



CPVO

Community Plant Variety Office

Provisional Accounts 2022

Issuance date: 15 May 2023

2022 Declaration of Assurance the Accounting Officer of the CPVO

The **provisional annual accounts** of the Community Plant Variety Office for the year 2022 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, 15/05/2023



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

2022 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 2022** gives 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.

I 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, 15/05/2023



Francesco Mattina
The President of Community Plant Variety Office

Mr. Tony Murphy
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 2022 provisional accounts of the Community Plant Variety Office (CPVO)

Date: 15th May 2023

Dear Mr. Tony Murphy,

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 2022 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 2022, 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.

In line with the Article 49 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 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 Russian war of aggression against Ukraine.

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 from the Authorising Officers by delegation of the CPVO, who had guaranteed its reliability.

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 2022 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 2021 which are shown as comparative amounts in the financial statements for year ended 2022. Any differences in the comparative amounts from the amounts in the financial statements for the year ended 2021 are solely the result of reclassifications for comparative purposes.
13. Information regarding financial risks exposure and our financial risk management objectives and policies has been adequately disclosed in the financial statements.

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

Information Provided

We have provided you with:

14. 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.

15. All transactions have been recorded in the accounting records and are reflected in the accounts.

16. 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.

17. We have requested the Legal advisors who perform services for us to provide you with all required information and have requested them to disclose to you any matters you may request in this respect.

18. 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 or on the legality and regularity of the underlying operations, including issues communicated by current or former employees or by the relevant services, including the European Anti-Fraud Office (OLAF).

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

20. We have disclosed to you all instances of non-compliance and of suspected non-compliance with laws and regulations that we are aware of in relation to the CPVO's operations.

21. 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 receivables which are not yet definitive, 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 to the CPVO. We have not been informed on delays or other problems in the establishment of the recovery orders.
- Authorising Officers have not informed of delays or other problems in the establishment of recovery orders.

Internal control over financial reporting

22. 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.

Internal control over compliance

23. The Authorising Officer acknowledges his responsibility:
- for establishing and maintaining effective internal control over compliance.
 - for ensuring compliance and detecting noncompliance with requirements, as applicable.
24. The Authorising Officer confirms having:
- made available to you all documentation related to compliance with the specified requirements or about the effectiveness of internal control over compliance.
 - disclosed to you any communications from regulatory authorities, internal auditors, lawyers (internal and external), and other practitioners concerning possible noncompliance with the specified requirements, including communications received between 31.12.2022 and the date of the audit report.
 - disclosed to you all instances of known noncompliance.

Reservations

There are no reservations.



15/05/2023

Anne-Marie Fernandez

The Accounting Officer of the Community Plant Variety Office



15/05/2023

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, defined in the new Strategic Plan for the period 2022-2026, 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 2022-2026 are derived.

The CPVO operates, develops and promotes an efficient intellectual property rights system providing customer-centric services, thereby supporting innovation and 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: Plant Variety Expertise (former Technical), People & Resources (former Administration) and Legal and Governance Affairs units (former Legal). 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 2022

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 2022 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 2022 has been adopted by the Administrative Council in October 2021.

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 3193 applications in 2022, compared to 3480 in 2021. In 2022, almost 2970 new titles were granted. Taking into account the surrenders of older titles, the total number titles in force rose to more than 30 500.

4.3 Budgetary Accounts & Budgetary Outturn

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.

The budgetary outturn is the difference between the budgetary receipts and budgetary payments.

Receipts of EUR 18.47 million and expenses of EUR 18.84 million meant a budget outturn of EUR 374 800 negative (EUR 2.04 million positive in 2021). Non-budgetary income of EUR 86 200 lead to a net outturn of approximately EUR 288 600 negative.

The outturn significantly decreased compared to 2021 (EUR 2.12 million positive) mainly due to unprecedented level of inflation. With a lower level of open commitments, the free reserve slightly increased as the treasury remained stable (EUR 22.1 million in 2022 and EUR 22.2 million in 2021).

Table 1 Budgetary outturn 2022

		2022	2021	% variation 2022
Income	Fees revenue	18 318 353,00	19 204 210,00	-4,61%
	Other revenue	151 630,00	165 026,80	-8,12%
	Total	18 469 983,00	19 369 236,80	-4,64%
Expenditure	Title 1 Staff expenditure	-8 463 314,25	-7 758 195,39	9,09%
	Title 2 Administrative expenditure	-1 820 871,29	-1 483 277,29	22,76%
	Title 3 Operational expenditure	-8 560 569,58	-8 083 831,25	5,90%
	Total	-18 844 755,12	-17 325 303,93	8,77%
Grand Total		-374 772,12	2 043 932,87	-118,34%
Non budgetary income		86 174,47	78 858,79	9,28%
Net outturn for the year		-288 597,65	2 122 791,66	-113,60%

The budget outturn for 2022 significantly decreased compared to 2021 due to a combined increase in expenditures and decrease in income. In 2022, the progressive return to normal after Covid-19 pandemic led to a natural increase of related expenditures (travels, missions, meetings). Unprecedented level of inflation also explained the high level of expenditures (energy, staff statutory requirements).

5. Revenue

Table 2 Revenue breakdown

	2022	2021	% variation 2022
Fees	18 318 353,00	19 204 210,00	-4,61%
Administrative operations	50 019,24	49 091,32	1,89%
Interest	101 610,76	115 935,48	-12,36%
Grand Total	18 469 983,00	19 369 236,80	-4,64%

Table 3 Breakdown of fee income

	2022	2021	% variation 2022
Annual fees	10 109 220,00	10 001 310,00	1,08%
Application fees	1 431 600,00	1 565 400,00	-8,55%
Examination fees	6 261 013,00	7 102 475,00	-11,85%
Other fees	516 520,00	535 025,00	-3,46%
Grand Total	18 318 353,00	19 204 210,00	-4,61%

The total fees received in 2022 amounted to EUR 18.32 million, a decrease of 4.61 % 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 application and examinations fees which have been reduced in line with the decrease in number of applications received, and thus examinations carried out.

