

---

# ANNUAL ACCOUNTS 2012

---

Community Plant Variety  
Office

---

## **2012 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 2012 give a true and fair view of the financial position of the CPVO.

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

Angers le 18 June 2013

Martin Ekvad  
President

## **2012 Declaration of Assurance the Accounting Officer of the CPVO**

The annual accounts of the Community Plant Variety Office for the year 2012 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 article 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 faire view of the financial position of the Community Plant Variety Office in all material aspects.

Angers le 18 June 2013

Anne-Marie Fernandez  
Accounting Officer

CPVO Annual Accounts 2012



## **Contents**

1. Overview Budget Implementation 2012 .....	4
Introduction .....	4
Overview .....	4
Budgetary Outturn .....	5
Revenue .....	6
Expenditure .....	7
Budget amendments and transfers .....	13
Treasury reserve .....	14
Conclusion .....	15
2. Budgetary Principles .....	16
3. Budgetary Accounts .....	17
Budget Outturn Account – Detailed .....	17
Budget Income .....	18
Budget Outturn – detailed reports .....	19
4. Financial Accounts: .....	22
Balance Sheet: .....	22
Economic outturn account .....	23
Cash flow (Indirect Method) .....	24
5. Notes to the financial accounts .....	25
6. Summary of main accounting principles .....	31



# 1. OVERVIEW BUDGET IMPLEMENTATION 2012

## 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 2012 as well as an indication of the key events and developments which impact on the financial situation of the Office.

The reports shall be subject to audit by the European Court of Auditors.

## OVERVIEW

The Community system continued to thrive in 2012. The Office had 2868 applications; a decrease of 9.9 % on the previous year. With 2640 new titles granted and with a relatively low rate of surrender of titles saw the total number of grants in force rise to 20 362.

### 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 € 13.15 million and expenses of € 11,74 million meant a budget outturn of € 1.4 million positive. Further non-budgetary income of € 0.14 million lead to a net outturn of € 1.55 million.

### Financial Accounts

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

Going forward, the recently agreed reduction in application fees for the office will 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 2012 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 2012, just under 90 % of all invoices received were paid well within 30 days with an average time taken of just 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.

Table 1: Budgetary outturn 2012

Date	Title	2012	2011	% variation 2012
Income	Fee revenue	12,634,982.50	12,773,857.00	-1.09%
	Other revenue	518,263.78	231,461.27	123.91%
	<b>Total</b>	<b>13,153,246.28</b>	<b>13,005,318.27</b>	<b>1.14%</b>
Expenditure	Title 1: Staff expenditure	-5,557,034.10	-5,672,135.82	-2.03%
	Title 2: Administrative expenditure	-986,175.47	-1,489,338.86	-33.78%
	Title 3: Operational expenditure	-5,198,142.32	-5,143,224.11	1.07%
	<b>Total</b>	<b>-11,741,351.89</b>	<b>-12,304,698.79</b>	<b>-4.58%</b>
<b>Budget Outturn for the year</b>		<b>1,411,894.39</b>	<b>700,619.48</b>	<b>101.52%</b>
Non budgetary income		137,508.05	127,212.29	8.09%
<b>Net outturn for the year</b>		<b>1,549,402.44</b>	<b>827,831.77</b>	<b>87.16%</b>



## REVENUE

Overall revenue increased by 1.1 % as compared to 2011. The increase came from annual fees, bank interest and contribution from the European Commission in the context of the Multi-beneficiary Program. As was expected, there was a decrease in application fees (and the related examination fees), most likely in anticipation of the fee reduction which came into force on 1 January 2013.

Table 2: Revenue breakdown

	2012	2011	% variation 2012
Fees	12,634,982.50	12,773,857.00	-1.09%
Interest	316,869.30	221,425.72	43.10%
Administrative operations	4,611.48	10,035.55	-54.05%
Multi-beneficiary funds	196,783.00		
<b>Grand Total</b>	<b>13,153,246.28</b>	<b>13,005,318.27</b>	<b>1.14%</b>

A more detailed analysis of the Fee income shows a decrease in all fees except annual fees which rose slightly.

Table 3: Breakdown of fee income

	2012	2011	% variation 2012
Annual fees	6,137,000.00	5,767,200.00	6.41%
Application fees	2,565,000.00	2,808,000.00	-8.65%
Examination fees	3,546,778.50	3,805,050.00	-6.79%
Other fees	386,204.00	393,607.00	-1.88%
<b>Grand Total</b>	<b>12,634,982.50</b>	<b>12,773,857.00</b>	<b>-1.09%</b>

Annual fees increased due to the increase in total titles in force which at the end of 2012 numbered 20 362 titles. The reduced level of applications for the year also had a direct effect on the income from application fees and indirectly (with a slight time lag) on examination fees. This drop in application fees is most likely due in part to applicants waiting for 1 January 2013 to apply the new fee rates (EUR 650 instead of EUR 900 per application).

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 2011, unused at 31 December 2012. This amounts to € 137 508.55 for titles 1 and 2 of the Office's budget.



