



CPVO

Community Plant Variety Office

Provisional Accounts 2021

Issuance date: 28 February 2022

2021 Declaration of Assurance the President of the CPVO

I, the undersigned, Francesco Mattina, President of the CPVO, in my capacity as authorizing officer,

Declare that the information contained in **the provisional annual accounts 2021** give a true and fair view of the financial position of the CPVO.

State that I have reasonable assurance that the resources assigned to the activities describe in 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, 28/02/2022



Francesco Mattina
The President of Community Plant Variety Office

2021 Declaration of Assurance the Accounting Officer of the CPVO

The **provisional annual accounts** of the Community Plant Variety Office for the year 2021 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 **provisional annual accounts** of the Community Plant Variety Office in accordance with the Title IX 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, 28/02/2022



Anne-Marie Fernandez
The Accounting Officer of the Community Plant Variety Office

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

To the attention of the President of the Court of Auditors

Subject: Representation letter covering the 2021 provisional accounts of the Community Plant Variety Office (CPVO)

Date: 28rd February 2022

Dear Mr. Klaus-Heiner Lehne,

This representation letter is provided in connection with your audit of the provisional accounts of the CPVO consisting of the financial statements¹ and the budget implementation reports for the financial year ended 31 December 2021 for the purpose of expressing an opinion as to whether these present fairly, in all material respects, the financial position of the CPVO at 31 December 2021, the results of its operations, its cash flows, and the changes in net assets for the year then ended.

We have fulfilled my responsibilities concerning the design, implementation and maintenance of internal control relevant to the preparation and presentation of the accounts of the CPVO that are free from material misstatement, whether due to fraud or error.

The accounting systems laid down by the accounting officer and where appropriate systems laid down by the authorising officer to supply and justify accounting information have been validated.

We have disclosed to you any significant changes or impact in our systems, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic and of the BREXIT on our system of internal controls, EU Budget and accounts.

All the information necessary for the production of the provisional accounts of the CPVO which give a true and fair view of the assets and liabilities and of the budgetary implementation has been obtained.

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:

¹ 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.

Provisional accounts

1. The provisional accounts of the CPVO for the financial year ended 31 December 2021 referred to above are presented in accordance with its Financial Regulation and with the accounting rules adopted by the accounting officer of the European Commission based on internationally accepted accounting standards for the public sector: there is no material divergence requiring disclosure in the notes to the financial statements under Article 80(2) of the Financial Regulation.
2. No issues requiring a reservation have been brought to our attention.
3. The methods, the data, and the significant assumptions² used in making accounting estimates, including those measured at fair value, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the accounting rules and internationally accepted accounting standards for the public sector.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the accounting rules.
5. All events subsequent to the date of the accounts and for which the accounting rules and methods require adjustment or disclosure have been adjusted or disclosed.
6. 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 recoverable, which are potentially irrecoverable, has been corrected where necessary.
7. The CPVO has satisfactory title to all assets and there are no liens or encumbrances on the assets.
8. All types of assets have been reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where appropriate, such assets have been written down to their recoverable amount.
9. 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. We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
10. All claims against the CPVO are reflected in the financial statements as a provision or, where relevant, as a contingent liability.
11. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. There are no lines of credit arrangements.
12. There have been no significant errors or misstatements, or changes in accounting policies that would require a restatement of the amounts from the financial statements for the year ended 2020 which are shown as comparative amounts in the financial statements for year ended 2021. Any differences in the comparative amounts from the amounts in the financial statements for the year ended 2020 are solely the result of reclassifications for comparative purposes.

² which included as well the potential impact of COVID-19 pandemic and the BREXIT.

Information Provided

With regard to the information provided and the representations below, we highlight that we have provided you with such information for the CPVO.

13. We have provided you with:
 - Access to all information that of which we are 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.
14. All transactions have been recorded in the accounting records and are reflected in the accounts.
15. 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.
16. We have sought and disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity and involving management, employees who have a significant role in internal control, or others, where fraud could have a material effect on the entity's accounts, including issues communicated by current or previous employees or by the relevant services, including the European Anti-Fraud Office (OLAF).
17. 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.
18. 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 of delays or other problems in the establishment of recovery orders.

Internal control over financial reporting

19. We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware

Reservations

There are no reservations.



28/02/2022

Anne-Marie Fernandez

The Accounting Officer of the Community Plant Variety Office



28/02/2022

Francesco Mattina

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.



4. Overview Budget Implementation 2021

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 2021 as well as an indication of the key events and developments which impact on the financial situation of the Office.

The budget of the office for 2021 has been adopted by the Administrative Council in September 2020.

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 3480 applications in 2021, compared to 3427 in 2020. In 2021, almost 2900 new titles were granted. Taking into account the surrenders of older titles, the total number titles in force rose to more than 29 500.

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 EUR 19.37 million and expenses of EUR 17.33 million meant a budget outturn of EUR 2.04 million positive (EUR 0.34 million negative in 2019/20). Non-budgetary income of EUR 0.08 million lead to a net outturn of EUR 2.12 million positive.

The outturn significantly increased compared to 2020. With a stable level of open commitments, the free reserve increased in line with the variation of the treasury (EUR 22.2 million in 2021 and EUR 19.9 million in 2020).

4.4 Financial Accounts

The financial accounts show an economic result of EUR 0.42 million positive. 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.

The net outturn for the year was approximately EUR 2.12 million positive, a significant increase compared to the previous year showing a net out-turn of EUR 0.21 million negative.

Table 1 Budgetary outturn 2021

		2021	2020	% variation 2021
Income	Fees revenue	19 204 210,00	18 158 286,00	5,76%
	Other revenue	165 026,80	42 376,56	289,43%
	Total	19 369 236,80	18 200 662,56	6,42%
Expenditure	Title 1 Staff expenditure	-7 758 195,39	-7 619 870,16	1,82%
	Title 2 Administrative expenditure	-1 483 277,29	-1 250 039,80	18,66%
	Title 3 Operational expenditure	-8 083 831,25	-9 668 149,61	-16,39%
	Total	-17 325 303,93	-18 538 059,57	-6,54%
Grand Total	2 043 932,87	-337 397,01	-705,79%	
Non budgetary income		78 858,79	123 921,17	-36,36%
Net outturn for the year		2 122 791,66	-213 475,84	-1094,39%

The budget outturn for 2021 significantly increased compared to 2020 due to a combined increase in receipts and decrease in expenditures. In 2020, the change in approach to invoicing and payment with an Examination Office which availed of the "upfront payment" option agreed in the Administrative Council impacted the figures with a one-off increase in payments of EUR 900 000 for examinations. There was a return to normal levels of examination payments in 2021. Covid-19 restrictions also meant significant savings in travel and meeting expenses.

