



**CPVO**

Community Plant Variety Office

# Final Accounts 2017

### **2017 Declaration of Assurance the President of the CPVO**

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

Declare that the information contained in the Financial Accounts 2017 give a true and faire view of the financial position of the CPVO.

State that I have reasonable assurance that the resources assigned to the activities describe in the reports have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transaction. This reasonable assurance is based on my own judgment and on the information at my disposal.

Confirm that I am not aware of anything not reported in the annual report which could harm the interests of Community Plant Variety Office.

*Angers, 18/05/2018*

**Martin Ekvad**



**President of the CPVO**

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### **2017 Declaration of Assurance the Accounting Officer of the CPVO**

The annual accounts of the Community Plant Variety Office for the year 2017 have been prepared in accordance with the Financial Regulation of the European Union and the accounting rules adopted by the Commission's Accounting Officer and the accounting principles and methods adopted by myself.

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

I have obtained from the authorizing officer, who certified its reliability, all the information necessary for the production of the accounts that show the Community Plant Variety Office's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the Community Plant Variety Office.

*Angers, 18/05/2018*

**Anne-Marie Fernandez**



**Accounting Officer**

**Mr. Klaus-Heiner Lehne**  
**President**  
**European Court of Auditors**  
**12, rue Alcide de Gasperi**  
**1615 LUXEMBOURG**

**To the attention of the President of the Court of Auditors**

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**Subject: Final annual accounts for the financial year 2017**

**Date: 18 May 2018**

**Dear Mr. Klaus-Heiner Lehne,**

1. This representation letter is provided in connection with your audit of the "final accounts of the Community Plant Variety Office consisting of the "financial statements"<sup>1</sup> and the "reports on the implementation of the budget" for the financial year ended 31 December 2017 for the purpose of expressing an opinion as to whether these present fairly, in all material respects, the financial position of the Community Plant Variety Office as of 31 December 2017 and of the results of its operations, its cash flows, and the changes in net assets for the year then ended.
2. In accordance with the Financial Regulation of the CPVO, the "financial statements" for the financial year 2017 are prepared on the basis of accounting rules adopted by the European Commission which adapt accruals based accounting principles to the specific environment of the European Union<sup>2</sup>, while the "reports on the implementation of the budget" continue to be primarily based on movements of cash.
3. In line with Article 48 of the Financial Regulation of the CPVO, the accounting systems laid down by the Accounting Officer and where appropriate systems laid down by the Authorising Officer and his delegates to supply and justify accounting information have been validated.
4. All the information necessary for the production of the final accounts of the CPVO which give a true and fair view of the assets and liabilities and of the budgetary implementation has been obtained from the Authorising Officer and his delegates.
5. We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, the following representations:

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<sup>1</sup> The "financial statements" comprise the balance sheet, the statement of financial performance, the cash flow statement, the statement of changes in net assets and the notes to the financial statements.

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

## Financial Accounts

6. The "Final annual accounts of the CPVO" for the financial year ended 31 December 2017 referred to above are presented in accordance with its Financial Regulation, its implementing rules and the accounting rules and methods established by the European Commission on the basis of internationally accepted accounting standards for the public sector.
7. No issues having a sufficiently material impact requiring a reservation have been brought to our attention.
8. Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.
9. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the accounting rules.
10. All events subsequent to the date of the financial statements and for which the accounting rules require adjustment or disclosure have been adjusted or disclosed.
11. There are no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements. The carrying value of receivables and recoverables which are potentially irrecoverable has been corrected, where necessary.
12. The CPVO has satisfactory title to all assets and there are no liens or encumbrances on the assets.
13. All liabilities, both actual and contingent, have been recorded or disclosed, as appropriate, and all guarantees that have been given to third parties have been disclosed in the notes to the financial statements.
14. All claims against the CPVO are reflected in the financial statements as a provision or, where relevant, as a contingent liability.
15. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. There are no lines of credit arrangements.

## Information Provided

With regard to the information provided and the representations 16-22 below, I highlight that I have provided you with such information for the CPVO.

16. We have provided you with:
  - Access to all information of which I am aware that is relevant to the preparation of the accounts such as records, documentation and other matters;
  - Additional information that you have requested for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
17. All transactions have been recorded in the accounting records and are reflected in the accounts.



18. We have disclosed to you the results of my assessment of the risk that the accounts may be materially misstated as a result of fraud.

19. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the agency's accounts that I have been informed of by management, current or previous employees or other relevant services, including the European Anti-Fraud Office (OLAF).

20. We have disclosed to you the identity of the agency's related parties and all the related party relationships and transactions of which we are aware, in accordance with the EU accounting rule 15.

21. We have disclosed to you all instances of non-compliance and of suspected non-compliance with laws and regulations that we are aware of and whose effects should be considered when preparing the accounts.

22. Apart from the above, we confirm that:

- the accounts disclose adequately the provisional nature of those operations which are subject to future clearance of accounts or closure procedures;
- for all "probable" but not yet definitive receivables an adequate disclosure, including when possible an estimate of the amounts involved, is given in the notes to the accounts;
- the accounts include all the recovery orders issued by the Authorising Officers concerning the operations giving rise to reimbursement.
- Authorising Officers have not informed me of delays or other problems in the establishment of recovery orders.

**Anne-Marie FERNANDEZ**

date: 18/05/2018

The Accounting Officer of the Community Plant Variety Office



**Martin EKVAD**

date: 18/05/2018

The President of Community Plant Variety Office



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## THE CPVO



### 1. The CPVO

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

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

### 2. Mission of the CPVO

The CPVO was established by Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights (OJ L 227 of 01.09.94 p.1). It was established with a view to creating a system of industrial property rights for plants, with uniform effect in the territory of the European Union.

The mission statement below, which is broadly in line with the one defined for the period 2010-2015, provides a clear *raison d'être* for the CPVO. It is on this solid basis, that the Strategic Vision is developed and the objectives and actions over the period 2017-2021 are derived.

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

The mission of the CPVO provides an incentive to create new varieties. By protecting new varieties return of investments to the breeder is ensured and opens the door for re-investments in the creation of new plant varieties. This will lead to higher and more sustainable agricultural outputs and job creation as outlined above in the introduction. This mission has many implications for how the CPVO works and develops over time. Achieving this means we will implement high quality, robust and defensible decisions which maintain the confidence of breeders and society as a whole. This in turn requires recruiting and developing staff with access to cutting-edge IT tools, maintaining excellent relations with all our stakeholders while taking our responsibility as a worldwide player in Intellectual Property Rights for plants.

### 3. Structure of the CPVO and the actors involved

- **The Administrative Council:** The CPVO is supervised by its Administrative Council, comprising a representative of each Member State and a representative of the European Commission, and their alternates. The Administrative Council advises the CPVO, formulates its general guidelines, provides opinions, constitutes the budgetary authority of the CPVO, examines and controls both its activities and those of its President.

