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# ANNUAL ACCOUNTS 2011

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Community Plant Variety Office

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### **2011 Declaration of Assurance the President of the CPVO**

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

Declare that the information contained in the Financial Accounts 2011 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 18 June 2012



Martin Ekvad

President

### **2011 Declaration of Assurance of Accounting Officer of the CPVO**

The annual accounts of the Community Plant Variety Office for the year 2011 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 18 June 2011

James Moran  
Accounting Officer





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# 1. OVERVIEW BUDGET IMPLEMENTATION 2011

## 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 2011 as well as an indication of the key events and developments which impacted on the financial situation of the Office.

## OVERVIEW

The Community system continued to thrive in 2011. The Office had 3184 applications; an increase of 10.33% on the previous year. With 2 584 new titles granted and with a relatively low rate of surrender of titles saw the total number of grants in force rise to 18 907.

### 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 € 13.0 million and expenses of € 12.3 million meant a budget outturn of € 0.70 million positive. Further non-budgetary income of € 0.13 million lead to a positive net outturn of € 0.83 million

### Financial Accounts

The financial accounts show an economic result of € 0.7 million positive. This figure takes into account *inter alia* invoices not yet received at year end.

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. Furthermore, the recently agreed reduction in application fees for the office which should become operational in 2013 will allow a reversing of the positive trend for outturn.



## BUDGETARY OUTTURN

The budgetary outturn is the difference between the budgetary receipts and budgetary payments. The Office continued in 2011 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 2011, 90% of all invoices received were paid well within 30 days with an average time taken of 20 days. 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.

The problems encountered by certain examination offices (suppliers) in 2010 in sending reports and invoices on time were significantly reduced in 2011, nevertheless, at the year-end, the CPVO was still awaiting a of reports and invoices at year end. Had these reports and invoices been received on time, the outturn would have been +/- € 150 000 lower.

Table 1: Budgetary outturn 2011

Desc.	Title	2011	2010	% variation 2011
Income	Fee revenue	12,773,857.00	11,904,332.00	7.30%
	Other revenue	231,461.27	62,039.48	273.09%
	<b>Total</b>	<b>13,005,318.27</b>	<b>11,966,371.48</b>	<b>8.68%</b>
Expenditure	Title 1: Staff expenditure	-5,672,135.82	-5,508,664.27	2.97%
	Title 2: Administrative expenditure	-1,489,338.86	-1,126,887.72	32.16%
	Title 3: Operational expenditure	-5,143,224.11	-4,175,118.94	23.19%
	<b>Total</b>	<b>-12,304,698.79</b>	<b>-10,810,670.93</b>	<b>13.82%</b>
<b>Budget Outturn for the year</b>		<b>700,619.48</b>	<b>1,155,700.55</b>	<b>-39.38%</b>
Non budgetary income		127,212.29	156,603.73	-18.77%
<b>Net outturn for the year</b>		<b>827,831.77</b>	<b>1,312,304.28</b>	<b>-36.92%</b>



## REVENUE

Overall revenue increased by 8.68 % as compared to 2010. The increase came from fees, with a significant increase also in interest income.

Table 2: Revenue breakdown

	2011	2010	% variation 2011
Fees	12,773,857.00	11,904,332.00	7.30%
Interest	221,425.72	79,011.71	180.24%
Administrative operations	10,035.55	16,499.18	-39.18%
Multi-beneficiary funds		-33,471.41	-100.00%
<b>Grand Total</b>	<b>13,005,318.27</b>	<b>11,966,371.48</b>	<b>8.68%</b>

A more detailed analysis of the Fee income shows a steady increase in all fee types.

Table 3: Breakdown of fee income

	2011	2010	% variation 2011
Annual fees	5,767,200.00	5,407,600.00	6.65%
Examination fees	3,805,050.00	3,486,750.00	9.13%
Request fees	2,808,000.00	2,638,800.00	6.41%
Other fees	393,607.00	371,182.00	6.04%
<b>Grand Total</b>	<b>12,773,857.00</b>	<b>11,904,332.00</b>	<b>7.30%</b>

Annual fees increased due to the increase in total titles in force which at the end of 2011 numbered 18907 titles. The higher level of applications for the year also had a direct effect on the application fees and indirectly (with a slight time lag) on examination fees.

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.

Non-budgetary income, shown in table 1 above concerns the cancellation of outstanding C8 commitments from 2010, unused at 31 December 2011. This amounts to € 127 212 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 from the payment budget for operational expenditure.

Table 4: Budgetary execution (Payment Appropriations) 2011

Title	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Cancelled %
Title 1: Staff Expenditure	5,778,000.00	5,672,135.82	98.2%	105,864.18	1.8%
Title 2: Administrative expenditure	1,755,000.00	1,489,338.86	84.9%	265,661.14	15.1%
Title 3: Operational expenditure	5,770,000.00	5,143,224.11	89.1%	626,775.89	10.9%
<b>Grand Total</b>	<b>13,303,000.00</b>	<b>12,304,698.79</b>	<b>92.5%</b>	<b>998,301.21</b>	<b>7.5%</b>

As can be seen from table 4, the overall level of execution of the payment budget for 2011 was 92.5 % compared to a level of 82.2% in 2010. This significant improvement reflects efforts made in the Office to ensure that examination offices sent both reports and invoices on a timely basis.

The Table below shows the year-on-year payment execution comparison with 2010.