5. Revenue

Table 2 Revenue breakdown

	2021	2020	% variation 2021
Fees	19 204 210,00	18 158 286,00	5,76%
Administrative operations	49 091,32	26 993,60	81,86%
Interest	115 935,48	15 382,96	653,66%
Grand Total	19 369 236,80	18 200 662,56	6,42%

Table 3 Breakdown of fee income

	2021	2020	% variation 2021
Annual fees	10 001 310,00	9 770 580,00	2,36%
Application fees	1 565 400,00	1 566 950,00	-0,10%
Examination fees	7 102 475,00	6 149 425,00	15,50%
Other fees	535 025,00	671 331,00	-20,30%
Grand Total	19 204 210,00	18 158 286,00	5,76%

The total fees received in 2021 amounted to EUR 19.20 million, an increase of 5.76 % in comparison with the previous year. Annual fees increased modestly in line with the increase in the titles in force. This variation mostly comes from the level of examinations fees which have been increased from 1 April 2020 to allow "full recovery" of costs.

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 budget for amounts committed in a given year equal the budget for the amounts to be 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.

Tables 4 to 11 provide more details of the **execution of payment appropriations**.

Table 4 Budgetary execution 2021

	Final payment appropriation	Executed	Paid %	Cancelled appropriations	Cancelled %
Title 1 Staff expenditure	8 187 000,00	7 758 195,39	94,8%	428 804,61	5,2%
Title 2 Admin. expenditure	1 916 000,00	1 483 277,29	77,4%	432 722,71	22,6%
Title 3 Operational expenditure	9 220 000,00	8 083 831,25	87,7%	1 136 168,75	12,3%
Grand Total	19 323 000,00	17 325 303,93	89,7%	1 997 696,07	10,3%

Overall, as can be seen, expenditure for the year was EUR 17.33 million (compared with EUR 18.53 million in 2020) with a very high execution rate for the budget 89.7% reflecting the accurate forecast.

Table 5 Budgetary execution – comparison 2020 – 2021

	Budget execution 2021	Budget execution 2020	% Change 2021
Title 1 Staff expenditure	7 758 195,39	7 619 870,16	1,8%
Title 2 Admin. expenditure	1 483 277,29	1 250 039,80	18,7%
Title 3 Operational expenditure	8 083 831,25	9 668 149,61	-16,4%
Grand Total	17 325 303,93	18 538 059,57	-6,5%

As already mentioned above, the operational expenditure significantly decreased as the upfront payment exercise was had less impact in 2021 than in 2020.

Table 6 Budgetary execution 2021 – Title 1: Staff expenditure

Budget article	Descriptio..	Final payment appropriation	Executed	Paid %	Paid in the year	Carried forward to 2022 (C8)	Cancelled appropriations	Cancelled %
E1100	Staff	7 702 000,00	7 628 270,17	99,0%	7 539 718,04	88 552,13	73 729,83	1,0%
E1200	Training	110 000,00	57 234,65	52,0%	39 904,75	17 329,90	52 765,35	48,0%
E1300	Travel	250 000,00	12 963,33	5,2%	10 263,33	2 700,00	237 036,67	94,8%
E1400	Interim staff	80 000,00	24 200,00	30,3%	13 348,44	10 851,56	55 800,00	69,8%
E1500	Assistance	40 000,00	33 662,44	84,2%	28 637,88	5 024,56	6 337,56	15,8%
E1700	Representation	5 000,00	1 864,80	37,3%	1 664,80	200,00	3 135,20	62,7%
Grand Total		8 187 000,00	7 758 195,39	94,8%	7 633 537,24	124 658,15	428 804,61	5,2%

The overall budget execution for staff related expenditure was high at 94.8%. The execution rate was very high for staff salaries and relate costs, but lower for other areas – as already mentioned travel for example was much lower than expected.

Table 7 Budgetary execution – Title 1: Staff expenditure – comparison 2020 – 2021

Budget article	Description.	Budget execution 2021	Budget execution 2020	% Change 2021
E1100	Staff	7 628 270,17	7 430 723,03	2,7%
E1200	Training	57 234,65	54 442,39	5,1%
E1300	Travel	12 963,33	38 989,27	-66,8%
E1400	Interim staff	24 200,00	84 267,22	-71,3%
E1500	Assistance	33 662,44	9 610,25	250,3%
E1700	Representation	1 864,80	1 838,00	1,5%
Grand Total		7 758 195,39	7 619 870,16	1,8%

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

The increase in staffing costs is relatively low for 2021. The so-called “correction coefficient” (the difference in cost of living between Brussels and Agency’s country) decreased and the inflation figures (calculated to July 2021) were low at 1.9%. The CPVO applied promotion and career advancement in line with institutional guidelines, and at the year-end, there were 49 staff in post (44 Officials and Temporaries and 5 Contract Agents).

The impact of COVID-19 can be clearly seen on the execution of the budget for travel (-66.8%).

The significant increase in assistance can be explained by the fact that in 2020, the covid-19 pandemic resulted in a very low execution of this budget item. In 2021, as several restrictions have been lifted at specific times, the Office has been able to organise a few events, inexistant in 2020.