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 2022

	Final payment appropriation	Executed	Paid %	Cancelled appropriations	Cancelled %
Title 1 Staff expenditure	9 376 000,00	8 463 314,25	90,3%	912 685,75	9,7%
Title 2 Admin. expenditure	2 055 000,00	1 820 871,29	88,6%	234 128,71	11,4%
Title 3 Operational expenditure	9 435 000,00	8 560 569,58	90,7%	874 430,42	9,3%
Grand Total	20 866 000,00	18 844 755,12	90,3%	2 021 244,88	9,7%

Overall, as can be seen, expenditure for the year was EUR 18.84 million (compared with EUR 17.33 million in 2021) with a very high execution rate for the budget of 90.3% reflecting an accurate and efficient budget planning and forecast.

Table 5 Budgetary execution – comparison 2021 – 2022

	Budget execution 2022	Budget execution 2021	% Change 2022
Title 1 Staff expenditure	8 463 314,25	7 758 195,39	9,1%
Title 2 Admin. expenditure	1 820 871,29	1 483 277,29	22,8%
Title 3 Operational expenditure	8 560 569,58	8 083 831,25	5,9%
Grand Total	18 844 755,12	17 325 303,93	8,8%

As already mentioned above, due to inflation, all categories of expenditures increased significantly.

Table 6 Budgetary execution 2022 – Title 1: Staff expenditure

Budget article	Description.	Final payment appropriation	Executed	Paid %	Paid in the year	Carried forward to 2023 (C8)	Cancelled appropriations	Cancelled %
E1100	Staff	8 976 500,00	8 219 077,04	91,6%	8 055 008,21	164 068,83	757 422,96	8,4%
E1200	Training	103 500,00	65 252,56	63,0%	43 403,68	21 848,88	38 247,44	37,0%
E1300	Travel	200 000,00	128 207,86	64,1%	122 707,86	5 500,00	71 792,14	35,9%
E1400	Interim staff	50 000,00	35 807,72	71,6%	35 807,72	0,00	14 192,28	28,4%
E1500	Assistance	41 000,00	13 900,38	33,9%	13 900,38	0,00	27 099,62	66,1%
E1700	Representation	5 000,00	1 068,69	21,4%	1 068,69	0,00	3 931,31	78,6%
Grand Total		9 376 000,00	8 463 314,25	90,3%	8 271 896,54	191 417,71	912 685,75	9,7%

The overall budget execution for staff related expenditure was high at 90.3%. The execution rate was very high for staff salaries and related costs, but lower for other areas – as budget planning after Covid-19 pandemic stays complicated (travels are limited, hybrid meetings are still held).

Table 7 Budgetary execution – Title 1: Staff expenditure – comparison 2021 – 2022

Budget article	Description.	Budget execution 2022	Budget execution 2021	% Change 2022
E1100	Staff	8 219 077,04	7 628 270,17	7,7%
E1200	Training	65 252,56	57 234,65	14,0%
E1300	Travel	128 207,86	12 963,33	889,0%
E1400	Interim staff	35 807,72	24 200,00	48,0%
E1500	Assistance	13 900,38	33 662,44	-58,7%
E1700	Representation	1 068,69	1 864,80	-42,7%
Grand Total		8 463 314,25	7 758 195,39	9,1%

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 high for 2022. The so-called “correction coefficient” (the difference in cost of living between Brussels and Agency’s country) slightly decreased but the inflation figures, calculated to July 2022, went up.

The CPVO applied promotion and career advancement in line with institutional guidelines, and at the year-end, there were 52 staff in post (47 Officials and Temporaries and 5 Contract Agents).

The significant increase in travel can be explained by the fact that missions and meetings resumed after Covid-19 pandemic impacted abruptly this type of expenditures in 2020 and 2021.

Table 8 Budgetary execution 2022 – Title 2: Administrative expenditure

Budget article	Description.	Final payment appropriation	Executed	Paid %	Paid in the year	Carried forward to 2023 (C8)	Cancelled appropriations	Cancelled %
E2100	IT expenses	1 050 000,00	1 032 529,33	98,3%	621 341,20	411 188,13	17 470,67	1,7%
E2000	Property	354 000,00	298 154,30	84,2%	191 108,73	107 045,57	55 845,70	15,8%
E2200	Other equipment	36 000,00	25 674,66	71,3%	24 351,87	1 322,79	10 325,34	28,7%
E2300	General admin.	51 400,00	51 325,46	99,9%	45 126,56	6 198,90	74,54	0,1%
E2400	Postage and telecom	90 600,00	61 522,58	67,9%	55 979,96	5 542,62	29 077,42	32,1%
E2500	Meetings and notices	274 000,00	192 698,71	70,3%	158 693,83	34 004,88	81 301,29	29,7%
E2600	Audit and evaluation	199 000,00	158 966,25	79,9%	151 516,25	7 450,00	40 033,75	20,1%
Grand Total		2 055 000,00	1 820 871,29	88,6%	1 248 118,40	572 752,89	234 128,71	11,4%

The execution of the administrative budget was close to 90%. As the situation slightly went back to normal after Covid-19 pandemic, meetings on site resumed and the overall level of execution accordingly increased.

Table 9 Budgetary execution – Title 2: Administrative expenditure – comparison 2021 – 2022

Budget article	Description.	Budget execution 2022	Budget execution 2021	% Change 2022
E2000	Property	298 154,30	276 701,46	7,8%
E2100	IT expenses	1 032 529,33	781 992,64	32,0%
E2200	Other equipment	25 674,66	34 714,13	-26,0%
E2300	General admin.	51 325,46	21 327,12	140,7%
E2400	Postage and telecom	61 522,58	57 754,90	6,5%
E2500	Meetings and notices	192 698,71	45 571,68	322,8%
E2600	Audit and evaluation	158 966,25	265 215,36	-40,1%
Grand Total		1 820 871,29	1 483 277,29	22,8%

Spending on administration witnessed significant variations compared to 2021. There were noticeable increases in IT expenses due to the cyber security audit conducted in 2021 that led the CPVO to make several adjustments (new licenses, new trainings). Also, the number of projects carried out simultaneously implies significant costs in development (partly outsourced).