- **CPVO management:** the management of the CPVO is ensured by its President, nominated by the Council of the European Union. The President takes all the necessary measures in order to produce the budget of the CPVO and to ensure its correct implementation in the framework of the powers conferred on him under the Community Regulations. He is assisted by a Vice-President who ensures his replacement in case of impediment. The President has delegated some of his duties to the Vice-President.
- **Internal organisation of the CPVO:** The CPVO is organised internally into three units : Technical, Administration and Legal units. There is also a service responsible for the quality auditing of examination offices. This service is under the administrative responsibility of the President while being independent with regard to its audit operations.
- **The Board of Appeal:** a Board of Appeal has been established which is responsible for deciding on appeals made against certain kinds of decisions taken by the CPVO. The Board is made up of a Chairman and alternate, and members chosen by the Chairman from a list (drawn up on the basis of a strict regulatory procedure) depending on the cases under consideration. The members of the Board of Appeal are independent.

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

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



R&D project on strawberry



R&D project on potato

## 4. Overview Budget Implementation 2017

### 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 2017 as well as an indication of the key events and developments which impact on the financial situation of the Office.

The reports shall be subject to audit by the European Court of Auditors, after which the final accounts shall be drawn up.

### 4.2 Overview

The Community Plant Variety Office received 3422 applications in 2017 compared to 2016 (3299 applications). In 2017, 2865 new titles were granted. Taking into account the surrenders of older titles, the total number titles in in force rose 25913.

### 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 € 16.18 million and expenses of € 14.94 million meant a budget outturn of € 1.25 million positive (€ 2.13 negative in 2016). Non-budgetary income of € 124 K lead to a net outturn of € 1.37 million positive.

The outturn increased significantly compared to 2016. Conversely the free reserve decreased in line with the increase of the total of the open commitment for operational expenses (examinations).

### 4.4 Financial Accounts

The financial accounts show an economic result of € 1.04 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.

Table 1 Budgetary outturn 2017

		2017	2016	% variation 2017
Income	- Fees revenue	15 988 423,50	13 262 555,00	20,55%
	- Other revenue	192 378,33	195 681,19	-1,69%
	<b>Total</b>	<b>16 180 801,83</b>	<b>13 458 236,19</b>	<b>20,23%</b>
Expenditure	Title 1 Staff expenditure	-6 550 983,90	-6 362 894,32	2,96%
	Title 2 Administrative expenditure	-1 382 643,07	-1 983 560,31	-30,29%
	Title 3 Operational expenditure	-7 001 546,63	-7 241 909,80	-3,32%
	<b>Total</b>	<b>-14 935 173,60</b>	<b>-15 588 364,43</b>	<b>-4,19%</b>
<b>Grand Total</b>		<b>1 245 628,23</b>	<b>-2 130 128,24</b>	<b>-158,48%</b>
Non budgetary income		123 856,77	99 334,16	24,69%
<b>Net outturn for the year</b>		<b>1 369 485,00</b>	<b>-2 030 794,08</b>	<b>-167,44%</b>

The budget out-turn for 2017 shown a significant, but forecast increase compared to 2016, mainly due to the rise of the level of the annual fee. A decrease in administrative expenditure also contributed to the increase of the budget outturn. Operational spending was in line with the high number of examinations carried out.

## 5. Revenue

Table 2 Revenue breakdown

	2017	2016	% variation 2017
Fees	15 988 423,50	13 262 555,00	20,55%
Administrative operations	127 966,86	96 401,00	32,74%
Interest	64 411,47	99 280,19	-35,12%
<b>Grand Total</b>	<b>16 180 801,83</b>	<b>13 458 236,19</b>	<b>20,23%</b>

Table 3 Breakdown of fee income

	2017	2016	% variation 2017
Annual fees	8 452 620,00	6 408 900,00	31,89%
Application fees	1 559 350,00	1 505 050,00	3,61%
Examination fees	5 427 864,50	4 882 320,00	11,17%
Other fees	548 589,00	466 285,00	17,65%
<b>Grand Total</b>	<b>15 988 423,50</b>	<b>13 262 555,00</b>	<b>20,55%</b>

The total fees received in 2017 amounted to EUR 15.99 million, representing an increase of 20.55 % in comparison with the previous year. Due to the rise in the level of the annual fee (€330 in 2017 and €250 for 2016), annual fees increased compared to previous years, with a slightly higher number 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 2017

	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Canceled %
Title 1 Staff expenditure	7 050 000,00	6 550 983,90	92,9%	499 016,10	7,1%
Title 2 Admin. expenditure	1 725 000,00	1 382 643,07	80,2%	342 356,93	19,8%
Title 3 Operational expenditure	7 466 000,00	7 001 546,63	93,8%	464 453,37	6,2%
<b>Grand Total</b>	<b>16 241 000,00</b>	<b>14 935 173,60</b>	<b>92,0%</b>	<b>1 305 826,40</b>	<b>8,0%</b>

Overall as can be seen, expenditure for the year was EUR 14.94 million with a very high execution rate for the budget (92%).

Table 5 Budgetary execution – comparison 2016 – 2017

	Budget execution 2017	Budget execution 2016	% Change
Title 1 Staff expenditure	6 550 983,90	6 362 894,32	3,0%
Title 2 Admin. expenditure	1 382 643,07	1 983 560,31	-30,3%
Title 3 Operational expenditure	7 001 546,63	7 241 909,80	-3,3%
<b>Grand Total</b>	<b>14 935 173,60</b>	<b>15 588 364,43</b>	<b>-4,2%</b>

Table 6 Budgetary execution 2017 – Title 1: Staff expenditure

Budget article	Description.	Final appropriation	Budget execution	Execution %	Paid in the year	Carried forward to 2018 (C8)	Cancelled appropriations	Canceled %
E1100	Staff	6 433 000,00	6 009 209,63	93,4%	5 967 370,49	41 839,14	423 790,37	6,6%
E1200	Training	110 000,00	75 753,04	68,9%	38 102,04	37 651,00	34 246,96	31,1%
E1300	Travel	254 000,00	254 000,00	100,0%	244 053,43	9 946,57	0,00	0,0%
E1400	Interim staff	210 000,00	173 027,84	82,4%	173 027,84	0,00	36 972,16	17,6%
E1500	Assistance	30 000,00	28 761,86	95,9%	19 047,92	9 713,94	1 238,14	4,1%
E1700	Representation	13 000,00	10 231,53	78,7%	10 231,53	0,00	2 768,47	21,3%
<b>Grand Total</b>		<b>7 050 000,00</b>	<b>6 550 983,90</b>	<b>92,9%</b>	<b>6 451 833,25</b>	<b>99 150,65</b>	<b>499 016,10</b>	<b>7,1%</b>

Table 7 Budgetary execution – Title 1: Staff expenditure – comparison 2016 – 2017

Budget article	Description.	Budget execution 2017	Budget execution 2016	% Change
E1100	Staff	6 009 209,63	5 857 338,59	2,6%
E1200	Training	75 753,04	47 316,31	60,1%
E1300	Travel	254 000,00	240 000,00	5,8%
E1400	Interim staff	173 027,84	190 688,33	-9,3%
E1500	Assistance	28 761,86	23 628,49	21,7%
E1700	Representation	10 231,53	3 922,60	160,8%
<b>Grand Total</b>		<b>6 550 983,90</b>	<b>6 362 894,32</b>	<b>3,0%</b>

The salary grid for the staff of the Office, being governed by the levels set by the Council of the European Union, is also subject to changes in line with inflation and career progression.

