve

Description	31.12.2010
	€ 000's
Treasury Amount	16 870
Title 1 amounts carried over to 2011 (C8)	-88
Title 2 amounts carried over to 2011 (C8)	-319
Title 3 amounts carried over (differentiated credits)	-10 170
Total	6 293

The difference of € 6.29 million constitutes what is known as the "Free Reserve" – essentially the buffer of cash reserve available to the Office once all commitments would be paid<sup>1</sup>.

The reserve has increased in 2010 due to the positive budgetary outturn. This increase was however mitigated by the significant increase in outstanding commitments to be paid, an increase of € 750 000 from 2009 to 2010.



<sup>1</sup> It is important to note that there are other amounts (such as salaries) which would be payable in upcoming years due to the legal status of staff even though the budgetary commitments are made on a year-by year basis. The Free Reserve should therefore be considered as interesting as regards the trend but not the absolute amounts.

## CONCLUSION

Application demand remains strong, and with a steadily increasing number of titles in force, the Community PVR system is functioning very well and financially stable. The budget outturn which was extremely high in 2010 should fall in 2011 as the new costs for examinations impact the level of payments and as the outstanding invoices and reports from 2010 are received and paid.

The Office has managed its treasury within the scope of the Treasury Policy approved by the Administrative Council, and continues to invest in capital guaranteed investments.



## 2. 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. The budget and the amending budgets, as finally adopted, shall be published in the Official Journal of the CPVO within two months of their adoption.



### 3. BUDGETARY ACCOUNTS

#### BUDGET OUTTURN ACCOUNT – DETAILED

Description	2010	2009	Variation
Fee Revenue	11 904 332.00	11 390 680.00	4.5 %
Other Revenue	62 039.48	392 301.46	-84.2%
<b>Total Revenue</b>	<b>11 966 371.48</b>	<b>11 782 981.46</b>	<b>1.6%</b>
Staff Expenditure	5 508 664.27	5 176 003.09	6.4 %
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<b>Total expenditure</b>	<b>10 810 670.93</b>	<b>11 857 429.39</b>	<b>-8.8 %</b>
<b>Budgetary Outturn</b>	<b>1 155 700.55</b>	<b>-74 448.93</b>	
Non-budgetary receipts	156 603.73	274 681.81	
<b>Net outturn for the year</b>	<b>1 312 304.28</b>	<b>200 233.88</b>	



## BUDGET INCOME

Budget Posts	Description	Budget after RSB and transfers	Income stated in 2010	Income collected in 2010	Variation with budget (%)
1000	Fees and surcharges collected	11 787 000	11 904 332	11 904 332	1 %
3000	Deficit reserve	960 000	0	0	-
5000	Income from administrative operations	12 000	16 499	16 499	37 %
9100	Other income (mainly financial income)	188 000	79 012	79 012	-57 %
9300	Multi-beneficiary programme	200 000	-33 471	-33 471	-
	<b>Total</b>				
		<b>13 147 000</b>	<b>11 966 372</b>	<b>11 966 372</b>	



