



CPVO • OCVV

Community Plant Variety Office
Office Communautaire des Variétés Végétales

Final Accounts 2016

Community Plant Variety Office (CPVO)

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MISSION OF THE CPVO



1. Purpose

A system for the protection of plant variety rights has been established by Community legislation. The system allows intellectual property rights, valid throughout the Community, to be granted for plant varieties.

2. The CPVO

The Community Plant Variety Office (CPVO) implements and applies this scheme. The CPVO has been operating since 27 April 1995. On 6 December 1996, the Intergovernmental Conference of representatives of the Member States (IGC) decided that the seat of the CPVO would be in Angers (France). The CPVO, which is a decentralised Community agency, has its own legal status. It is self-financing, mainly on the basis of the various fees paid.

3. Structure of the CPVO and the actors involved

- **The Administrative Council:** the CPVO is supervised by its Administrative Council, comprising a representative of each Member State and a representative of the European Commission, and their alternates. The Administrative Council advises the CPVO, formulates its general orientations and general guidelines, provides opinions, constitutes the budgetary authority of the CPVO, examines and controls both its activities and those of its President.
- **CPVO management:** the management of the CPVO is ensured by its President, nominated by the Council of the European Union. The President takes all the necessary measures in order to produce the budget of the CPVO and to ensure its correct implementation in the framework of the powers conferred on him under the Community Regulations. He is assisted by a Vice-President who ensures his replacement in case of impediment. The President has delegated some of his duties to the Vice-President.
- **Internal organisation of the CPVO:** The CPVO is organised internally into three units (Technical, Administration & Legal) and two support services (Human Resources & Public Relations). There is also a service responsible for the quality auditing of examination offices. This service is under the administrative responsibility of the President while being independent with regard to its audit operations.

- **The Board of Appeal:** a Board of Appeal has been established which is responsible for deciding on appeals made against certain kinds of decisions taken by the CPVO. The Board is made up of a Chairman and alternate, and members chosen by the Chairman from a list (drawn up on the basis of a strict regulatory procedure) depending on the cases under consideration. The members of the Board of Appeal are independent.

The decisions of the Board of Appeal can be appealed against at the Court of Justice of the European Union in Luxembourg.

- **Other institutions:** Various Community institutions such as the Council of the European Union, the Court of Auditors (control of income and expenditure accounts), the European Parliament and the European Commission impinge directly or indirectly on the activities of the CPVO.



Apples



Lilies, Netherlands

4. Overview Budget Implementation 2016

4.1 Introduction

In accordance with the financial regulations of the Community Plant Variety Office, the present report provides an overview and analysis of the execution of the budget of the CPVO in 2016 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.

4.2 Overview

The Community Plant Variety Office received 3299 applications in 2016 compared to 2015 (3111 applications). In 2016, 2980 new titles were granted with a low rate of surrender of titles (2844 in 2015). The total number of grants in force rose to 25148.

4.3 Budgetary Accounts

The budgetary accounts, which are more or less a reflection of the cash receipts and expenditure for the year, are sensitive to the timing of receipts and payments. Receipts of € 13.46 million and expenses of € 15.59 million meant a budget outturn of € 2.13 million negative. Non-budgetary income of € 99K leads to a net outturn of € 2.03 million negative.

The initial forecasts for the budget outturn were foreseen at closer to EUR 1.75 million negative, however, a number of factors had an impact in 2016, most importantly, the higher than expected inflation increases for staff.

4.4 Financial Accounts

The financial accounts show an economic result of € 2.33 million negative. This figure takes into account *inter alia* invoices not yet received at year end.

4.5 Budgetary Outturn

The budgetary outturn is the difference between the budgetary receipts and budgetary payments including amounts carried over to 2017.

Table 1 Budgetary outturn 2016

		2016	2015	% variation 2016
Income	- Fees revenue	13 262 555,00	12 663 224,00	4,73%
	- Other revenue	195 681,19	176 231,67	11,04%
	Total	13 458 236,19	12 839 455,67	4,82%
Expenditure	Title 1 Staff expenditure	-6 362 894,32	-6 154 321,58	3,39%
	Title 2 Administrative expenditure	-1 983 560,31	-1 398 219,40	41,86%
	Title 3 Operational expenditure	-7 241 909,80	-6 427 250,56	12,68%
	Total	-15 588 364,43	-13 979 791,54	11,51%
Budget Outturn of the year		-2 130 128,24	-1 140 335,87	86,80%
Non budgetary income		99 334,16	88 116,22	12,73%
Net outturn for the year		-2 030 794,08	-1 052 219,65	93,00%

5. Revenue

Table 2 Revenue breakdown

	2016	2015	% variation 2016
Fees	13 262 555,00	12 663 224,00	4,73%
Administrative operations	96 401,00	16 027,32	501,48%
Interest	99 280,19	160 204,35	-38,03%
Grand Total	13 458 236,19	12 839 455,67	4,82%

Table 3 Breakdown of fee income

	2016	2015	% variation 2016
Annual fees	6 408 900,00	6 052 200,00	5,89%
Application fees	1 505 050,00	2 036 450,00	-26,09%
Examination fees	4 882 320,00	4 118 514,00	18,55%
Other fees	466 285,00	456 060,00	2,24%
Grand Total	13 262 555,00	12 663 224,00	4,73%

Overall revenues increased slightly in 2016 (4.82%) and this increase occurred despite a significant drop in application fees as the new scheme for lower fees for online applications was put in place from 1 January 2016. Annual fees have risen in line with the increase of the total numbers of 'titles in force'.