Table 8 Budgetary execution 2021 – Title 2: Administrative expenditure

Budget article	Description.	Final payment appropriation	Executed	Paid %	Paid in the year	Carried forward to 2022 (C8)	Cancelled appropriations	Cancelled %
E2000	Property	356 000,00	276 701,46	77,7%	212 872,47	63 828,99	79 298,54	22,3%
E2100	IT expenses	800 000,00	781 992,64	97,7%	630 756,80	151 235,84	18 007,36	2,3%
E2200	Other equipment	55 000,00	34 714,13	63,1%	30 693,55	4 020,58	20 285,87	36,9%
E2300	General admin.	58 000,00	21 327,12	36,8%	19 787,96	1 539,16	36 672,88	63,2%
E2400	Postage and telecom	92 000,00	57 754,90	62,8%	57 117,85	637,05	34 245,10	37,2%
E2500	Meetings and notices	288 000,00	45 571,68	15,8%	41 000,77	4 570,91	242 428,32	84,2%
E2600	Audit and evaluation	267 000,00	265 215,36	99,3%	74 390,36	190 825,00	1 784,64	0,7%
Grand Total		1 916 000,00	1 483 277,29	77,4%	1 066 619,76	416 657,53	432 722,71	22,6%

The execution of the administrative budget was lower than expected, due mainly to the decrease on meeting expenses. Meetings were not allowed due to the sanitary situation. The budget was kept quite high in the case travel could resume. However, the sanitary situation did not improve and thus, the total budget was not executed.

Table 9 Budgetary execution – Title 2: Administrative expenditure – comparison 2020 – 2021

Budget article	Description.	Budget execution 2021	Budget execution 2020	% Change 2021
E2000	Property	276 701,46	410 934,73	-32,7%
E2100	IT expenses	781 992,64	651 472,51	20,0%
E2200	Other equipment	34 714,13	17 796,90	95,1%
E2300	General admin.	21 327,12	26 320,98	-19,0%
E2400	Postage and telecom	57 754,90	61 717,03	-6,4%
E2500	Meetings and notices	45 571,68	14 610,23	211,9%
E2600	Audit and evaluation	265 215,36	67 187,42	294,7%
Grand Total		1 483 277,29	1 250 039,80	18,7%

Spending on administration witnessed significant variations compared to 2020. There were noticeable increases in IT expenses equipment due to the purchase of new IT hardware. For the meetings, some travels had been possible during the year, and for the audit, the Office decided to conduct an evaluation on cyber-security risks.

Table 10 Budgetary execution 2021 – Title 3: Operational expenditure

Budget article	Description.	Final payment appropriation	Executed	Paid %	Cancelled appropriations	Cancelled %
E3000	Examination office fees	8 020 000,00	7 411 041,24	92,4%	608 958,76	7,6%
E3200	Examination reports	500 000,00	478 700,00	95,7%	21 300,00	4,3%
E3400	Publications	80 000,00	35 593,76	44,5%	44 406,24	55,5%
E3500	Studies	420 000,00	122 546,95	29,2%	297 453,05	70,8%
E3600	Special advisors	200 000,00	35 949,30	18,0%	164 050,70	82,0%
Grand Total		9 220 000,00	8 083 831,25	87,7%	1 136 168,75	12,3%

Table 11 Budgetary execution – Title 3: Operational expenditure – comparison 2020 – 2021

Budget article	Description.	Budget execution 2021	Budget execution 2020	% Change 2021
E3000	Examination office fees	7 411 041,24	8 799 378,75	-15,8%
E3200	Examination reports	478 700,00	449 360,00	6,5%
E3400	Publications	35 593,76	95 733,47	-62,8%
E3500	Studies	122 546,95	218 308,80	-43,9%
E3600	Special advisors	35 949,30	105 368,59	-65,9%
Grand Total		8 083 831,25	9 668 149,61	-16,4%

The tables above show the payments for title 3 (operational expenditure). There is a slight decrease due to Covid-19 pandemic which lead applicants to postpone some examinations. Furthermore, the impact of “upfront payment” (leading to a significant increase in 2020) had much less impact in 2021. Expenditure on Research & Development (E3500) was lower as reports were late arriving and payments therefore postponed to 2022.

Table 12 Budgetary execution - commitment appropriation 2020 – Title 3: Operational expenditure

Budget article	Description	Budget initial	Transfers	Budget final	Committed	% Committed
E3000	Examination office fees	8 055 000	565 000,00	8 620 000	7 884 406,11	91,5%
E3200	Examination reports	460 000	43 000,00	503 000	499 180,00	99,2%
E3400	Publications	120 000		120 000	39 177,64	32,6%
E3500	Studies	500 000	-8 000,00	492 000	130 900,78	26,6%
E3600	Special advisors	200 000		200 000	126 900,00	63,5%
Total		9 335 000	600 000,00	9 935 000	8 680 564,53	87,4%

Table 13 Title 3 – Outstanding commitments

Budget Article	DESCRIPTION	Outstanding beginning of the year	Committed	De-committed	Paid	Outstanding yearend
E3000	Examination offices fees	15 306 594,15	7 884 406,11	-528 241,12	-7 411 041,24	15 251 717,90
E3200	Examination reports	436 800,00	499 180,00	-5 120,00	-478 700,00	452 160,00
E3400	Publications	6 296,34	39 177,64	-480,22	-35 593,76	9 400,00
E3500	Studies	992 836,99	130 900,78	-62 437,02	-122 546,95	938 753,80
E3600	Special advisors	129 181,04	126 900,00	-24 322,54	-35 949,30	195 809,20
Grand Total		16 871 708,52	8 680 564,53	-620 600,90	-8 083 831,25	16 847 840,90

The total amount of open commitments for the title remains very stable compared to 2020. The open amount of EUR 16.85 million in 2021 compared to EUR 16.87 million in 2020 meant a decrease of 0.14%.

7. Budget amendments and transfers

No budget amendments to the budget through the Administrative Council occurred in 2021 (apart from a temporary update to the establishment plan to allow an overlap between a departing staff member and a newly arrived staff member).

Every year, transfers between budget items are performed when made necessary following a change in planning. A number of transfers between budget lines were made, particularly at year-end, while staying within the overall envelope provided at the beginning of the year.

