



Annual accounts of the
Shift2Rail

Joint Undertaking

Financial year 2016

CONTENTS

CERTIFICATION OF THE ACCOUNTS	3
BACKGROUND INFORMATION ON THE SHIFT2RAIL JOINT UNDERTAKING	4
FINANCIAL STATEMENTS AND EXPLANATORY NOTES	5
BALANCE SHEET	7
STATEMENT OF FINANCIAL PERFORMANCE	8
CASHFLOW STATEMENT	9
STATEMENT OF CHANGES IN NET ASSETS	10
NOTES TO THE FINANCIAL STATEMENTS	11
REPORTS ON THE IMPLEMENTATION OF THE BUDGET	28

CERTIFICATION OF THE ACCOUNTS

The final annual accounts of the Shift2Rail Joint Undertaking for the year 2016 have been prepared in accordance with the Financial Rules of the JU and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions, agencies and joint undertakings.

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Joint Undertaking in accordance with Article 43 of the Financial Rules of the JU.

I have obtained from the Authorising Officer, who guaranteed its reliability, all the information necessary for the production of the accounts that show the JU's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present a true and fair view of the financial position of the JU in all material aspects.

[signed]

Rosa ALDEA BUSQUETS

Accounting Officer

June 2017

BACKGROUND INFORMATION ON THE SHIFT2RAIL JOINT UNDERTAKING

Shift2Rail Joint Undertaking (S2R JU), based in Brussels, was established by the Council Regulation (EU) 642/2014¹. S2R JU is a public-private partnership in the rail sector established between the European Union and key players from the rail industry, consisting of rail equipment manufacturers, railway undertakings, infrastructure managers, research centers ('Other Members'). S2R JU is funded by the members contributing either in cash or in-kind to the administrative and operational costs of the joint undertaking. In accordance with Article 16(3)b of the S2R Statutes, in-kind contributions consist "of the costs incurred by the Other Members in implementing indirect actions less the contribution of the S2R JU and any other Union contribution to those costs".

Rail research conducted within S2R JU will contribute to addressing the challenges faced by the rail sector, through a comprehensive and coordinated approach to research and innovation, focusing on the needs of the rail system and of its users. S2R JU will foster the introduction of better trains to the market which will operate on an innovative rail network infrastructure, at a lower life-cycle cost, with increased reliability and punctuality and more capacity to cope with growing passenger and freight mobility demand.

S2R JU will also contribute to a modal shift from road to rail, by developing a more competitive and resource-efficient European transport system.

The objective of the S2R JU is to implement an ambitious programme of research and innovation activities in the railway sector in Europe. Those activities should be carried out through collaboration between stakeholders in the entire railway value chain, also outside the traditional rail sector, including SMEs, research and technology centres and universities.

The rail research and innovation performed within the S2R JU will prioritise the following overall objectives for the duration of the S2R JU, in line with the S2R Regulation and S2R Master Plan:

1. Achieve the Single European Railway Area through the removal of remaining technical obstacles holding back the rail sector in terms of interoperability and through the transition to a more integrated, efficient and safe EU railway market, guaranteeing the proper interconnection of technical solutions.
2. Radically enhance the attractiveness and competitiveness of the European railway system to ensure a modal shift towards rail through a faster and less costly transition to a more attractive, user-friendly (including for persons with reduced mobility), efficient, reliable, and sustainable European rail system.
3. Help the European rail industry to retain and consolidate its leadership on the global market for rail products and services by ensuring that Research & Innovation activities and results can provide a competitive advantage to EU industries and by stimulating and accelerating the market uptake of innovative technologies.

S2R JU will impact all segments of the rail market: high-speed/mainline, regional, urban/metro & suburban, and freight; it will also make daily life easier for millions of European passengers and rail freight users.

Following Article 38 and 43 of the S2R JU Financial Rules², the Governing Board of S2R JU appoints the Accounting Officer who is, amongst other tasks, responsible for preparation of the annual accounts of the joint undertaking. Following Article 40 of the S2R JU Financial Rules the annual accounts shall be prepared in accordance with the accounting rules adopted by the Commission's Accounting Officer (EU Accounting Rules, EAR) that are based on the International Public Sector Accounting Standards (IPSAS). Following the decision of the S2R JU's Governing Board of 18 March 2016, the Accounting Officer of the Commission acts as of 24 May 2016 as the Accounting Officer of S2R JU.

It should be noted that S2R JU became financially autonomous as from 24 May 2016 and 2016 annual accounts are thus the first annual accounts established for this joint undertaking.

¹ Council Regulation (EU) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking.

² Adopted by the decision of the S2R JU Governing Board.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

It should be noted that due to the rounding of figures into thousands of euros, some financial data in the tables below may appear not to add-up.

CONTENTS

BALANCE SHEET.....	7
STATEMENT OF FINANCIAL PERFORMANCE	8
CASHFLOW STATEMENT	9
STATEMENT OF CHANGES IN NET ASSETS	10
NOTES TO THE FINANCIAL STATEMENTS	11
1. SIGNIFICANT ACCOUNTING POLICIES.....	12
2. NOTES TO THE BALANCE SHEET.....	20
3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE	24
4. OTHER SIGNIFICANT DISCLOSURES	25
5. FINANCIAL INSTRUMENTS DISCLOSURES.....	27

BALANCE SHEET

EUR '000

	Note	31.12.2016
NON-CURRENT ASSETS		
Property, plant and equipment	2.1	284
Pre-financing	2.2	34 026
		34 310
CURRENT ASSETS		
Pre-financing	2.2	6 773
Exchange receivables and non-exchange recoverables	2.3	9 795
		16 567
TOTAL ASSETS		50 877
CURRENT LIABILITIES		
Payables and other liabilities	2.4	(4 737)
Accrued charges and deferred income	2.5	(6 310)
		(11 047)
TOTAL LIABILITIES		(11 047)
NET ASSETS		39 831
NET ASSETS		
Contribution from Members	2.6	51 755
Economic result of the year		(11 925)
NET ASSETS		39 831

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2016
REVENUE		
Revenue from non-exchange transactions		
<i>Other</i>	3.1	370
Total revenue		370
EXPENSES		
<i>Operating costs</i>	3.2	(10 564)
<i>Staff costs</i>	3.3	(651)
<i>Other expenses</i>	3.4	(1 079)
Total expenses		(12 295)
ECONOMIC RESULT OF THE YEAR		(11 925)

CASHFLOW STATEMENT³

EUR '000

2016

<i>Economic result of the year</i>	(11 925)
Operating activities	
<i>Amortisation and depreciation</i>	23
<i>Cash contribution from the Members</i>	51 755
<i>(Increase)/decrease in pre-financing</i>	(40 798)
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	(9 795)
<i>Increase/(decrease) in accounts payable and other liabilities</i>	4 737
<i>Increase/(decrease) in accrued charges and deferred income</i>	6 310
<i>Other non cash movements</i>	(284)
Investing activities	
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(23)
NET CASHFLOW	-
<i>Net increase/(decrease) in cash and cash equivalents</i>	-
<i>Cash and cash equivalents at the beginning of the year</i>	-
<i>Cash and cash equivalents at year-end</i>	-

³ Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of S2R JU, the treasury of S2R JU was integrated into the Commission's treasury system. Therefore, S2R JU does not have any bank accounts of its own. All payments and receipts are processed via the Commission's treasury system and registered on intercompany accounts which are presented under the heading exchange receivables.

STATEMENT OF CHANGES IN NET ASSETS

	<i>EUR '000</i>			
	Contribution from Members	Accumulated Surplus/ (Deficit)	Economic result of the year	Net Assets
<i>Cash contribution</i>	51 755	-	-	51 755
<i>Economic result of the year</i>	-	-	(11 925)	(11 925)
BALANCE AS AT 31.12.2016	51 755	-	(11 925)	39 831

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about financial position, performance and cashflows of an entity that is useful to a wide range of users.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU Accounting Rule 1 'Financial Statements' and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, reliability, understandability and comparability.