## BUDGET OUTTURN – DETAILED REPORTS

### COMMITMENTS APPROPRIATIONS

Title	Budget article	Article description	Initial budget	Budget revisions	Budget transfers	Final budget	Committed	Percent committed	Cancelled
Title 1	E1100	Staff	5 000 000	200 000	-3 240.76	5 196 759.24	5 185 211.81	99.8%	11 547.43
	E1200	Training	80 000	-	240.76	80 240.76	80 240.76	100.0%	-
	E1300	Travel	210 000	-	-	210 000.00	210 000.00	100.0%	-
	E1400	Interim staff	100 000	-90 000	3 000.00	13 000.00	12 904.89	99.3%	95.11
	E1500	Assistance	15 000	-	-	15 000.00	12 846.94	85.6%	2 153.06
	E1700	Representation	17 000	-	-	17 000.00	7 459.87	43.9%	9 540.13
	Total		5 422 000	110 000	-	5 532 000.00	5 508 664.27	99.6%	23 335.73
Title 2	E2000	Property	300 000	-	-	300 000.00	239 335.13	79.8%	60 664.87
	E2100	IT expenses	350 000	-	-	350 000.00	286 529.35	81.9%	63 470.65
	E2200	Other equipment	100 000	-	-	100 000.00	51 512.66	51.5%	48 487.34
	E2300	General admin	192 000	-	-	192 000.00	58 989.85	30.7%	133 010.15
	E2400	Postage and telecom	100 000	-	-	100 000.00	80 600.00	80.6%	19 400.00
	E2500	Meetings and notices	300 000	-	-	300 000.00	286 688.13	95.6%	13 311.87
	E2600	Audit and evaluation	145 000	-	-	145 000.00	123 232.60	85.0%	21 767.40
	Total		1 487 000	-	-	1 487 000.00	1 126 887.72	75.8%	360 112.28
Title 3	E3000	Examination office fees	5 200 000	-	-	5 200 000.00	4 774 661.05	91.8%	425 338.95
	E3200	Examination reports	288 000	-	-	288 000.00	269 280.00	93.5%	18 720.00
	E3400	Publications	200 000	-	-	200 000.00	143 636.23	71.8%	56 363.77
	E3500	Studies	300 000	-	-	300 000.00	35 236.00	11.7%	264 764.00
	E3600	Special advisors	40 000	-	-	40 000.00	28 514.85	71.3%	11 485.15
	E3700	Multi beneficiary program	300 000	-	-	300 000.00	100 390.05	33.5%	199 609.95
	Total		6 328 000	-	-	6 328 000.00	5 351 718.18	84.6%	976 281.82
Grand Total			13 237 000	110 000	-	13 347 000.00	11 987 270.17	89.8%	1 359 729.83

# **PAYMENT APPROPRIATIONS**

Title	Budget article	Description	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation	Budget execution	Execution %	Paid during the year	Carried forward (C8)	Cancelled appropriations
Title 1: Staff Expenditure	E1100	Staff	5 000 000	200 000	-3 240.76	5 196 759.24	5 185 211.81	99.8%	5 174 433.67	10 778.14	11 547.43
	E1200	Training	80 000	0	240.76	80 240.76	80 240.76	100.0%	30 723.26	49 517.50	-
	E1300	Travel	210 000	0	-	210 000.00	210 000.00	100.0%	193 980.26	16 019.74	
	E1400	Interim staff	100 000	-90 000	3 000.00	13 000.00	12 904.89	99.3%	7 144.86	5 760.03	95.11
	E1500	Assistance	15 000	0	-	15 000.00	12 846.94	85.6%	8 133.49	4 713.45	2 153.06
	E1700	Representation	17 000	0	-	17 000.00	7 459.87	43.9%	5 959.87	1 500.00	9 540.13
	Total		5 422 000	110 000	-	5 532 000.00	5 508 664.27	99.6%	5 420 375.41	88 288.86	23 335.73
Title 2: Administrative expenditure	E2000	Property	300 000	0	-	300 000.00	239 335.13	79.8%	178 864.91	60 470.22	60 664.87
	E2100	IT expenses	350 000	0	-	350 000.00	286 529.35	81.9%	247 034.74	39 494.61	63 470.65
	E2200	Other equipment	100 000	0	-	100 000.00	51 512.66	51.5%	43 966.40	7 546.26	48 487.34
	E2300	General admin.	192 000	0	-	192 000.00	58 989.85	30.7%	39 453.67	19 536.18	133 010.15
	E2400	Postage and telecom	100 000	0	-	100 000.00	80 600.00	80.6%	69 688.43	10 911.57	19 400.00
	E2500	Meetings and notices	300 000	0	-	300 000.00	286 688.13	95.6%	170 295.96	116 392.17	13 311.87
	E2600	Audit and evaluation	145 000	0	-	145 000.00	123 232.60	85.0%	58 082.60	65 150.00	21 767.40
	Total		1 487 000	0	-	1 487 000.00	1 126 887.72	75.8%	807 386.71	319 501.01	360 112.28
Title 3: Operational expenditure	E3000	Examination office fees	5 200 000	0	-	5 200 000.00	3 685 795.43	70.9%	3 685 795.43	-	1 514 204.57
	E3200	Examination reports	288 000	0	-	288 000.00	207 580.63	72.1%	207 580.63	-	80 419.37
	E3400	Publications	200 000	0	-	200 000.00	123 369.87	61.7%	123 369.87	-	76 630.13
	E3500	Studies	200 000	0	-	200 000.00	50 000.00	25.0%	50 000.00	-	150 000.00
	E3600	Special advisors	40 000	0	-	40 000.00	8 371.03	20.9%	8 371.03	-	31 628.97
	E3700	Multi beneficiary program	200 000	0	-	200 000.00	100 001.98	50.0%	100 001.98	-	99 998.02
	Total		6 128 000	0	-	6 128 000.00	4 175 118.94	68.1%	4 175 118.94	-	1 952 881.06
Grand Total			13 037 000	110 000	-	13 147 000.00	10 810 670.93	82.2%	10 402 881.06	407 789.87	2 336 329.07