6. Expenditure

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

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

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

Table 4 Budgetary execution 2016

	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Canceled %
Title 1 Staff expenditure	6 586 000,00	6 362 894,32	96,6%	223 105,68	3,4%
Title 2 Administrative expenditure	2 213 000,00	1 983 560,31	89,6%	229 439,69	10,4%
Title 3 Operational expenditure	7 350 000,00	7 241 909,80	98,5%	108 090,20	1,5%
Grand Total	16 149 000,00	15 588 364,43	96,5%	560 635,57	3,5%

Overall as can be seen, expenditure for the year was EUR 15.59 million with a very high execution rate for the budget (96.5%)

Table 5 Budgetary execution – comparison 2015 – 2016

	Budget execution 2016	Budget execution 2015	% Change
Title 1 Staff expenditure	6 362 894,32	6 154 321,58	3,4%
Title 2 Administrative expenditure	1 983 560,31	1 398 219,40	41,9%
Title 3 Operational expenditure	7 241 909,80	6 427 250,56	12,7%
Grand Total	15 588 364,43	13 979 791,54	11,5%

Table 6 Budgetary execution 2016 – Title 1: Staff expenditure

Budget article	Description.	Final appropriation	Budget execution	Execution %	Paid in the year	Carried forward to 2017 (C8)	Cancelled appropriations	Canceled %
E1100	Staff	6 005 000,00	5 857 338,59	97,5%	5 765 275,59	92 063,00	147 661,41	2,5%
E1200	Training	98 000,00	47 316,31	48,3%	31 980,31	15 336,00	50 683,69	51,7%
E1300	Travel	240 000,00	240 000,00	100,0%	236 113,77	3 886,23	0,00	0,0%
E1400	Interim staff	207 000,00	190 688,33	92,1%	182 042,51	8 645,82	16 311,67	7,9%
E1500	Assistance	26 000,00	23 628,49	90,9%	17 695,62	5 932,87	2 371,51	9,1%
E1700	Representation	10 000,00	3 922,60	39,2%	3 922,60	0,00	6 077,40	60,8%
Grand Total		6 586 000,00	6 362 894,32	96,6%	6 237 030,40	125 863,92	223 105,68	3,4%

Staff expenditure showed a moderate increase, mainly due to inflation.

Table 7 Budgetary execution – Title 1: Staff expenditure – comparison 2015 – 2016

Budget article	Description.	Budget execution 2016	Budget execution 2015	% Change
E1100	Staff	5 857 338,59	5 723 858,19	2,3%
E1200	Training	47 316,31	98 904,09	-52,2%
E1300	Travel	240 000,00	239 999,37	0,0%
E1400	Interim staff	190 688,33	76 481,46	149,3%
E1500	Assistance	23 628,49	12 047,55	96,1%
E1700	Representation	3 922,60	3 030,92	29,4%
Grand Total		6 362 894,32	6 154 321,58	3,4%

A more detailed analysis for staff expenditure shows that staff costs increased by 2% whereas long-term absences meant that there was a significant increase in the costs for interim replacement staff.

Table 8 Budgetary execution 2016 – Title 2: Administrative expenditure

Budget article	Description.	Final appropriation	Budget execution	Execution %	Paid in the year	Carried forward to 2017 (CB)	Cancelled appropriations	Canceled %
E2000	Immeubles	570 000,00	498 554,51	87,5%	214 131,00	284 423,51	71 445,49	12,5%
E2100	Dépenses informatique	850 000,00	829 677,22	97,6%	576 193,50	253 483,72	20 322,78	2,4%
E2200	Equipements divers	70 000,00	61 356,94	87,7%	50 207,94	11 149,00	8 643,06	12,3%
E2300	Administration générale	70 000,00	46 937,78	67,1%	45 501,83	1 435,95	23 062,22	32,9%
E2400	Affranchissement et télécom.	90 000,00	67 234,39	74,7%	60 142,88	7 091,51	22 765,61	25,3%
E2500	Réunion et conseil	313 000,00	268 056,03	85,6%	174 197,27	93 858,76	44 943,97	14,4%
E2600	Audit et évaluation	250 000,00	211 743,44	84,7%	74 645,44	137 098,00	38 256,56	15,3%
Grand Total		2 213 000,00	1 983 560,31	89,6%	1 195 019,86	788 540,45	229 439,69	10,4%

Table 9 Budgetary execution – Title 2: Administrative expenditure – comparison 2015 – 2016

Budget article	Description.	Budget execution 2016	Budget execution 2015	% Change
E2000	Property	498 554,51	201 824,25	147,0%
E2100	IT expenses	829 677,22	539 292,70	53,8%
E2200	Other equipment	61 356,94	54 869,11	11,8%
E2300	General admin.	46 937,78	37 811,17	24,1%
E2400	Postage and telecom	67 234,39	76 500,00	-12,1%
E2500	Meetings and notices	268 056,03	388 790,20	-31,1%
E2600	Audit and evaluation	211 743,44	99 131,97	113,6%
Grand Total		1 983 560,31	1 398 219,40	41,9%

For Administrative expenses, there were significant increases in property costs due to the renovation of a building (ongoing in 2017) and IT expenses, due mainly to the development of the new CPVO website and the MyPVR client portal. Evaluation expenses increased as the CPVO launched an evaluation into Communication Activities in the Office.

Table 10 Budgetary execution 2016 – Title 3: Operational expenditure

Budget article	Description.	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Canceled %
E3000	Examination office fees	6 434 000,00	6 431 240,14	100,0%	2 759,86	0,0%
E3200	Examination reports	380 000,00	361 765,52	95,2%	18 234,48	4,8%
E3400	Publications	163 000,00	158 574,79	97,3%	4 425,21	2,7%
E3500	Studies	163 000,00	108 411,91	66,5%	54 588,09	33,5%
E3600	Special advisors	210 000,00	181 917,44	86,6%	28 082,56	13,4%
E3700	Multi-beneficiary program	0,00	0,00		0,00	
Grand Total		7 350 000,00	7 241 909,80	98,5%	108 090,20	1,5%

Table 11 Budgetary execution – Title 3: Operational expenditure – comparison 2015 – 2016

Budget article	Description.	Budget execution 2016	Budget execution 2015	% Change
E3000	Examination office fees	6 431 240,14	5 785 194,68	11,2%
E3200	Examination reports	361 765,52	306 960,00	17,9%
E3400	Publications	158 574,79	115 894,38	36,8%
E3500	Studies	108 411,91	149 991,63	-27,7%
E3600	Special advisors	181 917,44	62 037,06	193,2%
E3700	Multi-beneficiary program	0,00	7 172,81	-100,0%
Grand Total		7 241 909,80	6 427 250,56	12,7%

Payments for operational expenditure shows significant increases in examination office fees, reflecting the increases due to the cost calculation exercise and also due to higher application numbers.