1.2. BASIS OF PREPARATION

1.2.1. Reporting period

Financial statements are presented annually. The accounting year begins on 1 January and ends on 31 December. Nevertheless, it should be noted that this is the first year of the JU and the present Annual Accounts cover the period 24 May 2016 until 31 December 2016.

1.2.2. Currency and basis for conversion

The annual accounts are presented in thousands of euros, the euro being the EU's functional and reporting currency. Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are translated into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December.

Euro exchange rates

Currency	31.12.2016	31.12.2015	Currency	31.12.2016	31.12.2015
BGN	1.9558	1.9558	PLN	4.4103	4.2639
CZK	27.0210	27.0230	RON	4.5390	4.5240
DKK	7.4344	7.4626	SEK	9.5525	9.1895
GBP	0.8562	0.7340	CHF	1.0739	1.0835
HRK	7.5597	7.6380	JPY	123.4000	131.0700
HUF	309.8300	315.9800	USD	1.0541	1.0887

1.2.3. Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to; accrued and deferred income and charges, provisions, financial risk on accounts receivables, contingent assets and liabilities, and degree of impairment of assets. Actual results could differ from those estimates.

Reasonable estimates are essential part of the preparation of financial statements and do not undermine their reliability. An estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. By its nature, the revision of an estimate does not relate to prior periods and is not the correction of an error. The effect of a change in accounting estimate shall be recognised in the surplus or deficit in the periods in which it becomes known.

1.3. BALANCE SHEET

1.3.1. Intangible assets

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met. The costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

1.3.2. 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 or construction of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the entity and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred. Land and works of art are not depreciated as they are deemed to have an indefinite useful 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 less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
<i>Buildings</i>	4 % to 10 %
<i>Plant and equipment</i>	10 % to 25 %
<i>Furniture and vehicles</i>	10 % to 25 %
<i>Computer hardware</i>	25 % to 33 %
<i>Other</i>	10 % to 33 %

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

Leases

Leases of tangible assets, where the entity has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to statement of financial performance over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the assets' useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.3.3. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.3.4. Financial assets

The financial assets are classified in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available for sale financial assets. The classification of the financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also categorised in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date. During this financial year, the entity did not hold any investments in this category.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the entity provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets, except for maturities within 12 months of the balance sheet date. Loans and receivables include term deposits with the original maturity above three months.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the entity has the positive intention and ability to hold to maturity. During this financial year, the entity did not hold any investments in this category.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the entity expects to hold them, which is usually the maturity date.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through profit and loss, held-to-maturity and available for sale (except cash and cash equivalents) are recognised on trade date - the date on which the entity commits to purchase or sell the asset. Loans and term deposits are recognised at settlement date. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through profit and loss transaction costs are added to the fair value at initial recognition.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the entity has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently carried at fair value with gains and losses arising changes in the fair value being included in the statement of financial performance in the period in which they arise.

Loans and receivables and held-to maturity investments are carried at amortised cost using the effective interest method.

Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value being recognised in the fair value reserve. Interest on available for sale

financial assets calculated using the effective interest method is recognised in the statement of financial performance.

The entity assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired and whether an impairment loss should be recorded in the statement of financial performance.

1.3.5. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditure, he has the obligation to return the pre-financing advance to the entity. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses).

Pre-financing is, on subsequent balance sheet dates, measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

1.3.6. Receivables and recoverables

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from non-exchange transactions and recoverables are defined as stemming from exchange transactions (when the entity receives value from another entity without directly giving approximately equal value in exchange).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see 1.3.4 above).

Recoverables from non-exchange transactions are carried at original amount (adjusted for interests and penalties) less write-down for impairment. A write-down for impairment is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the recoverables. The amount of the write-down is the difference between the asset's carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance.

1.3.7. Cash and cash equivalents

Cash and cash equivalents are financial instruments and classified as available for sale financial assets. They include cash at hand, deposits held at call or at short notice with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.3.8. Provisions

Provisions are recognised when the entity has a present legal or constructive obligation towards third parties 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 recognised for future operating losses. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ('expected value' method).

1.3.9. Payables

Included under accounts payable are both amounts related to exchange transactions such as the purchase of goods and services and non-exchange transactions related e.g. to cost claims from beneficiaries, grants or other EU funding.

Where grants or other funding is provided to the beneficiaries, the cost claims are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

Payables arising from the purchase of goods and services are recognised 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 entity.

1.3.10. Accrued and deferred income and charges

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the entity or a contractual agreement exists (e.g. by reference to a contract), an accrued income will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Accounting Officer which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent. By analogy, if a payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

1.4. STATEMENT OF FINANCIAL PERFORMANCE

1.4.1. Revenue

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Depending on the nature of the underlying transactions in the statement of financial performance it is distinguished between:

(i) Revenue from non-exchange transactions

Revenue from non-exchange transactions are taxes and transfers because the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. The entity shall recognise an asset in respect of transfers when the entity controls the resources as a result of a past event (the transfer) and expects to receive future economic benefits or service potential from those resources, and when the fair value can be reliably measured. An inflow of resources from a non-exchange transaction recognised as an asset (i.e. cash) is also recognised as revenue, except to the extent that the entity has a present obligation in respect of that transfer (condition), which needs to be satisfied before the revenue can be recognised. Until the condition is met the revenue is deferred and recognised as a liability (pre-financing received).

(ii) Revenue from exchange transactions

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

1.4.2. Expenses

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity. They include both the expenses from exchange transactions and expenses from non-exchange transactions.

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the entity. They are valued at original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are recognised in the statement of financial performance.

Expenses from non-exchange transactions account for the majority of the entity's operating expenses. They relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations. Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expense.

1.5. CONTINGENT ASSETS AND LIABILITIES

1.5.1. Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.5.2. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or, in the rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

1.6. CONTRIBUTIONS FROM MEMBERS

The contributions from the Members of the joint undertakings (JU) form the funding of the JU and are treated as contributions from owners. An owner in this context does not mean an owner in the sense of owning shares (no shares are issued) of the JU but rather in the sense of political interest and governance of the JU by exercising the voting rights linked to these contributions.

1.6.1. Financial contributions

Financial contributions are contributions of Members made in cash in order to provide funding of the operational or administrative needs of the JU. The financial contributions are recognised in the net assets in the period in which the right to receive the payment was established.

1.6.2. In-kind contributions

Members other than the EU (hereafter 'Other Members') can also contribute resources other than cash, e.g. laboratory equipment, specialised staff, etc. These in-kind contributions consist of the costs incurred by them in implementing indirect actions.

The Regulation distinguishes between two types of in-kind contributions: (1) In-kind contributions to operational activities (IKOP) and (2) in-kind contributions to additional activities (IKAA).

The IKOP represents in-kind contributions made to the JU linked to its work plan and co-financed by the EU. The IKOP are recognised in the net assets of the JU in the period when the conditions for Members' contributions stipulated by the Regulation were met.

The expenses related to the IKOP incurred in the financial year are recognised in the statement of financial performance. At year-end, incurred IKOP not yet reported are estimated and recorded as other liabilities ('Contributions of Members to be validated').

The IKAA relate to contributions linked to implementing additional activities outside the work plan of the JU that contribute to the objectives of the JU. Because the outflow of resources related to those activities is outside of control of the JU, the contributions are not recognised in the financial statements of the JU.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. PROPERTY, PLANT AND EQUIPMENT

	EUR '000				
	Plant and equipment	Furniture and vehicles	Computer hardware	Other	Total
<i>Additions</i>	–	7	12	3	23
<i>Other changes</i>	35	32	24	232	323
Gross carrying amount at 31.12.2016	35	39	36	235	346
<i>Depreciation charge of the year</i>	(3)	(2)	(4)	(14)	(23)
<i>Other changes</i>	(5)	(2)	(4)	(28)	(39)
Accumulated depreciation at 31.12.2016	(8)	(4)	(8)	(42)	(62)
NET CARRYING AMOUNT at 31.12.2016	27	35	28	193	284

The other changes relates to the value of assets donated to S2R JU after the autonomy by DG MOVE, the parent DG.