Table 4 bis: Budgetary execution 2010 & 2011 comparison

Title	Budget execution 2011	Budget execution 2010	% Change
Title 1: Staff Expenditure	5,672,135.82	5,508,664.27	3.0%
Title 2: Administrative expenditure	1,489,338.86	1,126,887.72	32.2%
Title 3: Operational expenditure	5,143,224.11	4,175,118.94	23.2%
<b>Grand Total</b>	<b>12,304,698.79</b>	<b>10,810,670.93</b>	<b>13.8%</b>

The significant variations in particular for administrative and operational expenditure are explained 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.

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

Table 5: Budgetary execution 2011 Title 1: Staff Expenditure

Budget article	Description	Final appropriation	Budget execution	Execution %	Paid during the year	Carried forward to following year (C8)	Cancelled appropriations	Cancelled %
E1100	Staff	5,430,000.00	5,341,845.90	98.4%	5,330,484.22	11,361.68	88,154.10	1.6%
E1200	Training	80,000.00	78,853.00	98.6%	23,595.00	55,258.00	1,147.00	1.4%
E1300	Travel	229,000.00	229,000.00	100.0%	211,619.26	17,380.74	0.00	0.0%
E1400	Interim staff	10,000.00	6,205.09	62.1%	6,205.09	0.00	3,794.91	37.9%
E1500	Assistance	12,000.00	9,234.58	77.0%	5,075.62	4,158.96	2,765.42	23.0%
E1700	Representation	17,000.00	6,997.25	41.2%	6,397.25	600.00	10,002.75	58.8%
<b>Grand Total</b>		<b>5,778,000.00</b>	<b>5,672,135.82</b>	<b>98.2%</b>	<b>5,583,376.44</b>	<b>88,759.38</b>	<b>105,864.18</b>	<b>1.8%</b>

As shown above in table 5, the overall execution of the budget for Staff Expenditure was 98.2% (commitment execution) with only € 105 864 cancelled. Of the amount committed, 98.4% (€ 5 583 376) was paid during the year and 1.6 % (€ 88 759) should be paid in early 2012 once invoices are received. Such a high level of execution with staff expenditure is normal as it is relatively easy to predict the spending particularly on salaries.

A year on year comparison shows the following:

Table 5 bis: Budgetary execution 2010 & 2011 Title 1: Staff Expenditure

Budget article	Description	Budget execution 2011	Budget execution 2010	% Change
E1100	Staff	5,341,845.90	5,185,211.81	3.0%
E1200	Training	78,853.00	80,240.76	-1.7%
E1300	Travel	229,000.00	210,000.00	9.0%
E1400	Interim staff	6,205.09	12,904.89	-51.9%
E1500	Assistance	9,234.58	12,846.94	-28.1%
E1700	Representation	6,997.25	7,459.87	-6.2%
<b>Grand Total</b>		<b>5,672,135.82</b>	<b>5,508,664.27</b>	<b>3.0%</b>

For title 1, the figures are as expected. Staff expenditure increased slightly in 2011 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.

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The amount spent on training has fallen slightly. Travel costs (related to the cost of travel for staff of the CPVO for work-related missions) has increased. Assistance which covers *inter alia* social expenses and family related expenses for newly arrived staff has also fallen. Representation expenses remain very low.



## 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 as well as once-off property purchases.

Table 6: Budgetary execution 2011 Title 2: Administrative expenditure

Budget article	Description	Final appropriation	Budget execution	Execution %	Paid during the year	Carried forward to following year (C8)	Cancelled appropriations	Cancelled %
E2000	Property	459,000.00	427,150.79	93.1%	346,261.82	80,888.97	31,849.21	6.9%
E2100	IT expenses	411,000.00	408,547.10	99.4%	305,236.26	103,310.84	2,452.90	0.6%
E2200	Other equipment	100,000.00	50,877.88	50.9%	28,401.20	22,476.68	49,122.12	49.1%
E2300	General admin.	173,000.00	64,068.80	37.0%	54,600.11	9,468.69	108,931.20	63.0%
E2400	Postage and telecom	100,000.00	93,400.00	93.4%	81,631.18	11,768.82	6,600.00	6.6%
E2500	Meetings and notices	362,000.00	332,502.55	91.9%	250,400.35	82,102.20	29,497.45	8.1%
E2600	Audit and evaluation	150,000.00	112,791.74	75.2%	56,425.49	56,366.25	37,208.26	24.8%
<b>Grand Total</b>		<b>1,755,000.00</b>	<b>1,489,338.86</b>	<b>84.9%</b>	<b>1,122,956.41</b>	<b>366,382.45</b>	<b>265,661.14</b>	<b>15.1%</b>

Overall, the level of execution of commitments was 84.9%, with IT, property and meetings accounting for the bulk of the amount executed. Of the total executed, 75.3% (€ 1 122 956) was paid during the year and 24.7% (€ 366 382) will be paid in 2012 once invoices are received.

Table 6 bis: Budgetary execution 2010 & 2011 Title 2: Administrative expenditure

Budget article	Description	Budget execution 2011	Budget execution 2010	% Change
E2000	Property	427,150.79	239,335.13	78.5%
E2100	IT expenses	408,547.10	286,529.35	42.6%
E2200	Other equipment	50,877.88	51,512.66	-1.2%
E2300	General admin.	64,068.80	58,989.85	8.6%
E2400	Postage and telecom	93,400.00	80,600.00	15.9%
E2500	Meetings and notices	332,502.55	286,688.13	16.0%
E2600	Audit and evaluation	112,791.74	123,232.60	-8.5%
<b>Grand Total</b>		<b>1,489,338.86</b>	<b>1,126,887.72</b>	<b>32.2%</b>

In 2011 there were two budget lines which were significantly higher than the previous year. For property (budget line E2000) the high level of spending was caused by a once off purchase of additional archiving space in one of the CPVO buildings (€ 213 000). Spending on information technology (line E2100) increased significantly (€ 408 547 in 2011 compared to € 286 529 in 2010). This increase of 42.6% year on year relates mainly to the development of the software for online applications and the purchase of new reporting software (Tableau). Otherwise, software maintenance levels were as normal. The level of



spending on line E2500 fluctuates depending *inter alia* on the number of administrative council meetings held in the particular year. In 2011 there were additional meetings for the seminar marking the 15<sup>th</sup> anniversary of the CPVO.