Table 14 Transfers on the commitment and payment budget 2021

Budget article	Description.	Payment appropriations				Commitment appropriations			
		Initial payment budget	Payment budget amendments	Payment budget transfers	Final payment appropriati..	Initial Commitment Budget	Commitment budget amendments	Commitment budget transfers	Final commitment budget
E1100	Staff	8 302 000	-	-600 000	7 702 000	8 302 000	-	-600 000	7 702 000
E1200	Training	110 000	-	-	110 000	110 000	-	-	110 000
E1300	Travel	250 000	-	-	250 000	250 000	-	-	250 000
E1400	Interim staff	80 000	-	-	80 000	80 000	-	-	80 000
E1500	Assistance	40 000	-	-	40 000	40 000	-	-	40 000
E1700	Representation	5 000	-	-	5 000	5 000	-	-	5 000
E2000	Property	356 000	-	-	356 000	356 000	-	-	356 000
E2100	IT expenses	800 000	-	-	800 000	800 000	-	-	800 000
E2200	Other equipment	55 000	-	-	55 000	55 000	-	-	55 000
E2300	General admin.	58 000	-	-	58 000	58 000	-	-	58 000
E2400	Postage and telecom	92 000	-	-	92 000	92 000	-	-	92 000
E2500	Meetings and notices	345 000	-	-57 000	288 000	345 000	-	-57 000	288 000
E2600	Audit and evaluation	210 000	-	57 000	267 000	210 000	-	57 000	267 000
E3000	Examination office fees	7 500 000	-	520 000	8 020 000	8 055 000	-	565 000	8 620 000
E3200	Examination reports	420 000	-	80 000	500 000	460 000	-	43 000	503 000
E3400	Publications	80 000	-	-	80 000	120 000	-	-	120 000
E3500	Studies	420 000	-	-	420 000	500 000	-	-8 000	492 000
E3600	Special advisors	200 000	-	-	200 000	200 000	-	-	200 000
Grand Total		19 323 000	-	-	19 323 000	20 038 000	-	-	20 038 000

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 budget line for audits had to be reinforced.

For Title 3, 2 transfers were made to reinforce the budget lines examination office fees and examination reports for commitment and payment appropriations.

8. Management of Carry-Over credits (C8)

Each year, for title 1 and title 2, commitments are made for invoices which 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 always 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 a payment execution of 86% with EUR 491 403.56 paid in 2021 for amounts carried over from 2020. The unpaid amount of EUR 78 858.79, which had been considered as a budgetary expenditure in 2021, becomes a "non-budgetary income" in 2021 and appears in the budget outturn account as such in table 1.

Table 15 Execution of C8 credit: carried over from 2020

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Title 1 Staff expenditure	E1100	Staff	119 985,26	97 052,51	81%	22 932,75
	E1200	Training	22 824,53	20 459,70	90%	2 364,83
	E1300	Travel	512,00	0,00	0%	512,00
	E1400	Interim staff	0,00	0,00	0%	0,00
	E1500	Assistance	960,91	200,00	21%	760,91
	E1700	Representation	0,00	0,00	0%	0,00
	Total			144 282,70	117 712,21	82%
Title 2 Admin. expenditure	E2000	Property	184 102,99	178 585,28	97%	5 517,71
	E2100	IT expenses	169 721,40	129 066,91	76%	40 654,49
	E2200	Other equipment	330,00	304,75	92%	25,25
	E2300	General admin.	5 345,22	3 583,60	67%	1 761,62
	E2400	Postage and telecom	3 480,04	2 150,81	62%	1 329,23
	E2500	Meetings and notices	0,00	0,00	0%	0,00
	E2600	Audit and evaluation	63 000,00	60 000,00	95%	3 000,00
Total			425 979,65	373 691,35	88%	52 288,30
Grand Total			570 262,35	491 403,56	86%	78 858,79

The reasons for the non-execution of these credits are varied. For staff expense, some trainees left the office before the end of their contract which means a decrease of payment. For IT expenses, some developments have not been made (change in priorities, allocation of resources). In many cases, estimations needed to be made, and for budgetary reasons, a cautious approach was taken.

The better rate of C8 payment execution compared to 2020 (71%) means a better estimation and assessment of C8 credits necessary for 2021.

9. Treasury reserve

Table 16 Calculation of the free reserve

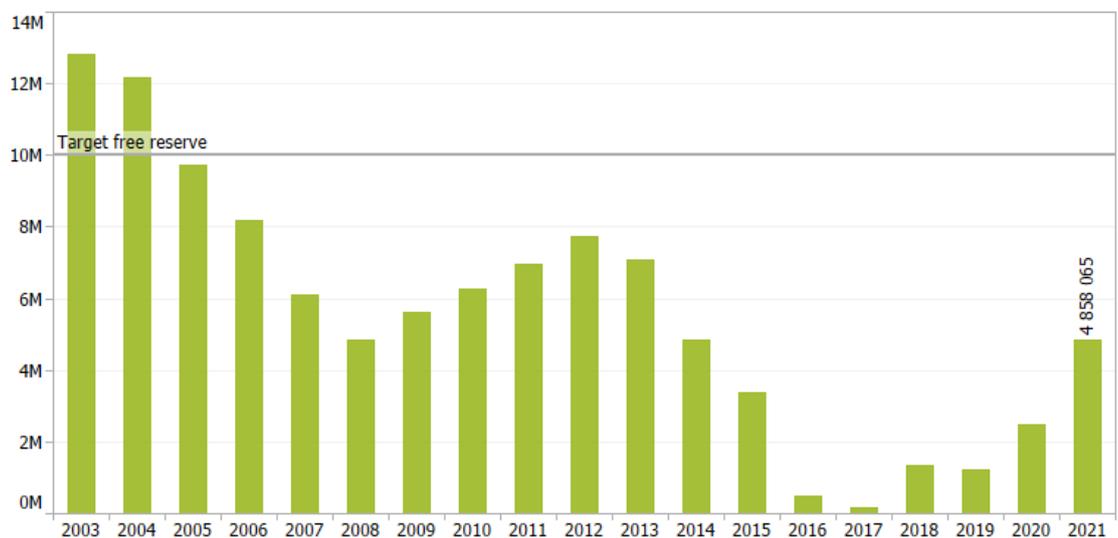
Description	2021
Treasury amount	22 247 221,87
Title 1: Amount carried over to next year	-124 658,15
Title 2: Amount carried over to next year	-416 657,53
Title 3: Amount carried over (differentiated credit)	-16 847 840,90
Free reserve	4 858 065,29

The so-called free reserve is the difference between total treasury held by the CPVO and the outstanding commitments opened.