Table 8 Budgetary execution 2017 – Title 2: Administrative expenditure

Budget article	Description.	Final appropriation	Budget execution	Execution %	Paid in the year	Carried forward to 2018 (C8)	Cancelled appropriations	Canceled %
E2000	Property	300 000,00	268 555,49	89,5%	207 948,75	60 606,74	31 444,51	10,5%
E2100	IT expenses	650 000,00	605 368,02	93,1%	490 115,72	115 252,30	44 631,98	6,9%
E2200	Other equipment	70 000,00	65 275,41	93,3%	51 533,65	13 741,76	4 724,59	6,7%
E2300	General admin.	55 000,00	39 770,51	72,3%	34 082,41	5 688,10	15 229,49	27,7%
E2400	Postage and telecom	100 000,00	62 526,55	62,5%	48 700,43	13 826,12	37 473,45	37,5%
E2500	Meetings and notices	400 000,00	246 798,07	61,7%	178 536,32	68 261,75	153 201,93	38,3%
E2600	Audit and evaluation	150 000,00	94 349,02	62,9%	57 119,02	37 230,00	55 650,98	37,1%
<b>Grand Total</b>		<b>1 725 000,00</b>	<b>1 382 643,07</b>	<b>80,2%</b>	<b>1 068 036,30</b>	<b>314 606,77</b>	<b>342 356,93</b>	<b>19,8%</b>

Table 9 Budgetary execution – Title 2: Administrative expenditure – comparison 2016 – 2017

Budget article	Description.	Budget execution 2017	Budget execution 2016	% Change
E2000	Property	268 555,49	498 554,51	-46,1%
E2100	IT expenses	605 368,02	829 677,22	-27,0%
E2200	Other equipment	65 275,41	61 356,94	6,4%
E2300	General admin.	39 770,51	46 937,78	-15,3%
E2400	Postage and telecom	62 526,55	67 234,39	-7,0%
E2500	Meetings and notices	246 798,07	268 056,03	-7,9%
E2600	Audit and evaluation	94 349,02	211 743,44	-55,4%
<b>Grand Total</b>		<b>1 382 643,07</b>	<b>1 983 560,31</b>	<b>-30,3%</b>

For Administrative expenses, there were significant decreases in property costs. The decrease is mainly due to lower spending on building as the renovation works are over.

Table 10 Budgetary execution 2017 – Title 3: Operational expenditure

Budget article	Description.	Final appropriation	Budget execution	Execution %	Cancelled appropriations	Canceled %
E3000	Examination office fees	6 320 000,00	6 293 996,61	99,6%	26 003,39	0,4%
E3200	Examination reports	381 000,00	341 040,00	89,5%	39 960,00	10,5%
E3400	Publications	135 000,00	71 659,24	53,1%	63 340,76	46,9%
E3500	Studies	450 000,00	194 419,66	43,2%	255 580,34	56,8%
E3600	Special advisors	180 000,00	100 431,12	55,8%	79 568,88	44,2%
<b>Grand Total</b>		<b>7 466 000,00</b>	<b>7 001 546,63</b>	<b>93,8%</b>	<b>464 453,37</b>	<b>6,2%</b>

Table 11 Budgetary execution – Title 3: Operational expenditure – comparison 2016 – 2017

Budget article	Description.	Budget execution 2017	Budget execution 2016	% Change
E3000	Examination office fees	6 293 996,61	6 431 240,14	-2,1%
E3200	Examination reports	341 040,00	361 765,52	-5,7%
E3400	Publications	71 659,24	158 574,79	-54,8%
E3500	Studies	194 419,66	108 411,91	79,3%
E3600	Special advisors	100 431,12	181 917,44	-44,8%
<b>Grand Total</b>		<b>7 001 546,63</b>	<b>7 241 909,80</b>	<b>-3,3%</b>

Operational expenditure consists mainly of remuneration for Examination Offices. As there is a time lag between commitments and payments, the decrease in the payment of this expenditure for examination office fees is mainly due to the decrease of the amount committed in 2015 and paid in 2017.

Table 12 Budgetary execution (commitment appropriation) 2017 – Title 3: Operational expenditure

Budget article	Description	Budget initial	Transferts	Budget final	Committed	% Committed
E3000	Examination office fees	8 800 000		8 800 000,00	8 597 294,00	97,7%
E3200	Examination reports	416 000		416 000,00	395 440,00	95,1%
E3400	Publications	150 000		150 000,00	71 406,65	47,6%
E3500	Studies	500 000		500 000,00	318 124,07	63,6%
E3600	Special advisors	200 000		200 000,00	98 219,38	49,1%
<b>Total</b>		<b>10 066 000</b>		<b>10 066 000,00</b>	<b>9 480 484,10</b>	<b>94,2%</b>

Table 13 Title 3 – Outstanding commitments

Budget Article	Outstanding beginning of the year	Committed	De-committed	Paid	Outstanding yearend
E3000	14 092 470,50	8 597 294,00	-696 631,24	-6 293 996,61	15 699 136,65
E3200	305 760,00	395 440,00	-5 520,00	-341 040,00	354 640,00
E3400	21 232,50	71 406,65	-8 632,00	-71 659,24	12 347,91
E3500	474 877,28	318 124,07		-194 419,66	598 581,69
E3600	78 317,98	98 219,38	-26 372,18	-100 431,12	49 734,06
<b>Grand Total</b>	<b>14 972 658,26</b>	<b>9 480 484,10</b>	<b>-737 155,42</b>	<b>-7 001 546,63</b>	<b>16 714 440,31</b>

## 7. Budget amendments and transfers

Only one budget revisions was made in 2017 covering the staff establishment plan. Figures were not impacted.

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

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

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

Table 14 Revisions and transfers on the payment budget 2017

Budget article	Description.	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation
E1100	Staff	6 500 000	0	-67 000	6 433 000
E1300	Travel	250 000	0	4 000	254 000
E1400	Interim staff	150 000	0	60 000	210 000
E1700	Representation	10 000	0	3 000	13 000
E3000	Examination office fees	6 200 000	0	120 000	6 320 000
E3200	Examination reports	416 000	0	-35 000	381 000
E3400	Publications	150 000	0	-15 000	135 000
E3500	Studies	500 000	0	-50 000	450 000
E3600	Special advisors	200 000	0	-20 000	180 000
<b>Grand Total</b>		<b>14 376 000</b>	<b>0</b>	<b>0</b>	<b>14 376 000</b>

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 Interim Staff. Transfers were also necessary to increase the budget line for travel and representation cost.

Table 15 Revisions and transfers of the commitment budget (no transfers done for title 3) 2017

Budget article	Description	Budget initial	Revisions	Transferts	Budget final
E1100	Staff	6 500 000,00		-67 000	6 433 000
E1300	Travel	250 000,00		4 000	254 000
E1400	Interim staff	150 000,00		60 000	210 000
E1700	Representation	10 000,00		3 000	13 000
<b>Grand Total</b>		<b>6 910 000,00</b>		<b>0</b>	<b>6 910 000</b>

## 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 2016 amounts carried over to 2017 for payment, there was a payment level of 86% (€ 790 547.60). The amount unpaid which had been considered as a budgetary expenditure in 2016 is now "non-budgetary income" for 2017 and appears in the budget outturn account as such in the table 1.