2.2. PRE-FINANCING

	EUR '000
	31.12.2016
<i>Non-current pre-financing</i>	34 026
<i>Current pre-financing</i>	6 773
Total	40 798

For all pre-financing amounts open at 31.12.2016 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2017 was classified as non-current pre-financing.

2.3. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

At 31.12.2016 S2R JU did not have long term receivables or recoverables. All amounts under this heading are current and are as follows:

	EUR '000	
	Note	31.12.2016
<i>Recoverables from non-exchange transactions</i>		229
<i>Receivables from exchange transactions</i>	2.3.1	9 566
Total		9 795

The recoverables from non-exchange transactions mainly comprise amounts receivable from public bodies.

2.3.1. Exchange receivables

	EUR '000
	31.12.2016
<i>Central treasury liaison accounts</i>	7 776
<i>Customers</i>	1 798
<i>Deferred charges relating to exchange transactions</i>	7
<i>Others</i>	(15)
Total	9 566

The main element concerns the treasury liaison/intercompany accounts with the Commission, that represent a virtual bank account of S2R JU.

The negative amounts under the heading 'Other' relate to received fixed assets for which no invoice has been received at the end of the year.

LIABILITIES

2.4. PAYABLES AND OTHER LIABILITIES

EUR '000

	31.12.2016
<i>Contribution in kind to be validated</i>	4 547
<i>Current payables</i>	189
Total	4 737

Included under the sub-heading 'contribution in-kind to be validated' are the in-kind contributions from Members relating to on-going projects without a validated cost statement at 31.12.2016. The amount of in-kind contribution was estimated on a case-by-case basis using the best available information on the projects at the time of the preparation of the annual accounts.

The estimated cash contribution to the operating expenses of those projects are included under accrued charges (see note **2.5**).

The sub-heading current payables is composed of liabilities to public bodies (kEUR 186) and to suppliers (kEUR 4). The liabilities to the public bodies show the amount payable to the parent DG of the S2R in relation to the expert services consumed by the JU in relation its evaluations of calls in 2016.

The total amount excludes the open contract obligations, so called open RAL, which under the current accounting policy is not reported as part of S2R JU Financial Statements. It should be noted that commitment arising from the multi-annual agreements signed with the grant beneficiaries are disclosed under note 4.1.

2.5. ACCRUED CHARGES AND DEFERRED INCOME

At 31.12.2016 S2R JU did not have any balances related to deferred income. The amounts under this heading entirely relate to accrued charges and are as follows:

EUR '000

	31.12.2016
<i>Accrued charges</i>	6 310

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2016 but not yet invoiced or processed by the end of the year. They are largely composed of estimated operating expenses (kEUR 6 017) for on-going projects without a validated cost statement, where the 2016 expense was estimated on a case-by-case basis using the best available information about the projects at the time of the preparation of the annual accounts.

The total estimate composes of kEUR 3 302 related to the projects with Other Members and kEUR 2 715 of non-Member projects ('Open Calls').

Included under this heading are also accrued administrative expenses of kEUR 269 relating mainly to other services provided by 3rd parties (kEUR 151), office supplies and maintenance (kEUR 94) and training costs (kEUR 14) and accrued staff expenses of kEUR 24 for untaken leave.

NET ASSETS

2.6. CONTRIBUTIONS FROM MEMBERS

2.6.1. Research and Innovation funding programme for 2014-2020 (Horizon 2020)

	EU		Other Members		Total	
	Cash	In kind	Cash	In kind	Cash	In kind
A. Running Costs	1 423	–	3 240	–	4 664	–
<i>Previous years⁴</i>	–	–	–	–	–	–
<i>Current year⁵</i>	1 423	–	3 240	–	4 664	–
B. Operational costs (R&D Projects)	47 092	–	–	–	47 092	–
<i>Previous years</i>	–	–	–	–	–	–
<i>Current year⁶</i>	47 092	–	–	–	47 092	–
<i>Adjustments</i>	–	–	–	–	–	–
BALANCE AS AT 31.12.2016	48 515	–	3 240	–	51 755	–
<i>% of total contributions (by type)</i>	93.74%	–	6.26%	–	100%	–
<i>Total contribution in %</i>	93.74%		6.26%		100%	
<i>Voting rights %</i>	50.00%		50.00%		100%	

⁴ Excluding the EU contribution of kEUR 1 248 in 2014 and 2015

⁵ Excluding the EU Contribution used prior to the JU autonomy kEUR 569 in 2016

⁶ Excluding the commitments signed within the year to contribute Operational In-kind to the JU

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

NON-EXCHANGE REVENUE

3.1. OTHER NON-EXCHANGE REVENUE

The entire amount kEUR 370 relates to the net book value of assets donated to S2R JU after the autonomy by DG MOVE, the parent DG. The donation included both fixed assets and low value items that were directly expensed in the statement of financial performance, heading other expenses.

EXPENSES

3.2. OPERATING COSTS

Included under this heading are operating expenses related to projects that were carried out in 2016. A part of the operating costs related to on-going or ended projects without any validated cost claims (or equivalent) available at 31 December, was estimated using the best information available at the time of the preparation of the annual accounts. The estimation is based on the case-by-case assessment of completion which ensures that only costs that reflect the services or work performed by 31 December are included in the operating costs of the year. Depending on the availability of information at the time of the preparation of the annual accounts, the estimates are based on reports of services or work performed (e.g. Report of the member of the Joint Undertaking other than the EU on the in-kind contributions in the meaning of Article 4(3) and 4(4) of Regulation (EU) No 560/2014) or costs incurred to date as a proportion of the estimated total costs of the projects ('pro-rata temporis'). It should be noted that in line with the accounting rules the portion of the estimated cost also includes a revision of accounting estimates made in the previous periods.

In 2016 there were no cost claims validated in relation to the on-going projects. The entire amount of operating costs was estimated using the best available information about the projects at 31.12.2016.

EUR '000

	Note	2016
Operating costs: estimated in kind contributions	2.4	4 547
Operating cost: estimated EU contributions	2.5	6 017
Total		10 564

3.3. STAFF COSTS

Included under this heading are expenses related to the salaries and other staff employment-related allowances.

3.4. OTHER EXPENSES

EUR '000

	2016
Office supplies and maintenance	316
Property, plant and equipment related expenses	159
External non IT services	261
Communications & publications	71
Experts expenses	196
Missions	33
Recruitment costs	23
Training costs	14
Other	6
Total	1 079

The low value items donated by DG MOVE are included under the heading office supplies and maintenance.

Operating lease expenses related to the S2R JU building 'White Atrium' of kEUR 126 are included under the sub-heading 'property, plant and equipment related expenses'.

Amounts committed to be paid during the remaining term of this lease contract include rent and related charges and are as follows:

EUR '000

	Future amounts to be paid			Total
	< 1 year	1- 5 years	> 5 years	
Buildings	268	1 424	610	2 302

4. OTHER SIGNIFICANT DISCLOSURES

4.1. OUTSTANDING COMMITMENTS NOT YET EXPENSED

EUR '000

	31.12.2016
Outstanding commitments not yet expensed	43 271

The amount of outstanding commitments not yet expensed comprises the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the 2016 statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

4.2. RELATED PARTIES

The related parties of the S2R JU are the participants of the JU and key management personnel of these entities. Transactions between these entities take place as part of the normal operations of S2R JU and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

4.3. KEY MANAGEMENT ENTITLEMENTS

The highest ranked civil servant of S2R JU is the Executive Director, who executes the role of the Authorising Officer.

31.12.2016

Executive Director

AD 14

The Executive Director is remunerated in accordance with the Staff Regulations of the European Union that is published on the Europa website which is the official document describing the rights and the obligation of all officials of the EU. The Executive Director has not received any preferential loans from S2R JU.

4.4. IN-KIND CONTRIBUTIONS ON OPERATIONAL EXPENDITURE (IKOP)

In accordance with article 4(3) of Council Regulation (EU) No 642/2014 of 16 June 2014 (the S2R Regulation), "the members of the S2R Joint Undertaking other than the Union shall report by 31 January each year to the Governing Board of the S2R JU on the value of the contributions referred to in paragraph 2 made in each of the previous financial years".