Table 10 Budgetary execution 2022 – Title 3: Operational expenditure

Budget article	Description.	Final payment appropriation	Executed	Paid %	Cancelled appropriations	Cancelled %
E3000	Examination office fees	8 110 000,00	7 718 949,75	95,2%	391 050,25	4,8%
E3200	Examination reports	460 000,00	410 640,00	89,3%	49 360,00	10,7%
E3400	Publications	130 000,00	13 981,02	10,8%	116 018,98	89,2%
E3500	Studies	500 000,00	306 839,80	61,4%	193 160,20	38,6%
E3600	Special advisors	235 000,00	110 159,01	46,9%	124 840,99	53,1%
Grand Total		9 435 000,00	8 560 569,58	90,7%	874 430,42	9,3%

Table 11 Budgetary execution – Title 3: Operational expenditure – comparison 2021 – 2022

Budget article	Description.	Budget execution 2022	Budget execution 2021	% Change 2022
E3000	Examination office fees	7 718 949,75	7 411 041,24	4,2%
E3200	Examination reports	410 640,00	478 700,00	-14,2%
E3400	Publications	13 981,02	35 593,76	-60,7%
E3500	Studies	306 839,80	122 546,95	150,4%
E3600	Special advisors	110 159,01	35 949,30	206,4%
Grand Total		8 560 569,58	8 083 831,25	5,9%

The tables above show the payments for title 3 (operational expenditure). There is a slight increase due to the natural increasing number of applications undergoing examinations (DUS) testing.

Also, several payments of R&D projects were postponed from 2021 to 2022 which explains the increase in studies expenditures. Finally, several ongoing appeals reviewed during the year 2022 led to a justified increase in legal costs (remuneration of members of Board of Appeal, hearings, meetings, committees).

Table 12 Budgetary execution - commitment appropriation 2022 – Title 3: Operational expenditure

Budget article	Description	Budget initial	Transfers	Budget final	Committed	% Committed
E3000	Examination office fees	8 950 000	-65 000,00	8 885 000	7 623 483,00	85,8%
E3200	Examination reports	450 000		450 000	440 640,00	97,9%
E3400	Publications	130 000		130 000	12 861,02	9,9%
E3500	Studies	350 000	25 000,00	375 000	368 560,00	98,3%
E3600	Special advisors	250 000		250 000	139 668,40	55,9%
Total		10 130 000	-40 000,00	10 090 000	8 585 212,42	85,1%

Table 13 Title 3 – Outstanding commitments

Budget Article	DESCRIPTION	Outstanding beginning of the year	Committed	De-committed	Paid	Outstanding yearend
E3000	Examination offices fees	15 251 717,90	7 623 483,00	-908 089,65	-7 718 949,75	14 248 161,50
E3200	Examination reports	452 160,00	440 640,00	-9 600,00	-410 640,00	472 560,00
E3400	Publications	9 400,00	12 861,02		-13 981,02	8 280,00
E3500	Studies	938 753,80	368 560,00	-6 796,00	-306 839,80	993 678,00
E3600	Special advisors	195 809,20	139 668,40	-55 879,42	-110 159,01	169 439,17
Grand Total		16 847 840,90	8 585 212,42	-980 365,07	-8 560 569,58	15 892 118,67

The total amount of open commitments for the title 3 decreased compared to 2021. The open amount of EUR 15.89 million in 2022 compared to EUR 16.85 million in 2021 meant a decrease of 5.7%, mainly due to the decreased number of applications received.

7. Budget amendments and transfers

In 2022, the CPVO made one budget amendment in order to reinforce the budget related to IT expenses to cover upcoming projects needed to meet the requirements of the Cyber Security Regulation. A budget increase was necessary for missions for the return to normal operations (after the COVID crisis). Finally, an increase was done to adjust the payments appropriations for examinations office fees, considering the evolution in payments in 2022.

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 2022

Title-	Budget article	Description.	Payment appropriations				Commitment appropriations			
			Initial payment budget	Payment budget amendments	Payment budget transfers	Final payment appropriation	Initial Commitment Budget	Commitment budget amendments	Commitment budget transfers	Final commitment budget
Title 1: Staff Expenditure & Title 2: Administrative expenditure - non dissociated credit	E1100	Staff	9 005 000	-	-28 500	8 976 500	9 005 000	-	-28 500	8 976 500
	E1200	Training	115 000	-	-11 500	103 500	115 000	-	-11 500	103 500
	E1300	Travel	100 000	100 000	-	200 000	100 000	100 000	-	200 000
	E1400	Interim staff	50 000	-	-	50 000	50 000	-	-	50 000
	E1500	Assistance	41 000	-	-	41 000	41 000	-	-	41 000
	E1700	Representation	5 000	-	-	5 000	5 000	-	-	5 000
	E2000	Property	354 000	-	-	354 000	354 000	-	-	354 000
	E2100	IT expenses	800 000	250 000	-	1 050 000	800 000	250 000	-	1 050 000
	E2200	Other equipment	34 000	-	2 000	36 000	34 000	-	2 000	36 000
	E2300	General admin.	41 000	-	10 400	51 400	41 000	-	10 400	51 400
Title 3: Operational expenditure - dissociated credit	E2400	Postage and telecom	92 000	-	-1 400	90 600	92 000	-	-1 400	90 600
	E2500	Meetings and notices	254 000	-	20 000	274 000	254 000	-	20 000	274 000
	E2600	Audit and evaluation	150 000	-	49 000	199 000	150 000	-	49 000	199 000
	Total		11 041 000	350 000	40 000	11 431 000	11 041 000	350 000	40 000	11 431 000
	E3000	Examination office fees	8 050 000	100 000	-40 000	8 110 000	8 950 000	-	-65 000	8 885 000
	E3200	Examination reports	460 000	-	-	460 000	450 000	-	-	450 000
	E3400	Publications	130 000	-	-	130 000	130 000	-	-	130 000
	E3500	Studies	500 000	-	-	500 000	350 000	-	25 000	375 000
	E3600	Special advisors	235 000	-	-	235 000	250 000	-	-	250 000
	Total		9 375 000	100 000	-40 000	9 435 000	10 130 000	-	-40 000	10 090 000
Grand Total			20 416 000	450 000	-	20 866 000	21 171 000	350 000	-	21 521 000

For Title 1 and Title 2, the Commitment budget is subject to the same transfers as the Payment budget because the credits are non-dissociated credits. Several budget lines had to be reinforced.

For Title 3, one transfer was made to reinforce the budget line for Studies in terms of commitment 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 84% with EUR 455 141.21 paid in 2022 for amounts carried over from 2021. The unpaid amount of EUR 86 174.47, which had been considered as a budgetary expenditure in 2021, becomes a "non-budgetary income" in 2022 and appears in the budget outturn account as such in table 1.