Table 16 Execution of C8 credit – 2017

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Titre 1	E1100	Staff	92 063,00	70 745,25	77%	21 317,75
	E1200	Training	15 336,00	15 336,00	100%	0,00
	E1300	Travel	3 886,23	869,10	22%	3 017,13
	E1400	Interim staff	8 645,82	7 711,30	89%	934,52
	E1500	Assistance	5 932,87	5 742,36	97%	190,51
	E1700	Representation	0,00	0,00	0%	0,00
	<b>Total</b>		<b>125 863,92</b>	<b>100 404,01</b>	<b>80%</b>	<b>25 459,91</b>
Titre 2	E2000	Property	284 423,51	272 838,67	96%	11 584,84
	E2100	IT expenses	253 483,72	218 122,58	86%	35 361,14
	E2200	Other equipment	11 149,00	10 184,39	91%	964,61
	E2300	General admin.	1 435,95	1 376,67	96%	59,28
	E2400	Postage and telecom	7 091,51	5 840,45	82%	1 251,06
	E2500	Meetings and notices	93 858,76	46 637,05	50%	47 221,71
	E2600	Audit and evaluation	137 098,00	135 143,78	99%	1 954,22
	<b>Total</b>		<b>788 540,45</b>	<b>690 143,59</b>	<b>88%</b>	<b>98 396,86</b>
<b>Grand Total</b>			<b>914 404,37</b>	<b>790 547,60</b>	<b>86%</b>	<b>123 856,77</b>

## 9. Treasury reserve

Table 17 Calculation of the free reserve

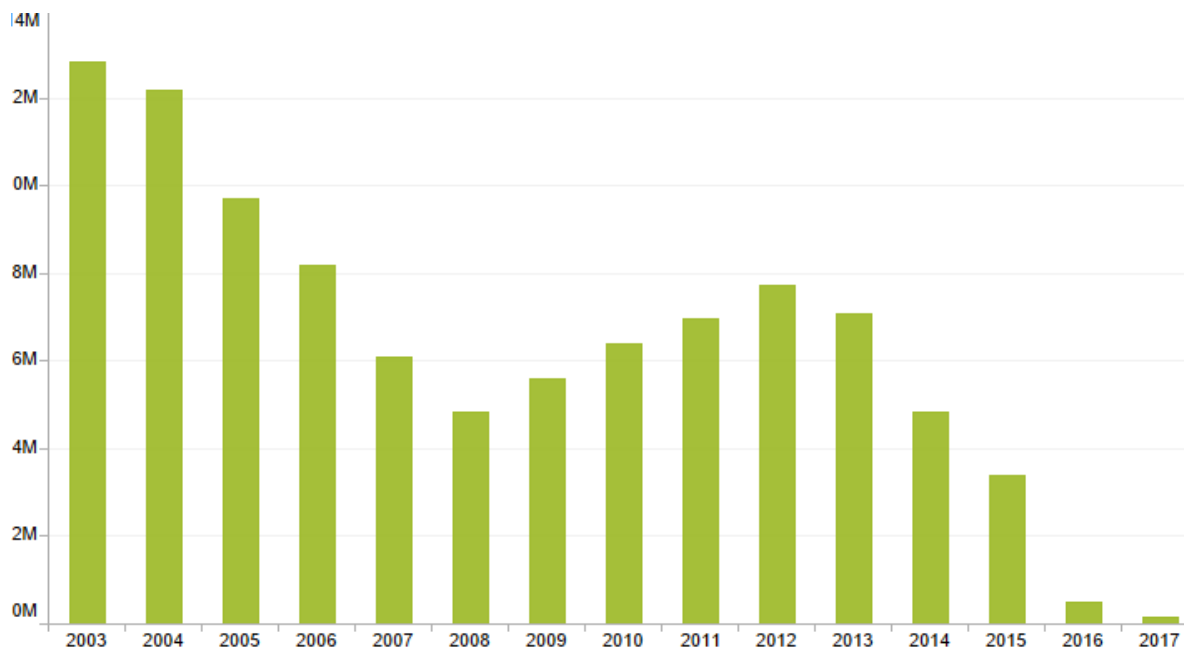
Description	2017
Treasury amount	17 298 446
Title 1: Amount carried over to next year	-99 151
Title 2: Amount carried over to next year	-314 607
Title 3: Amount carried over (diffrenciated credit)	-16 714 440
<b>Grand Total</b>	<b>170 248</b>

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 2017 amounted to € 17.3 million (higher than the position at the same time in 2016). However, the outstanding budgetary commitments made with third parties (mainly with examination offices) at the same period amounted to € 17.1 million (€ 15.9 for 2016).

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

		2017	2016	% variation 2017
Income	- Fees revenue	15 988 423,50	13 262 555,00	20,55%
	- Other revenue	192 378,33	195 681,19	-1,69%
	<b>Total</b>	<b>16 180 801,83</b>	<b>13 458 236,19</b>	<b>20,23%</b>
Expenditure	Title 1 Staff expenditure	-6 550 983,90	-6 362 894,32	2,96%
	Title 2 Administrative expenditure	-1 382 643,07	-1 983 560,31	-30,29%
	Title 3 Operational expenditure	-7 001 546,63	-7 241 909,80	-3,32%
	<b>Total</b>	<b>-14 935 173,60</b>	<b>-15 588 364,43</b>	<b>-4,19%</b>
<b>Grand Total</b>		<b>1 245 628,23</b>	<b>-2 130 128,24</b>	<b>-158,48%</b>
Non budgetary income		123 856,77	99 334,16	24,69%
<b>Net outturn for the year</b>		<b>1 369 485,00</b>	<b>-2 030 794,08</b>	<b>-167,44%</b>

### 11.2 Budget income

Table 20 Budget income detailed

Budget Posts	Description	Budget after RSB(*) and transfers	Income stated in 2017	Income collected in 2017	Variation with budget (%)
1000	Fees and surcharges collected	15 389 420	15 988 424	15 988 424	3,89%
3000	Deficit reserve	589 580			
5000	Income from administrative operations	112 000	127 967	127 967	14,26%
9100	Other income (mainly financial income)	150 000	64 411	64 411	-57,06%
<b>Total</b>		<b>16 241 000</b>	<b>16 180 802</b>	<b>16 180 802</b>	<b>-0,37%</b>