## EXPENDITURE

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

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

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

Table 4: Budgetary execution (Payment Appropriations) 2012

Title	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Cancelled %
Title 1: Staff Expenditure	5,852,000.00	5,557,034.10	95.0%	294,965.90	5.0%
Title 2: Administrative expenditure	1,400,000.00	986,175.47	70.4%	413,824.53	29.6%
Title 3: Operational expenditure	5,902,000.00	5,198,142.32	88.1%	703,857.68	11.9%
<b>Grand Total</b>	<b>13,154,000.00</b>	<b>11,741,351.89</b>	<b>89.3%</b>	<b>1,412,648.11</b>	<b>10.7%</b>

As can be seen from table 4, the overall level of execution of the payment budget for 2012 was just under 90 % compared to a level of 92.5 % in 2011. Much of the difference comes from a lower execution of the staff expenditure budget, due to the continuing disagreement by the Council concerning the adaptation of the staff remunerations. Expenditure on title 2 (administrative expenditure) at 70 % was lower than the previous year while operational expenditure (mainly charges for examinations and reports) had a similar execution to the previous year

The Table below shows the year-on-year payment execution comparison with 2011.

Table 4 bis: Budgetary execution 2011 & 2012 comparison

Title	Budget execution 2012	Budget execution 2011	% Change
Title 1: Staff Expenditure	5,557,034.10	5,672,135.82	-2.0%
Title 2: Administrative expenditure	986,175.47	1,489,338.86	-33.8%
Title 3: Operational expenditure	5,198,142.32	5,143,224.11	1.1%
<b>Grand Total</b>	<b>11,741,351.89</b>	<b>12,304,698.79</b>	<b>-4.6%</b>

The variations in particular for administrative 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 2012 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	5,471,000.00	5,213,175.32	95.3%	5,198,414.58	14,760.74	257,824.68	4.7%
E1200	Training	88,000.00	87,403.95	99.3%	47,125.95	40,278.00	596.05	0.7%
E1300	Travel	231,000.00	230,994.86	100.0%	223,821.13	7,173.73	5.14	0.0%
E1400	Interim staff	30,000.00	7,331.24	24.4%	7,331.24	0.00	22,668.76	75.6%
E1500	Assistance	15,000.00	11,740.09	78.3%	7,232.20	4,507.89	3,259.91	21.7%
E1700	Representation	17,000.00	6,388.64	37.6%	6,388.64	0.00	10,611.36	62.4%
<b>Grand Total</b>		<b>5,852,000.00</b>	<b>5,557,034.10</b>	<b>95.0%</b>	<b>5,490,313.74</b>	<b>66,720.36</b>	<b>294,965.90</b>	<b>5.0%</b>

As shown above in table 5, the overall execution of the budget for Staff Expenditure was 95 % (commitment execution) with only € 257 K cancelled. Of the amount committed, 98.7 % (€ 5 490 313) was paid during the year and 1.3 % (€ 66 K) should be paid in early 2013 once invoices are received. The level of execution is slightly lower than in previous years as increases in the salary grid proposed by the European Commission were rejected by the Council. The case is at the time of writing on-going with the Court of Justice and provisions have been made in the financial accounts for these amounts.

The year on year comparison is as follows:

Table 5 bis: Budgetary execution 2011 & 2012 Title 1: Staff Expenditure

Budget article	Description	Budget execution 2012	Budget execution 2011	% Change
E1100	Staff	5,213,175.32	5,341,845.90	-2.4%
E1200	Training	87,403.95	78,853.00	10.8%
E1300	Travel	230,994.86	229,000.00	0.9%
E1400	Interim staff	7,331.24	6,205.09	18.1%
E1500	Assistance	11,740.09	9,234.58	27.1%
E1700	Representation	6,388.64	6,997.25	-8.7%
<b>Grand Total</b>		<b>5,557,034.10</b>	<b>5,672,135.82</b>	<b>-2.0%</b>





For the staff expenditure title, the staff costs (budget line E1100) accounts for the vast majority of expenditure. As already noted, while an increase should have been expected, given inflation and advances in career, the execution at the year-end showed a decrease. 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 and these amounts are currently being arbitrated by the European Court of Justice.

Outside direct staff costs, training increased slightly with 2 staff members taking part in the so-called 'certification training' (passage from assistant level to administrator level). Travel costs remained stable but should be expected to increase in 2013 in line with inflation.



## 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 2012 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	300,000.00	200,340.70	66.8%	161,836.62	38,504.08	99,659.30	33.2%
E2100	IT expenses	350,000.00	314,603.40	89.9%	178,730.91	135,872.49	35,396.60	10.1%
E2200	Other equipment	100,000.00	27,299.74	27.3%	24,682.43	2,617.31	72,700.26	72.7%
E2300	General admin.	100,000.00	87,857.78	87.9%	70,930.94	16,926.84	12,142.22	12.1%
E2400	Postage and telecom	100,000.00	84,167.32	84.2%	72,849.20	11,318.12	15,832.68	15.8%
E2500	Meetings and notices	300,000.00	196,330.94	65.4%	140,826.47	55,504.47	103,669.06	34.6%
E2600	Audit and evaluation	150,000.00	75,575.59	50.4%	50,375.59	25,200.00	74,424.41	49.6%
<b>Grand Total</b>		<b>1,400,000.00</b>	<b>986,175.47</b>	<b>70.4%</b>	<b>700,232.16</b>	<b>285,943.31</b>	<b>413,824.53</b>	<b>29.6%</b>

Expenditure on property was lower than expected while IT expenditure was more or less in line with the budget.