Table 12 Budgetary execution (commitment appropriation) 2016 – Title 3: Operational expenditure

Budget article	Description	Budget initial	Transferts	Budget final	Committed	Percent committed
E3000	Examination office fees	7 890 000	-283 000,00	7 845 000,00	7 235 325,64	92,2%
E3200	Examination reports	350 000	20 000,00	370 000,00	332 005,52	89,7%
E3400	Publications	150 000	25 000,00	175 000,00	162 665,79	93,0%
E3500	Studies	300 000		500 000,00	489 803,20	98,0%
E3600	Special advisors	100 000	226 000,00	326 000,00	213 818,55	65,6%
Total		8 790 000	-12 000,00	9 216 000,00	8 433 618,70	91,5%

Table 13 Title 3 – Outstanding commitments

Budget Article	Outstanding begining 2016	Committed	De-committed	Paid	Outstanding end 2016
E3000	13 786 280	7 235 326	-497 895	-6 431 240	14 092 471
E3200	342 960	332 006	-7 440	-361 766	305 760
E3400	29 846	162 666	-12 704	-158 575	21 233
E3500	113 532	489 803	-20 047	-108 412	474 877
E3600	63 993	213 819	-17 576	-181 917	78 318
E3700	640		-640		0
Grand Total	14 337 251	8 433 619	-556 302	-7 241 910	14 972 658

7. Budget amendments and transfers

Two budget revisions were made in 2016 covering a number of budget lines.

As a normal year, transfers are made where there are changes in spending.

During the first quarter, transfers were made from the line for staff expenditure and examination office fees to fund increased costs for interim agents and special advisors (legal support for appeals).

Revisions were made later in the year in order to re-attribute budgetary amounts. The budget line for Property was reinforced to finance the renovation of a building; the budget line for Meetings had to be increased to reflect additional costs. The overall revision for the budget was EUR 699K.

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

Table 14 Revisions and transfers on the payment budget 2016

Budget article	Description.	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation
E1100	Staff	5 980 000	140 000	-115 000	6 005 000
E1200	Training	100 000	0	-2 000	98 000
E1400	Interim staff	80 000	0	127 000	207 000
E1500	Assistance	20 000	4 000	2 000	26 000
E2000	Property	300 000	270 000	0	570 000
E2500	Meetings and notices	250 000	63 000	0	313 000
E3000	Examination office fees	6 400 000	222 000	-188 000	6 434 000
E3200	Examination reports	340 000	0	40 000	380 000
E3400	Publications	150 000	0	13 000	163 000
E3500	Studies	150 000	0	13 000	163 000
E3600	Special advisors	100 000	0	110 000	210 000
Grand Total		13 870 000	699 000	0	14 569 000

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

For Title 1 and Title 2, the Commitment budget is subject to the same transfers as the Payment budget as the credits are non-dissociated credits. The explanations of revisions and transfers are mentioned on the previous paragraph.

For Title 3, revisions were made to reinforce the budget line for Examination office fees and the budget line for Studies. Revisions were made later in the year in order to re-attribute budgetary amounts. The overall revision for the budget was EUR 915K. Transfers were also necessary to increase the budget line for special advisors (legal support for appeals).

Table 15 Revisions and transfers of the commitment budget (title 3) 2016

Budget article	Description	Budget initial	Revisions	Transfers	Budget final
E1100	Staff	5 980 000,00	140 000	-115 000	6 005 000
E1200	Training	100 000,00		-2 000	98 000
E1400	Interim staff	80 000,00		127 000	207 000
E1500	Assistance	20 000,00	4 000	2 000	26 000
E2000	Property	300 000,00	270 000	0	570 000
E2500	Meetings and notices	250 000,00	63 000	0	313 000
E3000	Examination office fees	7 890 000,00	238 000	-283 000	7 845 000
E3200	Examination reports	350 000,00		20 000	370 000
E3400	Publications	150 000,00		25 000	175 000
E3500	Studies	300 000,00	200 000	0	500 000
E3600	Special advisors	100 000,00		226 000	326 000
Grand Total		15 520 000,00	915 000	0	16 435 000

8. 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.

The table below shows, for the 2015 amounts carried over to 2016 for payment, there was a payment level of 83% (€ 481 591.78). The amount unpaid which had been considered as a budgetary expenditure in 2015 is now "non-budgetary income" for 2016 and appears in the budget outturn account as such in the table above.

Table 16 Execution of C8 credit – 2016

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Titre 1	E1100	Staff	94 750,46	81 593,33	86%	13 157,13
	E1200	Training	53 574,00	53 324,00	100%	250,00
	E1300	Travel	26 525,36	11 988,47	45%	14 536,89
	E1400	Interim staff	7 710,60	5 108,58	66%	2 602,02
	E1500	Assistance	2 274,75	1 745,03	77%	529,72
	E1700	Representation	207,85	0,00	0%	207,85
	Total		185 043,02	153 759,41	83%	31 283,61
Titre 2	E2000	Property	54 782,46	43 000,71	78%	11 781,75
	E2100	IT expenses	134 030,03	127 841,11	95%	6 188,92
	E2200	Other equipment	18 028,87	17 608,11	98%	420,76
	E2300	General admin.	2 991,40	2 523,99	84%	467,41
	E2400	Postage and telecom	7 611,98	5 759,41	76%	1 852,57
	E2500	Meetings and notices	96 368,18	54 623,86	57%	41 744,32
	E2600	Audit and evaluation	82 070,00	76 475,18	93%	5 594,82
	Total		395 882,92	327 832,37	83%	68 050,55
Grand Total			580 925,94	481 591,78	83%	99 334,16