### BUDGET OUTTURN OF NON-DIFFERENTIATED CREDITS CARRIED FORWARD (C8)

Title	Budget article	Description	Final budget	Payments	% Paid	Unused C8 credits
Title 1	E1100	Expenditure related to staff employed	4 897.61	1 905.80	39%	2 991.81
	E1200	Further professional training	29 344.00	29 344.00	100%	-
	E1300	Missions and travel expenses	5 200.62	2 544.14	49%	2 656.48
	E1400	Interim staff. administrative/technical assistance	-	-	0%	-
	E1500	Special assistance grants, other welfare expend.	5 458.65	5 142.36	94%	316.29
	E1700	Entertainment and representation expenses	1 000.00	-	0%	1 000.00
	Total		45 900.88	38 936.30	85%	6 964.58
Title 2	E2000	Property related costs	86 188.71	45 816.31	53%	40 372.40
	E2100	Equipment, software and other external services	102 753.35	100 665.78	98%	2 087.57
	E2200	Office furniture, transport, tech.& library equip.	12 818.97	5 196.26	41%	7 622.71
	E2300	General administrative expenditure	94 857.45	29 210.12	31%	65 647.33
	E2400	Postage and telecommunications charges	29 780.43	10 248.19	34%	19 532.24
	E2500	Meeting and notices	59 883.02	46 394.12	77%	13 488.90
	E2600	Internal audits and evaluations	56 171.34	55 283.34	98%	888.00
	Total		442 453.27	292 814.12	66%	149 639.15
Grand Total			488 354.15	331 750.42	68%	156 603.73

## Off Balance Sheet Commitments

There are a total of **€ 6 892 879** of commitments for future funding. These commitments are existing financial commitments for which the submission date is foreseen within the coming years. There is no 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.



## 4. FINANCIAL ACCOUNTS:

### BALANCE SHEET:

			NOTE	2010	2009
<b>Assets</b>	Non-Current assets	Intangible Assets	1	180 246,87	295 072,56
		Tangible Assets	2	4 407 381,59	4 654 931,39
		Medium term investments	3	6 699 939,12	10 221 744,07
		Financial fixed assets		2 745,00	2 745,00
		<b>Total</b>		<b>11 290 312,58</b>	<b>15 174 493,02</b>
	Current assets	Short-term receivables	4	3 029 032,33	3 006 719,82
		Treasury	5	10 170 222,04	5 365 985,86
		Other receivable	6	50 579,54	13 100,15
		<b>Total</b>		<b>13 249 833,91</b>	<b>8 385 805,83</b>
	<b>Total</b>			<b>24 540 146,49</b>	<b>23 560 298,85</b>
<b>Liabilities</b>	Accumulated result	Reserve		12 334 896,11	12 874 299,57
		Profit / loss for the year	7	967 504,41	(539 403,46)
		<b>Total</b>		<b>13 302 400,52</b>	<b>12 334 896,11</b>
	Revaluation reserve	Available for sale assets	8	58 430,21	55 692,27
		<b>Total</b>		<b>58 430,21</b>	<b>55 692,27</b>
	Current liabilities	Accrued charges and deferred income	9	11 123 036,02	11 008 204,67
		Current payables	10	46 125,74	119 575,39
		Short-term provision	11	10 154,00	
		<b>Total</b>		<b>11 179 315,76</b>	<b>11 127 780,06</b>
	Non-current liabilities	Long term provision		-	41 930,41
		<b>Total</b>		-	<b>41 930,41</b>
	<b>Total</b>			<b>24 540 146,49</b>	<b>23 560 298,85</b>