(\*) rectified supplementary budget

### 11.3 Budget Outturn – detailed reports

Table 21 Commitment appropriation 2017

Title	Budget article	Description	Budget initial	Revisions	Transferts	Budget final	Committed	% Committed	Cancelled
<b>Titre 1</b>	E1100	Staff	6 500 000	0	-67 000,00	6 433 000,00	6 009 209,63	93,4%	423 790,37
	E1200	Training	110 000	0	0,00	110 000,00	75 753,04	68,9%	34 246,96
	E1300	Travel	250 000	0	4 000,00	254 000,00	254 000,00	100,0%	0,00
	E1400	Interim staff	150 000	0	60 000,00	210 000,00	173 027,84	82,4%	36 972,16
	E1500	Assistance	30 000	0	0,00	30 000,00	28 761,86	95,9%	1 238,14
	E1700	Representation	10 000	0	3 000,00	13 000,00	10 231,53	78,7%	2 768,47
	<b>Total</b>		<b>7 050 000</b>	<b>0</b>	<b>0,00</b>	<b>7 050 000,00</b>	<b>6 550 983,90</b>	<b>92,9%</b>	<b>499 016,10</b>
<b>Titre 2</b>	E2000	Property	300 000	0	0,00	300 000,00	268 555,49	89,5%	31 444,51
	E2100	IT expenses	650 000	0	0,00	650 000,00	605 368,02	93,1%	44 631,98
	E2200	Other equipment	70 000	0	0,00	70 000,00	65 275,41	93,3%	4 724,59
	E2300	General admin.	55 000	0	0,00	55 000,00	39 770,51	72,3%	15 229,49
	E2400	Postage and telecom	100 000	0	0,00	100 000,00	62 526,55	62,5%	37 473,45
	E2500	Meetings and notices	400 000	0	0,00	400 000,00	246 798,07	61,7%	153 201,93
	E2600	Audit and evaluation	150 000	0	0,00	150 000,00	94 349,02	62,9%	55 650,98
	<b>Total</b>		<b>1 725 000</b>	<b>0</b>	<b>0,00</b>	<b>1 725 000,00</b>	<b>1 382 643,07</b>	<b>80,2%</b>	<b>342 356,93</b>
<b>Titre 3</b>	E3000	Examination office fees	8 800 000	0	0,00	8 800 000,00	8 597 294,00	97,7%	202 706,00
	E3200	Examination reports	416 000	0	0,00	416 000,00	395 440,00	95,1%	20 560,00
	E3400	Publications	150 000	0	0,00	150 000,00	71 406,65	47,6%	78 593,35
	E3500	Studies	500 000	0	0,00	500 000,00	318 124,07	63,6%	181 875,93
	E3600	Special advisors	200 000	0	0,00	200 000,00	98 219,38	49,1%	101 780,62
	<b>Total</b>		<b>10 066 000</b>	<b>0</b>	<b>0,00</b>	<b>10 066 000,00</b>	<b>9 480 484,10</b>	<b>94,2%</b>	<b>585 515,90</b>
<b>Grand Total</b>			<b>18 841 000</b>	<b>0</b>	<b>0,00</b>	<b>18 841 000,00</b>	<b>17 414 111,07</b>	<b>92,4%</b>	<b>1 426 888,93</b>

Table 22 Payment appropriation 2017

Title.	Budget article	Description.	Initial payment budget	Budget amendments	Payment budget transfers	Final appropriation	Budget execution	Execution %	Paid in the year	Carried forward to 2018 (C8)	Cancelled appropriations	Canceled %
Title 1 Staff expenditure	E1100	Staff	6 500 000,00	0,00	-67 000,00	6 433 000,00	6 009 209,63	93,4%	5 967 370,49	41 839,14	423 790,37	6,6%
	E1200	Training	110 000,00	0,00	0,00	110 000,00	75 753,04	68,9%	38 102,04	37 651,00	34 246,96	31,1%
	E1300	Travel	250 000,00	0,00	4 000,00	254 000,00	254 000,00	100,0%	244 053,43	9 946,57	0,00	0,0%
	E1400	Interim staff	150 000,00	0,00	60 000,00	210 000,00	173 027,84	82,4%	173 027,84	0,00	36 972,16	17,6%
	E1500	Assistance	30 000,00	0,00	0,00	30 000,00	28 761,86	95,9%	19 047,92	9 713,94	1 238,14	4,1%
	E1700	Representation	10 000,00	0,00	3 000,00	13 000,00	10 231,53	78,7%	10 231,53	0,00	2 768,47	21,3%
	<b>Total</b>		<b>7 050 000,00</b>	<b>0,00</b>	<b>0,00</b>	<b>7 050 000,00</b>	<b>6 550 983,90</b>	<b>92,9%</b>	<b>6 451 833,25</b>	<b>99 150,65</b>	<b>499 016,10</b>	<b>7,1%</b>
Title 2 Admin. expenditure	E2000	Property	300 000,00	0,00	0,00	300 000,00	268 555,49	89,5%	207 948,75	60 606,74	31 444,51	10,5%
	E2100	IT expenses	650 000,00	0,00	0,00	650 000,00	605 368,02	93,1%	490 115,72	115 252,30	44 631,98	6,9%
	E2200	Other equipment	70 000,00	0,00	0,00	70 000,00	65 275,41	93,3%	51 533,65	13 741,76	4 724,59	6,7%
	E2300	General admin.	55 000,00	0,00	0,00	55 000,00	39 770,51	72,3%	34 082,41	5 688,10	15 229,49	27,7%
	E2400	Postage and telecom	100 000,00	0,00	0,00	100 000,00	62 526,55	62,5%	48 700,43	13 826,12	37 473,45	37,5%
	E2500	Meetings and notices	400 000,00	0,00	0,00	400 000,00	246 798,07	61,7%	178 536,32	68 261,75	153 201,93	38,3%
	E2600	Audit and evaluation	150 000,00	0,00	0,00	150 000,00	94 349,02	62,9%	57 119,02	37 230,00	55 650,98	37,1%
	<b>Total</b>		<b>1 725 000,00</b>	<b>0,00</b>	<b>0,00</b>	<b>1 725 000,00</b>	<b>1 382 643,07</b>	<b>80,2%</b>	<b>1 068 036,30</b>	<b>314 606,77</b>	<b>342 356,93</b>	<b>19,8%</b>
Title 3 Operational expenditure	E3000	Examination office fees	6 200 000,00	0,00	120 000,00	6 320 000,00	6 293 996,61	99,6%	6 293 996,61	0,00	26 003,39	0,4%
	E3200	Examination reports	416 000,00	0,00	-35 000,00	381 000,00	341 040,00	89,5%	341 040,00	0,00	39 960,00	10,5%
	E3400	Publications	150 000,00	0,00	-15 000,00	135 000,00	71 659,24	53,1%	71 659,24	0,00	63 340,76	46,9%
	E3500	Studies	500 000,00	0,00	-50 000,00	450 000,00	194 419,66	43,2%	194 419,66	0,00	255 580,34	56,8%
	E3600	Special advisors	200 000,00	0,00	-20 000,00	180 000,00	100 431,12	55,8%	100 431,12	0,00	79 568,88	44,2%
	<b>Total</b>		<b>7 466 000,00</b>	<b>0,00</b>	<b>0,00</b>	<b>7 466 000,00</b>	<b>7 001 546,63</b>	<b>93,8%</b>	<b>7 001 546,63</b>	<b>0,00</b>	<b>464 453,37</b>	<b>6,2%</b>
<b>Grand Total</b>			<b>16 241 000,00</b>	<b>0,00</b>	<b>0,00</b>	<b>16 241 000,00</b>	<b>14 935 173,60</b>	<b>92,0%</b>	<b>14 521 416,18</b>	<b>413 757,42</b>	<b>1 305 826,40</b>	<b>8,0%</b>