### 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 (€ 5 143 224) concerns not only commitments made in 2011, but also commitments made in previous years for which examinations are ongoing.

Table 7: Budgetary execution 2011 Title 3: Operational expenditure

Budget article	Description	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Cancelled %
E3000	Examination office fees	5,200,000.00	4,771,302.88	91.8%	428,697.12	8.2%
E3200	Examination reports	280,000.00	272,930.63	97.5%	7,069.37	2.5%
E3400	Publications	150,000.00	62,891.53	41.9%	87,108.47	58.1%
E3500	Studies	50,000.00	-	0.0%	50,000.00	100.0%
E3600	Special advisors	40,000.00	17,052.82	42.6%	22,947.18	57.4%
E3700	Multi beneficiary program	50,000.00	19,046.25	38.1%	30,953.75	61.9%
<b>Grand Total</b>		<b>5,770,000.00</b>	<b>5,143,224.11</b>	<b>89.1%</b>	<b>626,775.89</b>	<b>10.9%</b>

This total execution of payment appropriations of 89.1% is a significant improvement on 2010 when payment budget execution for title 3 was 68%. This improvement is to a large extent attributable to improvements by the examination centers (the CPVO suppliers) in sending invoices to the CPVO on a timely basis.

The year-on year information in table 7 bis clearly shows the increase from 2010 to 2011 for both examination costs and purchase of examination reports. There are still minor problems with some examination offices, but the situation has been greatly improved in 2011. These commitments will to a large extent result in payments in 2012.



Table 7 bis: Budgetary execution 2010 & 2011 Title 3: Operational expenditure

Budget article	Description	Budget execution 2011	Budget execution 2010	% Change
E3000	Examination office fees	4,771,302.88	3,685,795.43	29.5%
E3200	Examination reports	272,930.63	207,580.63	31.5%
E3400	Publications	62,891.53	123,369.87	-49.0%
E3500	Studies	0.00	50,000.00	-100.0%
E3600	Special advisors	17,052.82	8,371.03	103.7%
E3700	Multi beneficiary prog..	19,046.25	100,001.98	-81.0%
<b>Grand Total</b>		<b>5,143,224.11</b>	<b>4,175,118.94</b>	<b>23.2%</b>

No payments were made on the budget line for studies in 2011 and the payments made for the multi-beneficiary program fell significantly.

As regards commitments, the total level of commitments on title 3 for 2011 was € 6 088 803 (88.4 % of budgeted amount).

Table 8: Budgetary execution 2011 Title 3: Commitments

Budget article	Article description	Initial budget	Budget revisions	Final budget	Committed	Percent committed
E3000	Examination office fees	5,200,000	800,000	6,000,000.00	5,639,435.50	94.0%
E3200	Examination reports	264,000	36,000	300,000.00	281,810.63	93.9%
E3400	Publications	150,000		150,000.00	102,073.81	68.0%
E3500	Studies	300,000		300,000.00		0.0%
E3600	Special advisors	40,000		40,000.00	33,823.07	84.6%
E3700	Multi beneficiary program	200,000	-100,000	100,000.00	31,660.00	31.7%
<b>Total</b>		<b>6,154,000</b>	<b>736,000</b>	<b>6,890,000.00</b>	<b>6,088,803.01</b>	<b>88.4%</b>

This strong level of commitments in 2011 reflects the increase in applications as compared to the previous year and also, the new cost levels for examinations (+/- 10% increase compared to 2010).

The following table provides an overview of the total value of outstanding commitments made in 2011 and in previous years which will be paid in the future.

Table 9: Title 3 outstanding commitments

<b>Budget article</b>	<b>Outstanding beginning 2011</b>	<b>Committed 2011</b>	<b>De-committed</b>	<b>Paid 2011</b>	<b>Outstanding end 2011</b>
E3000 Examination office fees	9 607 963	5 639 436	619 145	4 771 303	9 856 951
E3200 Examination reports	292 080	281 810	18 480	272 931	282 479
E3400 Publications	65 745	102 074		62 891	104 927
E3500 Studies	85 231	-		-	85 231
E3600 Special advisors	20 144	33 823		17 053	36 914
E3700 Multi-beneficiary program	98 979	31 660	88 725	19 046	22 867
<b>Total</b>	<b>10 170 142</b>	<b>6 088 803</b>	<b>726 350</b>	<b>5 143 224</b>	<b>10 389 369</b>

The figure for amounts outstanding at end-2011 (€ 10 389 369) is important as it provides an indication of the obligations of the office to make payments in the future. This figure has increased by € 219 227 from 2010 and this reflects the increase in cost of examinations.

### 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 shown as budget execution for the year but 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. 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.

Table 10 below shows, for the 2010 amounts carried over to 2011 for payment, there was a payment level of 69% (€ 280 577). The amount unpaid which had been considered as a budgetary expenditure in 2010 is now "non-budgetary income" for 2011 and appears in the budget outturn account as such in table 1.