In addition to the IKAA (in-kind from Additional Activities) - see Notes 1.6.2 and 4.5 - Article 4(2) of the S2R Regulation establishes that the total contribution to be provided by the members of the S2R Joint Undertaking other than the Union shall consist of at least kEUR 350 000, including at least kEUR 200 000 from the founding members other than the Union and their affiliated entities, and at least kEUR 150 000 from associated members and their affiliated entities. In accordance with Article 16(3)b of the S2R Statutes, IKOP consists "of the costs incurred by the Other Members in implementing indirect actions less the contribution of the S2R JU and any other Union contribution to those costs".

For the period up to 31 December 2016 (projects started on 1 September 2016), the Members other than the Union declared a total project costs of kEUR 7 849 from which they requested a co-funding of kEUR 3 302 from the JU. From the total project cost declared, kEUR 4 975 has been certified by independent auditors in accordance with the Provisions of Article 4(3) and represent a minimum of kEUR 3 010 of IKOP to be validated by the Executive Director as part of the usual financial authorization circuit and recorded to net assets. The latter already represents 1% of the total IKOP to be contributed by the S2R Members other than the Union by 2024.

4.5. IN-KIND CONTRIBUTIONS TO ADDITIONAL ACTIVITIES (IKAA)

In accordance with article 4(3) of Council Regulation (EU) No 642/2014 of 16 June 2014 (the S2R Regulation), "the members of the S2R Joint Undertaking other than the Union shall report by 31 January each year to the Governing Board of the S2R JU on the value of the contributions referred to in paragraph 2 made in each of the previous financial years".

In addition to the IKOP (in-kind operational) - see Notes 1.6.2 and 4.4 - Article 4(2) of the S2R Regulation establishes that the total contribution to be provided by the members of the S2R Joint Undertaking other than the Union shall consist of at least kEUR 120 000 of IKAA (In-Kind contribution on Additional Activities). This IKAA shall be at least kEUR 70 000 from the founding members other than the Union and their affiliated entities, and at least kEUR 50 000 from associated members and their affiliated entities.

For the period up to 31 December 2016, the Members other than the Union declared a total of kEUR 55 022 as IKAA, of which kEUR 35 241 certified by independent auditors in accordance with the Provisions of Article 4(3). Once validated by the Executive Director in 2017, the latter amount already represents 29.4% of the total IKAA to be contributed by the S2R Members other than the Union by 2024.

5. FINANCIAL INSTRUMENTS DISCLOSURES

5.1. CURRENCY RISKS

Exposure of the S2R JU to currency risk at year end

At 31.12.2016 the ending balances of financial assets and financial liabilities did not include any material amounts quoted in different currencies than euro.

5.2. CREDIT RISK

Financial assets that are neither past due nor impaired

The financial assets that are neither past due nor impaired are entirely composed of receivables and recoverables that amounted to kEUR 9 795 at 31.12.2016.

Financial assets by risk category

At 31.12.2016 the financial assets are entirely composed of receivables and recoverables against entities without external credit rating. The entire amount of kEUR 9 795 relates to entities who never defaulted in the past.

5.3. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

The financial liabilities comprise accounts payable and other liabilities with the remaining contractual maturity of less than 1 year.

REPORTS ON THE IMPLEMENTATION OF THE BUDGET

It should be noted that due to the rounding of figures into thousands of euros, some financial data in the tables below may appear not to add-up.

CONTENTS

1.	BUDGETARY PRINCIPLES, STRUCTURE AND IMPLEMENTATION	30
2.	RESULT OF THE IMPLEMENTATION OF THE BUDGET	33
3.	RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT	34
4.	IMPLEMENTATION OF BUDGET REVENUE	35
5.	BREAKDOWN & CHANGES IN COMMITMENT APPROPRIATIONS	36
6.	BREAKDOWN & CHANGES IN PAYMENT APPROPRIATIONS.....	38
7.	IMPLEMENTATION OF COMMITMENT APPROPRIATIONS.....	40
8.	IMPLEMENTATION OF PAYMENT APPROPRIATIONS.....	43
9.	COMMITMENTS OUTSTANDING BY POLICY AREA	46
10.	GLOSSARY	49

1. BUDGETARY PRINCIPLES, STRUCTURE AND IMPLEMENTATION

1.1. BUDGETARY PRINCIPLES

The establishment and implementation of the budget of S2R JU is governed by the following basic principles set out in the Chapter 2 of the Financial Rules of S2R JU:

Principles of unity and budget accuracy

This principle means that no revenue shall be collected and no expenditure effected unless booked to a line in the budget of S2R JU. No expenditure may be committed or authorised in excess of the appropriations authorised by the budget. An appropriation may be entered in the budget only if it is for an item of expenditure considered necessary.

Principle of annuality

The appropriations entered in the budget shall be authorised for a financial year which shall run from 1 January to 31 December. As specified in its Financial Rules, S2R JU is subject to an exception to the annuality principle, specific only to the joint undertakings (the "N+3" rule), whereby any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years. These appropriations must be used first.

Principle of equilibrium

Revenue and payment appropriations shall 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.

Principle of universality

Total revenue shall cover total payment appropriations and all revenue and expenditure shall be entered in full without any adjustment against each other.

Principle of specification

Appropriations shall be earmarked for specific purposes at least by title and chapter.

Principle of sound financial management

Appropriations shall be used in accordance with the principle of sound financial management, namely in accordance with the principles of economy, efficiency and effectiveness.

Principle of transparency

The budget shall be established and implemented and the accounts presented in accordance with the principle of transparency. The budget and any amending budgets shall be published on the internet site of the S2R JU within four weeks of their adoption and shall be transmitted to the Commission and the Court of Auditors.

1.2. STRUCTURE AND PRESENTATION OF THE BUDGET

No distinction between non-dissociated and dissociated appropriations is made. All appropriations follow the dissociated logic.

Following the provisions of the Financial rules of S2R JU, the budget accounts shall consist of a statement of revenue and a statement of expenditure. The budget is distributed by the following titles:

Title 1 budget lines relate to staff expenditure such as salaries and allowances for personnel working with S2R JU. It also includes recruitment expenses, staff missions, expenses for the socio-medical infrastructure and representation costs.

Title 2 budget lines relate to all infrastructure, equipment and miscellaneous administrative expenditure.

Title 3 budget lines provide for the implementation of the activities and tasks assigned to S2R JU in accordance with its establishing Council Regulation (EC) No 642/2014.

1.3. HIGHLIGHTS OF THE BUDGETARY IMPLEMENTATION

S2R gained its financial autonomy on 24 May 2016. Consequently, the reporting on 2016 budget implementation can be divided into two parts: a period prior and a period after the financial autonomy.

In the period prior to the financial autonomy, and in accordance with Article 19 of the S2R Regulation, the Directorate General of Mobility and Transport (DG MOVE) of the European Commission was in charge of the S2R JU budget execution.

On 24 May, the budget non-executed by DG MOVE was transferred to S2R's own administration. Thus under the mandate and responsibility of the newly appointed Executive Director.

The present document reports on the S2R key activities and financial transactions of the year 2016 since its operational autonomy in May.

However, in order to give to the reader a comprehensive understanding of the 2016 activities in line with the S2R JU Annual Adopted Budget, the following sections present the consolidated overview of the operations covering both periods.

The main highlights of the 2016 Budget implementation are as follows:

In 2016, the JU reached 99.9 % rate of implementation for the commitment appropriations. The payment appropriations were executed up to 84.3 % of the available funds.

Budget Amendment No 1 included a new Title 4, to include the expected Un-used Appropriations not required in the year. These Appropriations are recognised available for applying n+3 rule on the following budgetary years, in accordance with the S2R JU Financial Rules Art. 6(5).

Administrative costs

Title 1 and Title 2 of the S2R Budget was executed up to 98.6 % in commitment appropriations, demonstrating a reliable budgetary planning.