9. Treasury reserve

Table 17 Calculation of the free reserve

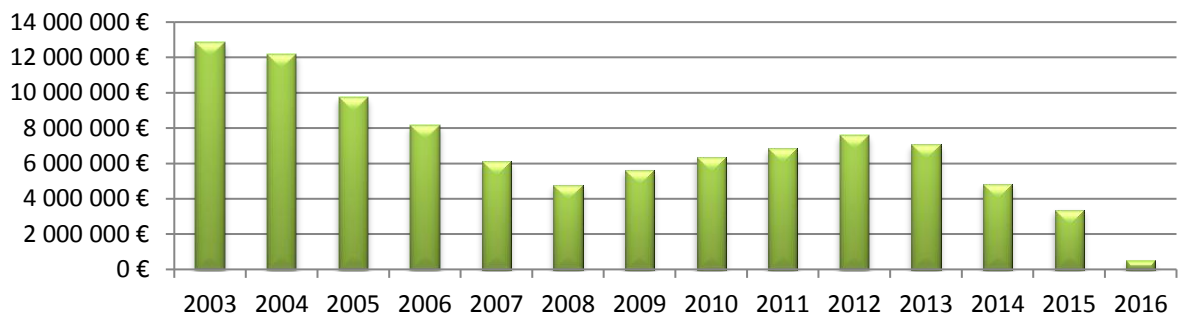
Description	31/12/2016 (€)
Treasury amount	16 403 118
Title 1 : Amount carried over to 2017	125 864
Title 2 : Amount carried over to 2017	788 540
Title 3 : Amount carried over (differentiated credit)	14 972 658
Free reserve	516 056

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

The reserve of cash and cash equivalents of the CPVO at 31 December 2016 amounted to € 16.4 million (lower than the position at the same time in 2015). However, the outstanding budgetary commitments made with third parties (mainly with examination offices) at the same period amounted to € 15.9 million.

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

Table 18 Evolution of the free reserve



10. Budgetary Principles

The following principles are applied for the implementation of the budget of the CPVO.

- Principle of unity and budget accuracy: The budget is the instrument which, for each financial year, forecasts and authorises the revenue and expenditure considered necessary for the Office. No revenue shall be collected and no expenditure effected unless booked to a line in the budget. An appropriation must not be entered in the budget of the Office if it is not for an item of expenditure considered necessary. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget of the Office.
- Principle of annuality: The appropriations entered are authorised for one financial year and must therefore be used during that year. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December. Payments shall be entered in the accounts for a financial year on the basis of the payments effected by the accounting officer by 31 December of that year at the latest.
- Principle of equilibrium: The Office's budget revenue and expenditure must be in balance.
- Principle of unit of account: The budget shall be drawn up and implemented in euro and the accounts shall be presented in euro. The rate of conversion between the euro and other currencies is taken from the monthly publication
- Principle of universality: Total revenue shall cover all expenditure. All revenue and expenditure shall be entered in full without any adjustment against each other.
- Principle of specification: The appropriations shall be earmarked for specific purposes by title and chapter; the chapters shall be further subdivided into articles and items.
- Principle of sound financial management: Budget appropriations shall be used in accordance with the principle of sound financial management, that is to say, in accordance with the principles of economy, efficiency and effectiveness.
- Principle of transparency: The budget shall be drawn up and implemented and the accounts presented in compliance with the principle of transparency.

11. Budgetary Accounts

11.1 Budget Outturn Account – Detailed

Table 19 Detailed budget outturn

		2016	2015	% variation 2016
Income	- Fees revenue	13 262 555,00	12 663 224,00	4,73%
	- Other revenue	195 681,19	176 231,67	11,04%
	Total	13 458 236,19	12 839 455,67	4,82%
Expenditure	Title 1 Staff expenditure	-6 362 894,32	-6 154 321,58	3,39%
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	Title 3 Operational expenditure	-7 241 909,80	-6 427 250,56	12,68%
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Non budgetary income		99 334,16	88 116,22	12,73%
Net outturn for the year		-2 030 794,08	-1 052 219,65	93,00%

11.2 Budget income

Table 20 Budget income detailed

Budget Posts	Description	Budget after RSB(*) and transfers	Income stated in 2016	Income collected in 2016	Variation with budget (%)
1000	Fees and surcharges collected	14 114 000	13 262 555	13 262 555	-6,03%
3000	Deficit reserve	1 673 000			
5000	Income from administrative operations	112 000	96 401	96 401	-13,93%
9100	Other income (mainly financial income)	250 000	99 280	99 280	-60,29%
Total		16 149 000	13 458 236	13 458 236	

(*) rectified supplementary budget

11.3 Budget Outturn – detailed reports

Table 21 Commitment appropriation 2016

Title	Budget article	Description	Budget initial	Revisions	Transferts	Budget final	Committed	Percent committed	Cancelled
Titre 1	E1100	Staff	5 980 000	140 000	-115 000,00	6 005 000,00	5 857 338,59	97,5%	147 661,41
	E1200	Training	100 000	0	-2 000,00	98 000,00	47 316,31	48,3%	50 683,69
	E1300	Travel	240 000	0	0,00	240 000,00	240 000,00	100,0%	0,00
	E1400	Interim staff	80 000	0	127 000,00	207 000,00	190 688,33	92,1%	16 311,67
	E1500	Assistance	20 000	4 000	2 000,00	26 000,00	23 628,49	90,9%	2 371,51
	E1700	Representation	10 000	0	0,00	10 000,00	3 922,60	39,2%	6 077,40
	Total		6 430 000	144 000	12 000,00	6 586 000,00	6 362 894,32	96,6%	223 105,68
Titre 2	E2000	Property	300 000	270 000	0,00	570 000,00	498 554,51	87,5%	71 445,49
	E2100	IT expenses	850 000	0	0,00	850 000,00	829 677,22	97,6%	20 322,78
	E2200	Other equipment	70 000	0	0,00	70 000,00	61 356,94	87,7%	8 643,06
	E2300	General admin.	70 000	0	0,00	70 000,00	46 937,78	67,1%	23 062,22
	E2400	Postage and telecom	90 000	0	0,00	90 000,00	67 234,39	74,7%	22 765,61
	E2500	Meetings and notices	250 000	63 000	0,00	313 000,00	268 056,03	85,6%	44 943,97
	E2600	Audit and evaluation	250 000	0	0,00	250 000,00	211 743,44	84,7%	38 256,56
	Total		1 880 000	333 000	0,00	2 213 000,00	1 983 560,31	89,6%	229 439,69
Titre 3	E3000	Examination office fees	7 890 000	238 000	-283 000,00	7 845 000,00	7 235 325,64	92,2%	609 674,36
	E3200	Examination reports	350 000	0	20 000,00	370 000,00	332 005,52	89,7%	37 994,48
	E3400	Publications	150 000	0	25 000,00	175 000,00	162 665,79	93,0%	12 334,21
	E3500	Studies	300 000	200 000	0,00	500 000,00	489 803,20	98,0%	10 196,80
	E3600	Special advisors	100 000	0	226 000,00	326 000,00	213 818,55	65,6%	112 181,45
	Total		8 790 000	438 000	-12 000,00	9 216 000,00	8 433 618,70	91,5%	782 381,30
Grand Total			17 100 000	915 000	0,00	18 015 000,00	16 780 073,33	93,1%	1 234 926,67