The free reserve as at 31 December 2021 increased significantly (+96%, in absolute value EUR 2.4 million) compared to 2020 which showed an amount of EUR 2.5 million. As the level of amounts carried over (all titles) remain stable compared to 2020, the increase is explained almost entirely by the variation in cash and cash equivalents (EUR 2.3 million higher than 2020).

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

Table 17 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 established by the European Commission (InforEuro).
- 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 18 Detailed budget outturn

		2021	2020	% variation 2021
Income	Fees revenue	19 204 210,00	18 158 286,00	5,76%
	Other revenue	165 026,80	42 376,56	289,43%
	Total	19 369 236,80	18 200 662,56	6,42%
Expenditure	Title 1 Staff expenditure	-7 758 195,39	-7 619 870,16	1,82%
	Title 2 Administrative expenditure	-1 483 277,29	-1 250 039,80	18,66%
	Title 3 Operational expenditure	-8 083 831,25	-9 668 149,61	-16,39%
	Total	-17 325 303,93	-18 538 059,57	-6,54%
Grand Total	2 043 932,87	-337 397,01	-705,79%	
Non budgetary income		78 858,79	123 921,17	-36,36%
Net outturn for the year		2 122 791,66	-213 475,84	-1094,39%

11.2 Budget income

Table 19 Budget income detailed

Budget Posts	Description	Budget after amendments and transfers	Income recorded and received in 2021	Variation with budget (%)
1000	Fees	18 910 000	19 204 210	1,56%
3000	Deficit reserve	263 000		
5000	Income from administrative operations	20 000	49 091	145,46%
9100	Other income (mainly financial income)	130 000	115 935	-10,82%
Total		19 323 000	19 369 236	0,24%

11.3 Budget Outturn – detailed reports

Table 20 Commitment appropriation 2021

Title	Budget article	Description	Budget initial	Amendments	Transfers	Budget final	Committed	% Committed	Cancelled
Title 1 Staff expenditure	E1100	Staff	8 302 000	-	-600 000	7 702 000	7 628 270,17	99,0%	73 729,83
	E1200	Training	110 000	-	-	110 000	57 234,65	52,0%	52 765,35
	E1300	Travel	250 000	-	-	250 000	12 963,33	5,2%	237 036,67
	E1400	Interim staff	80 000	-	-	80 000	24 200	30,3%	55 800,00
	E1500	Assistance	40 000	-	-	40 000	33 662,44	84,2%	6 337,56
	E1700	Representation	5 000	-	-	5 000	1 864,8	37,3%	3 135,20
	Total			8 787 000	-	-600 000	8 187 000	7 758 195,39	94,8%
Title 2 Admin. expenditure	E2000	Property	356 000	-	-	356 000	276 701,46	77,7%	79 298,54
	E2100	IT expenses	800 000	-	-	800 000	781 992,64	97,7%	18 007,36
	E2200	Other equipment	55 000	-	-	55 000	34 714,13	63,1%	20 285,87
	E2300	General admin.	58 000	-	-	58 000	21 327,12	36,8%	36 672,88
	E2400	Postage and telecom	92 000	-	-	92 000	57 754,9	62,8%	34 245,10
	E2500	Meetings and notices	345 000	-	-57 000	288 000	45 571,68	15,8%	242 428,32
	E2600	Audit and evaluation	210 000	-	57 000	267 000	265 215,36	99,3%	1 784,64
Total			1 916 000	-	-	1 916 000	1 483 277,29	77,4%	432 722,71
Title 3 Operational expenditure	E3000	Examination office f..	8 055 000	-	565 000	8 620 000	7 884 406,11	91,5%	735 593,89
	E3200	Examination reports	460 000	-	43 000	503 000	499 180	99,2%	3 820,00
	E3400	Publications	120 000	-	-	120 000	39 177,64	32,6%	80 822,36
	E3500	Studies	500 000	-	-8 000	492 000	130 900,78	26,6%	361 099,22
	E3600	Special advisors	200 000	-	-	200 000	126 900	63,5%	73 100,00
Total			9 335 000	-	600 000	9 935 000	8 680 564,53	87,4%	1 254 435,47
Grand Total			20 038 000	-	-	20 038 000	17 922 037,21	89,4%	2 115 962,79

Table 21 Payment appropriation 2021

Title.	Budget article	Description.	Initial payment budget	Payment budget amendments	Payment budget transfers	Final payment appropriation	Executed	Paid %	Paid in the year	Carried forward to 2022 (C8)	Cancelled appropriations	Cancelled %
Title 1 Staff expenditure	E1100	Staff	8 302 000	-	-600 000	7 702 000	7 628 270,17	99,0%	7 539 718,04	88 552,13	73 729,83	1,0%
	E1200	Training	110 000	-	-	110 000	57 234,65	52,0%	39 904,75	17 329,90	52 765,35	48,0%
	E1300	Travel	250 000	-	-	250 000	12 963,33	5,2%	10 263,33	2 700,00	237 036,67	94,8%
	E1400	Interim staff	80 000	-	-	80 000	24 200,00	30,3%	13 348,44	10 851,56	55 800,00	69,8%
	E1500	Assistance	40 000	-	-	40 000	33 662,44	84,2%	28 637,88	5 024,56	6 337,56	15,8%
	E1700	Representation	5 000	-	-	5 000	1 864,80	37,3%	1 664,80	200,00	3 135,20	62,7%
	Total		8 787 000	-	-600 000	8 187 000	7 758 195,39	94,8%	7 633 537,24	124 658,15	428 804,61	5,2%
Title 2 Admin. expenditure	E2000	Property	356 000	-	-	356 000	276 701,46	77,7%	212 872,47	63 828,99	79 298,54	22,3%
	E2100	IT expenses	800 000	-	-	800 000	781 992,64	97,7%	630 756,80	151 235,84	18 007,36	2,3%
	E2200	Other equipment	55 000	-	-	55 000	34 714,13	63,1%	30 693,55	4 020,58	20 285,87	36,9%
	E2300	General admin.	58 000	-	-	58 000	21 327,12	36,8%	19 787,96	1 539,16	36 672,88	63,2%
	E2400	Postage and telecom	92 000	-	-	92 000	57 754,90	62,8%	57 117,85	637,05	34 245,10	37,2%
	E2500	Meetings and notices	345 000	-	-57 000	288 000	45 571,68	15,8%	41 000,77	4 570,91	242 428,32	84,2%
	E2600	Audit and evaluation	210 000	-	57 000	267 000	265 215,36	99,3%	74 390,36	190 825,00	1 784,64	0,7%
	Total		1 916 000	-	-	1 916 000	1 483 277,29	77,4%	1 066 619,76	416 657,53	432 722,71	22,6%
Title 3 Operational expenditure	E3000	Examination office fees	7 500 000	-	520 000	8 020 000	7 411 041,24	92,4%	7 411 041,24	0,00	608 958,76	7,6%
	E3200	Examination reports	420 000	-	80 000	500 000	478 700,00	95,7%	478 700,00	0,00	21 300,00	4,3%
	E3400	Publications	80 000	-	-	80 000	35 593,76	44,5%	35 593,76	0,00	44 406,24	55,5%
	E3500	Studies	420 000	-	-	420 000	122 546,95	29,2%	122 546,95	0,00	297 453,05	70,8%
	E3600	Special advisors	200 000	-	-	200 000	35 949,30	18,0%	35 949,30	0,00	164 050,70	82,0%
	Total		8 620 000	-	600 000	9 220 000	8 083 831,25	87,7%	8 083 831,25	0,00	1 136 168,75	12,3%
Grand Total			19 323 000	-	-	19 323 000	17 325 303,93	89,7%	16 783 988,25	541 315,68	1 997 696,07	10,3%