Table 10: Execution of C8 credits 2011

Title	Budget article	Description	Final budget	Payments	% Paid	Lost C8 credits
Title 1	E1100	Expenditure related to staff employed	10,778.14	6,899.42	64%	3,878.72
	E1200	Further professional training	49,517.50	45,568.95	92%	3,948.55
	E1300	Missions and travel expenses	16,019.74	13,635.14	85%	2,384.60
	E1400	Interim staff, administrative/technical assistance	5,760.03	5,270.64	92%	489.39
	E1500	Special assistance grants, other welfare expend.	4,713.45	3,570.78	76%	1,142.67
	E1700	Entertainment and representation expenses	1,500.00	260.39	17%	1,239.61
	<b>Total</b>		<b>88,288.86</b>	<b>75,205.32</b>	<b>85%</b>	<b>13,083.54</b>
Title 2	E2000	Property related costs	60,470.22	51,044.55	84%	9,425.67
	E2100	Equipment, software and other external services	39,494.61	31,676.72	80%	7,817.89
	E2200	Office furniture, transport, tech.& library equip.	7,546.26	6,731.96	89%	814.30
	E2300	General administrative expenditure	19,536.18	17,162.24	88%	2,373.94
	E2400	Postage and telecommunications charges	10,911.57	10,132.51	93%	779.06
	E2500	Meeting and notices	116,392.17	40,266.28	35%	76,125.89
	E2600	Internal audits and evaluations	65,150.00	48,358.00	74%	16,792.00
	<b>Total</b>		<b>319,501.01</b>	<b>205,372.26</b>	<b>64%</b>	<b>114,128.75</b>
Grand Total			<b>407,789.87</b>	<b>280,577.58</b>	<b>69%</b>	<b>127,212.29</b>

The level of lost credits has been steadily reduced over the past three years with a significant reduction in the amounts of lost credits. The amount carried over from 2011 to 2012 will be € 455 141,83.





## TREASURY RESERVE

The reserve of cash and cash equivalents of the CPVO at 31 December 2011 amounted to € 17.68 million. However, the outstanding budgetary commitments made with third parties (mainly with examination offices but also for titles 1 and 2) at the same period amounted to € 10.84 million (table 11).

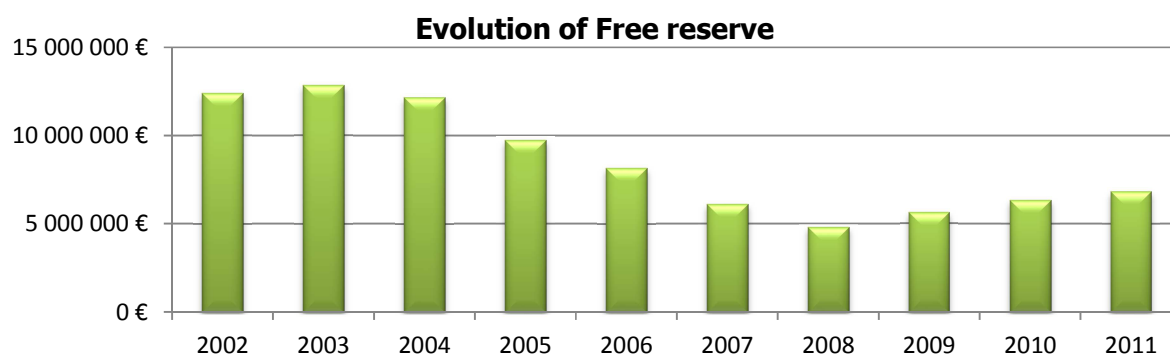
The year has been particularly difficult for the banking sector. Four of the CPVO banks have seen their rating fall during the year and while the outlook for the majority of the banks is considered stable, it is becoming more and more difficult to achieve the target minimum rating of AA for banks. The CPVO response to the developing crisis has been to further broaden the banks used for investment with BBVA being the latest bank account opened.

Table 10: Calculation of free reserve

Description	31.12.2011
	EUR
Treasury Amount	17 682 272
Title 1 amounts carried over to 2011 (C8)	88 759
Title 2 amounts carried over to 2011 (C8)	366 382
Title 3 amounts carried over (differentiated credits)	10 389 369
Total	6 837 762

The difference of € 6.8 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 2011 due to the positive budgetary outcome. This increase was however mitigated by the increase in outstanding commitments to be paid, an increase of € 266 579 from 2010 to 2011.



<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. There would also be income to be received in future related to the commitments made. The Free Reserve should therefore be considered as interesting as regards the trend but not in terms of the absolute amounts.



## CONCLUSION

Strong demand and relatively low surrender of titles meant that the receipts for the CPVO for 2011 remained buoyant. The outturn, while as expected was significantly lower than in 2010 remained positive and contributed to an increase in the free reserve. Nevertheless, a combination of the reduction in application fees which will come into force in 2013 and also the increased costs for examinations should, over the coming years help begin to bring the CPVO budget back to equilibrium.