Chapter 1.1 - Staff Expenditure was mainly used for the statutory staff of the JU. 17 posts were filled as of 31 December 2016, representing 100 % of the planned position of the Establishment Plan. During the year, the JU made recourse to external support, to fill the gaps during the recruitment process and to cope with the important workload resulting from ramp up phase of the activities (under Chapters 1.1 and 2.6).

The execution rate of the Payment Appropriations was 53.7 %; this execution rate is lower than Commitment Appropriations due to payments for some of the contractual services becoming due in 2017 and afterwards.

It should be noted that during 2016 S2R collected the contributions due by the Members other than the Union that were not collected before its autonomy and related also to years 2014 and 2015.

Operational costs

Title 3 of the S2R Budget constitutes the JU's Operational Budget. In terms of commitment appropriations, Title 3 represents 87.8 % of the overall S2R Budget, including Title 4. The execution rate of the Operational budget in both Commitment and Payment Appropriations was respectively 100 % and 86.6 %. The Payment appropriation were used for the pre-financing of the Grants resulting from the 2015 and 2016 Calls for Proposals.

Unused appropriations

As already indicated, the amount included under Title 4 – Administrative Budget for EUR 1.6 million is mostly due to S2R collecting the contribution from its Members other than the Union related to the financial years 2014 - 2015. To this some adjustments to the 2016 Budget were also transferred to Title 4.

The amount included under Title 4 – Operational Budget (EUR 1.1 million) represents the value initially reserved for Call S2R_OC_IP1_01_2016 to which S2R did not receive any proposals.

In terms of Payment Appropriations, the unused appropriations amount at EUR 9.6 million. Nevertheless, it should be noted that this amount does not correspond in cash available in the JU. In fact, following a decision of the S2R Governing Board, the Treasury of the JU – as well as the Accounting Officer function – is performed by the Commission’s Accounting Officer. As a result, the unused payment appropriations are an accounting amount of the payment appropriations available to face the initial payments at the beginning of 2017.

2. RESULT OF THE IMPLEMENTATION OF THE BUDGET

EUR '000

	Title	2016
Revenue		49 731
<i>of which:</i>		
<i>Subsidies and contributions</i>	90-0	1 423
<i>Subsidies and contributions</i>	90-1	47 092
<i>Subsidies and contributions</i>	90-2	1 216
<i>Recoveries</i>	91-3	0
<i>Unused appropriations from previous years</i>	93-0	0
Expenditure		(42 137)
<i>of which:</i>		
<i>Staff expenditure</i>	A-1	(801)
<i>Admin expenditure</i>	A-2	(538)
<i>Operational expenditure</i>	B0-3	(40 798)
<i>Specific expenditure</i>	B4	0
Budget result		7 594

3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

2016

ECONOMIC RESULT OF THE YEAR	(11 925)
Adjustment for accrual items (items not in the budgetary result but included in the economic result)	
<i>Adjustments for accrual cut-off (net)</i>	10 855
<i>Depreciation of intangible and tangible assets</i>	23
<i>Recovery orders issued in the year and not yet cashed</i>	(2 025)
<i>Revenue for fixed assets received free of charge</i>	(284)
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)	
<i>Asset acquisitions (less unpaid amounts)</i>	(7)
<i>New pre-financing paid in the year and remaining open as at 31 December</i>	(40 798)
<i>Entitlements established on balance sheet accounts and cashed in the year</i>	51 755
<i>Re-activation of appropriations N-1 but recognised as assets within the year</i>	-
BUDGET RESULT OF THE YEAR	7 594

4. IMPLEMENTATION OF BUDGET REVENUE

4.1. Title 9: Revenue

EUR '000

	Income appropriations		Entitlements established			Revenue						
	Initial budget	Final budget	Current year	Carried	Total	Current year DG MOVE	Current year S2R	Carried	Total	%	Outstand.	
	1	2	3	4	5=3+4	6	7	8	9=6+7+8	10=9/2	11	
900	<i>Contributions from EU Administrative</i>											
	1 621	1 992	1 992	0	1 992	569	1 423	0	1 992	100%	0	
901	<i>Contributions from EU Operational</i>											
	24 888	47 092	47 092	0	47 092	0	47 092	0	47 092	100%	0	
902	<i>Contribution from the industry</i>											
	1 621	2 353	2 353	0	2 353	0	328	0	328	14%	2 025	
913	<i>Recoveries Other</i>											
	0	0	0	0	0	0	0	0	0	0%	0	
930	<i>Unused appropriations from previous years</i>											
	0	887	887	0	887	0	887	0	887	100%	0	
GRAND TOTAL	28 130	52 324	52 325	0	52 325	569	49 731	0	50 300	96%	2 025	

5. BREAKDOWN & CHANGES IN COMMITMENT APPROPRIATIONS

5.1. Title 1: Staff Expenditure

EUR '000

		Budget appropriations of the year				Additional appropriations			Total approp. available 8=4+7
		Initial adopted budget 1	Amending budgets 2	Transfers 3	Final budget adopted 4=1+2+3	Carryover 5	Assigned revenue 6	Total 7=5+6	
110	Establishment Plan Posts	439	0	(83)	356	0	0	0	356
111	External Personnel	610	36	89	735	0	0	0	735
130	Mission Expenses	92	0	(47)	45	0	0	0	45
150	Training	34	0	(17)	17	0	0	0	17
190	Other Staff related expenditure	79	0	58	137	0	0	0	137
Total Title 1		1 254	36	0	1 290	0	0	0	1 290

5.2. Title 2: Administrative Expenditure

EUR '000

		Budget appropriations of the year				Additional appropriations			Total approp. available 8=4+7
		Initial adopted budget 1	Amending budgets 2	Transfers 3	Final budget adopted 4=1+2+3	Carryover 5	Assigned revenue 6	Total 7=5+6	
200	Rental of Buildings and Associated Costs	357	(37)	25	345	0	0	0	345
210	Information and Communication Technology	137	263	194	594	0	0	0	594
220	Movable Property and Associated Costs	33	5	(7)	31	0	0	0	31
230	Current Administrative Expenditure	56	(1)	(31)	24	0	0	0	24
240	Postage and Telecommunications	25	0	(17)	8	0	0	0	8
250	Meeting Expenses	90	(10)	(54)	26	0	0	0	26
260	Running Costs in connection with operational activ	424	26	54	504	0	0	0	504
270	Information and Publishing	444	(202)	34	276	0	0	0	276
290	Other Infrastructure and operating expenditure	422	(22)	(198)	202	0	0	0	202
Total Title 2		1 987	23	0	2 010	0	0	0	2 010

5.3. Title 3: Operational Expenditure

EUR '000

	Initial adopted budget 1	Budget appropriations of the year			Additional appropriations			Total 7=5+6	Total approp. available 8=4+7
		Amending budgets 2	Transfers 3	Final budget adopted 4=1+2+3	Carryover 5	Assigned revenue 6			
300 Operational Expenditure	45 249	(1 149)	0	44 100	0	0	0	44 100	
Total Title 3	45 249	(1 149)	0	44 100	0	0	0	44 100	

5.4. Title 4: Unused appropriations not required in current year

EUR '000

	Initial adopted budget 1	Budget appropriations of the year			Additional appropriations			Total 7=5+6	Total approp. available 8=4+7
		Amending budgets 2	Transfers 3	Final budget adopted 4=1+2+3	Carryover 5	Assigned revenue 6			
400 Unused appropriations not required in current year Administrative Appropriations	0	674	0	674	1 009	0	1 009	1 683	
410 Unused appropriations not required in current year Operational Budget	0	1 149	0	1 149	0	0	0	1 149	
Total Title 4	0	1 823	0	1 823	1 009	0	1 009	2 832	
GRAND TOTAL	48 490	732	0	49 223	1 009	0	1 009	50 232	