Table 22 Budget outturn of non-differentiated credits carried forward from 2020 (C8)

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Title 1 Staff expenditure	E1100	Staff	119 985,26	97 052,51	81%	22 932,75
	E1200	Training	22 824,53	20 459,70	90%	2 364,83
	E1300	Travel	512,00	0,00	0%	512,00
	E1400	Interim staff	0,00	0,00	0%	0,00
	E1500	Assistance	960,91	200,00	21%	760,91
	E1700	Representation	0,00	0,00	0%	0,00
	Total			144 282,70	117 712,21	82%
Title 2 Admin. expenditure	E2000	Property	184 102,99	178 585,28	97%	5 517,71
	E2100	IT expenses	169 721,40	129 066,91	76%	40 654,49
	E2200	Other equipment	330,00	304,75	92%	25,25
	E2300	General admin.	5 345,22	3 583,60	67%	1 761,62
	E2400	Postage and telecom	3 480,04	2 150,81	62%	1 329,23
	E2500	Meetings and notices	0,00	0,00	0%	0,00
	E2600	Audit and evaluation	63 000,00	60 000,00	95%	3 000,00
Total			425 979,65	373 691,35	88%	52 288,30
Grand Total			570 262,35	491 403,56	86%	78 858,79

12. Financial Accounts:

12.1 Balance sheet

Table 23 Balance sheet

				2021	2020
Assets	Non-Current assets	Intangible Assets	1	-	-
		Tangible Assets	2	2 077 880,84	2 341 442,39
		Medium term investments	3	4 293 857,86	10 087 857,86
		Total		6 371 738,70	12 429 300,25
	Current assets	Short-term receivables	4	4 353 420,05	4 299 234,45
		Treasury	5	17 953 364,01	9 839 096,05
		Other receivable	6	66 550,49	144 901,45
Total		22 373 334,55	14 283 231,95		
Total		28 745 073,25	26 712 532,20		
Liabilities	Accumulated result	Reserve		9 474 730,71	9 353 623,54
		Profit / deficit		419 520,76	121 107,17
		Total		9 894 251,47	9 474 730,71
	Current liabilities	Accrued charges and deferred income	7	18 670 686,15	17 031 082,22
		Current payables	8	66 125,63	86 869,27
		Short-term provision	9	114 010,00	119 850,00
	Total		18 850 821,78	17 237 801,49	
Total		28 745 073,25	26 712 532,20		

12.2 Statement of financial performance

Table 24 Statement of financial performance

		2021	2020
Income	Income from fees	18 635 280,73	17 766 974,50
	Income from administrative operations	49 125,04	27 296,66
	Total	18 684 405,77	17 794 271,16
Expenditure	Operational expenses	(9 047 718,22)	(8 716 287,23)
	Salaries and social taxes	(7 729 053,39)	(7 557 721,35)
	Overheads	(1 272 877,20)	(1 178 213,53)
	Depreciation	(263 561,55)	(267 770,50)
	Total	(18 313 210,36)	(17 719 992,61)
Result		371 195,41	74 278,55
Financial revenue	Interest income	50 712,70	48 388,34
	Total	50 712,70	48 388,34
Financial expenditure	Bank charges & exchange differences	(2 387,35)	(1 559,72)
	Total	(2 387,35)	(1 559,72)
Result		48 325,35	46 828,62
Economic outturn for the year		419 520,76	121 107,17

12.3 Cash-flow (Indirect method)

Table 25 Cash flow

	2021	2020
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	419 520,76	121 107,17
Operating activities		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +		
Depreciation (tangible fixed assets) +	263 561,55	267 770,50
Impairment (tangible fixed assets) +		
Increase/(decrease) in Provisions for risks and liabilities	-5 840,00	25 344,00
(Increase)/decrease in Long term Receivables	4 000 000,00	-1 205 000,00
(Increase)/decrease in Short term Receivables	24 165,36	57 467,38
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	1 618 860,29	-449 386,21
Net cash Flow from operating activities	6 320 267,96	-1 182 697,16
Cash Flows from investing activities		
Increase of tangible and intangible fixed assets (-)		
Proceeds from tangible and intangible fixed assets (+)		
Loss on decommissioning of assets (+)		
Net cash flow from investing activities		
Net Increase/(decrease) in cash and equivalent	6 320 267,96	-1 182 697,16
Cash and cash equivalents at the beginning of the period	9 839 096,05	11 021 793,21
Cash and cash equivalents at the end of the period	16 159 364,01	9 839 096,05
Net Increase/(decrease) in cash and equivalent	6 320 267,96	-1 182 697,16
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)	+/-	419 520,76
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-15 872 599,62
Adjustments for Accrual Cut-off (cut- off 31.12.N)	+	17 459 014,44
Depreciation of intangible and tangible assets	+	263 561,55
Value reduction	+	
Recovery Orders issued in the year in class 7 and not yet cashed	-	-3 987 102,00
Payments made from carry over of payment appropriations	+	491 403,56
Prefinancing received in previous year and cleared in the year	-	
Asset acquisitions (less unpaid amounts)	-	
Budgetary recovery orders issued before the financial year and cashed in the year	+	3 811 375,00
Payment appropriations carried over to the next year	-	-541 315,68
Cancellation of unused carried over payment appropriations from previous year	+	78 858,79
total (1)		2 122 716,80
Budgetary result (+ for surplus) (2)		2 122 791,66
Including amount of exchange rate differences - (+ for gain and - for loss) - (3)		-74,86
Delta not explained (1) - (2) - (3)		0,00