## 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

Desc.	Title	2011	2010	% variation 2011
Income	Fee revenue	12,773,857.00	11,904,332.00	7.30%
	Other revenue	231,461.27	62,039.48	273.09%
	<b>Total</b>	<b>13,005,318.27</b>	<b>11,966,371.48</b>	<b>8.68%</b>
Expenditure	Title 1: Staff expenditure	-5,672,135.82	-5,508,664.27	2.97%
	Title 2: Administrative expenditure	-1,489,338.86	-1,126,887.72	32.16%
	Title 3: Operational expenditure	-5,143,224.11	-4,175,118.94	23.19%
	<b>Total</b>	<b>-12,304,698.79</b>	<b>-10,810,670.93</b>	<b>13.82%</b>
<b>Budget Outturn for the year</b>		<b>700,619.48</b>	<b>1,155,700.55</b>	<b>-39.38%</b>
Non budgetary income		127,212.29	156,603.73	-18.77%
<b>Net outturn for the year</b>		<b>827,831.77</b>	<b>1,312,304.28</b>	<b>-36.92%</b>



## BUDGET INCOME

Budget Posts	Description	Budget after RSB and transfers	Income stated in 2011	Income collected in 2011	Variation with budget (%)
1000	Fees and surcharges collected	12 729 000	12 773 857.00	12 773 857.00	+0.3%
3000	Deficit reserve	212 000	-	-	-
5000	Income from administrative operations	12 000	10 035.55	10 035.55	+16%
9100	Other income (mainly financial income)	150 000	221 425.72	221 425.72	+43%
9300	Multi-beneficiary programme	200 000	-	-	-
	<b>Total</b>	<b>13 303 000</b>	<b>13 005 318.27</b>	<b>13 005 318.27</b>	<b>2.2%</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	5,200,000	250,000	-20,000.00	5,430,000.00	5,341,845.90	98.4%	88,154.10
	E1200	Training	80,000	0	0.00	80,000.00	78,853.00	98.6%	1,147.00
	E1300	Travel	210,000	0	19,000.00	229,000.00	229,000.00	100.0%	0.00
	E1400	Interim staff	10,000	0	0.00	10,000.00	6,205.09	62.1%	3,794.91
	E1500	Assistance	12,000	0	0.00	12,000.00	9,234.58	77.0%	2,765.42
	E1700	Representation	17,000	0	0.00	17,000.00	6,997.25	41.2%	10,002.75
	Total		<b>5,529,000</b>	<b>250,000</b>	<b>-1,000.00</b>	<b>5,778,000.00</b>	<b>5,672,135.82</b>	<b>98.2%</b>	<b>105,864.18</b>
Title 2	E2000	Property	500,000	0	-41,000.00	459,000.00	427,150.79	93.1%	31,849.21
	E2100	IT expenses	350,000	0	61,000.00	411,000.00	408,547.10	99.4%	2,452.90
	E2200	Other equipment	100,000	0	0.00	100,000.00	50,877.88	50.9%	49,122.12
	E2300	General admin	192,000	0	-19,000.00	173,000.00	64,068.80	37.0%	108,931.20
	E2400	Postage and telecom	100,000	0	0.00	100,000.00	93,400.00	93.4%	6,600.00
	E2500	Meetings and notices	250,000	112,000	0.00	362,000.00	332,502.55	91.9%	29,497.45
	E2600	Audit and evaluation	150,000	0	0.00	150,000.00	112,791.74	75.2%	37,208.26
	Total		<b>1,642,000</b>	<b>112,000</b>	<b>1,000.00</b>	<b>1,755,000.00</b>	<b>1,489,338.86</b>	<b>84.9%</b>	<b>265,661.14</b>
Title 3	E3000	Examination office fees	5,200,000	800,000	0.00	6,000,000.00	5,639,435.50	94.0%	360,564.50
	E3200	Examination reports	264,000	36,000	0.00	300,000.00	281,810.63	93.9%	18,189.37
	E3400	Publications	150,000	0	0.00	150,000.00	102,073.81	68.0%	47,926.19
	E3500	Studies	300,000	0	0.00	300,000.00	0.00	0.0%	300,000.00
	E3600	Special advisors	40,000	0	0.00	40,000.00	33,823.07	84.6%	6,176.93
	E3700	Multi beneficiary program	200,000	-100,000	0.00	100,000.00	31,660.00	31.7%	68,340.00
	Total		<b>6,154,000</b>	<b>736,000</b>	<b>0.00</b>	<b>6,890,000.00</b>	<b>6,088,803.01</b>	<b>88.4%</b>	<b>801,196.99</b>
Grand Total			<b>13,325,000</b>	<b>1,098,000</b>	<b>0.00</b>	<b>14,423,000.00</b>	<b>13,250,277.69</b>	<b>91.9%</b>	<b>1,172,722.31</b>