Table 22 Payment appropriation 2016

Title.	Budget article	Description.	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation	Budget execution	Execution %	Paid in the year	Carried forward to 2017 (C8)	Cancelled appropriations	Canceled %
Title 1 Staff expenditure	E1100	Staff	5 980 000,00	140 000,00	-115 000,00	6 005 000,00	5 857 338,59	97,5%	5 765 275,59	92 063,00	147 661,41	2,5%
	E1200	Training	100 000,00	0,00	-2 000,00	98 000,00	47 316,31	48,3%	31 980,31	15 336,00	50 683,69	51,7%
	E1300	Travel	240 000,00	0,00	0,00	240 000,00	240 000,00	100,0%	236 113,77	3 886,23	0,00	0,0%
	E1400	Interim staff	80 000,00	0,00	127 000,00	207 000,00	190 688,33	92,1%	182 042,51	8 645,82	16 311,67	7,9%
	E1500	Assistance	20 000,00	4 000,00	2 000,00	26 000,00	23 628,49	90,9%	17 695,62	5 932,87	2 371,51	9,1%
	E1700	Representation	10 000,00	0,00	0,00	10 000,00	3 922,60	39,2%	3 922,60	0,00	6 077,40	60,8%
	Total		6 430 000,00	144 000,00	12 000,00	6 586 000,00	6 362 894,32	96,6%	6 237 030,40	125 863,92	223 105,68	3,4%
Title 2 Administrative expenditure	E2000	Property	300 000,00	270 000,00	0,00	570 000,00	498 554,51	87,5%	214 131,00	284 423,51	71 445,49	12,5%
	E2100	IT expenses	850 000,00	0,00	0,00	850 000,00	829 677,22	97,6%	576 193,50	253 483,72	20 322,78	2,4%
	E2200	Other equipment	70 000,00	0,00	0,00	70 000,00	61 356,94	87,7%	50 207,94	11 149,00	8 643,06	12,3%
	E2300	General admin.	70 000,00	0,00	0,00	70 000,00	46 937,78	67,1%	45 501,83	1 435,95	23 062,22	32,9%
	E2400	Postage and telecom	90 000,00	0,00	0,00	90 000,00	67 234,39	74,7%	60 142,88	7 091,51	22 765,61	25,3%
	E2500	Meetings and notices	250 000,00	63 000,00	0,00	313 000,00	268 056,03	85,6%	174 197,27	93 858,76	44 943,97	14,4%
	E2600	Audit and evaluation	250 000,00	0,00	0,00	250 000,00	211 743,44	84,7%	74 645,44	137 098,00	38 256,56	15,3%
	Total		1 880 000,00	333 000,00	0,00	2 213 000,00	1 983 560,31	89,6%	1 195 019,86	788 540,45	229 439,69	10,4%
Title 3 Operational expenditure	E3000	Examination office fees	6 400 000,00	222 000,00	-188 000,00	6 434 000,00	6 431 240,14	100,0%	6 431 240,14	0,00	2 759,86	0,0%
	E3200	Examination reports	340 000,00	0,00	40 000,00	380 000,00	361 765,52	95,2%	361 765,52	0,00	18 234,48	4,8%
	E3400	Publications	150 000,00	0,00	13 000,00	163 000,00	158 574,79	97,3%	158 574,79	0,00	4 425,21	2,7%
	E3500	Studies	150 000,00	0,00	13 000,00	163 000,00	108 411,91	66,5%	108 411,91	0,00	54 588,09	33,5%
	E3600	Special advisors	100 000,00	0,00	110 000,00	210 000,00	181 917,44	86,6%	181 917,44	0,00	28 082,56	13,4%
	Total		7 140 000,00	222 000,00	-12 000,00	7 350 000,00	7 241 909,80	98,5%	7 241 909,80	0,00	108 090,20	1,5%
Grand Total			15 450 000,00	699 000,00	0,00	16 149 000,00	15 588 364,43	96,5%	14 673 960,06	914 404,37	560 635,57	3,5%

Table 23 Budget outturn of non-differentiated credits carried forward (C8)

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Titre 1	E1100	Staff	94 750,46	81 593,33	86%	13 157,13
	E1200	Training	53 574,00	53 324,00	100%	250,00
	E1300	Travel	26 525,36	11 988,47	45%	14 536,89
	E1400	Interim staff	7 710,60	5 108,58	66%	2 602,02
	E1500	Assistance	2 274,75	1 745,03	77%	529,72
	E1700	Representation	207,85	0,00	0%	207,85
	Total		185 043,02	153 759,41	83%	31 283,61
Titre 2	E2000	Property	54 782,46	43 000,71	78%	11 781,75
	E2100	IT expenses	134 030,03	127 841,11	95%	6 188,92
	E2200	Other equipment	18 028,87	17 608,11	98%	420,76
	E2300	General admin.	2 991,40	2 523,99	84%	467,41
	E2400	Postage and telecom	7 611,98	5 759,41	76%	1 852,57
	E2500	Meetings and notices	96 368,18	54 623,86	57%	41 744,32
	E2600	Audit and evaluation	82 070,00	76 475,18	93%	5 594,82
	Total		395 882,92	327 832,37	83%	68 050,55
Grand Total			580 925,94	481 591,78	83%	99 334,16

12. Financial Accounts:

12.1 Balance sheet

				2016	2015
Assets	Non-Current assets	Intangible Assets	1	9,620.00	24,322.04
		Tangible Assets	2	3,121,981.11	3,229,370.81
		Medium term investments	3	6,095,500.00	2,245,600.00
		Total		9,227,101.11	5,499,292.85
	Current assets	Short-term receivables	4	3,350,672.39	3,791,687.76
		Treasury	5	10,277,505.37	16,054,063.93
		Other receivable	6	42,546.79	72,981.07
		Total		13,670,724.55	19,918,732.76
	Total			22,897,825.66	25,418,025.61
Liabilities	Accumulated result	Reserve		12,131,541.04	14,059,438.19
		Profit / deficit		(2,331,879.79)	(1,927,897.15)
		Total		9,799,661.25	12,131,541.04
	Current liabilities	Accrued charges and deferred income	7	12,871,830.00	13,066,481.48
		Current payables	8	20,667.06	25,563.09
		Short-term provision	9	205,667.35	194,440.00
		Total		13,098,164.41	13,286,484.57
	Total			22,897,825.66	25,418,025.61

