



Annual accounts of the  
Shift2Rail

Joint Undertaking

Financial year 2017

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## CERTIFICATION OF THE ACCOUNTS

The final annual accounts of the Shift2Rail Joint Undertaking for the year 2017 have been prepared in accordance with the Financial Regulation 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 Regulation 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 2018

## BACKGROUND INFORMATION ON THE SHIFT2RAIL JOINT UNDERTAKING

Shift2Rail Joint Undertaking (S2R JU), based in Brussels, was established by the Council Regulation (EU) 642/2014<sup>1</sup>. 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. S2R JU is funded by the members contributing either in cash or in-kind to the administrative and operational costs of the joint undertaking.

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 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:

- 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.
- 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.
- 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 Rules<sup>2</sup>, 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.

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

<sup>2</sup> 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.*

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**BALANCE SHEET**

EUR '000

	Note	31.12.2017	31.12.2016
<b>NON-CURRENT ASSETS</b>			
<i>Property, plant and equipment</i>	2.1	264	284
<i>Pre-financing</i>	2.2	30 064	34 026
		<b>30 328</b>	<b>34 310</b>
<b>CURRENT ASSETS</b>			
<i>Pre-financing</i>	2.2	36 502	6 773
<i>Exchange receivables and non-exchange recoverables</i>	2.3	9 647	9 795
		<b>46 149</b>	<b>16 567</b>
<b>TOTAL ASSETS</b>		<b>76 477</b>	<b>50 877</b>
<b>CURRENT LIABILITIES</b>			
<i>Payables and other liabilities</i>	2.4	(36 770)	(4 737)
<i>Accrued charges</i>	2.5	(28 770)	(6 310)
		<b>(65 541)</b>	<b>(11 047)</b>
<b>TOTAL LIABILITIES</b>		<b>(65 541)</b>	<b>(11 047)</b>
<b>NET ASSETS</b>		<b>10 936</b>	<b>39 831</b>
<b>NET ASSETS</b>			
<i>Contribution from Members</i>	2.6	89 241	51 755
<i>Accumulated deficit</i>		(11 925)	-
<i>Economic result of the year</i>		(66 381)	(11 925)
<b>NET ASSETS</b>		<b>10 936</b>	<b>39 831</b>

## STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2017	2016
<b>REVENUE</b>			
Revenue from non-exchange transactions	3.1	–	370
<b>Total revenue</b>		–	<b>370</b>
<b>EXPENSES</b>			
Operating costs	3.2	(63 366)	(10 564)
Staff costs	3.3	(1 364)	(651)
Other expenses	3.4	(1 651)	(1 079)
<b>Total expenses</b>		<b>(66 381)</b>	<b>(12 295)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>(66 381)</b>	<b>(11 925)</b>

**CASHFLOW STATEMENT<sup>3</sup>**

EUR '000

	2017	2016
<i>Economic result of the year</i>	(66 381)	(11 925)
<b>Operating activities</b>		
<i>Amortization and depreciation</i>	48	23
<i>Cash contribution from Members</i>	34 476	51 755
<i>(Increase)/decrease in pre-financing</i>	(25 767)	(40 798)
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	147	(9 795)
<i>Increase/(decrease) in payables</i>	32 034	4 737
<i>Increase/(decrease) in accrued charges</i>	22 460	6 310
<i>Increase/(decrease) in in-kind contributions</i>	3 010	-
<i>Other non-cash movements</i>	-	(284)
<b>Investing activities</b>		
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(28)	(23)
<b>NET CASHFLOW</b>	-	-
<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>	-	-