6. BREAKDOWN & CHANGES IN PAYMENT APPROPRIATIONS

6.1. Title 1: Staff Expenditure

EUR '000

		Budget appropriations				Additional appropriations			Total approp. available
		Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
		9	10	11	12=9+10+11	13	14	15=13+14	
110	<i>Establishment Plan Posts</i>	439	0	(83)	356	0	0	0	356
111	<i>External Personnel</i>	610	36	89	735	0	0	0	735
130	<i>Mission Expenses</i>	92	0	(47)	45	0	0	0	45
150	<i>Training</i>	34	0	(17)	17	0	0	0	17
190	<i>Other Staff related expenditure</i>	79	54	58	191	0	0	0	191
Total Title 1		1 254	90	0	1 344	0	0	0	1 344

6.2. Title 2: Administrative Expenditure

EUR '000

		Budget appropriations				Additional appropriations			Total approp. available
		Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Carry-overs	Assigned revenue	Total	
		9	10	11	12=9+10+11	13	14	15=13+14	
200	<i>Rental of Buildings and Associated Costs</i>	357	(37)	25	345	0	0	0	345
210	<i>Information and Communication Technology</i>	137	307	194	637	0	0	0	637
220	<i>Movable Property and Associated Costs</i>	33	24	20	77	0	0	0	77
230	<i>Current Administrative Expenditure</i>	56	1	(31)	26	0	0	0	26
240	<i>Postage and Telecommunications</i>	25	0	(17)	8	0	0	0	8
250	<i>Meeting Expenses</i>	90	(6)	(54)	30	0	0	0	30
260	<i>Running Costs in connection with operational activ</i>	424	26	54	504	0	0	0	504
270	<i>Information and Publishing</i>	444	(93)	7	358	0	0	0	358
290	<i>Other Infrastructure and operating expenditure</i>	422	(3)	(198)	221	0	0	0	221
Total Title 2		1 987	219	0	2 206	0	0	0	2 206

6.3. Title 3: Operational Expenditure

EUR '000

	Initial budget adopted	Budget appropriations			Final adopted budget 12=9+10+11	Additional appropriations			Total approp. available 16=12+15
		Amending budgets	Transfers	Carry-overs		Assigned revenue	Total		
								9	
300 Operational Expenditure	24 888	22 203	0	47 092	0	0	0	47 092	
Total Title 3	24 888	22 203	0	47 092	0	0	0	47 092	

6.4. Title 4: Unused appropriations not required in current year

EUR '000

	Initial budget adopted	Budget appropriations			Final adopted budget 12=9+10+11	Additional appropriations			Total approp. available 16=12+15
		Amending budgets	Transfers	Carry-overs		Assigned revenue	Total		
								9	
400 Unused appropriations not required in current year Administrative Appropriations	0	796	0	796	887	0	887	1 683	
410 Unused appropriations not required in current year Operational Budget	0	0	0	0	0	0	0	0	
Total Title 4	0	796	0	796	887	0	887	1 683	
GRAND TOTAL	28 130	23 307	0	51 437	887	0	887	52 324	

7. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

7.1. Title 1: Staff Expenditure

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Commitments made				Appropriations carried over 2017			Appropriations lapsing			
				from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
	1	2	3	4	5	6=2+3+4+5	7=6/1	8	9	10=8+9	11	12	13	14=11+12+13
110 Establishment Plan Posts	356	147	209	0	0	356	100%	0	0	0	0	0	0	0
111 External Personnel	735	101	629	0	0	730	99%	0	0	0	5	0	0	5
130 Mission Expenses	45	6	39	0	0	45	100%	0	0	0	(0)	0	0	(0)
150 Training	17	0	17	0	0	17	100%	0	0	0	0	0	0	0
190 Other Staff related expenditure	137	12	118	0	0	130	95%	0	0	0	7	0	0	7
Total Title 1	1 290	266	1 012	0	0	1 278	99%	0	0	0	12	0	0	12

7.2. Title 2: Administrative Expenditure

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Commitments made				Appropriations carried over 2017			Appropriations lapsing			
				from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
	1	2	3	4	5	6=2+3+4+5	7=6/1	8	9	10=8+9	11	12	13	14=11+12+13
200	<i>Rental of Buildings and Associated Costs</i>	345	137	208	0	0	345	100%	0	0	0	0	0	0
210	<i>Information and Communication Technology</i>	594	0	588	0	0	588	99%	0	0	0	6	0	0
220	<i>Movable Property and Associated Costs</i>	31	1	25	0	0	26	82%	0	0	0	5	0	0
230	<i>Current Administrative Expenditure</i>	24	0	18	0	0	18	73%	0	0	0	7	0	0
240	<i>Postage and Telecommunications</i>	8	0	6	0	0	7	81%	0	0	0	2	0	0
250	<i>Meeting Expenses</i>	26	8	16	0	0	24	92%	0	0	0	2	0	0
260	<i>Running Costs in connection with operational activ</i>	504	3	498	0	0	501	99%	0	0	0	4	0	0
270	<i>Information and Publishing</i>	276	1	272	0	0	272	99%	0	0	0	4	0	0
290	<i>Other Infrastructure and operating expenditure</i>	202	10	185	0	0	195	97%	0	0	0	7	0	0
Total Title 2	2 010	160	1 815	0	0	1 975	98%	0	0	0	35	0	0	35

7.3. Title 3: Operational Expenditure

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Commitments made		Total	%	Appropriations carried over 2017			Appropriations lapsing			
				from carry-overs	from assign. revenue			Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
	1	2	3	4	5	6=2+3+4+5	7=6/1	8	9	10=8+9	11	12	13	14=11+12+13
300 <i>Operational Expenditure</i>	44 100	0	44 100	0	0	44 100	100%	0	0	0	0	0	0	0
Total Title 3	44 100	0	44 100	0	0	44 100	100%	0	0	0	0	0	0	0

7.4. Title 4: Unused appropriations not required in current year

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Commitments made		Total	%	Appropriations carried over 2017			Appropriations lapsing			
				from carry-overs	from assign. revenue			Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	Total
	1	2	3	4	5	6=2+3+4+5	7=6/1	8	9	10=8+9	11	12	13	14=11+12+13
400 <i>Unused appropriations not required in Current year Administrative Appropriations</i>	1 683	0	0	0	0	0	0%	0	0	0	674	1 009	0	1 683
410 <i>Unused appropriations not required in Current year Operational Budget</i>	1 149	0	0	0	0	0	0%	0	0	0	1 149	0	0	1 149
Total Title 4	2 832	0	0	0	0	0	0%	0	0	0	1 823	1 009	0	2 832
GRAND TOTAL	50 232	426	46 926	0	0	47 353	94%	0	0	0	1 870	1 009	0	2 879

8. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

8.1. Title 1: Staff Expenditure

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Payments made				Additional appropriations				Appropriations lapsing			
				from carry-overs	from assig. rev.	Total	%	Autom. carry-overs	Carry-overs by decision	Assigned rev.	Total	from final budget	from carry-overs	from assig. rev.	Total
	15	16	17	18	19	20=16+17+18+19	21=20/15	22	23	24	25=22+23+24	26	27	28	29=26+27+28
110 Establishment Plan Posts	356	147	209	0	0	356	100%	0	0	0	0	0	0	0	0
111 External Personnel	735	101	472	0	0	572	78%	0	0	0	0	163	0	0	163
130 Mission Expenses	45	6	30	0	0	36	79%		0	0	0	9	0	0	9
150 Training	17	0	0	0	0	0	0%		0	0	0	17	0	0	17
190 Other Staff related expenditure	191	30	91	0	0	121	63%		0	0	0	70	0	0	70
Total Title 1	1 344	284	801	0	0	1 085	81%	0	0	0	0	258	0	0	258