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 01.01.2021 +		634 612,95			634 612,95
Additions +					
Disposals -		-882,00			-882,00
Transfer between headings +/-					
Other changes +/-					
Gross carrying amounts 31.12.2021:	0,00	633 730,95	0,00	0,00	633 730,95
Accumulated amortization and impairment 01.01.2021 -		-634 612,95			-634 612,95
Amortization -					
Disposals +		882,00			882,00
Write-back of impairment +					
Transfer between headings +/-					
Accumulated amortization and impairment 31.12.2021	0,00	-633 730,95	0,00	0,00	-633 730,95
Net carrying amounts 31.12.2021	0,00	0,00	0,00	0,00	0,00

Note 2 Tangible Fixed Assets

	Land	Buildings	Plant and Equipment	Computer hardware	Tangible assets under construction	Total
Gross carrying amounts 01.01.2021 +	292 220,00	5 744 928,26	332 873,61	380 004,08	0,00	6 750 025,95
Additions +						0,00
Disposals -			-12 954,11	-57 902,36		-70 856,47
Impairment +/-						0,00
Other changes (1) +/-						0,00
Gross carrying amounts 31.12.2021:	292 220,00	5 744 928,26	319 919,50	322 101,72	0,00	6 679 169,48
Accumulated amortization and impairment 01.01.2021 -		-3 736 779,75	-319 314,15	-352 489,66	0,00	-4 408 583,56
Depreciation -		-237 691,47	-5 275,93	-20 594,15		-263 561,55
Write-back of depreciation +						0,00
Disposals +			12 954,11	57 902,36		70 856,47
Transfer between headings +/-						
Accumulated amortization and impairment 31.12.2021	0,00	-3 974 471,22	-311 635,97	-315 181,45	0,00	-4 601 288,64
Net carrying amounts 31.12.2021	292 220,00	1 770 457,04	8 283,53	6 920,27	0,00	2 077 880,84

Note 3 Medium term investments

	2021	2020
Medium term investments	4 293 857,86	10 087 857,86
Grand Total	4 293 857,86	10 087 857,86

In 2021, the amount of medium-term investments decreased as some investments came to maturity. Reinvestments have not been renewed before year-end as the level of interest remains very low. The amount of EUR 6 087 857.86 is divided in different investments and different banks as it can be seen on the table below:

	2021	2020
C.E. - financial investment	1 160 000,00	2 954 000,00
CRCA - financial investment	-	4 000 000,00
LCL - financial investment	3 133 857,86	3 133 857,86
Grand Total	4 293 857,86	10 087 857,86

Note 4 Short-term receivables

	2021	2020
Customers	4 131 385,52	3 985 558,05
VAT	128 583,38	282 712,55
Deferred charges	93 451,15	30 963,85
Total	4 353 420,05	4 299 234,45

Note 5 Treasury

	2021	2020
Short-term investments	4 294 000,00	2 500 000,00
Current accounts	13 610 790,85	7 284 044,04
Imprest account	48 573,16	55 052,01
Total	17 953 364,01	9 839 096,05

Breakdown of short-term investments

	2021	2020
BNP	2 500 000,00	2 500 000,00
CAISSE D'EPARGNE	1 794 000,00	-
Total	4 294 000,00	2 500 000,00

Note 6 Other receivables

	2021	2020
Interest to be received	59 865,93	125 088,71
Sundry receivables (staff)	6 474,48	14 057,04
Sundry receivables (suppliers)	210,08	5 755,70
Total	66 550,49	144 901,45

Interest rates are still very low. In 2021, some investments, made a few years ago with a valuable return on investment rate, came to maturity and were reimbursed. The interests to be received were accrued in line with the principle of annuality.

It is important to mention that the CPVO does not accept negative interests.

Note 7 Accrued charges and deferred income

	2021	2020
Deferred income	13 106 596,11	12 361 939,84
Invoices to be received	5 221 540,94	4 415 105,91
Suspense account	142 177,25	83 161,92
Accrued holidays	200 371,85	170 874,55
Total	18 670 686,15	17 031 082,22

The increase of deferred income related to fees is essentially due to the increase of the examination fees to rise 100% a recovery of costs.

Note 8 Current payables

	2021	2020
Sundry credit accounts	6 876,01	39 954,80
Suppliers	59 249,62	46 914,47
Total	66 125,63	86 869,27

Note 9 Short-term provision

	2021	2020
Provision for doubtful debts	114 010,00	119 850,00
Grand Total	114 010,00	119 850,00

Table 27 Statement of changes in net assets

	2021	2020
Reserve	9 474 730,71	9 353 623,54
Profit / deficit	419 520,76	121 107,17
Cumulated reserve	9 894 251,47	9 474 730,71

12.6 Other Disclosures

Off Balance Sheet Commitments

At the year-end there was a total of EUR 16 847 841 of commitments opened on title 3 (operational expenditure) and a further EUR 541 316 for titles 1 and 2 carried to 2022 as C8 credits. Out of this total, EUR 5 221 541 relate to work carried out in or before 2021 but not yet invoiced for which there is a provision in the financial accounts. The balance of EUR **12 167 916** 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 no real liability for the Office yet, as the applicants could still cancel the examination before the submission date of material, resulting in the initial commitment being de-committed. Therefore, they are taken as off-balance sheet commitments.