12.2 Statement of financial performance

Table 24 Statement of financial performance

		2016	2015
Income	Income from fees	12,793,830.90	12,287,755.43
	Income from administrative operations	103,152.21	36,543.71
	Income from subsidies		47,604.74
	Total	12,896,983.11	12,371,903.88
Expenditure	Operational expenses	(7,176,070.52)	(6,837,748.37)
	Salaries and social taxes	(6,160,483.42)	(5,831,382.94)
	Overheads	(1,689,194.16)	(1,502,267.77)
	Depreciation	(262,721.38)	(261,457.67)
	Total	(15,288,469.48)	(14,432,856.75)
Result		(2,391,486.37)	(2,060,952.87)
Financial revenue	Interest income	62,762.20	134,399.30
	Miscellaneous financial income	276.96	948.86
	Total	63,039.16	135,348.16
Financial expenditure	Bank charges & exchange differences	(3,432.58)	(2,292.44)
	Total	(3,432.58)	(2,292.44)
Result		59,606.58	133,055.72
Economic outturn for the year		(2,331,879.79)	(1,927,897.15)

12.3 Cash-flow (Indirect method)

Table 25 Cash-flow

	2016	2015
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	-2 331 879,79	-1 927 897,15
<i>Operating activities</i>		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	14 702,04	18 790,22
Depreciation (tangible fixed assets) +	248 019,34	242 667,45
Impairment (tangible fixed assets) +		
Increase/(decrease) in Provisions for risks and liabilities	11 227,35	22 800,00
(Increase)/decrease in Long term Receivables	-3 849 900,00	-733 000,00
(Increase)/decrease in Short term Receivables	479 612,16	-783 510,17
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	-207 710,02	1 647 744,86
Net cash Flow from operating activities	-5 635 928,92	-1 512 404,79
<i>Cash Flows from investing activities</i>		
Increase of tangible and intangible fixed assets (-)	-140 629,64	-101 525,19
Proceeds from tangible and intangible fixed assets (+)		
Loss on decommissioning of assets (+)		
Net cash flow from investing activities	-140 629,64	-101 525,19
Net Increase/(decrease) in cash and equivalent	-5 776 558,56	-1 613 929,98
Cash and cash equivalents at the beginning of the period	16 054 063,93	17 667 993,91
Cash and cash equivalents at the end of the period	10 277 505,37	16 054 063,93
Net Increase/(decrease) in cash and equivalent	-5 776 558,56	-1 613 929,98
Difference	0,00	0,00

12.4 Reconciliation between the economic result and the budgetary result

Table 26 Reconciliation table

	sign + / -	Amount
Economic result (+ for surplus and - for deficit)	+ / -	-2 331 879,79
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-11 848 603,27
Adjustments for Accrual Cut-off (cut- off 31.12.N)	+	11 923 180,61
Depreciation of intangible and tangible assets	+	262 721,38
Value reduction	+	
Recovery Orders issued in the year in class 7 and not yet cashed	-	-2 757 100,00
Payments made from carry over of payment appropriations	+	481 591,78
Prefinancing received in previous year and cleared in the year	-	
Asset acquisitions (less unpaid amounts)	-	-140 629,64
Budgetary recovery orders issued before the financial year and cashed	+	3 194 670,00
Payment appropriations carried over to the next year	-	-914 404,37
Cancellation of unused carried over payment appropriations from previous year	+	99 334,16
total (1)		-2 031 119,14
Budgetary result (+ for surplus) (2)		-2 031 119,14
Including amount of exchange rate differences - (+ for gain ; - for loss)		-325,06
Delta not explained (1) - (2)		0,00

12.5 Notes to the financial accounts

Note 1 Intangible fixed assets

		Internally generated Computer Software	Computer Software	Other Intangible assets (1)	Intangible assets under construction	Total
Gross carrying amounts 01.01.2016	+		634 612,95			634 612,95
Additions	+					0,00
Disposals	-					
Transfer between headings	+/-					
Other changes	+/-					
Gross carrying amounts 31.12.2016		0,00	634 612,95	0,00	0,00	634 612,95
Accumulated amortization and impairment 01.01.2016	-		-610 290,91			-610 290,91
Amortization	-		-14 702,04			-14 702,04
Disposals	+					
Write-back of impairment	+					
Transfer between headings	+/-					
Accumulated amortization and impairment 31.12.2016		0,00	-624 992,95	0,00	0,00	-624 992,95
Net carrying amounts 31.12.2016		0,00	9 620,00	0,00	0,00	9 620,00

Note 2 Tangible Fixed Assets

		Land	Buildings	Plant and Equipment	Computer hardware	Tangible assets under construction	Total
Gross carrying amounts 01.01.2016	+	292 220,00	5 114 205,80	351 660,70	344 842,47		6 102 928,97
Additions	+		51 651,35	25 132,82	51 468,35	12 377,12	140 629,64
Disposals	-			-10 837,42	-27 795,00		-38 632,42
Impairment	+/-						0,00
Other changes	+/-						0,00
Gross carrying amounts 31.12.2016		292 220,00	5 165 857,15	365 956,10	368 515,82	12 377,12	6 204 926,19
Accumulated amortization and impairment 01.01.2016	-		-2 244 104,41	-320 960,04	-308 493,71		-2 873 558,16
Depreciation	-		-204 557,88	-14 060,83	-29 400,63		-248 019,34
Write-back of depreciation	+						
Disposals	+			10 837,42	27 795,00		38 632,42
Transfer between headings	+/-						
Accumulated amortization and impairment 31.12.2016		0,00	-2 448 662,29	-324 183,45	-310 099,34	0,00	-3 082 945,08
Net carrying amounts 31.12.2016		292 220,00	2 717 194,86	41 772,65	58 416,48	12 377,12	3 121 981,11