Table 6 bis: Budgetary execution 2011 & 2012 Title 2: Administrative expenditure

Budget article	Description	Budget execution 2012	Budget execution 2011	% Change
E2000	Property	200,340.70	427,150.79	-53.1%
E2100	IT expenses	314,603.40	408,547.10	-23.0%
E2200	Other equipment	27,299.74	50,877.88	-46.3%
E2300	General admin.	87,857.78	64,068.80	37.1%
E2400	Postage and telecom	84,167.32	93,400.00	-9.9%
E2500	Meetings and notices	196,330.94	332,502.55	-41.0%
E2600	Audit and evaluation	75,575.59	112,791.74	-33.0%
<b>Grand Total</b>		<b>986,175.47</b>	<b>1,489,338.86</b>	<b>-33.8%</b>

The significant fall from the previous year is due mainly to the fact that the office purchased additional office space in 2011 at a cost of € 213 000 and IT spending for 2011 included significant outlays for the first stage of the online applications project.



### 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 (€ 5 198 142.32) concerns not only commitments made in 2012, but also commitments made in previous years for which examinations were invoiced in 2012.

Table 7: Budgetary execution 2012 Title 3: Operational expenditure

Budget article	Description	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Cancelled %
E3000	Examination office fees	5,000,000.00	4,667,301.89	93.3%	332,698.11	6.7%
E3200	Examination reports	312,000.00	267,600.00	85.8%	44,400.00	14.2%
E3400	Publications	150,000.00	61,211.92	40.8%	88,788.08	59.2%
E3500	Studies	150,000.00	85,231.00	56.8%	64,769.00	43.2%
E3600	Special advisors	90,000.00	36,195.42	40.2%	53,804.58	59.8%
E3700	Multi beneficiary program	200,000.00	80,602.09	40.3%	119,397.91	59.7%
<b>Grand Total</b>		<b>5,902,000.00</b>	<b>5,198,142.32</b>	<b>88.1%</b>	<b>703,857.68</b>	<b>11.9%</b>

A detailed year on year comparison of payments shows that there has been very little change from 2011 to 2012.

Table 7 bis: Budgetary execution 2011 & 2012 Title 3: Operational expenditure

Budget article	Description	Budget execution 2012	Budget execution 2011	% Change
E3000	Examination office fees	4,667,301.89	4,771,302.88	-2.2%
E3200	Examination reports	267,600.00	272,930.63	-2.0%
E3400	Publications	61,211.92	62,891.53	-2.7%
E3500	Studies	85,231.00	0.00	
E3600	Special advisors	36,195.42	17,052.82	112.3%
E3700	Multi beneficiary program	80,602.09	19,046.25	323.2%
<b>Grand Total</b>		<b>5,198,142.32</b>	<b>5,143,224.11</b>	<b>1.1%</b>

Spending on studies concerned mainly the grant for the project “Management of Peach Tree Reference Collection (the balance of the grant) and also a payment for the project “A potential UPOV option approach for Barley using high Density SNP genotyping”



As regards commitments, the total level of commitments on title 3 for 2012 was € 6 831 040 (97 % of budgeted amount). This high level of commitments is due in part to the full impact of the increase in examination costs (which increased by 10% for examinations after 2010 and have been increasing by inflation since).

A number of transfers were made at the year-end in order to ensure that commitments could be made within budget. All of these transfers were made within the operational part of the budget (title 3).

Table 8: Budgetary execution (Commitment Appropriations) 2012 Title 3

Budget article	Article description	Initial budget	Budget transfers	Final budget	Committed	Percent committed
E3000	Examinatio..	6,000,000	244,234.83	6,244,234.83	6,146,034.14	98.4%
E3200	Examinatio..	312,000		312,000.00	272,160.00	87.2%
E3400	Publications	150,000	-57,990.64	92,009.36	92,009.36	100.0%
E3500	Studies	300,000	-81,384.00	218,616.00	218,616.00	100.0%
E3600	Special adv..	90,000		90,000.00	20,641.32	22.9%
E3700	Multi benef..	200,000	-104,860.19	95,139.81	81,579.64	85.7%
<b>Total</b>		<b>7,052,000</b>		<b>7,052,000.00</b>	<b>6,831,040.46</b>	<b>96.9%</b>

The following table provides an overview of the total value of outstanding commitments made in 2012 and in previous years which will be paid in the future.

Table 9: Title 3 outstanding commitments

Budget article	Outstanding beginning 2012	Committed 2012	De-committed	Paid 2012	Outstanding end 2012
E3000 Examination office fees	9 856 951	6 146 034	533 067	4 667 302	10 802 616
E3200 Examination reports	282 479	272 160	9 839	267 600	277 200
E3400 Publications	104 927	92 009	84 542	61 212	51 182
E3500 Studies	85 231	218 616	-	85 231	218 616
E3600 Special advisors	36 914	20 641	19 369	36 195	1 991
E3700 Multi-beneficiary program	22 867	81 580	14 540	80 602	9 305
<b>Total</b>	<b>10 389 369</b>	<b>6 831 040</b>	<b>661 357</b>	<b>5 198 142</b>	<b>11 360 910</b>

The figure for amounts outstanding at end-2012 (€ 11 360 910) is important as it provides an indication of the obligations of the office to make payments in the future. This figure has increased by € 971 541 from 2011 and this reflects the increase in cost of examinations and also, extra commitments on studies.



### 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 2011 amounts carried over to 2012 for payment, there was a payment level of 70 % (€ 317 633) The amount unpaid which had been considered as a budgetary expenditure in 2011 is now "non-budgetary income" for 2012 and appears in the budget outturn account as such in table 1.