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	92 063,00	70 745,25	77%	21 317,75
	E1200	Training	15 336,00	15 336,00	100%	0,00
	E1300	Travel	3 886,23	869,10	22%	3 017,13
	E1400	Interim staff	8 645,82	7 711,30	89%	934,52
	E1500	Assistance	5 932,87	5 742,36	97%	190,51
	E1700	Representation	0,00	0,00	0%	0,00
	<b>Total</b>		<b>125 863,92</b>	<b>100 404,01</b>	<b>80%</b>	<b>25 459,91</b>
Titre 2	E2000	Property	284 423,51	272 838,67	96%	11 584,84
	E2100	IT expenses	253 483,72	218 122,58	86%	35 361,14
	E2200	Other equipment	11 149,00	10 184,39	91%	964,61
	E2300	General admin.	1 435,95	1 376,67	96%	59,28
	E2400	Postage and telecom	7 091,51	5 840,45	82%	1 251,06
	E2500	Meetings and notices	93 858,76	46 637,05	50%	47 221,71
	E2600	Audit and evaluation	137 098,00	135 143,78	99%	1 954,22
	<b>Total</b>		<b>788 540,45</b>	<b>690 143,59</b>	<b>88%</b>	<b>98 396,86</b>
<b>Grand Total</b>			<b>914 404,37</b>	<b>790 547,60</b>	<b>86%</b>	<b>123 856,77</b>

## 12. Financial Accounts:

### 12.1 Balance sheet

				2017	2016
<b>Assets</b>	Non-Current assets	Intangible Assets	1	1 865,04	9 620,00
		Tangible Assets	2	3 093 537,71	3 121 981,11
		Medium term investments	3	7 756 500,00	6 095 500,00
		<b>Total</b>		<b>10 851 902,75</b>	<b>9 227 101,11</b>
	Current assets	Short-term receivables	4	4 002 451,63	3 350 672,39
		Treasury	5	9 541 945,75	10 277 505,37
		Other receivable	6	58 336,44	42 546,79
		<b>Total</b>		<b>13 602 733,82</b>	<b>13 670 724,55</b>
	<b>Total</b>			<b>24 454 636,57</b>	<b>22 897 825,66</b>
<b>Liabilities</b>	Accumulated result	Reserve		9 799 661,25	12 131 541,04
		Profit / deficit		(1 036 310,33)	(2 331 879,79)
		<b>Total</b>		<b>8 763 350,92</b>	<b>9 799 661,25</b>
	Current liabilities	Accrued charges and deferred income	7	15 505 231,38	12 871 830,00
		Current payables	8	29 454,27	20 667,06
		Short-term provision	9	156 600,00	205 667,35
		<b>Total</b>		<b>15 691 285,65</b>	<b>13 098 164,41</b>
	<b>Total</b>			<b>24 454 636,57</b>	<b>22 897 825,66</b>

## 12.2 Statement of financial performance

Table 24 Statement of financial performance

		2017	2016
Income	Income from fees	14 484 760,35	12 793 830,90
	Income from administrative operations	101 259,64	103 152,21
	<b>Total</b>	<b>14 586 019,99</b>	<b>12 896 983,11</b>
Expenditure	Operational expenses	(7 435 688,64)	(7 176 070,52)
	Salaries and social taxes	(6 343 588,28)	(6 160 483,42)
	Overheads	(1 649 783,24)	(1 689 194,16)
	Depreciation	(257 188,85)	(262 721,38)
	<b>Total</b>	<b>(15 686 249,01)</b>	<b>(15 288 469,48)</b>
<b>Result</b>		<b>(1 100 229,02)</b>	<b>(2 391 486,37)</b>
Financial revenue	Interest income	66 882,38	62 762,20
	Miscellaneous financial income		276,96
	<b>Total</b>	<b>66 882,38</b>	<b>63 039,16</b>
Financial expenditure	Bank charges & exchange differences	(2 963,69)	(3 432,58)
	<b>Total</b>	<b>(2 963,69)</b>	<b>(3 432,58)</b>
<b>Result</b>		<b>63 918,69</b>	<b>59 606,58</b>
<b>Economic outturn for the year</b>		<b>(1 036 310,33)</b>	<b>(2 331 879,79)</b>

## 12.3 Cash-flow (Indirect method)

Table 25 Cash flow

	2017	2016
Cash Flows from ordinary activities		
<b>Surplus/(deficit) from ordinary activities</b>	<b>-1 036 310,33</b>	<b>-2 331 879,79</b>
<b><i>Operating activities</i></b>		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +	7 754,96	14 702,04
Depreciation (tangible fixed assets) +	249 433,89	248 019,34
Impairment (tangible fixed assets) +		
Increase/(decrease) in Provisions for risks and liabilities	-49 067,35	11 227,35
(Increase)/decrease in Long term Receivables	-1 661 000,00	-3 849 900,00
(Increase)/decrease in Short term Receivables	-667 568,89	471 449,65
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	2 642 188,59	-199 547,51
<b><i>Net cash flow from operating activities</i></b>	<b>-514 569,13</b>	<b>-5 635 928,92</b>
<b><i>Cash Flows from investing activities</i></b>		
Increase of tangible and intangible fixed assets (-)	-220 990,49	-140 629,64
Proceeds from tangible and intangible fixed assets (+)		
Loss on decommissioning of assets (+)		
<b><i>Net cash flow from investing activities</i></b>	<b>-220 990,49</b>	<b>-140 629,64</b>
<b><i>Net Increase/(decrease) in cash and equivalent</i></b>	<b>-735 559,62</b>	<b>-5 776 558,56</b>
Cash and cash equivalents at the beginning of the period	10 277 505,37	16 054 063,93
Cash and cash equivalents at the end of the period	9 541 945,75	10 277 505,37
<b><i>Net Increase/(decrease) in cash and equivalent</i></b>	<b>-735 559,62</b>	<b>-5 776 558,56</b>
<b><i>Difference</i></b>	<b>0,00</b>	<b>0,00</b>

## 12.4 Reconciliation between the economic result and the budgetary result

Table 26 Reconciliation table

	sign +/-	Amount
<b>Economic result (+ for surplus and - for deficit)</b>	<b>+/-</b>	<b>-1 036 310,33</b>
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-12 037 058,96
Adjustments for Accrual Cut-off (cut- off 31.12.N )	+	14 583 094,95
Depreciation of intangible and tangible assets	+	257 188,85
Value reduction	+	
Recovery Orders issued in the year in class 7 and not yet cashed	-	-3 371 780,00
Payments made from carry over of payment appropriations	+	790 547,60
Prefinancing received in previous year and cleared in the year	-	
Asset acquisitions (less unpaid amounts)	-	-233 367,61
Budgetary recovery orders issued before the financial year and cashed	+	2 707 270,00
Payment appropriations carried over to the next year	-	-413 757,42
Cancellation of unused carried over payment appropriations from previous year	+	123 856,77
<b>total (1)</b>		<b>1 369 683,85</b>
<b>Budgetary result (+ for surplus) (2)</b>		<b>1 369 485,00</b>
<b>Including amount of exchange rate differences - (+ for gain and - for loss) - (3)</b>		<b>198,85</b>
<b>Delta not explained (1) - (2) - (3)</b>		<b>0,00</b>