Table 15 Execution of C8 credit: carried over from 2021

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Title 1 Staff expenditure	E1100	Staff	88 552,13	34 312,72	39%	54 239,41
	E1200	Training	17 329,90	11 878,00	69%	5 451,90
	E1300	Travel	2 700,00	578,83	21%	2 121,17
	E1400	Interim staff	10 851,56	5 932,64	55%	4 918,92
	E1500	Assistance	5 024,56	3 772,56	75%	1 252,00
	E1700	Representation	200,00	0,00	0%	200,00
	Total		124 658,15	56 474,75	45%	68 183,40
Title 2 Admin. expenditure	E2000	Property	63 828,99	62 548,06	98%	1 280,93
	E2100	IT expenses	151 235,84	136 901,07	91%	14 334,77
	E2200	Other equipment	4 020,58	3 839,74	96%	180,84
	E2300	General admin.	1 539,16	584,99	38%	954,17
	E2400	Postage and telecom	637,05	467,60	73%	169,45
	E2500	Meetings and notices	4 570,91	3 500,00	77%	1 070,91
	E2600	Audit and evaluation	190 825,00	190 825,00	100%	0,00
	Total		416 657,53	398 666,46	96%	17 991,07
Grand Total			541 315,68	455 141,21	84%	86 174,47

The reasons for the non-execution of these credits are varied. As the previous year, for staff expense, some trainees left the office before the end of their contract which means a decrease of payment. In many cases, estimations needed to be made, and for budgetary reasons, a cautious approach was taken.

The stable rate of C8 payment execution compared to 2021 (84%) means a reliable and efficient system in assessing C8 credits necessary for the following year.

9. Treasury reserve

Table 16 Calculation of the free reserve

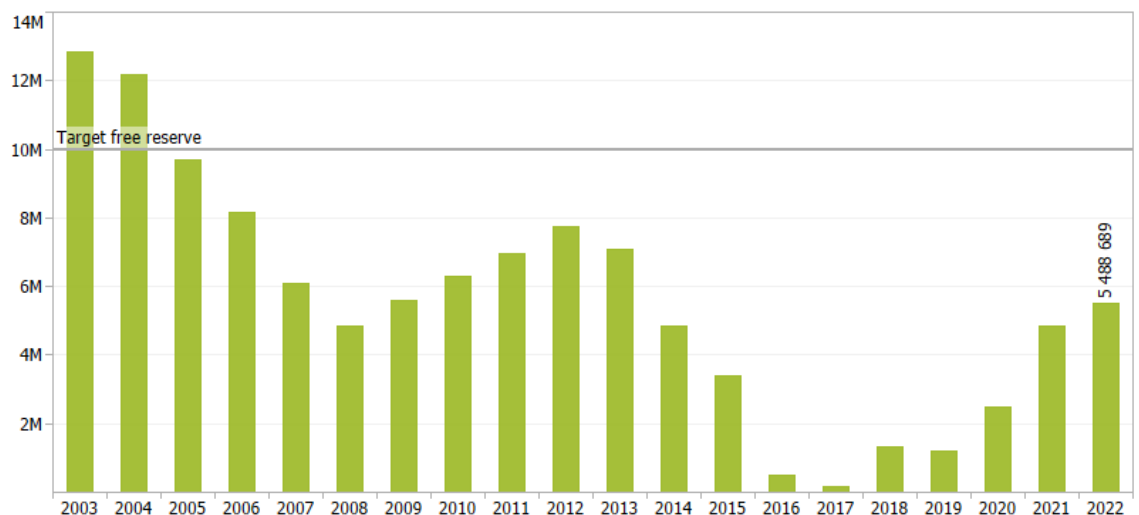
Description	2022
Treasury amount	22 144 978,19
Title 1: Amount carried over to next year	-191 417,71
Title 2: Amount carried over to next year	-572 752,89
Title 3: Amount carried over (diffrenciated credit)	-15 892 118,67
Free reserve	5 488 688,92

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 2022 slightly increased (+13%, in absolute value EUR 630 000) compared to 2021 which showed an amount of EUR 4.9 million. As the level of cash and cash equivalents amounts remain stable compared to 2021 (difference of EUR 100 000 between 2022 and 2021), the increase is explained almost entirely by the variation of open commitments which decreased (EUR 730 000 lower than 2021).

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

		2022	2021	% variation 2022
Income	Fees revenue	18 318 353,00	19 204 210,00	-4,61%
	Other revenue	151 630,00	165 026,80	-8,12%
	Total	18 469 983,00	19 369 236,80	-4,64%
Expenditure	Title 1 Staff expenditure	-8 463 314,25	-7 758 195,39	9,09%
	Title 2 Administrative expenditure	-1 820 871,29	-1 483 277,29	22,76%
	Title 3 Operational expenditure	-8 560 569,58	-8 083 831,25	5,90%
	Total	-18 844 755,12	-17 325 303,93	8,77%
Grand Total		-374 772,12	2 043 932,87	-118,34%
Non budgetary income		86 174,47	78 858,79	9,28%
Net outturn for the year		-288 597,65	2 122 791,66	-113,60%

11.2 Budget income

Table 19 Budget income detailed

Budget Posts	Description	Budget after amendments and transfers	Income recorded and received in 2022	Variation with budget (%)
1000	Fees	19 780 000	18 318 353	-7,39%
3000	Deficit reserve	566 000		
5000	Income from administrative operations	30 000	50 019	66,73%
9100	Other income (mainly financial income)	40 000	101 611	154,03%
Total		20 416 000	18 469 983	-9,53%