Note 3 Medium term investments

	2016	2015
Medium term investments	6,095,500.00	2,245,600.00
Total	6,095,500.00	2,245,600.00

In 2016, the amount of medium term investments increased considerably as the expense of short term investments as the rates are slightly more interesting than rates for shorter period. The increase of medium term investments was foreseen to optimize the return, but rates are still very low. The amount of € 6 095 500 is divided in 4 different investments as it can be seen on the table below:

	2016	2015
BNP - financial investment	550,000.00	512,600.00
C.E. - financial investment	733,000.00	1,733,000.00
CRCA - financial investment	4,000,000.00	
HSBC - financial investment	812,500.00	
Grand Total	6,095,500.00	2,245,600.00

Note 4 Short term receivables

	2016	2015
Customers	2,938,095.22	3,450,462.47
VAT	304,489.70	256,911.65
Deferred charges	108,087.47	84,313.64
Total	3,350,672.39	3,791,687.76

Note 5 Treasury

	2016	2015
Short-term investments	5,992,673.20	10,680,186.86
Current accounts	4,237,662.87	5,323,543.23
Imprest account	47,169.30	49,533.84
Cash in hand	-	800.00
Total	10,277,505.37	16,054,063.93

As mentioned above, short term investments decreased for the benefit of medium terms investments.

Breakdown of short term investments

	2016	2015
BARCLAYS	1.58	-
BNP	2,958,000.00	2,958,000.00
CAISSE D'EPARGNE	1,705,800.00	705,800.00
CREDIT AGRICOLE	-	4,000,000.00
LCL	1,328,871.62	1,324,672.28
SOCIETE GENERALE	-	1,691,714.58
Total	5,992,673.20	10,680,186.86

Note 6 Other receivables

	2016	2015
Interest to be received	34,384.28	70,625.31
Other receivable	-	666.00
Sundry receivables (staff)	8,162.51	1,689.76
Total	42,546.79	72,981.07

Interest rates are still very low and decreased in 2016. The Office expects less return on investments.

Note 7 Accrued charges and differed income

	2016	2015
Deferred income	8,353,172.90	8,328,708.80
Invoices to be received	4,289,762.43	4,332,523.48
Suspense account	40,301.00	43,308.00
Accrued holidays	126,096.67	84,743.05
Charge accounts	62,497.00	277,198.15
Total	12,871,830.00	13,066,481.48

Note 8 Current payables

	2016	2015
Sundry credit accounts	-	6,513.50
Suppliers	20,667.06	19,049.59
Total	20,667.06	25,563.09

Note 9 Short term provision

	2016	2015
Provision for doubtful debts	205,667.35	194,440.00
Grand Total	205,667.35	194,440.00

Table 27 Statement of changes in net assets

	2016	2015
Reserve	12,131,541.04	14,059,438.19
Profit / deficit	(2,331,879.79)	(1,927,897.15)
Cumulated reserve	9,799,661.25	12,131,541.04

12.6 Other Disclosures

Off Balance Sheet Commitments

At the year-end there was of a total of € 14 972 658 of commitments open on title 3 (operational expenditure) and a further € 914 404 for titles 1 and 2 carried to 2017 as C8 credits. Of this total, € 4 289 762 relates to work carried out in or before 2016 but not yet invoiced an amount for which there is a provision in the financial accounts. The balance of **€ 11 597 300** relates to commitments made which relate to work to be undertaken in the future. These commitments are existing financial commitments for which the submission date is foreseen within the coming years. There is as of yet no real liability yet for the Office, as the applicants could still cancel the examination before the submission date of material. Therefore they are taken as off-balance sheet commitments.

Contingent liabilities

The CPVO is currently subject to appeal cases and in the event of loss, would be liable for the expenses incurred by the winning parties plus expenses incurred for the lawyer's fees. The probability of loss is considered to be low and the maximum potential liability is of the order of 70 000 €.

Related parties

As at 31 December, no related parties were identified. The key management personnel of the Office is shown below:

Grade	N° of staff
AD14	1
AD12	1
Total	2

Post balance sheet events

There are no relevant post balance sheet events to be reported.

12.7 Statement of financial risk

Medium term investments

The Offices has medium term investments with the financial institutions mentioned below with maturities in the coming 3 years.

Long term receivables	1-2 years	2-3 years	total
Medium term investment Caisse d'Epargne	733 000,00		733 000,00
Medium term investment Crédit Agricole		4 000 000,00	4 000 000,00
Medium term investment HSBC		812 500,00	812 500,00
Medium term investment BNP		550 000,00	550 000,00
total	733 000,00	5 362 500,00	6 095 500,00

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

Customers	2016	2015
Amount due by customers	2 938 095,22	3 450 462,47
Provision at the start of the year	-194 440,00	-171 640,00
Additional provision (-)	-50 897,35	-26 260,00
Reduction of the provision (+)	3 160,00	1 900,00
Write-offs	36 510,00	1 560,00
Accumulated impairment (-)	-205 667,35	-194 440,00
Net amount at the end of the year	2 732 427,87	3 256 022,47

Break down of the provision for customers	2016	2015
Receivables from 2009	0,00	4 990,00
Receivables from 2010	10 200,00	41 420,00
Receivables from 2011	60 120,00	60 420,00
Receivables from 2012	45 850,00	45 950,00
Receivables from 2013	24 070,00	24 220,00
Receivables from 2014	22 160,00	17 440,00
Receivables from 2015	43 267,35	
Net amount at the end of the year	205 667,35	194 440,00

The trend of the provision for customers linked to the fees invoiced is downward since a few years. In 2016, the provision for these clients amounts to € 22 890. In addition, a provision for an invoice for recovery of legal cost of € 20 377.35 was made.

Credit quality of financial assets

CPVO financial assets and their related risk are outlined in the table below. For Member State receivables, this refers to VAT to be recovered. The receivables with third parties concerned medium term investment for 6 095 500 €, 108 087.47 € for deferred charges already paid in 2016 income to be received in 2017 from 2016 for 42 546.79 €.