## 12.5 Notes to the financial accounts

### Note 1 Intangible fixed assets

		Internally generated Computer Software	Computer Software	Other Intangible assets	Intangible assets under construction	Total
Gross carrying amounts 01.01.2017	+		634 612,95			634 612,95
Additions	+					0,00
Disposals	-					
Transfer between headings	+/-					
Other changes	+/-					
<b>Gross carrying amounts 31.12.2017</b>		<b>0,00</b>	<b>634 612,95</b>	<b>0,00</b>	<b>0,00</b>	<b>634 612,95</b>
Accumulated amortization and impairment 01.01.2017	-		-624 992,95			-624 992,95
Amortization	-		-7 754,96			-7 754,96
Disposals	+					
Write-back of impairment	+					
Transfer between headings	+/-					
<b>Accumulated amortization and impairment 31.12.2017</b>		<b>0,00</b>	<b>-632 747,91</b>	<b>0,00</b>	<b>0,00</b>	<b>-632 747,91</b>
<b>Net carrying amounts 31.12.2017</b>		<b>0,00</b>	<b>1 865,04</b>	<b>0,00</b>	<b>0,00</b>	<b>1 865,04</b>

### Note 2 Tangible Fixed Assets

		Land	Buildings	Plant and Equipment	Computer hardware	Tangible assets under construction	Total
Gross carrying amounts 01.01.2017	+	292 220,00	5 165 857,15	365 956,10	368 515,82	12 377,12	6 204 926,19
Additions	+		218 004,61		15 363,00		233 367,61
Disposals	-			-5 116,75			-5 116,75
Impairment (regularisation entry)	+/-		369 869,55				369 869,55
Other changes	+/-					-12 377,12	-12 377,12
<b>Gross carrying amounts 31.12.2017</b>		<b>292 220,00</b>	<b>5 753 731,31</b>	<b>360 839,35</b>	<b>383 878,82</b>	<b>0,00</b>	<b>6 790 669,48</b>
Accumulated amortization and impairment 01.01.2017	-		-2 448 662,29	-324 183,45	-310 099,34		-3 082 945,08
Depreciation	-		-206 051,08	-8 988,59	-34 394,22		-249 433,89
Write-back of depreciation	+						0,00
Disposals	+			5 116,75			5 116,75
Transfer between headings	+/-		-369 869,55				-369 869,55
<b>Accumulated amortization and impairment 31.12.2017</b>		<b>0,00</b>	<b>-3 024 582,92</b>	<b>-328 055,29</b>	<b>-344 493,56</b>	<b>0,00</b>	<b>-3 697 131,77</b>
<b>Net carrying amounts 31.12.2017</b>		<b>292 220,00</b>	<b>2 729 148,39</b>	<b>32 784,06</b>	<b>39 385,26</b>	<b>0,00</b>	<b>3 093 537,71</b>

In 2017, the accounting policy for the recognition of the assets has been updated. The threshold for purchased assets has been increased from € 420 to € 5000 and for the self-developed assets (software) from € 500 000 euro to € 2 000 000.

The opening balances and comparable figures have not been recalculated while the estimated effect of adjustment (96 577 euro) is immaterial. Assets purchased in the prior years under € 5000 (purchased price) are still reported in the balance sheet.

#### Note 3 Medium term investments

	2017	2016
Medium term investments	7 756 500,00	6 095 500,00
<b>Grand Total</b>	<b>7 756 500,00</b>	<b>6 095 500,00</b>

In 2017, the amount of medium term investments increased considerably at the expense of short term investments as the rates are slightly more interesting than rates for shorten period. The increase of medium term investments was foreseen to optimize the return, but rates are still very low. The amount of € 7 756 500 is divided in different investments and different as it can be seen on the table below:

	2017	2016
BNP - financial investment	550 000,00	550 000,00
C.E. - financial investment	1 794 000,00	733 000,00
CRCA - financial investment	4 000 000,00	4 000 000,00
HSBC - financial investment	1 412 500,00	812 500,00
<b>Grand Total</b>	<b>7 756 500,00</b>	<b>6 095 500,00</b>

#### Note 4 Short-term receivables

	2017	2016
Customers	3 539 087,87	2 938 095,22
VAT	344 220,17	304 489,70
Deferred charges	119 143,59	108 087,47
<b>Total</b>	<b>4 002 451,63</b>	<b>3 350 672,39</b>

#### Note 5 Treasury

	2017	2016
Short-term investments	5 021 864,97	5 992 673,20
Current accounts	4 471 455,86	4 237 662,87
Imprest account	48 624,92	47 169,30
Cash in hand		-
<b>Total</b>	<b>9 541 945,75</b>	<b>10 277 505,37</b>

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

#### Breakdown of short-term investments

	2017	2016
BARCLAYS	-	1,58
BNP	2 958 000,00	2 958 000,00
CAISSE D'EPARGNE	733 000,00	1 705 800,00
CREDIT AGRICOLE	-	-
LCL	1 330 864,97	1 328 871,62
SOCIETE GENERALE	-	-
<b>Total</b>	<b>5 021 864,97</b>	<b>5 992 673,20</b>

#### Note 6 Other receivables

	2017	2016
Interest to be received	36 855,19	34 384,28
Other receivable	-	-
Sundry receivables (staff)	21 481,25	8 162,51
<b>Total</b>	<b>58 336,44</b>	<b>42 546,79</b>

Interest rates are still very low and decreased in 2017. The Office expects less return on investments.

#### Note 7 Accrued charges and differed income

	2017	2016
Deferred income	10 521 346,05	8 353 172,90
Invoices to be received	4 621 416,18	4 289 762,43
Suspense account	127 332,84	40 301,00
Accrued holidays	158 519,31	126 096,67
Charge accounts	76 617,00	62 497,00
<b>Total</b>	<b>15 505 231,38</b>	<b>12 871 830,00</b>

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

Note 8 Current payables

	2017	2016
Sundry credit accounts	-	-
Suppliers	29 454,27	20 667,06
<b>Total</b>	<b>29 454,27</b>	<b>20 667,06</b>

Note 9 Short-term provision

	2017	2016
Provision for doubtful debts	156 600,00	205 667,35
<b>Grand Total</b>	<b>156 600,00</b>	<b>205 667,35</b>

Table 27 Statement of changes in net assets

	2017	2016
Reserve	9 799 661,25	12 131 541,04
Profit / deficit	(1 036 310,33)	(2 331 879,79)
<b>Cumulated reserve</b>	<b>8 763 350,92</b>	<b>9 799 661,25</b>

## 12.6 Other Disclosures

### Off Balance Sheet Commitments

At the year-end there was of a total of € 16 714 440 of commitments open on title 3 (operational expenditure) and a further € 413 757 for titles 1 and 2 carried to 2017 as C8 credits. Of this total, € 4 621 416 relates to work carried out in or before 2017 but not yet invoiced an amount for which there is a provision in the financial accounts. The balance of **€ 12 506 781** 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 General Court has decided that the CPVO is liable for the expenses incurred by the winning parties plus expenses incurred for the lawyer's fees. The cost to be paid could reach up to a maximum of 100 000 €.

### Related parties

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

Grade	N° of staff
AD15	1
AD12	1
<b>Total</b>	<b>2</b>

### Post balance sheet events

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

## 12.7 Statement of financial risk - Financial Instruments

Financial instruments comprise cash, current receivables and recoverables, current payables, amounts due to and from consolidated entities. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks, information about which and how they are managed is set out below. Prepayments, accrued income, accruals and deferred income are not included.