## 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 to following year (C8)	Cancelled appropriations	Cancelled %
Title 1: Staff Expenditure	E1100	Staff	5,200,000.00	250,000.00	-20,000.00	5,430,000.00	5,341,845.90	98.4%	5,330,484.22	11,361.68	88,154.10	1.6%
	E1200	Training	80,000.00	0.00	0.00	80,000.00	78,853.00	98.6%	23,595.00	55,258.00	1,147.00	1.4%
	E1300	Travel	210,000.00	0.00	19,000.00	229,000.00	229,000.00	100.0%	211,619.26	17,380.74	0.00	0.0%
	E1400	Interim staff	10,000.00	0.00	0.00	10,000.00	6,205.09	62.1%	6,205.09	0.00	3,794.91	37.9%
	E1500	Assistance	12,000.00	0.00	0.00	12,000.00	9,234.58	77.0%	5,075.62	4,158.96	2,765.42	23.0%
	E1700	Representation	17,000.00	0.00	0.00	17,000.00	6,997.25	41.2%	6,397.25	600.00	10,002.75	58.8%
	<b>Total</b>		<b>5,529,000.00</b>	<b>250,000.00</b>	<b>-1,000.00</b>	<b>5,778,000.00</b>	<b>5,672,135.82</b>	<b>98.2%</b>	<b>5,583,376.44</b>	<b>88,759.38</b>	<b>105,864.18</b>	<b>1.8%</b>
Title 2: Administrative expenditure	E2000	Property	500,000.00	0.00	-41,000.00	459,000.00	427,150.79	93.1%	346,261.82	80,888.97	31,849.21	6.9%
	E2100	IT expenses	350,000.00	0.00	61,000.00	411,000.00	408,547.10	99.4%	305,236.26	103,310.84	2,452.90	0.6%
	E2200	Other equipment	100,000.00	0.00	0.00	100,000.00	50,877.88	50.9%	28,401.20	22,476.68	49,122.12	49.1%
	E2300	General admin.	192,000.00	0.00	-19,000.00	173,000.00	64,068.80	37.0%	54,600.11	9,468.69	108,931.20	63.0%
	E2400	Postage and telecom	100,000.00	0.00	0.00	100,000.00	93,400.00	93.4%	81,631.18	11,768.82	6,600.00	6.6%
	E2500	Meetings and notices	250,000.00	112,000.00	0.00	362,000.00	332,502.55	91.9%	250,400.35	82,102.20	29,497.45	8.1%
	E2600	Audit and evaluation	150,000.00	0.00	0.00	150,000.00	112,791.74	75.2%	56,425.49	56,366.25	37,208.26	24.8%
	<b>Total</b>		<b>1,642,000.00</b>	<b>112,000.00</b>	<b>1,000.00</b>	<b>1,755,000.00</b>	<b>1,489,338.86</b>	<b>84.9%</b>	<b>1,122,956.41</b>	<b>366,382.45</b>	<b>265,661.14</b>	<b>15.1%</b>
Title 3: Operational expenditure	E3000	Examination office fee	5,000,000.00	200,000.00	0.00	5,200,000.00	4,771,302.88	91.8%	4,771,302.88	0.00	428,697.12	8.2%
	E3200	Examination reports	240,000.00	40,000.00	0.00	280,000.00	272,930.63	97.5%	272,930.63	0.00	7,069.37	2.5%
	E3400	Publications	150,000.00	0.00	0.00	150,000.00	62,891.53	41.9%	62,891.53	0.00	87,108.47	58.1%
	E3500	Studies	50,000.00	0.00	0.00	50,000.00	0.00	0.0%	0.00	0.00	50,000.00	100.0%
	E3600	Special advisors	40,000.00	0.00	0.00	40,000.00	17,052.82	42.6%	17,052.82	0.00	22,947.18	57.4%
	E3700	Multi beneficiary progr.	200,000.00	-150,000.00	0.00	50,000.00	19,046.25	38.1%	19,046.25	0.00	30,953.75	61.9%
	<b>Total</b>		<b>5,680,000.00</b>	<b>90,000.00</b>	<b>0.00</b>	<b>5,770,000.00</b>	<b>5,143,224.11</b>	<b>89.1%</b>	<b>5,143,224.11</b>	<b>0.00</b>	<b>626,775.89</b>	<b>10.9%</b>
<b>Grand Total</b>			<b>12,851,000.00</b>	<b>452,000.00</b>	<b>0.00</b>	<b>13,303,000.00</b>	<b>12,304,698.79</b>	<b>92.5%</b>	<b>11,849,556.96</b>	<b>455,141.83</b>	<b>998,301.21</b>	<b>7.5%</b>

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

Title	Budget article	Description	Final budget	Payments	% Paid	Lost C8 credits
Title 1	E1100	Expenditure related to staff employed	10,778.14	6,899.42	64%	3,878.72
	E1200	Further professional training	49,517.50	45,568.95	92%	3,948.55
	E1300	Missions and travel expenses	16,019.74	13,635.14	85%	2,384.60
	E1400	Interim staff, administrative/technical assistance	5,760.03	5,270.64	92%	489.39
	E1500	Special assistance grants, other welfare expend.	4,713.45	3,570.78	76%	1,142.67
	E1700	Entertainment and representation expenses	1,500.00	260.39	17%	1,239.61
	<b>Total</b>		<b>88,288.86</b>	<b>75,205.32</b>	<b>85%</b>	<b>13,083.54</b>
Title 2	E2000	Property related costs	60,470.22	51,044.55	84%	9,425.67
	E2100	Equipment, software and other external services	39,494.61	31,676.72	80%	7,817.89
	E2200	Office furniture, transport, tech.& library equip.	7,546.26	6,731.96	89%	814.30
	E2300	General administrative expenditure	19,536.18	17,162.24	88%	2,373.94
	E2400	Postage and telecommunications charges	10,911.57	10,132.51	93%	779.06
	E2500	Meeting and notices	116,392.17	40,266.28	35%	76,125.89
	E2600	Internal audits and evaluations	65,150.00	48,358.00	74%	16,792.00
	<b>Total</b>		<b>319,501.01</b>	<b>205,372.26</b>	<b>64%</b>	<b>114,128.75</b>
Grand Total			<b>407,789.87</b>	<b>280,577.58</b>	<b>69%</b>	<b>127,212.29</b>



## Off Balance Sheet Commitments

At the year-end there was of a total of € 10 389 369 of commitments open on title 3 (operational expenditure). Of this total, € 3 105 795 relates to work carried out in or before 2011 but not yet invoiced. This amount has already been provided for in the financial accounts. The balance of **€ 7 283 574** 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.