## ECONOMIC OUTTURN ACCOUNT

			2010	2009	
Operational	Income	Income from fees	11 779 428,85	10 274 489,78	
		Income from administrative operations	16 638,36	66 909,25	
		Income from subsidies	72 755,30	59 201,29	
		<b>Total</b>	<b>11 868 822,51</b>	<b>10 400 600,32</b>	
	Expenditure	Operational expenses	(4 078 000,75)	(4 442 645,72)	
		Salaries and social taxes	(5 226 797,14)	(5 069 044,20)	
		Overheads	(1 298 273,48)	(1 238 562,61)	
		Depreciation	(410 399,55)	(319 235,22)	
		<b>Total</b>	<b>(11 013 470,92)</b>	<b>(11 069 487,75)</b>	
	<b>Result</b>		<b>855 351,59</b>	<b>(668 887,43)</b>	
	Other	Financial revenue	Interest income	109 823,17	128 220,99
			Miscellaneous financial income	9 893,61	10 409,37
<b>Total</b>			<b>119 716,78</b>	<b>138 630,36</b>	
Financial expenditure		Bank charges & exchange differences	(7 563,96)	(9 146,39)	
		<b>Total</b>	<b>(7 563,96)</b>	<b>(9 146,39)</b>	
<b>Result</b>		<b>112 152,82</b>	<b>129 483,97</b>		
<b>Economic outturn for the year</b>			<b>967 504,41</b>	<b>(539 403,46)</b>	

## CASH FLOW (INDIRECT METHOD)

<b>Cash Flows from ordinary activities</b>	<b>2010</b>	<b>2 009</b>
Surplus/(deficit) from ordinary activities	967 504.41	-539 403.46
Amortization (intangible fixed assets) +	119 995.69	117 142.34
Depreciation (tangible fixed assets) +	290 403.86	131 447.54
Increase/(decrease) in Provisions for risks and liabilities	-31 776.41	41 930.41
(Increase)/decrease in Long term Receivables	3 521 804.95	-10 221 744.07
(Increase)/decrease in Short term Receivables	-59 641.38	-96 396.23
(Increase)/decrease in Receivables related to consolidated EU entities	-150.52	-
Increase/(decrease) in Accounts payable	171 933.64	594 879.56
Increase/(decrease) in Liabilities related to consolidated EU entities	-130 551.94	107 941.80
(Gains)/losses on sale of Property. plant and equipment		63 435.03
<b>Net cash Flow from operating activities</b>	<b>4 849 522.30</b>	<b>-9 800 767.08</b>
Cash Flows from investing activities		
Increase of tangible and intangible fixed assets	-48 024.06	-486 586.15
Proceeds from tangible and intangible fixed assets <sup>2</sup> (+)	2 737.94	168 260.54
<b>Net cash flow from investing activities</b>	<b>-45 286.12</b>	<b>-318 325.61</b>
Net increase/(decrease) in cash and cash equivalents	4 804 236.18	-10 119 092.69
Cash and cash equivalents at the beginning of the period	5 365 985.86	15 485 078.55
<b>Cash and cash equivalents at the end of the period</b>	<b>10 170 222.04</b>	<b>5 365 985.86</b>

<sup>2</sup> \*The loss on sale of property, plant and equipment does not refer to actual cash, but rather cancellation of depreciation on disposed assets

## 5. NOTES TO THE FINANCIAL ACCOUNTS

### 1. Intangible Fixed Assets 2010

2010		Computer software	Intangibles under construction	Total
Gross carrying amounts 01.01.2010	+	599 899.27	-	599 899.27
Additions 2010	+	5 170.00	-	5 170.00
Disposals	-			
Transfers between headings	+/-			
Other changes	+/-			
<b>Gross carrying amounts 31.12.2010</b>		<b>605 069.27</b>	<b>-</b>	<b>605 069.27</b>
Accumulated depreciation 01.01.2010	-	-304 826.71	-	-304 826.71
Depreciation 2010	-	-119 995.69	-	-119 995.69
Write-back of depreciation	-			
Depreciation on disposals	+/-			
Impairment	+/-			
<b>Accumulated depreciation 31.12.2010</b>		<b>-424 822.40</b>	<b>-</b>	<b>-424 822.40</b>
Net carrying amounts 31.12.2010		<b>180 246.87</b>	<b>-</b>	<b>180 246.87</b>