11.3 Budget Outturn – detailed reports

Table 20 Commitment appropriation 2022

Title	Budget article	Description	Budget initial	Amendments	Transfers	Budget final	Committed	% Committed	Cancelled
Title 1 Staff expenditure	E1100	Staff	9 005 000	-	-28 500	8 976 500	8 219 077,04	91,6%	757 422,96
	E1200	Training	115 000	-	-11 500	103 500	65 252,56	63,0%	38 247,44
	E1300	Travel	100 000	100 000	-	200 000	128 207,86	64,1%	71 792,14
	E1400	Interim staff	50 000	-	-	50 000	35 807,72	71,6%	14 192,28
	E1500	Assistance	41 000	-	-	41 000	13 900,38	33,9%	27 099,62
	E1700	Representation	5 000	-	-	5 000	1 068,69	21,4%	3 931,31
	Total		9 316 000	100 000	-40 000	9 376 000	8 463 314,25	90,3%	912 685,75
Title 2 Admin. expenditure	E2000	Property	354 000	-	-	354 000	298 154,3	84,2%	55 845,70
	E2100	IT expenses	800 000	250 000	-	1 050 000	1 032 529,33	98,3%	17 470,67
	E2200	Other equipment	34 000	-	2 000	36 000	25 674,66	71,3%	10 325,34
	E2300	General admin.	41 000	-	10 400	51 400	51 325,46	99,9%	74,54
	E2400	Postage and telecom	92 000	-	-1 400	90 600	61 522,58	67,9%	29 077,42
	E2500	Meetings and notices	254 000	-	20 000	274 000	192 698,71	70,3%	81 301,29
	E2600	Audit and evaluation	150 000	-	49 000	199 000	158 966,25	79,9%	40 033,75
	Total		1 725 000	250 000	80 000	2 055 000	1 820 871,29	88,6%	234 128,71
Title 3 Operational expenditure	E3000	Examination office f..	8 950 000	-	-65 000	8 885 000	7 623 483	85,8%	1 261 517,00
	E3200	Examination reports	450 000	-	-	450 000	440 640	97,9%	9 360,00
	E3400	Publications	130 000	-	-	130 000	12 861,02	9,9%	117 138,98
	E3500	Studies	350 000	-	25 000	375 000	368 560	98,3%	6 440,00
	E3600	Special advisors	250 000	-	-	250 000	139 668,4	55,9%	110 331,60
	Total		10 130 000	-	-40 000	10 090 000	8 585 212,42	85,1%	1 504 787,58
Grand Total			21 171 000	350 000	-	21 521 000	18 869 397,96	87,7%	2 651 602,04

Table 21 Payment appropriation 2022

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 2023 (C8)	Cancelled appropriations	Cancelled %
Title 1 Staff expenditure	E1100	Staff	9 005 000	-	-28 500	8 976 500	8 219 077,04	91,6%	8 055 008,21	164 068,83	757 422,96	8,4%
	E1200	Training	115 000	-	-11 500	103 500	65 252,56	63,0%	43 403,68	21 848,88	38 247,44	37,0%
	E1300	Travel	100 000	100 000	-	200 000	128 207,86	64,1%	122 707,86	5 500,00	71 792,14	35,9%
	E1400	Interim staff	50 000	-	-	50 000	35 807,72	71,6%	35 807,72	0,00	14 192,28	28,4%
	E1500	Assistance	41 000	-	-	41 000	13 900,38	33,9%	13 900,38	0,00	27 099,62	66,1%
	E1700	Representation	5 000	-	-	5 000	1 068,69	21,4%	1 068,69	0,00	3 931,31	78,6%
	Total		9 316 000	100 000	-40 000	9 376 000	8 463 314,25	90,3%	8 271 896,54	191 417,71	912 685,75	9,7%
Title 2 Admin. expenditure	E2000	Property	354 000	-	-	354 000	298 154,30	84,2%	191 108,73	107 045,57	55 845,70	15,8%
	E2100	IT expenses	800 000	250 000	-	1 050 000	1 032 529,33	98,3%	621 341,20	411 188,13	17 470,67	1,7%
	E2200	Other equipment	34 000	-	2 000	36 000	25 674,66	71,3%	24 351,87	1 322,79	10 325,34	28,7%
	E2300	General admin.	41 000	-	10 400	51 400	51 325,46	99,9%	45 126,56	6 198,90	74,54	0,1%
	E2400	Postage and telecom	92 000	-	-1 400	90 600	61 522,58	67,9%	55 979,96	5 542,62	29 077,42	32,1%
	E2500	Meetings and notices	254 000	-	20 000	274 000	192 698,71	70,3%	158 693,83	34 004,88	81 301,29	29,7%
	E2600	Audit and evaluation	150 000	-	49 000	199 000	158 966,25	79,9%	151 516,25	7 450,00	40 033,75	20,1%
	Total		1 725 000	250 000	80 000	2 055 000	1 820 871,29	88,6%	1 248 118,40	572 752,89	234 128,71	11,4%
Title 3 Operational expenditure	E3000	Examination office fees	8 050 000	100 000	-40 000	8 110 000	7 718 949,75	95,2%	7 718 949,75	0,00	391 050,25	4,8%
	E3200	Examination reports	460 000	-	-	460 000	410 640,00	89,3%	410 640,00	0,00	49 360,00	10,7%
	E3400	Publications	130 000	-	-	130 000	13 981,02	10,8%	13 981,02	0,00	116 018,98	89,2%
	E3500	Studies	500 000	-	-	500 000	306 839,80	61,4%	306 839,80	0,00	193 160,20	38,6%
	E3600	Special advisors	235 000	-	-	235 000	110 159,01	46,9%	110 159,01	0,00	124 840,99	53,1%
	Total		9 375 000	100 000	-40 000	9 435 000	8 560 569,58	90,7%	8 560 569,58	0,00	874 430,42	9,3%
Grand Total			20 416 000	450 000	-	20 866 000	18 844 755,12	90,3%	18 080 584,52	764 170,60	2 021 244,88	9,7%

Table 22 Budget outturn of non-differentiated credits carried forward from 2021 (C8)

Title	Budget article	Description	Budget final	Payments	% Paid	Lost C8 credits
Title 1 Staff expenditure	E1100	Staff	88 552,13	34 312,72	39%	54 239,41
	E1200	Training	17 329,90	11 878,00	69%	5 451,90
	E1300	Travel	2 700,00	578,83	21%	2 121,17
	E1400	Interim staff	10 851,56	5 932,64	55%	4 918,92
	E1500	Assistance	5 024,56	3 772,56	75%	1 252,00
	E1700	Representation	200,00	0,00	0%	200,00
	Total		124 658,15	56 474,75	45%	68 183,40
Title 2 Admin. expenditure	E2000	Property	63 828,99	62 548,06	98%	1 280,93
	E2100	IT expenses	151 235,84	136 901,07	91%	14 334,77
	E2200	Other equipment	4 020,58	3 839,74	96%	180,84
	E2300	General admin.	1 539,16	584,99	38%	954,17
	E2400	Postage and telecom	637,05	467,60	73%	169,45
	E2500	Meetings and notices	4 570,91	3 500,00	77%	1 070,91
	E2600	Audit and evaluation	190 825,00	190 825,00	100%	0,00
	Total		416 657,53	398 666,46	96%	17 991,07
Grand Total			541 315,68	455 141,21	84%	86 174,47

12. Financial Accounts :

The financial accounts show an economic result of EUR 579 200 positive. This figure takes into account *inter alia* invoices not yet received at year-end.