<sup>3</sup> 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

EUR '000

	Contribution from Members	Accumulated Surplus/ (Deficit)	Economic result of the year	Net Assets
<b>BALANCE AS AT 31.12.2015</b>	-	-	-	-
<i>Cash contribution</i>	51 755	-	-	51 755
<i>Economic result of the year</i>	-	-	(11 925)	(11 925)
<b>BALANCE AS AT 31.12.2016</b>	<b>51 755</b>	-	<b>(11 925)</b>	<b>39 831</b>
<i>Allocation 2016 economic result</i>	-	(11 925)	11 925	-
<i>Cash contribution</i>	34 476	-	-	34 476
<i>Contribution in-kind</i>	3 010	-	-	3 010
<i>Economic result of the year</i>	-	-	(66 381)	(66 381)
<b>BALANCE AS AT 31.12.2017</b>	<b>89 241</b>	<b>(11 925)</b>	<b>(66 381)</b>	<b>10 936</b>

## **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, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

## 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.

### 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	31.12.2017	31.12.2016	Currency	31.12.2017	31.12.2016
<b>BGN</b>	<b>1.9558</b>	1.9558	<b>PLN</b>	<b>4.177</b>	4.4103
<b>CZK</b>	<b>25.5350</b>	27.0210	<b>RON</b>	<b>4.6585</b>	4.5390
<b>DKK</b>	<b>7.4449</b>	7.4344	<b>SEK</b>	<b>9.8438</b>	9.5525
<b>GBP</b>	<b>0.8872</b>	0.8562	<b>CHF</b>	<b>1.1702</b>	1.0739
<b>HRK</b>	<b>7.4400</b>	7.5597	<b>JPY</b>	<b>135.01</b>	123.4000
<b>HUF</b>	<b>310.3300</b>	309.8300	<b>USD</b>	<b>1.1993</b>	1.0541

### 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 revenue 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 when 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 surplus or deficit; 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 surplus or deficit*

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 surplus or deficit, held-to-maturity and available for sale are recognised on trade date - the date on which the entity commits to purchase or sell the asset. Cash equivalents, 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 surplus or deficit 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 surplus or deficit 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 are 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 exchange transactions and recoverables are defined as stemming from non-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 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 to non-exchange transactions 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 revenue 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 revenue 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 (i.e. 'Private 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 Other Members than the UnionMembers 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: they results from the difference between the Total Project Cost of the R&I activities and the co-funding received against such activities. 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

	Plant and equipment	Furniture and vehicles	Computer hardware	Other	EUR '000 TOTAL
<i>Gross carrying amount at 31.12.2016</i>	35	39	36	235	346
<i>Additions</i>	-	5	4	18	27
<i>Disposals</i>	-	(1)	-	-	(1)
<b>Gross carrying amount at 31.12.2017</b>	<b>35</b>	<b>43</b>	<b>41</b>	<b>253</b>	<b>372</b>
<i>Accumulated depreciation at 31.12.2016</i>	(8)	(4)	(8)	(42)	(62)
<i>Depreciation charge for the year</i>	(4)	(5)	(10)	(28)	(47)
<i>Disposals</i>	-	0	-	-	0
<b>Accumulated depreciation at 31.12.2017</b>	<b>(12)</b>	<b>(9)</b>	<b>(18)</b>	<b>(70)</b>	<b>(108)</b>
<b>NET CARRYING AMOUNT AT 31.12.2017</b>	<b>23</b>	<b>34</b>	<b>23</b>	<b>183</b>	<b>264</b>
<i>NET CARRYING AMOUNT AT 31.12.2016</i>	27	35	28	193	284

The category Other includes assets related the improvements made to the rented building. The acquisitions made in 2017 in this category comprise security equipment and conferencing equipment.

#### 2.2. PRE-FINANCING

	EUR '000	
	31.12.2017	31.12.2016
<i>Non-current pre-financing</i>	30 064	34 026
<i>Current pre-financing</i>	36 502	6 773
<b>Total</b>	<b>66 565</b>	<b>40 798</b>

For all pre-financing amounts open at 31 December 2017 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2018 was classified as non-current pre-financing.

The estimation of the clearing of pre-financing (related to the estimated operating expenses for on-going or ended projects) is aligned to the way in which pre-financing is actually cleared for expenses incurred during the year. The clearing of pre-financing with year-end (cut-off) adjustments amounted to kEUR 2 394. The remaining portion of cut off expenses is recorded in accrued charges (see note 2.5).