## 2. Tangible Fixed Assets 2010

2010		Land	Buildings	Plant and Equipment	Computer hardware	Assets under Construction	Total
Gross carrying amounts 01.01.2010	+	292 220.00	5 135 298.04	352 722.96	342 369.94	-	6 122 610.94
Additions	+			2 698.10	40 155.96	-	42 854.06
Disposals	-						
Transfer between headings	+/-						
Other changes	+/-						
<b>Gross carrying amounts 31.12.2010</b>		<b>292 220.00</b>	<b>5 135 298.04</b>	<b>355 421.06</b>	<b>382 525.90</b>	<b>-</b>	<b>6 165 465.00</b>
Accumulated amortization and impairment 01.01.2010	-	-	-976 615.61	-239 565.09	-251 498.85	-	-1 467 679.55
Depreciation	-		-205 250.39	-26 386.64	-58 766.83	-	-290 403.86
Write-back of depreciation	+						
Disposals	+						
Accumulated amortization and impairment 31.12.2010		-	<b>-1 181 866.00</b>	<b>-265 951.73</b>	<b>-310 265.68</b>	<b>-</b>	<b>-1 758 083.41</b>
<b>Net carrying amounts 31.12.2010</b>		<b>292 220.00</b>	<b>3 953 432.04</b>	<b>89 469.33</b>	<b>72 260.22</b>	<b>-</b>	<b>4 407 381.59</b>

### 3. Medium term investments

Description	2010	2009
Medium-term negotiated deposits	-	3 300 000.00
Government bond portfolio	6 699 939.12	6 921 744.07
<b>TOTAL</b>	<b>6 699 939.12</b>	<b>10 221 744.07</b>

### 4. Short-term receivables 2010

	2010	2009
Customers	2 815 800,84	2 706 271,72
Deferred charges	40 180,43	19 150,19
VAT	173 051,06	281 297,91
<b>Total</b>	<b>3 029 032,33</b>	<b>3 006 719,82</b>

### 5. Treasury 2010

Description	2010	2009
Negotiated deposits and bonds	9 158 355,85	4 105 938,00
Current accounts	936 163,86	1 190 560,32
Imprest account	75 542,56	68 725,30
Cash in hand	159,77	762,24
<b>Total</b>	<b>10 170 222,04</b>	<b>5 365 985,86</b>



## 6. Other receivables 2010

	2010	2009
Interest to be received	50 500,39	12 743,45
Other receivable	79,15	356,70
<b>Total</b>	<b>50 579,54</b>	<b>13 100,15</b>

## 7. Statement of changes in Capital 2010

	€
<b>Cumulated reserve at 31.12.2009</b>	12 334 896.11
Profit for the year 2010	967 504.41
<b>Cumulated reserve at 31.12.2010</b>	<b>13 302 400.52</b>

## 8. Available for sale assets

	€
Unrealised gain on available for sale assets 2009	55 692.27
Change in value on available-for-sale investments 2010	2 737.94
Unrealised gain on available for sale assets 2010	<b>58 430.21</b>

In accordance with accounting rule 11, Fair Value adjustment on available for sale assets is valued at year-end and taken directly to the reserve. For 2010, this amounted to € 2 737.94.



## 9. Accrued charges and deferred income

	2010	2009
Deferred income	7 218 238,17	7 037 626,02
Invoices to be received	3 644 302,87	3 650 468,54
Suspense account	94 447,49	70 167,48
Accrued holidays	77 201,39	37 899,82
Charge accounts	88 846,10	105 816,10
Pre-financing received	-	106 226,71
<b>Total</b>	<b>11 123 036,02</b>	<b>11 008 204,67</b>

## 10. Current payables

	2010	2009
Sundry credit accounts	30 558,26	91 018,07
Suppliers	15 567,48	28 261,11
Social charges	-	296,21
<b>Total</b>	<b>46 125,74</b>	<b>119 575,39</b>

## 11. Short-term provision

Description	Comment	2010	2009
Provision	Provision for doubtful debts	10 154.00	-
<b>TOTAL</b>		<b>10 154.00</b>	<b>-</b>



## 6. 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>3</sup> for the financial year 2010 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>4</sup>, 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 2010 to 31 December 2010.

### ACCOUNTING PRINCIPLES

The objective of the financial statements is to provide information about the financial position, performance and cashflows 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 124 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

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<sup>3</sup> The Financial Statements comprise the balance sheet, the economic outturn account, the cash flow table, the statement of changes in net assets and explanatory notes.

<sup>4</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

### Intangible Fixed Assets

Acquired computer software licences 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.

### 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 to the economic outturn account 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%
Fixtures and fittings	25%
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 economic outturn account.

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.

For held-to-maturity assets (negotiated deposits with an expiry date of greater 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 economic outturn account.

#### 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.

## ECONOMIC OUTTURN ACCOUNT

### Revenue

Revenue from the sale of goods is recognized when the significant risk and rewards of ownership of the goods are transferred to the purchaser. 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 economic outturn 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.