Table 10: Execution of C8 credits 2012

Title	Budget article	Description	Final budget	Payments	% Paid	Lost C8 credits
Title 1	E1100	Expenditure related to staff employed	11,361.68	2,924.72	26%	8,436.96
	E1200	Further professional training	55,258.00	55,258.00	100%	0.00
	E1300	Missions and travel expenses	17,380.74	5,654.35	33%	11,726.39
	E1500	Special assistance grants, other welfare expend.	4,158.96	2,645.10	64%	1,513.86
	E1700	Entertainment and representation expenses	600.00	0.00	0%	600.00
	<b>Total</b>		<b>88,759.38</b>	<b>66,482.17</b>	<b>75%</b>	<b>22,277.21</b>
Title 2	E2000	Property related costs	80,888.97	68,284.89	84%	12,604.08
	E2100	Equipment, software and other external services	103,310.84	89,839.38	87%	13,471.46
	E2200	Office furniture, transport, tech.& library equip.	22,476.68	10,800.60	48%	11,676.08
	E2300	General administrative expenditure	9,468.69	1,153.89	12%	8,314.80
	E2400	Postage and telecommunications charges	11,768.82	7,719.99	66%	4,048.83
	E2500	Meeting and notices	82,102.20	31,237.86	38%	50,864.34
	E2600	Internal audits and evaluations	56,366.25	42,115.00	75%	14,251.25
	<b>Total</b>		<b>366,382.45</b>	<b>251,151.61</b>	<b>69%</b>	<b>115,230.84</b>
Grand Total			<b>455,141.83</b>	<b>317,633.78</b>	<b>70%</b>	<b>137,508.05</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 2012 to 2013 will be € 352 663 as compared to €455 141 the previous year.

### BUDGET AMENDMENTS AND TRANSFERS

As normal every year, transfers are made where there are changes in spending. In 2012 a number of transfers were made. For title 1, additional appropriations were transferred to the training budget (€ 80 000) and to the travel budget (€ 21 000). This was mainly due to additional costs incurred related to extended training for two staff in Brussels and as regards travel, a higher than expected number of missions. The transfers were made from the staff budget line (E1100) which was underused as the salary changes proposed by the European Commission have not yet been approved.

Regarding operational expenses, there were a number of transfers made to line E3000 (examination costs) to allow necessary commitments at year-end.



## TREASURY RESERVE

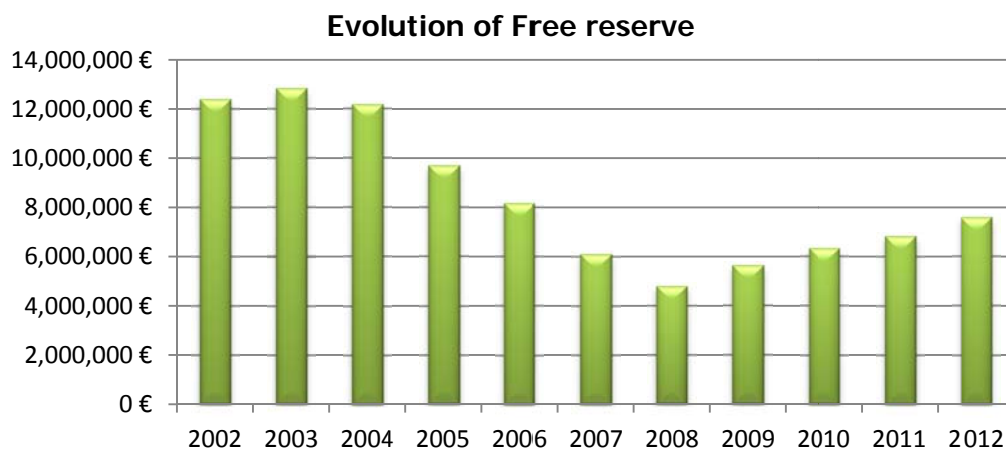
The reserve of cash and cash equivalents of the CPVO at 31 December 2012 amounted to € 19.3 million. However, the outstanding budgetary commitments made with third parties (mainly with examination offices) at the same period amounted to € 11.7 million (table 10).

Table 11: Calculation of free reserve

Description	31.12.2012
	EUR
Treasury Amount	<b>19 302 839</b>
Title 1 amounts carried over to 2011 (C8)	66 720
Title 2 amounts carried over to 2011 (C8)	285 943
Title 3 amounts carried over (differentiated credits)	11 360 910
Total	<b>7 589 266</b>

The difference of € 7.6 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 2012 due to the positive budgetary outturn. This increase was however mitigated by the increase in outstanding commitments to be paid, an increase of € 869 000 from 2011 to 2012.



The CPVO continued its policy of spreading investments over a number of establishments. At end 2012, the treasury of the office was spread evenly over 5 banks. These investments continue to be managed mainly on a short-term basis in line with the treasury policy of the office.

<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 in terms of the absolute amounts.

## CONCLUSION

The year 2012 has been characterised by a fall in applications which could be partly due to the reduction in application fees to come in 2013. Annual fees remained strong however, and this coupled with lower than budgeted spending in staff and administration, particularly regarding the impasse related to the salary levels, allowed a strong positive outturn of EUR 1.4 million.

The change in application fee for 2013 will mean a significant reversal of this positive amount as will an eventual agreement on salary levels, thereby bringing the office closer to equilibrium. The steady increase of titles in force nevertheless warrants further analysis of fee level in order to bring the CPVO free reserve to a lower level.