Counterparties with external credit rating	Receivables with Member States	All receivables with third parties including accruals & deferrals *	Short-term deposits	Bank accounts and cash	Total	% of the total
Prime and high grade	266 473,84	6 246 134,26	5 992 673,20	4 284 832,17	16 790 113,47	99,77%
Upper medium grade	958,81				958,81	0,01%
Lower medium grade	34 100,58				34 100,58	0,20%
Non-investment grade	2 956,47				2 956,47	0,02%
Total	304 489,70	6 246 134,26	5 992 673,20	4 284 832,17	16 828 129,33	100,00%

* excluding receivables with MS and receivables with consolidated entities

The table below concerns more particularly receivables from our customers.

Counterparties without external credit rating	Receivables with Member States	All receivables with third parties including accruals & deferrals	Short-term deposits	Bank accounts	Total
Customers		2 938 095,22			2 938 095,22
Debtors who defaulted in the past					
Total	0,00	2 938 095,22	0,00	0,00	2 938 095,22

Maturity term of financial assets

Short term receivables	< 1 year	1-2 years	> 2 years	total
Customers	2 938 095,22			2 938 095,22
VAT	304 489,70			304 489,70
Deferred charges	105 225,93	2 476,10	874,02	108 576,05
total	3 347 810,85	2 476,10	874,02	3 351 160,97

Maturity of liabilities

The following table takes into account the treasury received for charge accounts and the amounts due to suppliers. There is a significant decrease of the payables as only 2 charge accounts out of 14 are still be used but will be closed in 2017.

	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	123 465,06			123 465,06
Payables with consolidated entities				
Total	123 465,06	0,00	0,00	123 465,06

Currency exposure (in EUR)

The CPVO has no exposure to non-EURO currencies. All balances are in EURO and should be paid in EURO.

12.8 Summary of main accounting principles

In accordance with the Financial Regulation (EC, Euratom) n°1605/2002 of the Council of 25 June 2002, amended by Council Regulation (EC, Euratom) n° 1995/2006 of 13 December 2006 and (EC) n° 1525/2007 of 17 December 2007, the CPVO's financial statements¹ for the financial year 2016 are prepared on the basis of the EC Accounting Rules which adapt the International Public Sector Accounting Standards (and in some cases the International Financial Reporting Standards) to the specific environment of the Communities², while the "Reports on implementation of the budget" continue to be primarily based on movements of cash.

The accounts are prepared for the financial year running from 1 January 2016 to 31 December 2016.

Accounting Principles

The objective of the financial statements is to provide information about the financial position, performance and cash flows of an entity that is useful to a wide range of users. For the CPVO, the objectives are more specifically to provide information useful for decision making, and to demonstrate the accountability of the entity for the resources entrusted to it.

In accordance with Article 143 and Article 144 of the Financial Regulation the CPVO applies the following accounting principles in drawing up the financial statements:

- going concern basis
- Prudence
- consistent accounting methods
- comparability of information
- materiality
- no netting
- reality over appearance
- accrual-based accounting

¹ The Financial Statements comprise the balance sheet, the statement of financial performance, the cash flow table, the statement of changes in net assets and explanatory notes.

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

Balance Sheet

Intangible Fixed Assets

- Acquired computer software licenses are stated at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives, being 4 years.
- Should the software be developed internally, it is recorded at its directly attributable costs of development, the threshold being EUR 500 000. However, in accordance with international accounting standards, this can only be done if these costs can be measured reliably.

Property, plant and equipment

- All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The threshold being EUR 420.

The threshold for capitalization of internally generated intangible assets is EUR 500 000.

- Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and its cost can be measured reliably. Repairs and maintenance are charged in the statement of financial performance during the financial period in which they are incurred.
- Land is not depreciated as they are deemed to have an infinite life. Assets under construction are not depreciated as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Depreciation rates:

Type of asset	Straight line depreciation rate
Buildings	4%
Furniture	12.5%
Vehicles	12.5%
Computer hardware	33%

Gains and losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset. These are included in the statement of financial performance.

Medium term financial assets:

- For held-to-maturity assets (negotiated deposits with an expiry date of greater or less than one year), interest is recorded on an accrual basis.

Impairment of non-financial assets:

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Receivables:

Receivables are carried at original amount less write-down for impairment. A write-down for impairment of receivables is established when there is objective evidence that the CPVO will not be able to collect all amounts due according to the original terms of receivables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected future cash flows, discounted at the market rate of interest for similar borrowers. The amount of the write-down is recognized in the statement of financial performance.

Cash and cash equivalents:

Cash and cash equivalents are defined as short-term assets. They include cash at hand, deposits held at call with banks, other short-term highly liquid investments.

Pension obligations:

The pension obligations for the CPVO are managed by and recognized as a liability in the accounts of the European Communities which operates defined benefit pension plans. A defined benefit plan is a pension plan that generally defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Provisions:

Provisions are recognized when the CPVO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Payables:

Payables arising from the purchase of goods and services are recognized at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the CPVO.

Accrued and deferred income and charges:

- A critical element in accrual accounting is the exercise of ensuring that transactions are recorded in the accounting year to which they relate. This exercise is referred to as the cut-off exercise.
- The CPVO applies the accounting rules of the EC in this regard. According to the European Communities accounting rules, transactions and events are recognized in the financial statements in the period to which they relate. At the end of the accounting period, accrued expenses are recognized based on an estimated amount of the transfer obligation of the period. The calculation of the accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Commission which aim at ensuring that the financial statements reflect a true and fair view.

Revenue is also accounted for in the period to which it relates.

In addition, at year-end, if an invoice is issued but the services have not yet been rendered, the revenue will be deferred and recognized in the subsequent accounting period.

Statement of financial performance

Revenue:

- Revenue from fees and other miscellaneous revenue are entered in the accounts once the corresponding service is considered rendered to the client and when it is considered to be certain.
- In the case of the application fee, revenue is recorded when the filing date has been assigned. In the case of the CPVO, this means the moment when the Agency issues an invoice or recovery order.

Interest income and expense:

Interest income and expense are recognized in the statement of financial performance over the relevant period.

Expenditure:

- Exchange expenses arising from the purchase of goods and services are recognized when the supplies are delivered and accepted by the CPVO. They are valued at original invoice cost.
- Provisions for expenditure are made if the following conditions are satisfied:
 - (a) a current obligation exists as a result of a past event;
 - (b) resources representing economic benefits will probably have to be used to extinguish the obligation;
 - (c) the amount of the obligation can be reliably estimated.

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