Contingent liabilities

There are 4 pending appeal cases for which the CPVO could be liable for the experts' costs in charge with the different cases. The remuneration to the Members of the Board of Appeal to be paid could reach a maximum of EUR 86 000 and would be payable upon closure of the appeal files planned in 2021.

Contingent assets

The CPVO won a court case and is thus entitled to recover expenses (lawyer's fees, travel expenses) for an amount of EUR 12 753. This case is still undergoing regularisation and the outcome is uncertain.

Secondly, the General Court dismissed an applicant actions in two joined litigations and the fixing cost to be recovered is EUR 25 000 (12 500 each).

Related parties

As at 31 December 2021, no related parties were identified. The key management personnel of the Office is shown below:

Grade	N° of staff
AD 15	1
AD12	1
Total	1

The President left the Office in September 2021 and the Vice President was acting President at the year end.

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	3-4 years	>5 years	Total
Medium term investment Caisse d'Epargne	400 000	760 000		1 160 000
Medium term investment Crédit Agricole				
Medium term investment LCL		3 133 858		3 133 858
Medium term investment HSBC				
Total	400 000	3 893 858		4 293 858

Financial assets: Cash and cash equivalent

	2021	2020
Short-term investments	4 294 000,00	2 500 000,00
Current accounts	13 610 790,85	7 284 044,04
Imprest account	48 573,16	55 052,01
Total	17 953 364,01	9 839 096,05

Financial assets: Maturity term of receivables

The total of the receivables is rather stable compared to 2020 (EUR 4 299 234.89).

Short term receivables	< 1 year	1-2 years	>2 years	Total
Customers	4 131 385,52			4 131 385,52
VAT	128 583,38			128 583,38
Deferred charges	92 614,12	797,91	39,12	93 451,15
Total	4 352 583,02	797,91	39,12	4 353 420,05

The table below concerns:

- receivables from customers for EUR 4 131 386;
- medium term investment for EUR 6 087 858;
- deferred charges already paid in 2021 for EUR 93 451;
- income from 2021 to be received (interests from investments) in the future for EUR 59 866;
- and finally, advanced payment to suppliers and amounts to be recovered from the staff for EUR 6 685.

The decrease of the total amount compared to 2020 (EUR 14 249 281.21) is mainly due to the decrease of the medium term investments (EUR -4 million).

Counterparties without external credit rating	Receivables with Member States	All receivables with third parties including accruals & deferrals	Short-term deposits	Bank accounts	Total
Debtors who never defaulted		8 585 245,02			8 585 245,02
Debtors who defaulted in the past					
Total	0,00	8 585 245,02	0,00	0,00	8 585 245,02

For customers of the CPVO, the provision for potential loss is defined below. The net amount of the debt is stable.

Customers	2021	2020
Amount due by customers	4 131 385,52	3 985 558,05
Provision at the start of the year	-119 850,00	-94 506,00
Additional provision (-)	-39 160,00	-35 640,00
Reduction of the provision (+)	3 810,00	796,00
Write-offs	41 190,00	9 500,00
Accumulated impairment (-)	-114 010,00	-119 850,00
Net amount at the end of the year	4 017 375,52	3 865 708,05

The general trend of the provision for customers linked to the fees invoiced is downward since a few years. In 2021, the provision for clients amounted to EUR 39 160. The CPVO proceeded to the annual write-off for unpaid fees for EUR 41 190. The cumulated amount is stable. In order to understand the relative importance of this provision, we can consider the total amount invoiced to client from 2017 to 2020 amounting to EUR 70 581 236 (the same period of the provision below) compared to the total of the provision reaching EUR 114 010. The ratio is on average 0.16 % since 2017.

Break down of the provision for customers	2021	2020
Receivables from 2013		
Receivables from 2014		3 780,00
Receivables from 2015		9 240,00
Receivables from 2016		8 320,00
Receivables from 2017	28 890,00	49 080,00
Receivables from 2018	28 970,00	28 970,00
Receivables from 2019	34 760,00	20 460,00
Receivables from 2020	21 390,00	
Net amount at the end of the year	114 010,00	119 850,00

Financial liabilities: Maturity of liabilities

The following table takes into account the treasury received from clients (non-identified payments for EUR 142 177) and the amounts due to suppliers. The increase compared to 2020 (EUR 130 076) is essentially due to the increase of the unidentified payments received from clients.

	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	201 426,87			201 426,87
Payables with consolidated entities				
Total	201 426,87	0,00	0,00	201 426,87

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 bank accounts. This is with a view to limit its risk exposure. The overall treasury balances fluctuated between approximately EUR 18 Million and EUR 22 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 maturity of medium terms investments can be seen under the item of "liquidity risk".

Counterparties with external credit rating	Receivables with Member States*	Short-term deposits	Bank accounts and cash	Total	% of the total
Prime and high grade	128 583,38	4 294 000,00	13 659 364,01	18 081 947,39	100,00%
Upper medium grade				0,00	0,00%
Lower medium grade				0,00	0,00%
Non-investment grade				0,00	0,00%
Total	128 583,38	4 294 000,00	13 659 364,01	18 081 947,39	100,00%

* excluding receivables with MS and receivables with consolidated entities

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.

The CPVO does not accept negative interests.

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 statements³ for the financial year 2020 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 Communities⁴, while the "Reports on implementation of the budget" continue to be primarily based on movements of cash.

The accounts are kept in euro and they have been prepared for the financial year running from 1 January 2021 to 31 December 2021.

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 98 and Article 99 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

In terms of materiality, the selected materiality threshold is the same as the one used by the European Court of Auditors. To get the assurance that the financial accounts do not contain any significant error, the materiality threshold is set at 2% of the total of the balance sheet or if they exceed 25 % of a given balance sheet heading as a minimum 0.5% of the balance sheet total.

³ 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.

⁴ 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 (compared to a threshold of EUR 420 before 2017).

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 "Term Deposit". These investments do not allow any risk on capital or interests. The interests which will be received are known from the start of the contracts as far as the investments are not interrupted.
- 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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