***The Administrative Council are invited to take note of the present report.***



## 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	2012	2011	% variation 2012
Income	Fee revenue	12,634,982.50	12,773,857.00	-1.09%
	Other revenue	518,263.78	231,461.27	123.91%
	<b>Total</b>	<b>13,153,246.28</b>	<b>13,005,318.27</b>	<b>1.14%</b>
Expenditure	Title 1: Staff expenditure	-5,557,034.10	-5,672,135.82	-2.03%
	Title 2: Administrative expenditure	-986,175.47	-1,489,338.86	-33.78%
	Title 3: Operational expenditure	-5,198,142.32	-5,143,224.11	1.07%
	<b>Total</b>	<b>-11,741,351.89</b>	<b>-12,304,698.79</b>	<b>-4.58%</b>
<b>Budget Outturn for the year</b>		<b>1,411,894.39</b>	<b>700,619.48</b>	<b>101.52%</b>
Non budgetary income		137,508.05	127,212.29	8.09%
<b>Net outturn for the year</b>		<b>1,549,402.44</b>	<b>827,831.77</b>	<b>87.16%</b>



## BUDGET INCOME

Budget Posts	Description	Budget after RSB and transfers	Income stated in 2012	Income collected in 2012	Variation with budget (%)
1000	Fees and surcharges collected	12 837 000	12 634 982.50	12 634 982.50	-1.6 %
3000	Deficit reserve	-45 000			-
5000	Income from administrative operations	12 000	4 611.48	4 611.48	-61 %
9100	Other income (mainly financial income)	150 000	316 869.30	316 869.30	111%
9300	Multi-beneficiary programme	200 000	196 783.00	196 783.00	-1.6%
	<b>Total</b>				
		<b>13 154 000</b>	<b>13 153 246.28</b>	<b>13 153 246.28</b>	<b>0%</b>



## BUDGET OUTTURN – DETAILED REPORTS

### COMMITMENTS APPROPRIATIONS 2012

Title	Budget article	Article description	Initial budget	Budget revisions	Budget transfers	Final budget	Committed	Percent committed	Cancelled
Title 1	E1100	Staff	5,500,000	0	-29,000.00	5,471,000.00	5,213,175.32	95.3%	257,824.68
	E1200	Training	80,000	0	8,000.00	88,000.00	87,403.95	99.3%	596.05
	E1300	Travel	210,000	0	21,000.00	231,000.00	230,994.86	100.0%	5.14
	E1400	Interim staff	30,000	0	0.00	30,000.00	7,331.24	24.4%	22,668.76
	E1500	Assistance	15,000	0	0.00	15,000.00	11,740.09	78.3%	3,259.91
	E1700	Representation	17,000	0	0.00	17,000.00	6,388.64	37.6%	10,611.36
	Total		<b>5,852,000</b>	<b>0</b>	<b>0.00</b>	<b>5,852,000.00</b>	<b>5,557,034.10</b>	<b>95.0%</b>	<b>294,965.90</b>
Title 2	E2000	Property	300,000	0	0.00	300,000.00	200,340.70	66.8%	99,659.30
	E2100	IT expenses	350,000	0	0.00	350,000.00	314,603.40	89.9%	35,396.60
	E2200	Other equipment	100,000	0	0.00	100,000.00	27,299.74	27.3%	72,700.26
	E2300	General admin	100,000	0	0.00	100,000.00	87,857.78	87.9%	12,142.22
	E2400	Postage and telecom	100,000	0	0.00	100,000.00	84,167.32	84.2%	15,832.68
	E2500	Meetings and notices	300,000	0	0.00	300,000.00	196,330.94	65.4%	103,669.06
	E2600	Audit and evaluation	150,000	0	0.00	150,000.00	75,575.59	50.4%	74,424.41
	Total		<b>1,400,000</b>	<b>0</b>	<b>0.00</b>	<b>1,400,000.00</b>	<b>986,175.47</b>	<b>70.4%</b>	<b>413,824.53</b>
Title 3	E3000	Examination office fees	6,000,000	0	244,234.83	6,244,234.83	6,146,034.14	98.4%	98,200.69
	E3200	Examination reports	312,000	0	0.00	312,000.00	272,160.00	87.2%	39,840.00
	E3400	Publications	150,000	0	-57,990.64	92,009.36	92,009.36	100.0%	0.00
	E3500	Studies	300,000	0	-81,384.00	218,616.00	218,616.00	100.0%	0.00
	E3600	Special advisors	90,000	0	0.00	90,000.00	20,641.32	22.9%	69,358.68
	E3700	Multi beneficiary program	200,000	0	-104,860.19	95,139.81	81,579.64	85.7%	13,560.17
	Total		<b>7,052,000</b>	<b>0</b>	<b>0.00</b>	<b>7,052,000.00</b>	<b>6,831,040.46</b>	<b>96.9%</b>	<b>220,959.54</b>
Grand Total			<b>14,304,000</b>	<b>0</b>	<b>0.00</b>	<b>14,304,000.00</b>	<b>13,374,250.03</b>	<b>93.5%</b>	<b>929,749.97</b>