8.2. Title 2: Administrative Expenditure

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Payments made				Additional appropriations				Appropriations lapsing			
				from carry-overs	from assig. rev.	Total	%	Autom. carry-overs	Carry-overs by decision	Assigned rev.	Total	from final budget	from carry-overs	from assig. rev.	Total
	15	16	17	18	19	20=16+17+18+19	21=20/15	22	23	24	25=22+23+24	26	27	28	29=26+27+28
200 Rental of Buildings and Associated Costs	345	137	136	0	0	273	79%		0	0	0	72	0	0	72
210 Information and Communication Technology	637	43	32	0	0	75	12%		0	0	0	562	0	0	562
220 Movable Property and Associated Costs	77	29	21	0	0	50	65%		0	0	0	27	0	0	27
230 Current Administrative Expenditure	26	2	13	0	0	15	56%		0	0	0	12	0	0	12
240 Postage and Telecommunications	8	0	2	0	0	2	27%		0	0	0	6	0	0	6
250 Meeting Expenses	30	10	7	0	0	18	59%		0	0	0	12	0	0	12
260 Running Costs in connection with operational activities	504	3	191	0	0	194	38%		0	0	0	310	0	0	310
270 Information and Publishing	358	50	136	0	0	186	52%		0	0	0	172	0	0	172
290 Other Infrastructure and operating expenditure	221	10	0	0	0	10	5%		0	0	0	211	0	0	211
Total Title 2	2 206	285	538	0	0	822	37%	0	0	0	0	1 383	0	0	1 383

8.3. Title 3: Operational Expenditure

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Payments made				Additional appropriations			Appropriations lapsing			Total	
				from carry-overs	from assig. rev.	Total	%	Autom. carry-overs	Carry-overs by decision	Assigned rev.	Total	from final budget	from carry-overs		from assig. rev.
				18	19	20=16+17+18+19	21=20/15	22	23	24	25=22+23+24	26	27		28
300 Operational Expenditure	47 092	0	40 798	0	0	40 798	87%		0	0	0	6 293	0	0	6 293
Total Title 3	47 092	0	40 798	0	0	40 798	87%		0	0	0	6 293	0	0	6 293

8.4. Title 4: Unused appropriations not required in current year

EUR '000

	Total approp. availab.	from final adopt. Budget DG MOVE	from final adopt. Budget S2R	Payments made				Additional appropriations			Appropriations lapsing			Total	
				from carry-overs	from assig. rev.	Total	%	Autom. carry-overs	Carry-overs by decision	Assigned rev.	Total	from final budget	from carry-overs		from assig. rev.
				18	19	20=16+17+18+19	21=20/15	22	23	24	25=22+23+24	26	27		28
400 <i>Unused appropriations not required in current year Administrative Appropriations</i>	1 683	0	0	0	0	0	0%		0	0	0	796	887	0	1 683
410 <i>Unused appropriations not required in current year Operational Budget</i>	0	0	0	0	0	0	0%		0	0	0	0	0	0	0
Total Title 4	1 683	0	0	0	0	0	0%		0	0	0	796	887	0	1 683
GRAND TOTAL	52 324	569	42 137	0	0	42 706	82%		0	0	0	8 731	887	0	9 618

9. COMMITMENTS OUTSTANDING BY POLICY AREA

9.1. Title 1: Staff Expenditure

EUR '000

	Commitments outstanding at the end of previous year					Commitments of the year							Total commit. outstanding at year-end
	Comm. carried forward from prev. year	Decommit / Revaluat. / Cancellati on	Payments Executed by DG MOVE	Payments executed by S2R	Total	Comm. made during the year DG MOVE	Comm. made during the year S2R	Payment DG MOVE	Payment S2R	Cancellatio n of comm. which cannot be carried forward	Commit. outstanding at year-end		
	1	2	3	4	5=1+2-3-4	6	7	8	9	10	11=6+7-8-9-10	12=5+11	
110	Establishment Plan Posts	0	0	0	0	0	147	209	147	209	0	0	0
111	External Personnel	0	0	0	0	0	101	629	101	472	0	157	157
130	Mission Expenses	0	0	0	0	0	6	39	6	30	0	9	9
150	Training	0	0	0	0	0	0	17	0	0	0	17	17
190	Other Staff related expenditure	54	(15)	18	18	4	12	118	12	74	0	45	48
Total Title 1		54	(15)	18	18	4	266	1 012	266	784	0	228	232

9.2. Title 2: Administrative Expenditure

EUR '000

	Commitments outstanding at the end of previous year					Commitments of the year							Total commit. outstanding at year-end
	Comm. carried forward from prev. year	Decommit / Revaluat. / Cancellati on	Payments Executed by DG MOVE	Payments executed by S2R	Total	Comm. made during the year DG MOVE	Comm. made during the year S2R	Payment DG MOVE	Payment S2R	Cancellati on of comm. which cannot be carried forward	Commit. outstanding at year-end		
	1	2	3	4	5=1+2-3-4	6	7	8	9	10	11=6+7-8-9-10	12=5+11	
200 <i>Rental of Buildings and Associated Costs</i>	0	0	0	0	0	137	208	137	136	0	72	72	
210 <i>Information and Communication Technology</i>	47	(3)	43	1	0	0	588	0	31	0	556	556	
220 <i>Movable Property and Associated Costs</i>	62	0	28	16	18	1	25	1	5	0	20	37	
230 <i>Current Administrative Expenditure</i>	2	(0)	2	0	0	0	18	0	13	0	5	5	
240 <i>Postage and Telecommunications</i>	0	0	0	0	0	0	6	0	2	0	4	4	
250 <i>Meeting Expenses</i>	4	(1)	2	0	0	8	16	8	7	0	9	9	
260 <i>Running Costs in connection with operational activ</i>	0	0	0	0	0	3	498	3	191	0	307	307	
270 <i>Information and Publishing</i>	82	0	49	32	0	1	272	1	104	0	168	168	
290 <i>Other Infrastructure and operating expenditure</i>	0	0	0	0	0	10	185	10	0	0	185	185	
Total Title 2	196	(5)	125	49	18	160	1 815	160	489	0	1 326	1 344	

9.3. Title 3: Operational Expenditure

EUR '000

	Commitments outstanding at the end of previous year					Commitments of the year						
	Comm. carried forward from prev. year	Decommit / Revaluat. / Cancellati on	Payments Executed by DG MOVE	Payments executed by S2R	Total	Comm. made during the year DG MOVE	Comm. made during the year S2R	Payment DG MOVE	Payment S2R	Cancellati on of comm. which cannot be carried forward	Commit. outstanding at year-end	Total commit. outstanding at year-end
	1	2	3	4	5=1+2-3-4	6	7	8	9	10	11=6+7-8-9-10	12=5+11
300 Operational Expenditure	45 334	(465)	0	20 419	24 450	0	44 100	0	20 379	0	23 721	48 171
Total Title 3	45 334	(465)	0	20 419	24 450	0	44 100	0	20 379	0	23 721	48 171

9.4. Title 4: Unused appropriations not required in current year

EUR '000

	Commitments outstanding at the end of previous year					Commitments of the year						
	Comm. carried forward from prev. year	Decommit / Revaluat. / Cancellati on	Payments Executed by DG MOVE	Payments executed by S2R	Total	Comm. made during the year DG MOVE	Comm. made during the year S2R	Payment DG MOVE	Payment S2R	Cancellati on of comm. which cannot be carried forward	Commit. outstanding at year-end	Total commit. outstanding at year-end
	1	2	3	4	5=1+2-3-4	6	7	8	9	10	11=6+7-8-9-10	12=5+11
400 <i>Unused appropriations not required in Current yearAdministrative Appropriations</i>	0	0	0	0	0	0	0	0	0	0	0	0
410 <i>Unused appropriations not required in Current yearOperational Budget</i>	0	0	0	0	0	0	0	0	0	0	0	0
Total Title 4	0	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	45 584	(485)	142	20 486	24 471	426	46 926	426	21 652	0	25 275	49 746

10. GLOSSARY

ABAC

This is the name given to the Commission's accounting system which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts the Commission produces accrual-based accounts which recognise revenue when earned rather than when collected. Expenses are recognised when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.

Accounting

The act of recording and reporting financial transactions including the creation of the transaction its recognition processing and summarisation in the financial statements.

Administrative appropriations

Administrative appropriations cover the running costs of the Institutions and entities (staff buildings office equipment).

Adjustment

Amending budget or transfer of funds from one budget item to another

Adopted budget

Draft budget becomes the adopted budget as soon as it is approved by the Budgetary Authority.Cf. Budget.

Agencies

EU bodies having a distinct legal personality and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.