12.1 Balance sheet

Table 23 Balance sheet

			Note	2022	2021
Assets	Non-Current assets	Intangible Assets	1	-	-
		Tangible Assets	2	1 826 417,81	2 077 880,84
		Medium term investments	3	10 793 857,86	4 293 857,86
		Total		12 620 275,67	6 371 738,70
	Current assets	Short-term provision	4	4 552 000,15	4 239 410,05
		Cash and cash equivalent	5	11 351 342,33	17 953 364,01
		Other receivable	6	80 081,24	66 550,49
		Total		15 983 423,72	22 259 324,55
	Total			28 603 699,39	28 631 063,25
Liabilities	Accumulated result	Reserve		9 894 251,47	9 474 730,71
		Economic outturn		579 218,84	419 520,76
		Total		10 473 470,31	9 894 251,47
	Current liabilities	Accrued charges and deferred income	7	18 074 676,89	18 670 686,15
		Current payables	8	55 552,19	66 125,63
		Total		18 130 229,08	18 736 811,78
	Total			28 603 699,39	28 631 063,25

12.2 Statement of financial performance

Table 24 Statement of financial performance

		2022	2021
Income	Income from fees	18 733 646,84	18 635 280,73
	Income from administrative operations	50 047,45	49 125,04
	Total	18 783 694,29	18 684 405,77
Expenditure	Salaries and social taxes	(8 203 464,49)	(7 729 053,39)
	Overheads	(1 760 271,61)	(1 272 877,20)
	Operational expenses	(8 061 360,30)	(9 047 718,22)
	Depreciation	(248 867,04)	(263 561,55)
	Total	(18 273 963,44)	(18 313 210,36)
Result		509 730,85	371 195,41
Financial revenue	Interest income	60 143,38	50 712,70
	Miscellaneous financial income	13 111,12	
	Total	73 254,50	50 712,70
Financial expenditure	Bank charges & exchange differences	(3 766,51)	(2 387,35)
	Total	(3 766,51)	(2 387,35)
Result		69 487,99	48 325,35
Economic outturn for the year		579 218,84	419 520,76

12.3 Cash-flow (Indirect method)

Table 25 Cash flow

	2022	2021
Cash Flows from ordinary activities		
Surplus/(deficit) from ordinary activities	579 218,84	419 520,76
<i>Operating activities</i>		
<u>Adjustments</u>		
Amortization (intangible fixed assets) +		
Depreciation (tangible fixed assets) +	248 867,04	263 561,55
Impairment (tangible fixed assets) +		
Increase/(decrease) in Provisions for risks and liabilities		
(Increase)/decrease in Long term Receivables	-6 500 000,00	5 794 000,00
(Increase)/decrease in Short term Receivables	-307 388,04	18 325,36
Increase/(decrease) in Other Long term liabilities		
Increase/(decrease) in Accounts payable	-625 315,51	1 618 860,29
<i>Net cash flow from operating activities</i>	-6 604 617,67	8 114 267,96
<i>Cash Flows from investing activities</i>		
Increase of tangible and intangible fixed assets (-)		
Proceeds from tangible and intangible fixed assets (+)		
Loss on decommissioning of assets (+)	2 595,99	
<i>Net cash flow from investing activities</i>	2 595,99	
<i>Net Increase/(decrease) in cash and equivalent</i>	-6 602 021,68	8 114 267,96
Cash and cash equivalents at the beginning of the period	17 953 364,01	9 839 096,05
Cash and cash equivalents at the end of the period	11 351 342,33	17 953 364,01
<i>Net Increase/(decrease) in cash and equivalent</i>	-6 602 021,68	8 114 267,96
<i>Difference</i>	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)	+/-	579,218.84
Adjustments for Accrual Cut-off (reversal 31.12.N-1)	-	-17,295,103.37
Adjustments for Accrual Cut-off (cut- off 31.12.N)	+	16,706,130.27
Depreciation of intangible and tangible assets	+	248,867.04
Value reduction	+	2,595.99
Recovery Orders issued in the year in class 7 and not yet cashed	-	-4,244,743.50
Payments made from carry over of payment appropriations	+	455,141.21
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	+	3,937,272.00
Payment appropriations carried over to the next year	-	-764,170.60
Cancellation of unused carried over payment appropriations from previous year	+	86,174.47
total (1)		-288,617.65
Budgetary result (+ for surplus) (2)		-288,597.65
Including amount of exchange rate differences - (+ for gain and - for loss) - (3)		-20.00
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 01.01.2022	+		633 730,95			633 730,95
Additions	+					
Disposals	-					0,00
Transfer between headings	+/-					
Other changes	+/-					
Gross carrying amounts 31.12.2022		0,00	633 730,95	0,00	0,00	633 730,95
Accumulated amortization and impairment 01.01.2022	-		-633 730,95			-633 730,95
Amortization	-					
Disposals	+					0,00
Write-back of impairment	+					
Transfer between headings	+/-					
Accumulated amortization and impairment 31.12.2022		0,00	-633 730,95	0,00	0,00	-633 730,95
Net carrying amounts 31.12.2022		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 01.01.2022	+	292 220,00	5 744 928,26	319 919,50	322 101,72	0,00	6 679 169,48
Additions	+						0,00
Disposals	-		-8 910,49	-94 155,98	-49 052,81		-152 119,28
Impairment	+/-						0,00
Other changes (1)	+/-						0,00
Gross carrying amounts 31.12.2022		292 220,00	5 736 017,77	225 763,52	273 048,91	0,00	6 527 050,20
Accumulated amortization and impairment 01.01.2022	-		-3 974 471,22	-311 635,97	-315 181,45	0,00	-4 601 288,64
Depreciation	-		-237 394,43	-4 552,34	-6 920,27		-248 867,04
Write-back of depreciation	+						0,00
Disposals	+		6 314,50	94 155,98	49 052,81		149 523,29
Transfer between headings	+/-						
Accumulated amortization and impairment 31.12.2022		0,00	-4 205 551,15	-222 032,33	-273 048,91	0,00	-4 700 632,39
Net carrying amounts 31.12.2022		292 220,00	1 530 466,62	3 731,19	0,00	0,00	1 826 417,81

Note 3 Medium/long term investments

	2022	2021
Long Term Financial investment	10 793 857,86	4 293 857,86
Grand Total	10 793 857,86	4 293 857,86

In 2022, the amount of medium-term investments significantly increased as the investments which came to maturity in 2021 were reinvested in 2022, and by doing so, benefit from the substantial increase in interest rate.