## PAYMENT APPROPRIATIONS 2012

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	5,500,000.00	0.00	-29,000.00	5,471,000.00	5,213,175.32	95.3%	5,198,414.58	14,760.74	257,824.68	4.7%
	E1200	Training	80,000.00	0.00	8,000.00	88,000.00	87,403.95	99.3%	47,125.95	40,278.00	596.05	0.7%
	E1300	Travel	210,000.00	0.00	21,000.00	231,000.00	230,994.86	100.0%	223,821.13	7,173.73	5.14	0.0%
	E1400	Interim staff	30,000.00	0.00	0.00	30,000.00	7,331.24	24.4%	7,331.24	0.00	22,668.76	75.6%
	E1500	Assistance	15,000.00	0.00	0.00	15,000.00	11,740.09	78.3%	7,232.20	4,507.89	3,259.91	21.7%
	E1700	Representation	17,000.00	0.00	0.00	17,000.00	6,388.64	37.6%	6,388.64	0.00	10,611.36	62.4%
	<b>Total</b>		<b>5,852,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,852,000.00</b>	<b>5,557,034.10</b>	<b>95.0%</b>	<b>5,490,313.74</b>	<b>66,720.36</b>	<b>294,965.90</b>	<b>5.0%</b>
Title 2: Administrative expenditure	E2000	Property	300,000.00	0.00	0.00	300,000.00	200,340.70	66.8%	161,836.62	38,504.08	99,659.30	33.2%
	E2100	IT expenses	350,000.00	0.00	0.00	350,000.00	314,603.40	89.9%	178,730.91	135,872.49	35,396.60	10.1%
	E2200	Other equipment	100,000.00	0.00	0.00	100,000.00	27,299.74	27.3%	24,682.43	2,617.31	72,700.26	72.7%
	E2300	General admin.	100,000.00	0.00	0.00	100,000.00	87,857.78	87.9%	70,930.94	16,926.84	12,142.22	12.1%
	E2400	Postage and telecom	100,000.00	0.00	0.00	100,000.00	84,167.32	84.2%	72,849.20	11,318.12	15,832.68	15.8%
	E2500	Meetings and notices	300,000.00	0.00	0.00	300,000.00	196,330.94	65.4%	140,826.47	55,504.47	103,669.06	34.6%
	E2600	Audit and evaluation	150,000.00	0.00	0.00	150,000.00	75,575.59	50.4%	50,375.59	25,200.00	74,424.41	49.6%
	<b>Total</b>		<b>1,400,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,400,000.00</b>	<b>986,175.47</b>	<b>70.4%</b>	<b>700,232.16</b>	<b>285,943.31</b>	<b>413,824.53</b>	<b>29.6%</b>
Title 3: Operational expenditure	E3000	Examination office fees	5,000,000.00	0.00	0.00	5,000,000.00	4,667,301.89	93.3%	4,667,301.89	0.00	332,698.11	6.7%
	E3200	Examination reports	312,000.00	0.00	0.00	312,000.00	267,600.00	85.8%	267,600.00	0.00	44,400.00	14.2%
	E3400	Publications	150,000.00	0.00	0.00	150,000.00	61,211.92	40.8%	61,211.92	0.00	88,788.08	59.2%
	E3500	Studies	150,000.00	0.00	0.00	150,000.00	85,231.00	56.8%	85,231.00	0.00	64,769.00	43.2%
	E3600	Special advisors	90,000.00	0.00	0.00	90,000.00	36,195.42	40.2%	36,195.42	0.00	53,804.58	59.8%
	E3700	Multi beneficiary progr..	200,000.00	0.00	0.00	200,000.00	80,602.09	40.3%	80,602.09	0.00	119,397.91	59.7%
	<b>Total</b>		<b>5,902,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5,902,000.00</b>	<b>5,198,142.32</b>	<b>88.1%</b>	<b>5,198,142.32</b>	<b>0.00</b>	<b>703,857.68</b>	<b>11.9%</b>
<b>Grand Total</b>			<b>13,154,000.00</b>	<b>0.00</b>	<b>0.00</b>	<b>13,154,000.00</b>	<b>11,741,351.89</b>	<b>89.3%</b>	<b>11,388,688.22</b>	<b>352,663.67</b>	<b>1,412,648.11</b>	<b>10.7%</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	11,361.68	2,924.72	26%	8,436.96
	E1200	Further professional training	55,258.00	55,258.00	100%	0.00
	E1300	Missions and travel expenses	17,380.74	5,654.35	33%	11,726.39
	E1400	Interim staff, administrative/technical assistance				
	E1500	Special assistance grants, other welfare expend.	4,158.96	2,645.10	64%	1,513.86
	E1700	Entertainment and representation expenses	600.00	0.00	0%	600.00
	<b>Total</b>		<b>88,759.38</b>	<b>66,482.17</b>	<b>75%</b>	<b>22,277.21</b>
Title 2	E2000	Property related costs	80,888.97	68,284.89	84%	12,604.08
	E2100	Equipment, software and other external services	103,310.84	89,839.38	87%	13,471.46
	E2200	Office furniture, transport, tech.& library equip.	22,476.68	10,800.60	48%	11,676.08
	E2300	General administrative expenditure	9,468.69	1,153.89	12%	8,314.80
	E2400	Postage and telecommunications charges	11,768.82	7,719.99	66%	4,048.83
	E2500	Meeting and notices	82,102.20	31,237.86	38%	50,864.34
	E2600	Internal audits and evaluations	56,366.25	42,115.00	75%	14,251.25
	<b>Total</b>		<b>366,382.45</b>	<b>251,151.61</b>	<b>69%</b>	<b>115,230.84</b>
Grand Total			<b>455,141.83</b>	<b>317,633.78</b>	<b>70%</b>	<b>137,508.05</b>