In accordance with the Horizon 2020 rules the pre-financing is only cleared when the payments to the beneficiary reach 90 % of the grant agreement amount. In the first years of the project life there is thus open pre-financing that will be only cleared at the later stage. This explains the increase in the pre-financing as compared to 2016. This trend is expected to continue also in 2018.

## 2.3. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

At 31 December 2017 S2R JU did not have any long term receivables or recoverables. All amounts under this heading are current and are as follows:

		EUR '000	
	Note	31.12.2017	31.12.2016
<i>Recoverables from non-exchange transactions</i>		41	229
<i>Receivables from exchange transactions</i>	2.3.1	9 606	9 566
<b>Total</b>		<b>9 647</b>	<b>9 795</b>

The recoverables from non-exchange transactions comprise amounts receivable from public bodies related to 2017 contributions to administrative costs from members.

### 2.3.1. Receivables from exchange transactions

	EUR '000	
	31.12.2017	31.12.2016
<i>Central treasury liaison accounts</i>	8 495	7 776
<i>Customers</i>	1 096	1 798
<i>Deferred charges relating to exchange transactions</i>	15	7
<i>Others</i>	0	(15)
<b>Total</b>	<b>9 606</b>	<b>9 566</b>

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

Customers refers to 2017 contributions to administrative costs from members.

## LIABILITIES

### 2.4. PAYABLES AND OTHER LIABILITIES

EUR '000

	31.12.2017	31.12.2016
<i>Contribution in kind to be validated</i>	31 906	4 547
<i>Current payables</i>	4 864	189
<b>Total</b>	<b>36 770</b>	<b>4 737</b>

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 December 2017 of which kEUR 30 155 relate to reporting period 2017. The amount of in-kind contribution was estimated on a case-by-case basis using the best available information on the projects at the year-end. The estimated cash contribution to the operating expenses of those projects are included under accrued charges (see note 2.5). The substantial increase compared to 2017 stems from the fact that S2R JU has only been operating since May 2016 and thus in 2017 there were more on-going projects on which the contributions in kind were estimated.

The sub-heading current payables is composed of liabilities to suppliers (kEUR 4 673) and to public bodies (kEUR 191).

### 2.5. ACCRUED CHARGES

EUR '000

	31.12.2017	31.12.2016
<i>Accrued charges</i>	28 770	6 310

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2017 but not yet invoiced or processed by the end of the year. They are largely composed of estimated operating expenses (kEUR 28 531) for on-going projects without a validated cost statement, where the 2017 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2017. The increase of the operational accrued charges stems from the fact that S2R JU has only been operating since May 2016 and thus there were fewer projects on-going last year.

Included under this heading are also accrued administrative expenses of kEUR 220 relating mainly to non-IT services provided by third parties (kEUR 98), office supplies and maintenance (kEUR 56), building security and maintenance (kEUR 20), expenses related to experts (kEUR 18) and training costs (kEUR 14). This heading also includes accrued staff expenses of kEUR 20 for untaken leave.

## NET ASSETS

### 2.6. CONTRIBUTIONS FROM MEMBERS

Programming period	2017			2016			EUR '000
	Cash	In-kind	Total	Cash	In-kind	Total	
<i>H2020</i>	86 232	3 010	89 241	51 755	-	51 755	
<b>Total</b>	<b>86 232</b>	<b>3 010</b>	<b>89 241</b>	<b>51 755</b>	<b>-</b>	<b>51 755</b>	

In line with the Horizon 2020 rules only certified in-kind contributions from the Members validated by the Executive Director of S2R JU are considered in-kind contributions to the net assets. A total project costs of kEUR 4 725 were certified in accordance with the rules and the resulting in-kind contribution of kEUR 3 010 recorded into net assets after their validation. Estimated in-kind contributions, i.e. contributions for which no certifications has been received and/or this certification has not been validated by the Executive Director are reported under other liabilities (see note 2.4).