The amount of EUR 10 793 857.86 is divided in different investments and different banks as it can be seen on the table below:

	2022	2021
Long Term Financial investment - C.E	2 260 000,00	1 160 000,00
Long Term Financial investment - CRCA	4 400 000,00	-
Long Term Financial investment - LCL	4 133 857,86	3 133 857,86
Grand Total	10 793 857,86	4 293 857,86

Note 4 Short-term receivables

	2022	2021
Customers	4 255 785,37	4 017 375,52
VAT	179 561,70	128 583,38
Deferred charges	116 653,08	93 451,15
Grand Total	4 552 000,15	4 239 410,05

	2022	2021
Customers	4 396 915,37	4 131 385,52
Provision for doubtful debt	-141 130,00	-114 010,00
Net Amount	4 255 785,37	4 017 375,52

Note 5 Cash and cash equivalent

	2022	2021
Short-term investments	2 900 000,00	4 294 000,00
Current accounts	8 392 668,09	13 610 790,85
Imprest account	58 674,24	48 573,16
Total	11 351 342,33	17 953 364,01

Breakdown of short-term investments

	2022	2021
Short Term investment - BNP	2 500 000,00	2 500 000,00
Short Term investment - C.E.	400 000,00	1 794 000,00
Total	2 900 000,00	4 294 000,00

Note 6 Other receivables

	2022	2021
Interest to be received	31 509,67	59 865,93
Sundry receivables (staff)	48 180,10	6 474,48
Sundry receivables (suppliers)	391,47	210,08
Total	80 081,24	66 550,49

Interest rates were still very low during 2022 and they started rising again at year-end. However, the increase came late in the year and the impact in 2022 will stay limited. 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

	2022	2021
Deferred income	12 998 773,77	13 106 596,11
Invoices to be received	4 681 253,09	5 221 540,94
Suspense account	208 961,05	142 177,25
Accrued holidays	185 688,98	200 371,85
Total	18 074 676,89	18 670 686,15

The decrease of invoices to be received is essentially due to the decrease of applications received and correlatively, the reduced number of ongoing examinations.

Note 8 Current payables

	2022	2021
Sundry credit accounts	17 941,84	6 876,01
Suppliers	37 610,35	59 249,62
Total	55 552,19	66 125,63

Table 27 Statement of changes in net assets

	2022	2021
Reserve	9 894 251,47	9 474 730,71
Profit / deficit	579 218,84	419 520,76
Cumulated reserve	10 473 470,31	9 894 251,47

12.6 Other Disclosures

Off Balance Sheet Commitments

At the year-end there was a total of EUR 15 892 119 of commitments opened on title 3 (operational expenditure) and a further EUR 764 171 for titles 1 and 2 carried to 2023 as C8 credits. Out of this total, EUR 4 681 253 relate to work carried out in or before 2022 but not yet invoiced for which there is a provision in the financial accounts. The balance of EUR **11 975 037** 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 is no contingent liabilities to our knowledge.

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.

Related parties

As at 31 December 2022, no related parties were identified. The key management personnel of the Office is shown below:

Grade	N° of staff
AD 14	1
Total	1

The Vice President, acting President at year end 2021, was appointed as President in 2022.

The post of Vice President is vacant, and the selection procedure is ongoing.

Post balance sheet events

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

Waivers granted by the CPVO

Following article 66 of the CPVO Financial Regulation, in line with the principle of sound financial management, the CPVO waived 300 € of amounts receivables, the recovery being considered most costly than the amount itself.

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		760 000	1 500 000	2 260 000
Medium term investment Crédit Agricole			4 400 000	4 400 000
Medium term investment LCL	2 333 858	1 800 000		4 133 858
Total	2 333 858	2 560 000	5 900 000	10 793 858

Financial assets: Cash and cash equivalent

	2022	2021
Short-term investments	2 900 000,00	4 294 000,00
Current accounts	8 392 668,09	13 610 790,85
Imprest account	58 674,24	48 573,16
Total	11 351 342,33	17 953 364,01

Financial assets: Maturity term of receivables

The total of the receivables slightly increased compared to 2021 (EUR 4 353 420.05). Receivables from customers increased in line with the number of titles in force and VAT amounts increased due to inflation.

Short term receivables	< 1 year	1-2 years	>2 years	Total
Customers	4 396 915,37			4 396 915,37
VAT	179 561,70			179 561,70
Deferred charges	113 135,92	2 661,93	855,23	116 653,08
Total	4 689 612,99	2 661,93	855,23	4 693 130,15

The table below concerns:

- receivables from customers for EUR 4 396 915;
- medium term investment for EUR 10 793 858;
- deferred charges already paid in 2022 for EUR 116 653;
- income from 2022 to be received (interests from investments) in the future for EUR 31 510;
- and finally, advanced payment to suppliers and amounts to be recovered from the staff for EUR 48 571.

The increase of the total amount compared to 2021 (EUR 8 585 245.02) is mainly due to the increase of the medium term investments (EUR +6.5 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		15 387 507,55			15 387 507,55
Debtors who defaulted in the past					
Total	0,00	15 387 507,55	0,00	0,00	15 387 507,55

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

Customers	2022	2021
Amount due by customers	4 396 915,37	4 131 385,52
Provision at the start of the year	-114 010,00	-119 850,00
Additional provision (-)	-73 120,00	-39 160,00
Reduction of the provision (+)	3 320,00	3 810,00
Write-offs	42 680,00	41 190,00
Accumulated impairment (-)	-141 130,00	-114 010,00
Net amount at the end of the year	4 255 785,37	4 017 375,52

In 2022, the provision for clients amounted to EUR 73 120. The CPVO proceeded to the annual write-off for unpaid fees for EUR 42 680 (stable, compared to 2021). The cumulated amount increased, mainly due to unpaid examinations.