## 4. FINANCIAL ACCOUNTS:

### BALANCE SHEET:

		Note	2011	2010		
Assets	Non-Current assets	Intangible Assets	1	96 394,84	180 246,87	
		Tangible Assets	2	4 369 904,56	4 407 381,59	
		Financial fixed assets		-	2 745,00	
		Medium term investments	3	4 576 272,26	6 699 939,12	
		Total		9 042 571,66	11 290 312,58	
	Current assets	Short-term receivables	4	3 027 705,32	3 029 032,33	
		Treasury	5	13 231 903,62	10 170 222,04	
		Other receivable	6	78 009,92	50 579,54	
		Total		16 337 618,86	13 249 833,91	
	Total			25 380 190,52	24 540 146,49	
	Liabilities	Accumulated result	Reserve		13 302 400,52	12 334 896,11
			Profit / loss for the year		655 375,08	967 504,41
Total				13 957 775,60	13 302 400,52	
Revaluation reserve		Available for sale assets	7	69 534,11	58 430,21	
		Total		69 534,11	58 430,21	
Current liabilities		Accrued charges and deferred income	8	11 205 258,02	11 123 036,02	
		Current payables	9	59 592,20	46 125,74	
		Short-term provision	10	88 030,59	10 154,00	
		Total		11 352 880,81	11 179 315,76	
Total			25 380 190,52	24 540 146,49		

## ECONOMIC OUTTURN ACCOUNT

		2011	2010
Income	Income from fees	12 490 453,18	11 779 428,85
	Income from administrative operations	7 205,30	16 638,36
	Income from subsidies		72 755,30
	<b>Total</b>	<b>12 497 658,48</b>	<b>11 868 822,51</b>
Expenditure	Operational expenses	(4 996 058,64)	(4 078 000,75)
	Salaries and social taxes	(5 475 527,77)	(5 226 797,14)
	Overheads	(1 192 293,33)	(1 298 273,48)
	Depreciation	(419 764,78)	(410 399,55)
	<b>Total</b>	<b>(12 083 644,52)</b>	<b>(11 013 470,92)</b>
<b>Result</b>		<b>414 013,96</b>	<b>855 351,59</b>
Financial revenue	Interest income	237 473,82	109 823,17
	Miscellaneous financial income	11 258,11	9 893,61
	<b>Total</b>	<b>248 731,93</b>	<b>119 716,78</b>
Financial expenditure	Bank charges & exchange differences	(7 370,81)	(7 563,96)
	<b>Total</b>	<b>(7 370,81)</b>	<b>(7 563,96)</b>
<b>Result</b>		<b>241 361,12</b>	<b>112 152,82</b>
<b>Economic outturn for the year</b>		<b>655 375,08</b>	<b>967 504,41</b>

## CASH FLOW (INDIRECT METHOD)

<b>Cash Flows from ordinary activities</b>	<b>2011</b>	<b>2010</b>
<b>Surplus/(deficit) from ordinary activities</b>	<b>655 375,08</b>	<b>967 504,41</b>
<b>Operating activities</b>		
Adjustments		
Amortization (intangible fixed assets) +	122 210,02	119 995,69
Depreciation (tangible fixed assets) +	215 602,04	290 403,86
Increase/(decrease) in Provisions for risks and liabilities	77 876,59	-31 776,41
(Increase)/decrease in Long term Receivables	2 126 411,86	3 521 804,95
(Increase)/decrease in Short term Receivables	-26 253,89	-59 641,38
(Increase)/decrease in Receivables related to consolidated EU entities	150,52	-150,52
Increase/(decrease) in Accounts payable	86 991,89	171 933,64
Increase/(decrease) in Liabilities related to consolidated EU entities	8 696,57	-130 551,94
<b>Net cash Flow from operating activities</b>	<b>3 267 060,68</b>	<b>4 849 522,30</b>
<b>Cash Flows from investing activities</b>		
Increase of tangible and intangible fixed assets (-)	-300 830,35	-48 024,06
Proceeds from tangible and intangible fixed assets (+)	95 451,25	2 737,94
<b>Net cash flow from investing activities</b>	<b>-205 379,10</b>	<b>-45 286,12</b>
Net increase/(decrease) in cash and cash equivalents	3 061 681,58	4 804 236,18
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10 170 222,04</b>	<b>5 365 985,86</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>13 231 903,62</b>	<b>10 170 222,04</b>

## 5. NOTES TO THE FINANCIAL ACCOUNTS

### 1. Intangible Fixed Assets 2011

<b>2011</b>		<b>Computer software</b>	<b>Intangibles under construction</b>	<b>Total</b>
Gross carrying amounts 01.01.2011	+	<b>605 069.27</b>	-	<b>605 069.27</b>
Additions 2011	+	41 629.09		41 629.09
Disposals	-	-3 271.10		-3 271.10
Transfers between headings	+/-			
Other changes	+/-			
<b>Gross carrying amounts 31.12.2011</b>		<b>643 427.26</b>		<b>643 427.26</b>
Accumulated depreciation 01.01.2011	-	<b>-424 822.40</b>	-	<b>-424 822.40</b>
Depreciation 2011	-	-125 481.12		-125 481.12
Write-back of depreciation	+	3 271.10		3 271.10
Depreciation on disposals	+/-			
Impairment	+/-			
<b>Accumulated depreciation 31.12.2011</b>		<b>-547 032.42</b>		<b>-547 032.42</b>
Net carrying amounts 31.12.2011		<b>96 394.84</b>		<b>96 394.84</b>