## 4. FINANCIAL ACCOUNTS:

### BALANCE SHEET:

#### Note

				2012	2011
<b>Assets</b>	Non-Current assets	Intangible Assets	1	32 725,99	96 394,84
		Tangible Assets	2	4 154 531,00	4 369 904,56
		Financial fixed assets			-
		Medium term investments	3	4 580 000,00	4 576 272,26
		<b>Total</b>		<b>8 767 256,99</b>	<b>9 042 571,66</b>
	Current assets	Short-term receivables	4	3 372 210,83	3 027 705,32
		Treasury	5	14 710 872,05	13 231 903,62
		Other receivable	6	74 690,73	78 009,92
		<b>Total</b>		<b>18 157 773,61</b>	<b>16 337 618,86</b>
	<b>Total</b>			<b>26 925 030,60</b>	<b>25 380 190,52</b>
<b>Liabilities</b>	Accumulated result	Reserve		13 957 775,60	13 302 400,52
		Profit / loss for the year		641 741,89	655 375,08
		<b>Total</b>		<b>14 599 517,49</b>	<b>13 957 775,60</b>
	Revaluation reserve	Available for sale assets	7	-	69 534,11
		<b>Total</b>		<b>-</b>	<b>69 534,11</b>
	Current liabilities	Accrued charges and deferred income	8	11 961 785,91	11 205 258,02
		Current payables	9	245 976,61	59 592,20
		Short-term provision	10	117 750,59	88 030,59
		<b>Total</b>		<b>12 325 513,11</b>	<b>11 352 880,81</b>
	<b>Total</b>			<b>26 925 030,60</b>	<b>25 380 190,52</b>

## ECONOMIC OUTTURN ACCOUNT

		2012	2011
Income	Income from fees	12 649 014,68	12 490 453,18
	Income from administrative operations	4 852,43	7 205,30
	Income from subsidies	93 849,24	
	<b>Total</b>	<b>12 747 716,35</b>	<b>12 497 658,48</b>
Expenditure	Operational expenses	(5 537 273,76)	(4 996 058,64)
	Salaries and social taxes	(5 529 363,61)	(5 475 527,77)
	Overheads	(1 005 208,33)	(1 192 293,33)
	Depreciation	(339 151,61)	(419 764,78)
	<b>Total</b>	<b>(12 410 997,31)</b>	<b>(12 083 644,52)</b>
<b>Result</b>		<b>336 719,04</b>	<b>414 013,96</b>
Financial revenue	Interest income	304 222,27	237 473,82
	Miscellaneous financial income	9 531,16	11 258,11
	<b>Total</b>	<b>313 753,43</b>	<b>248 731,93</b>
Financial expenditure	Bank charges & exchange differences	(8 730,58)	(7 370,81)
	<b>Total</b>	<b>(8 730,58)</b>	<b>(7 370,81)</b>
<b>Result</b>		<b>305 022,85</b>	<b>241 361,12</b>
<b>Economic outturn for the year</b>		<b>641 741,89</b>	<b>655 375,08</b>



## CASH FLOW (INDIRECT METHOD)

<b>Cash Flows from ordinary activities</b>	<b>2012</b>	<b>2011</b>
<b>Surplus/(deficit) from ordinary activities</b>	<b>641 741.89</b>	<b>655 375.08</b>
<b>Operating activities</b>		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	69 093,90	122 210,02
Depreciation (tangible fixed assets) +	270 057,71	215 602,04
Increase/(decrease) in Provisions for risks and liabilities	29 720,00	77 876,59
(Increase)/decrease in Long term Receivables	-3 727,74	2 126 411,86
(Increase)/decrease in Short term Receivables	-341 186,32	-26 253.89
(Increase)/decrease in Receivables related to consolidated EU entities	0,00	150,52
Increase/(decrease) in Accounts payable	836 544.61	86 991.89
Increase/(decrease) in Liabilities related to consolidated EU entities	106 367.69	8 696.57
<b>Net cash Flow from operating activities</b>	<b>1 608 611,74</b>	<b>3 267 060,68</b>
<b>Cash Flows from investing activities</b>		
Increase of tangible and intangible fixed assets (-)	-60 109,20	-300 830,35
Proceeds from tangible and intangible fixed assets (+)	-69 534,11	95 451,25
<b>Net cash flow from investing activities</b>	<b>-129 643,31</b>	<b>-205 379,10</b>
Net increase/(decrease) in cash and cash equivalents	1 478 968,43	3 061 681,58
<b>Cash and cash equivalents at the beginning of the period</b>	<b>13 231 903,62</b>	<b>10 170 222,04</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>14 710 872,05</b>	<b>13 231 903,62</b>





## 5. NOTES TO THE FINANCIAL ACCOUNTS

### 1. Intangible Fixed Assets 2012

2012		Computer software	Intangibles under construction	Total
Gross carrying amounts 01.01.2012	+	643 427,26		643 427,26
Additions 2012	+	5 425,05		5 425,05
Disposals	-			
Transfers between headings	+/-			
Other changes	+/-			
<b>Gross carrying amounts 31.12.2012</b>		<b>648 852,31</b>		<b>648 852,31</b>
Accumulated depreciation 01.01.2012	-	-547 032,42		-547 032,42
Depreciation 2012	-	- 69 093,90		69 093,90
Write-back of depreciation	+			
Depreciation on disposals	+/-			
Impairment	+/-			
<b>Accumulated depreciation 31.12.2012</b>		<b>-616 126,32</b>		<b>-616 126,32</b>
Net carrying amounts 31.12.2012		<b>32 725,99</b>		<b>32 725,99</b>