Amending budget

Decision adopted during the budget year to amend (increase decrease transfer) aspects of the adopted budget of that year.

Annuality

The budgetary principle according to which expenditure and revenue is programmed and authorised for one year starting on 1 January and ending on 31 December.

Appropriations

Budget funding. The budget forecasts both commitments (legal pledges to provide finance provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure for agricultural market support and direct payments and commitment appropriations equal payment appropriations.

Assigned revenue External/Internal

Dedicated revenue received to finance specific items of expenditure. Main sources of external assigned revenue are financial contributions from third countries to programmes financed by the Union. Main sources of internal assigned revenue is revenue from third parties in respect of goods services or work supplied at their request; (c) revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films including those on an electronic medium. The complete list of items constituting assigned revenue is given in the Financial Regulation Art.21.2.

Authorising Officer (AO)

The AO is responsible in each institution for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.

Budget

Annual financial plan drawn up according to budgetary principles that provides forecasts and authorises for each financial year an estimate of future costs and revenue and expenditures and their detailed description and justification the latter included in budgetary remarks.

Budget result

The difference between income received and amounts paid including adjustments for carry-overs cancellations and exchange rate differences. The resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for Agencies.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

As far as the budget structure is concerned revenue and expenditure are shown in the budget in accordance with a binding nomenclature which reflects the nature and purpose of each item as imposed by the budgetary authority. The individual headings (title chapter article or item) provide a formal description of the nomenclature.

Budgetary authority

Institutions with decisional powers on budgetary matters: the European Parliament and the Council of Ministers

Budgetary commitment

A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.

Cancellation of appropriations

Unused appropriations that may no longer be used.

Carryover of appropriations

Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may under strict conditions be exceptionally carried over for use during the following year.

Commitment appropriations

Commitment appropriations cover the total cost of legal obligations (contracts grant agreements/decisions) that could be signed in the current financial year. Art. 7 FR: Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts grant agreements/decisions) entered into for operations extending over more than one year.

De-commitment

Cancellation of a reservation of appropriations

Differentiated appropriations

Differentiated appropriations are used to finance multiannual operations; they cover for the current financial year the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year. Art. 7 FR: Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.

Earmarked revenue

Revenue earmarked for a specific purpose such as income from foundations subsidies gifts and bequests including the earmarked revenue specific to each institution. (Cf. Assigned revenue)

Economic result

Impact on the balance sheet of expenditure and revenue based on accrual accounting rules.

Entitlements established

Entitlements are recovery orders that the European Union must establish for collecting income.

Exchange rate difference

The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area or from the revaluation of assets and liabilities in foreign currency at the closure.

Expenditure

Term used to describe spending the budget from all types of funds sources.

Financial regulation (FR)

Adopted through the ordinary legislative procedure after consulting the European Court of Auditors this regulation lays down the rules for the establishment and implementation of the general budget of the European Union. (OJ L 298 26.10.2012)

Funds Source

Type of appropriations (e.g.: C1 C2 etc.)

Grants

Direct financial contributions by way of donation from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.

Implementation

Cf. Budget implementation

Income

Cf. Revenue

Joint Undertakings (JUs)

A legal EU-body established under the TFEU. The term can be used to describe any collaborative structure proposed for the "efficient execution of Union research technological development and demonstration programmes".

Lapsing appropriations

Unused appropriations to be cancelled at the end of the financial year. Lapsing means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities which is represented by an appropriation.

Legal base (basic act)

The legal base or basis is as a general rule a law based on an article in the Treaty giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain Treaty articles authorise the Commission to undertake certain actions which imply spending without there being a further legal act.

Legal commitment

A legal commitment establishes a legal obligation towards third parties.

Non-differentiated appropriations

Non-differentiated appropriations are for operations of an annual nature. (Art. 9 FR). In the EU-Budget non-differentiated appropriations apply to administrative expenditure for agricultural market support and direct payments

Operational appropriations

Operational appropriations finance the different policies mainly in the form of grants or procurement.

Outstanding commitment

Legal commitments having not fully given rise to liquidation by payments. Cf. RAL.

Outturn

Cf. Budget result

Payment

A payment is a cash disbursement to honour legal obligations.

Payment appropriations

Payment appropriations cover expenditure due in the current year arising from legal commitments entered in the current year and/or earlier years (Art. 7 FR).

RAL

Sum of outstanding commitments. Outstanding commitments (or RAL from the French 'reste à liquider') are defined as the amount of appropriations committed that have not yet been paid. They *stem directly* from the existence of multiannual programmes and the dissociation between commitment and payment appropriations. (Cf. Outstanding commitments)

Recovery

The recovery order is the procedure by which the Authorising officer (AO) registers an entitlement by the Commission in order to retrieve the amount which is due. The entitlement is the right that the Commission has to claim the sum which is due by a debtor usually a beneficiary.

Result

Cf. Outturn

Revenue

Term used to describe income from all sources financing the budget.

Rules of application

Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.

Surplus

Positive difference between revenue and expenditure (see Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.

Transfer

Transfers between budget lines imply the relocation of appropriations from one budget line to another in the course of the financial year and thereby they constitute an exception to the budgetary principle of specification. They are however expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The FR identifies different types of transfers depending on whether they are between or within budget titles chapters articles or headings and require different levels of authorization.



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INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS OF SHIFT2RAIL JOINT UNDERTAKING FOR THE FINANCIAL YEAR FROM MAY 24 TO DECEMBER 31, 2016

We have audited the accompanying final annual accounts of Shift2Rail Joint Undertaking, 'the Agency'. Their annual accounts consist out of the financial statements and the reports on the implementation of the budget for the financial year from May 24 to December 31, 2016. The financial statements comprise the balance sheet as at December 31, 2016, and the economic outturn account, the cash flow table and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

This opinion on the final annual accounts supersedes our opinion issued by us on any of the provisional annual accounts previously issued by 'the Agency'.

Management's responsibility for the annual accounts

Management is responsible for the preparation of the final annual accounts in accordance with its Financial Regulation, and, in accordance with the accounting rules adopted by the Commission's accounting officer, which are derived from the International Public Sector Accounting Standards, as issued by the International Public Sector Accounting Standards Board.

Management's responsibilities in respect of the annual accounts include designing, implementing and maintaining an internal control system relevant to the preparation and the fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies on the basis of the accounting rules adopted by the Commission accounting officer; making accounting estimates that are reasonable in the circumstances. The Director approves the annual accounts of 'the Agency' after its accounting officer has prepared them on the basis of all available information and established a note to accompany the accounts in which he declares, inter alia, that he has reasonable assurance that they present a true and fair view of the financial position of 'the Agency' in all material respects.

Auditor's responsibility

Our responsibility is to express an opinion on the final annual accounts of 'the Agency', based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA) and the ISSAI (International Standards of Supreme Audit Institutions, as issued by the International Organization of Supreme Audit Institutions (INTOSAI)).

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KBC : BE78 4483 6315 7186
BIC : KREDBEBB

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the final annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the final annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the final annual accounts, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity's preparation of the final annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the final annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts of 'the Agency' present fairly, in all material aspects, its financial position as at December 31, 2016, and the results of its operations and its cash flow, for the year then ended, and are prepared in accordance with its Financial Regulation, and, in accordance with the accounting rules adopted by the Commission's accounting officer, which are derived from the International Public Sector Accounting Standards, as issued by the International Public Sector Accounting Standards Board.

Restriction on use and distribution

The opinion transmitted is only intended for 'the Agency' and for the European Court of Auditors, for the purpose of forming an opinion on the final annual accounts of 'the Agency' only. It may not be relied upon by you for any other objective or purpose, nor may it be distributed or made available to any other parties, except those who have regulatory rights of access to it. Any review, transmission, dissemination or other use of, or taking of any action in reliance upon this information by any persons or entities other than 'the Agency' is prohibited and we will not assume any duty of care or liability towards these persons or entities.

Melle, June 15, 2017

Baker Tilly Belgium Bedrijfsrevisoren Burg. CVBA



Jan Smits
Audit Partner