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

Member	EU		Industry Grouping		Total		EUR '000
	Cash	In-kind	Cash	In-kind	Cash	In-kind	
<i>Running costs contributions at 31.12.2016<sup>4</sup></i>	1 423	-	3 240	-	4 664	-	
<i>Current year contributions</i>	1 618	-	1 618	-	3 237	-	
<b>Running costs contributions at 31.12.2017</b>	<b>3 042</b>	<b>-</b>	<b>4 859</b>	<b>-</b>	<b>7 901</b>	<b>-</b>	
<i>Operating costs contributions at 31.12.2016</i>	47 092	-	-	-	47 092	-	
<i>Current year contributions</i>	31 240	-	-	3 010	31 240	3 010	
<b>Operating costs contributions at 31.12.2017</b>	<b>78 331</b>	<b>-</b>	<b>-</b>	<b>3 010</b>	<b>78 331</b>	<b>3 010</b>	
<i>TOTAL contributions at 31.12.2016</i>	48 515	-	3 240	-	51 755	-	
<b>TOTAL contributions at 31.12.2017</b>	<b>81 373</b>	<b>-</b>	<b>4 859</b>	<b>3 010</b>	<b>86 232</b>	<b>3 010</b>	
<i>% of total contributions (by type)</i>	94.37%	-	5.63%	100.00%	100.00%	100.00%	
<i>Total contribution in %</i>	91.18%	-	8.82%	-	100.00%	-	
<i>Voting rights %</i>	50.00%	-	50.00%	-	100.00%	-	

<sup>4</sup> The amounts exclude the EU contribution of kEUR 1 817 received in 2014-2016 and used prior to the S2R JU autonomy.

### 3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

#### REVENUE

##### 3.1. REVENUE FROM NON-EXCHANGE TRANSACTIONS

The difference between 2016 and 2017 stems from the fact that after the autonomy in 2016 S2R JU received a donation of assets in net book value kEUR 370 from the Commission (parent DG, DG MOVE). In 2017 no such donation was received.

#### EXPENSES

##### 3.2. OPERATING COSTS

Included under this heading are operating expenses related to projects that were carried out in 2017. 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').

The break-down of the operating costs between operating costs incurred on the basis of validated cost claims (or equivalent) and estimated (to be validated) operating costs and their reversals is given in the table below:

		<i>EUR '000</i>	
	Note	2017	2016
<i>Operating costs validated in current year</i>		3 433	-
<i>Operating costs to be validated</i>	2.5	35 581	6 017
<i>Reversal of previous year's estimation</i>	2.5	(6 017)	-
<i>In kind contributions (IKOP) validated in current year</i>		3 010	-
<i>Operating costs of IKOP estimated for current year</i>	2.4	31 906	4 547
<i>Reversal of previous year's IKOP estimation</i>	2.4	(4 547)	-
<b>Total</b>		<b>63 366</b>	<b>10 564</b>

The substantial increase compared to 2017 is due to the fact that S2R JU has only been operating since May 2016 and thus in 2017 there were more on-going projects for which the contributions were estimated based on the reports submitted by 31 January 2018 by the Members Other than the Union in accordance with Article 4(3) of the Regulation (EU) No 560/2014 or based on 'pro-rata temporis' on the open calls. In addition, as opposed to 2017, in 2016 there were no cost claims nor any in kind contributions certifications validated hence there were no operating cost incurred.

##### 3.3. STAFF COSTS

	<i>EUR '000</i>	
	2017	2016
<i>Staff costs</i>	1 364	651

Included under this heading are expenses for salaries, other employment-related allowances and benefits. The calculations related to staff costs are, based on the service level agreement, entrusted to

the Office for Administration and Payment of Individual Entitlements (also known as the Paymaster's Office-PMO).

The staff members of the S2R JU are part of the European Pensions Scheme of European Officials. The administration of pensions is entrusted to the Commission which also accounts for the underlying pension expenses and liabilities.