In order to understand the relative importance of this provision, we can consider the total amount invoiced to client from 2018 to 2021 amounting to EUR 73 million (the same period of the provision below) compared to the total of the provision reaching EUR 141 130. The ratio is on average 0.19 % since 2018.

Break down of the provision for customers	2022	2021
Receivables from 2016		
Receivables from 2017		28 890,00
Receivables from 2018	15 180,00	28 970,00
Receivables from 2019	31 440,00	34 760,00
Receivables from 2020	46 390,00	21 390,00
Receivables from 2021	48 120,00	
Net amount at the end of the year	141 130,00	114 010,00

Financial liabilities: Maturity of liabilities

The following table takes into account the treasury received from clients (non-identified payments for EUR 208 961) and the amounts due to suppliers. The increase compared to 2021 (EUR 201 427) is essentially due to the increase of the unidentified payments received from clients (EUR 142 177 in 2011).

	< 1 year	1 - 5 years	> 5 years	Total
Payables with third parties	246 571,40			246 571,40
Payables with consolidated entities				
Total	246 571,40	0,00	0,00	246 571,40

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 19 Million and EUR 24 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	179 561,70	2 900 000,00	8 451 342,33	11 530 904,03	100,00%
Upper medium grade				0,00	0,00%
Lower medium grade				0,00	0,00%
Non-investment grade				0,00	0,00%
Total	179 561,70	2 900 000,00	8 451 342,33	11 530 904,03	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 Disclosure on financial instruments

As from the 1st of January 2021, European Accounting Rule 11 (EAR 11) is applicable. This rule prescribes the accounting treatment of financial instruments. It applies to the classification, presentation, recognition, and measurement of financial instruments as well as to disclosures on financial instruments and on how to manage the risk arising from financial instruments. EAR 11 is based on the IPSAS 28-“Financial Instruments: Presentation”, 41-“Financial Instruments” and 30-“Financial Instruments Disclosures”.

In that purpose, the following items shows the financial instrument we observe at the CPVO.

As mentioned above (page 28), the total amount of the financial instruments comprises the short-term receivables (deferred charges excluded - note 4 current receivables), treasury (note 5 cash and cash equivalent) and current payables (note 8).

		2022	2021	2020	2019	2018
Short term receivables	(a)	4,552,000.15	4,239,410.05	4,179,384.45	4,304,074.72	3,802,895.54
<i>deferred charges</i>	(b)	<i>116,653.08</i>	<i>94,451.15</i>	<i>30,963.85</i>	<i>90,774.14</i>	<i>108,484.69</i>
Other receivables	(c)	80,081.24	66,550.49	144,901.45	103,022.56	86,561.46
Cash and cash equivalent	(d)	11,351,342.33	17,953,364.01	9,839,096.50	11,021,793.21	11,148,612.92
Monetary assets	a)-(b)+(c)+(d)=(e)	15,866,770.64	22,164,873.40	14,132,418.55	15,338,116.35	14,929,585.23
Current payables		55,552.19	66,125.63	86,869.17	29,804.88	37,142.25
Monetary liabilities	(f)	55,552.19	66,125.63	86,869.17	29,804.88	37,142.25
Net financial instrument	(g)=(e)-(f)	15,811,218.45	22,098,747.77	14,045,549.38	15,308,311.47	14,892,442.98

The general trend of the net financial instrument was rather stable between 2017 and 2020. In 2021 the amount increased considerably with 2 medium-term investments in 2022 which came to an end, for a total of € 5 794 000 and they were transferred on current assets (which is included in the calculation of financial instruments). On the contrary, in 2022 short terms investments and liquidities decreased for the benefit of new long term-investments.

The monetary liabilities depend on the expenses to be paid to third parties but finally, the amount is not a risk considering the low values.

		2022	2021	2020	2019	2018
Cash and cash equivalent	(a)	11,351,342.33	17,953,364.01	9,839,096.50	11,021,793.21	11,148,612.92
Monetary assets	(b)	15,866,770.64	22,164,873.40	14,132,418.55	15,338,116.35	14,929,585.23
Net financial instrument	(c)	15,811,218.45	22,098,747.77	14,045,549.38	15,308,311.47	14,892,442.98
% Cash and cash equivalent/Net financial instrument	(a)/(c)	71.79%	81.24%	70.05%	72.00%	74.86%
% Cash and cash equivalent/Monetary assets	(a)/(b)	71.54%	81.00%	69.62%	71.86%	74.67%

The decrease of the financial instruments (short term investments included) is purely related to the increase of the medium-term investments (long term investments), and vice versa. The breakdown between these 2 categories depends on the total length of the investments and their deadline as describe below (Financial assets: medium term below).

Receivables related to customers and the provision for doubtful debt, slightly increased each year as it can be seen below. The result is an increase in the amount to be recovered.

		2022	2021	2020	2019	2018
Customers	(a)	4 396 915,37	4 131 385,52	3 985 558,05	3 965 770,69	3 539 153,87
Provision for doubtful debt	(b)	-141 130,00	-114 010,00	-119 850,00	-94 506,00	-124 650,00
Net customers	(a) - (b) = (c)	4 255 785,37	4 017 375,52	3 865 708,05	3 871 264,69	3 414 503,87
Net Customers with no risk	(c)/(a)	96,79%	97,24%	96,99%	97,62%	96,48%

As mentioned on page 24 of this report, the "provision for doubtful debt" was wrongly classified as current liabilities under "Provision for risk" before 2021. As from the 1st of January 2021, the presentation is in line with the EAR (European Accounting rule) 11 about Financial Instruments. The Balance sheet shows the net value of the receivables: "provision for Doubtful debt" deducted. As the overall amount was not material, there was no need to restate the accounts from the previous year balances.

The calculation of the impairment (provision for Doubtful debt) of the receivables is simply based on the actual amount of unpaid fees with a past due date over one year. The overall lost amount is not material compared to the total of the fees invoiced per year.

To emphasize the previous paragraph, Doubtful debt is not a risk for the CPVO. The provision for doubtful debt represents on average 0.19% of the fees invoiced for the period 2018-2021.

	Total	2021	2020	2019	2018
Provision for doubtful debt	141,130	48,120	46,390	31,440	15,180
Invoiced amount for the year	73,308,239	19,379,937	18,188,379	18,171,208	17,568,715
% of the provision compare to invoiced amount	0.19%	0.25%	0.26%	0.17%	0.09%

12.9 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 2022 to 31 December 2022.

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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