## 2. Tangible Fixed Assets 2011

2011		Land	Buildings	Plant and Equipment	Computer hardware	Assets under Construction	Total
Gross carrying amounts 01.01.2011	+	<b>292 220.00</b>	<b>5 135 298.04</b>	<b>355 421.06</b>	<b>382 525.90</b>	-	<b>6 165 465.00</b>
Additions 2011	+		228 071.86	3 837.58	27 291.82	-	259 201.26
Disposals	-		-3 715.03	-19 106.41	-58 254.81		-81 076.25
Transfer between headings	+/-						
Other changes	+/-						
<b>Gross carrying amounts 31.12.2011</b>			<b>5 359 654.87</b>	<b>340 152.23</b>	<b>351 562.91</b>		<b>6 343 590.01</b>
Accumulated amortization and impairment 01.01.2011	-	-	<b>-1 181 866.00</b>	<b>-265 951.73</b>	<b>-310 265.68</b>	-	<b>-1 758 083.41</b>
Depreciation 2011	-		-214 264.34	-25 631.87	-54 387.45		-294 283.66
Write-back of depreciation	+		1 621.90	19 106.41	57 953.31		78 681.62
Disposals	+						
Accumulated amortization and impairment 31.12.2011			<b>-1 394 508.44</b>	<b>-272 477.19</b>	<b>-306 699.82</b>		<b>-1 973 685.45</b>
<b>Net carrying amounts 31.12.2011</b>			<b>3 965 146.43</b>	<b>67 675.04</b>	<b>44 863.09</b>		<b>4 369 904.56</b>

### 3. Medium term investments

Description	2011	2010
Government bond portfolio	4 576 272,26	6 699 939,12
<b>Grand Total</b>	<b>4 576 272,26</b>	<b>6 699 939,12</b>

### 4. Short-term receivables 2011

	2011	2010
Customers	2 851 885,59	2 815 800,84
Deferred charges	45 672,20	40 180,43
VAT	130 147,53	173 051,06
<b>Total</b>	<b>3 027 705,32</b>	<b>3 029 032,33</b>

### 5. Treasury 2011

Description	2011	2010
Short-term investments	10 290 458,15	9 158 355,85
Current accounts	2 894 371,82	936 163,86
Imprest account	46 949,53	75 542,56
Cash in hand	124,12	159,77
<b>Total</b>	<b>13 231 903,62</b>	<b>10 170 222,04</b>

Short term investments refer to negotiated deposits and term deposits of less than one year.

	2011
BBVA - short term investment	2 678 000,00
BNP - short term investment	2 588 522,00
BARCLAYS - short term investment	2 101 612,36
HSBC - short term investment	1 674 000,00
LCL - short term investment	1 248 323,79
<b>Grand Total</b>	<b>10 290 458,15</b>

## 6. Other receivables 2011

	2011	2010
Interest to be received	77 806,60	50 500,39
Other receivable	203,32	79,15
<b>Total</b>	<b>78 009,92</b>	<b>50 579,54</b>

## 7. Available for sale assets

	€
Unrealised gain on available for sale assets 2010	<b>58 430.21</b>
Change in value on available-for-sale investments 2011	11 103.90
Unrealised gain on available for sale assets 2011	<b>69 534.11</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 2011, this amounted to € 11 103.90.



## 8. Accrued charges and deferred income

	2011	2010
Deferred income	7 601 575,99	7 218 238,17
Invoices to be received	3 329 781,26	3 644 302,87
Suspense account	46 641,47	94 447,49
Accrued holidays	101 355,16	77 201,39
Charge accounts	125 904,14	88 846,10
<b>Total</b>	<b>11 205 258,02</b>	<b>11 123 036,02</b>

## 9. Current payables

	2011	2010
Sundry credit accounts	54 509,76	30 558,26
Suppliers	5 082,44	15 567,48
<b>Total</b>	<b>59 592,20</b>	<b>46 125,74</b>

## 10. Short-term provision

	2011	2010
Provision for doubtful debts	88 030,59	10 154,00
<b>Total</b>	<b>88 030,59</b>	<b>10 154,00</b>

## 11. Statement of changes in Capital

	2011	2010
Reserve	13 302 400,52	12 334 896,11
Profit / loss for the year	655 375,08	967 504,41
<b>Year end Cumulated reserve</b>	<b>13 957 775,60</b>	<b>13 302 400,52</b>

## 12. Contingent liability

The CPVO currently has five cases pending before the General Court and one before the European Court of Justice. In the five cases before the general court, the CPVO is represented by an external lawyer. In the ECJ case the CPVO will handle the litigation with internal resources. While there are no claims of punitive compensation in the cases, in the event of loss, the CPVO would be required to pay the costs of the legal expense of the winning party. If the CPVO loses the cases the legal fees for the winning party (estimated at around 25,000 euro per case) would mean a total payment of **€ 150 000**. The outcome is outside the direct control of the CPVO and furthermore, the CPVO considers that it is unlikely to lose these cases. Therefore this is considered a contingent liability and shown here for information purposes only.



### 13. Reconciliation of budgetary and financial outturn

	sign +/-	amount
<b>Economic result (outturn) 2011</b>	<b>+/-</b>	<b>655 375,08</b>
<i>Ajustment for accrual items (items not in the budgetary result but included in the economic result)</i>		
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-10 264 683,17
Adjustments for Accrual Cut-off (cut- off 31.12.N )	+	10 382 588,48
Depreciation of intangible and tangible assets	+	419 764,78
Recovery Orders issued in 2011 in class 7 and not yet cashed	-	-2 761 034,75
Payments made from carry over of payment appropriations	+	280 577,58
Exchange rate differences	+/-	187,31
Asset acquisitions (less unpaid amounts)	-	-218 200,00
Budgetary recovery orders issued before 2011 and cashed in the year	+	2 661 186,00
Payment appropriations carried over to 2012	-	-455 141,83
Cancellation of unused carried over payment appropriations from previous year	+	127 212,29
<b>total</b>		<b>827 831,77</b>
<b>Budgetary result (+ for surplus)</b>		<b>827 831,77</b>
Delta not explained		0,00

## 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>2</sup> for the financial year 2011 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>3</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 2011 to 31 December 2011.

### 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>2</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>3</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. The assets are valued on a weighted average basis.

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.