## 2. Tangible Fixed Assets 2012

2012		Land	Buildings	Plant and Equipment	Computer hardware	Assets under Construction	Total
Gross carrying amounts 01.01.2012	+	292 220,00	5 359 654,87	340 152,23	351 562,91		6 343 590,01
Additions 2012	+		33 436,60		21 247,55		54 684,15
Disposals	-				-5 227,00		-5 227,00
Transfer between headings	+/-						
Other changes	+/-						
<b>Gross carrying amounts 31.12.2012</b>		<b>292 220,00</b>	<b>5 393 091,47</b>	<b>340 152,23</b>	<b>367 583,46</b>		<b>6 393 047,16</b>
Accumulated amortization and impairment 01.01.2012	-	0,00	-1 394 508,44	-272 477,19	-306 699,82		-1 973 685,45
Depreciation 2012	-		-215 377,99	-20 253,12	-34 426,60		-270 057,71
Write-back of depreciation	+						
Disposals	+				5 227,00		5 227,00
Accumulated amortization and impairment 31.12.2012		0,00	-1 609 886,43	-292 730,31	-335 899,42		-2 238 516,16
<b>Net carrying amounts 31.12.2012</b>		<b>292 220,00</b>	<b>3 783 205,04</b>	<b>47 421,92</b>	<b>31 684,04</b>		<b>4 154 531,00</b>

### 3. Medium term investments

	2012	2011
Government bonds		4 576 272,23
Medium-term financial investments	4 580 000,00	
	<b>4 580 000,00</b>	<b>4 576 272,23</b>

### 4. Short-term receivables 2012

	2012	2011
Customers	3 177 000,59	2 851 885,59
Deferred charges	57 454,64	45 672,20
VAT	137 755,60	130 147,53
<b>Total</b>	<b>3 372 210,83</b>	<b>3 027 705,32</b>

### 5. Treasury 2012

Description	2012	2011
Short-term investments	11 695 222,78	10 290 458,15
Current accounts	2 969 807,60	2 894 371,82
Imprest account	45 366,84	46 949,53
Cash in hand	474,83	124,12
<b>Total</b>	<b>14 710 872,05</b>	<b>13 231 903,62</b>

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

	2012	2011
BBVA - short term investment	-	2 678 000,00
BNP - short term investment	4 156 600,00	2 588 522,00
BARCLAYS - short term investment	2 115 662,51	2 101 612,36
HSBC - short term investment	4 147 000,00	1 674 000,00
LCL - short term investment	1 275 960,27	1 248 323,79
CRCA - Placements financiers à court terme	-	-
<b>Grand Total</b>	<b>11 695 222,78</b>	<b>10 290 458,15</b>



## 6. Other receivables 2012

	2012	2011
Interest to be received	74 690,73	77 806,60
Other receivable	-	203,32
<b>Total</b>	<b>74 690,73</b>	<b>78 009,92</b>

## 7. Available for sale assets

	€
Unrealised gain on available for sale assets 2011	<b>69 534.11</b>
Change in value on available-for-sale investments 2012	<b>-69 534.11</b>
Unrealised gain on available for sale assets 2012	-

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 2012, all available for sale assets were sold.



## 8. Accrued charges and deferred income

	2012	2011
Deferred income	7 890 404,81	7 601 575,99
Invoices to be received	3 566 307,46	3 329 781,26
Suspense account	47 323,98	46 641,47
Accrued holidays	128 928,71	101 355,16
Charge accounts	225 887,19	125 904,14
Pre-financing received	102 933,76	
<b>Total</b>	<b>11 961 785,91</b>	<b>11 205 258,02</b>

## 9. Current payables

	2012	2011
Sundry credit accounts	242 993,06	54 509,76
Suppliers	2 983,55	5 082,44
<b>Total</b>	<b>245 976,61</b>	<b>59 592,20</b>

## 10. Short-term provision

	2012	2011
Provision for doubtful debts	117 750,59	88 030,59
<b>Total</b>	<b>117 750,59</b>	<b>88 030,59</b>

## 11. Statement of changes in Capital

Net assets	Reserves		Accumulated Surplus / Deficit	Economic result of the year	Net assets (total)
	Fair value reserve	Other reserves			
Balance as of 31 December 2011			13 371 934,63	655 375,08	14 027 309,71
Changes in accounting policies 1)					0,00
Balance as of 1 January 2012	0,00	0,00	13 371 934,63	655 375,08	14 027 309,71
Other 2)					0,00
Fair value movements			-69 534,11		-69 534,11
Movement in Guarantee Fund reserve					0,00
Allocation of the Economic Result of Previous Year			655 375,08	-655 375,08	0,00
Amounts credited to Member States					0,00
Economic result of the year				641 741,89	641 741,89
Balance as of 31 December 2012	0,00	0,00	13 957 775,60	641 741,89	14 599 517,49
Account	102100	102200	140000	141000	

	2012	2011
Reserve	13 957 775,60	13 302 400,52
Profit / loss for the year	641 741,89	655 375,08
<b>Year end Cumulated reserve</b>	<b>14 599 517,49</b>	<b>13 957 775,60</b>



## 12. Other Disclosures

### Off Balance Sheet Commitments

At the year-end there was of a total of € 11 360 910 of commitments open on title 3 (operational expenditure) and a further € 352 663 for titles 1 and 2 carried to 2013 as C8 credits. Of this total, € 3 566 307 relates to work carried out in or before 2012 but not yet invoiced an amount for which there is a provision in the financial accounts. The balance of **€ 8 147 266** 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.

Operating Leases (photo copiers) with a contract extending beyond the reporting year have a value of € 25 092.



## 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 2012.

### 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

---

<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.