### LIQUIDITY RISK

Liquidity risk arises from the ongoing financial obligations, including settlement of payables.

Bank accounts opened in the name of the CPVO may not be overdrawn. Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulations, the internal control standards, and audit principles. The CPVO budget principles ensure that overall cash resources for a given year are always sufficient for the execution of all payments.

Details of contractual maturities for assets and liabilities form an important source of information for the management of liquidity risk.

The carrying amounts of financial instruments are as follows:

#### Financial assets: Medium term investments

The Offices has medium term investments with the financial institutions mentioned below with maturities in the coming 5 years.

Long term receivables	1-2 years	2-3 years	4-5 years	total
Medium term investment Caisse d'Epargne			1 794 000,00	1 794 000,00
Medium term investment Crédit Agricole		4 000 000,00		4 000 000,00
Medium term investment HSBC		812 500,00	600 000,00	1 412 500,00
Medium term investment BNP		550 000,00		550 000,00
<b>total</b>	<b>0,00</b>	<b>5 362 500,00</b>	<b>2 394 000,00</b>	<b>7 756 500,00</b>

#### Financial assets: Cash and cash equivalent

	2017	2016
Short-term investments	5 021 864,97	5 992 673,20
Current accounts	4 471 455,86	4 237 662,87
Imprest account	48 624,92	47 169,30
Cash in hand		-
<b>Total</b>	<b>9 541 945,75</b>	<b>10 277 505,37</b>

## Financial assets: Maturity term of receivables

Short term receivables	< 1 year	1-2 years	>2 years	total
Customers	3 539 087,87			3 539 087,87
VAT	344 220,17			344 220,17
Deferred charges	110 766,66	7 496,39	880,54	119 143,59
<b>total</b>	<b>3 994 074,70</b>	<b>7 496,39</b>	<b>880,54</b>	<b>4 002 451,63</b>

The table below concerns more particularly receivables from our customers.

Counterparties without external credit rating	Receivables with Member States	All receivables with third parties including accruals & deferrals	Short-term deposits	Bank accounts	Total
Customers		3 539 087,87			3 539 087,87
Debtors who defaulted in the past					
<b>Total</b>	<b>0,00</b>	<b>3 539 087,87</b>	<b>0,00</b>	<b>0,00</b>	<b>3 539 087,87</b>

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

Customers	2017	2016
<b>Amount due by customers</b>	<b>3 539 087,87</b>	<b>2 938 095,22</b>
Provision at the start of the year	-205 667,35	-194 440,00
Additional provision (-)	-9 660,00	-50 897,35
Reduction of the provision (+)	21 907,35	3 160,00
Write-offs	36 820,00	36 510,00
<b>Accumulated impairment (-)</b>	<b>-156 600,00</b>	<b>-205 667,35</b>
<b>Net amount at the end of the year</b>	<b>3 382 487,87</b>	<b>2 732 427,87</b>

The trend of the provision for customers linked to the fees invoiced is downward since a few years. In 2017, the provision for these clients amounts to € 9 660. The decrease is mainly due to a new decision taken by the Board of Appeal to cancel open notes concerned by cancellation procedure.

Break down of the provision for customers	2017	2016
Receivables from 2010		10 200,00
Receivables from 2011	32 070,00	60 120,00
Receivables from 2012	45 850,00	45 850,00
Receivables from 2013	24 320,00	24 070,00
Receivables from 2014	22 060,00	22 160,00
Receivables from 2015	23 640,00	43 267,35
Receivables from 2016	8 660,00	
<b>Net amount at the end of the year</b>	<b>156 600,00</b>	<b>205 667,35</b>

### Financial liabilities: Maturity of liabilities

The following table takes into account the treasury received for charge accounts and the amounts due to suppliers. There is a significant decrease of the payables as only 2 charge accounts out of 14 are still be used but should be closed in 2018.

	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	76 617,00			76 617,00
Payables with consolidated entities				
<b>Total</b>	<b>76 617,00</b>	<b>0,00</b>	<b>0,00</b>	<b>76 617,00</b>

### CREDIT RISK

Credit risk is the risk of loss due to a debtor's non-payment or other failure to meet a contractual obligation. The default events include a delay in repayments.

Treasury resources are kept with commercial banks. The CPVO recovers fees from clients and ensures appropriate cash management in order to maintain a minimum cash balance on its bank accounts. This is with a view to limit its risk exposure. The overall treasury balances fluctuated between approximately € 16 Million and € 20 Million.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the CPVO is exposed. Commercial banks are selected by call for tenders.

The minimum short-term and credit rating required for admission to the tendering procedures is "A-1" (S&P), "P-1" (Moody's) or "F13 (Fitch Rating).

### Credit quality of financial assets

CPVO financial assets and their related risk are outlined in the table below.

For Member State receivables, this refers to VAT to be recovered. The receivables with third parties concerned medium term investment for 7 756 500 €, 119 143.59 € for deferred charges already paid in 2017; income to be received (interests from investments) in 2018 from 2017 for 36 855.19 €.

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	286 252,67	7 912 498,78	5 021 864,97	4 520 080,78	17 740 697,20	99,67%
Upper medium grade	55 011,03				55 011,03	0,31%
Lower medium grade					0,00	0,00%
Non-investment grade	2 956,47				2 956,47	0,02%
<b>Total</b>	<b>344 220,17</b>	<b>7 912 498,78</b>	<b>5 021 864,97</b>	<b>4 520 080,78</b>	<b>17 798 664,70</b>	<b>100,00%</b>

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

### MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and other price risk.

### Currency exposure

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

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

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The CPVO does not borrow any funds. As a result it is not exposed to interest rate risk. It does, however, earn interests on investments. As mentioned on under the item "credit risk", to limit the risk, investments are made with banks having a minimum rating of "A-1" (S&P), "P-1" (Moody's) or "F13 (Fitch Rating). Investments are based on fixed rated pre-determined at the beginning of the investing period.

### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The CPVO is not concerned by this risk.

## 12.8 Summary of main accounting principles

In accordance with the Financial Regulation (EC, Euratom) n°1605/2002 of the Council of 25 June 2002, amended by Council Regulation (EC, Euratom) n° 1995/2006 of 13 December 2006 and (EC) n° 1525/2007 of 17 December 2007, the CPVO's financial statements<sup>1</sup> for the financial year 2017 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>2</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 2017 to 31 December 2017.

### 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

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<sup>1</sup> 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.

<sup>2</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

### Assets

- Assets are recorded as such based on a threshold of EUR 5000.

### Intangible Fixed Assets

- Acquired computer software licenses are stated at cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives, being 4 years.
- Should the software be developed internally, it is recorded at its directly attributable costs of development, the threshold being EUR 2 000 000. However, in accordance with international accounting standards, this can only be done if these costs can be measured reliably.

### Property, plant and equipment

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

### Depreciation rates:

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

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

### Medium term financial assets:

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

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

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

#### Impairment of non-financial assets:

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

#### Receivables:

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

#### Cash and cash equivalents:

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

#### Pension obligations:

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

#### Provisions:

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

#### Payables:

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

#### Accrued and deferred income and charges:

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

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

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

### Statement of financial performance

#### Revenue:

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

#### Interest income and expense:

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

#### Expenditure:

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

***The members of the Administrative Council are invited to take note of this document***

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