A defined benefit plan is a pension plan that generally defines an amount of benefit an employee will receive on retirement, usually dependent on one or more factors such as age and years of service. Both S2R JU staff and the Commission contribute to the pension scheme in the function of the basic salary of the staff. The contribution percentage is yearly revised to reflect the changes in staff regulation. The cost to the Commission is not reflected in the S2R JU's accounts.

Future benefits payable to the S2R JU staff under the Pension Scheme of European Officials are accounted for in the accounts of the Commission, as it is the Commission who will pay these benefits. No provisions for such pensions are made in these accounts.

### 3.4. OTHER EXPENSES

EUR '000

	2017	2016
<i>External non IT services</i>	502	261
<i>Office Supplies and maintenance</i>	302	316
<i>Operating lease expenses</i>	301	126
<i>Communications and publications</i>	224	71
<i>Experts and related expenses</i>	148	196
<i>Property, plant and equipment related expenses</i>	86	33
<i>Missions</i>	58	33
<i>Other</i>	31	43
<b>Total</b>	<b>1 651</b>	<b>1 079</b>

Operating lease expenses relate to the S2R JU building 'White Atrium'. 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	
<i>Buildings</i>	268	1 128	598	1 994

## 4. OTHER SIGNIFICANT DISCLOSURES

### 4.1. OUTSTANDING COMMITMENTS NOT YET EXPENSED

EUR '000

	31.12.2017	31.12.2016
<i>Outstanding commitments not yet expensed</i>	45 193	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 2017 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 venturers 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.

	31.12.2017	31.12.2016
<i>Executive Director</i>	AD 14	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 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 IKA (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 S2RJU and any other Union contribution to those costs".

For the period up to 31 December 2017, with 1st projects starting at 1 September 2016, the Members other than the Union declared total project costs of kEUR 59 471 from which they requested a co-funding of kEUR 24 555 from the JU. From the total project cost declared, kEUR 52 807 has been certified by independent auditors in accordance with the provisions of Article 4(3). During the process for the execution of interim and final payment, the value of the IKOP is assessed by the authorizing officer; the IKOP which results as certified as per above is validated by the Executive Director during the same financial year and recorded to the net Assets. In addition to the validation of kEUR 3 010 completed in

2017, kEUR 27 913 of IKOP is considered to be validated in 2018. By the end of 2018, the cumulative validated IKOP would represent 9% of the total IKOP to be contributed by the S2R Members other than the Union by 2024, in line with the planning and evolution of the Research and Innovation activities.

## **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 2017, the Members other than the Union declared a total of kEUR 130 044 as IKAA, of which kEUR 86 285 certified by independent auditors in accordance with the Provisions of Article 4(3). The latter amount already represents 72 % of the total IKAA to be contributed by the S2R Members other than the Union by 2024.

## 5. FINANCIAL RISK MANAGEMENT

### 5.1. TYPES OF RISK

**Market risk** is the risk that the fair value or future cashflows of a financial instrument will fluctuate, because of variations in market prices. Market risk embodies not only the potential for loss, but also the potential for gain. It comprises *currency risk, interest rate risk and other price risk* (the S2R JU has no significant other price risk).

- (1) *Currency risk* is the risk that the S2R JU operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.
- (2) *Interest rate risk* is the possibility of a reduction in the value of a security, especially a bond, resulting from an increase in interest rates. In general, higher interest rates will lead to lower prices of fixed rate bonds, and vice versa. S2R JU does not have any securities thus it is not exposed to the interest rate risk.

**Credit risk** is the risk of loss due to a debtor's/borrower's non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation. The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

**Liquidity risk** is the risk that arises from the difficulty in selling an asset; for example, the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or meet an obligation.

### 5.2. CURRENCY RISKS

#### Exposure to currency risk at year-end

At 31 December 2017 the financial assets and financial liabilities are quoted in EUR. At the-year end S2R JU thus does not have any exposure to currency risks.

### 5.3. CREDIT RISK

#### Financial assets that are neither past due nor impaired

At 31 December 2017 financial assets comprise exchange receivables that are neither past due nor impaired.

#### Financial assets by risk category

The exchange receivables entirely relate to entities without external credit rating that have never defaulted in the past.

### 5.4. LIQUIDITY RISK

#### Maturity analysis of financial liabilities by remaining contractual maturity

At 31 December 2017 the financial liabilities amounted to kEUR 65 541. They are composed of current payables (kEUR 4 864) and accrued charges (kEUR 28 770) with expected remaining maturity of less than 1 year. Included under financial liabilities are also in-kind contributions to be validated (kEUR 31 906). When these project costs are certified and validated by the Executive Director, they will be recognised in the net assets of S2R JU.

## **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.*

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# 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.

**Title 4 budget lines** are technical nature and are used to capture the appropriations to be reactivated in future budgets.

### **1.3. HIGHLIGHTS OF THE BUDGETARY IMPLEMENTATION**

The main highlights of the 2017 Budget implementation are as follows:

At the year-end 2017 the JU had implemented 100% of its commitment appropriations made available in its active budget. The payment appropriations were executed up to 82.5 % of the available funds.

In GB Decision 25/2016 on 9 November 2016, the S2R Governing Board adopted the Annual Work Plan and initial budget for 2017. GB Decision, 5/2017 of 27 October, amended the initially adopted budget later in the year.

The Amending budget corresponded to the specific needs of the JU, including transfers within the initially adopted budget, recognising the unused Payment and Commitment Appropriations on administrative and operational expenditure in relation to the previous budgetary years and the move of expert expenses on call evaluations from the administrative to operational line.

The budget amendment also cancelled the payment appropriation assigned for the S2R Lighthouse projects. Since the initial planning of the budget, it had been decided that these projects would remain under the administration of the European Commission. For this reason, the relative appropriations remained in the European Commission and were not transferred to the JU.

In addition to its active budget and in accordance with the S2R Financial Rules Art.6§5, the S2R JU has established in its Budget Title 4: Unused Appropriations not required in the year. This Title is of a technical nature and, in accordance with the S2R Financial Rules, recognise the appropriations available for applying the N+3 rule during the following budgetary years.

In addition to the transfers made towards Title 4 as part of the budget amendment, the Executive Director has executed his rights in Accordance with Article 10 of the S2R Financial Rules by transferring appropriations from Title 2 to Title 4. This action has been implemented as a response to the multiannual budgetary planning of the JU. The JU has the ability to reactivate credits from Title 4 in the following budgetary year. This reactivation will be implemented as part of budget amendment in 2018.

#### **Administrative costs** (Title 1 Staff Expenditure and Infrastructure and Title 2 Operating Expenditure)

Title 1 and Title 2 of the S2R Budget was executed up to 99.4 % in commitment appropriations, demonstrating a reliable budgetary planning. The unused appropriations represent kEUR 23 of assigned revenue credits realised within the year but not falling as part of the budget as adopted by the S2R Governing Board.

Title 1 - Staff Expenditure was mainly used for the salaries of the JU staff. During the year, the JU made also use of external support, to fill the gaps during the recruitment process on staff turnover and to cope with the important workload on JU activities.

The execution rate of the Payment Appropriations for Title 1 and Title 2 was 68.7 %; this execution rate is lower than Commitment Appropriations due to payments becoming due only in 2018 and afterwards.

However, this rate has increased from the respective reported rate in 2016, demonstrating the impact of multiannual contracts under administrative line.

During the year, S2R collected the contributions against its Administrative Budget from the European Union and its Members other than the Union in full. As a part of the Budget Amendment of October 2017, GB Decision 5/2017, the JU reduced its total budgeted amount on Commitment Appropriations under Title 2. This reduction was implemented as a response to the decision of moving the evaluation expert costs under the operational line and responding to the specific needs within each line of the Title to ensure the adequate phase in of activities. The Payment Appropriations were increased in the overall Administrative Budget as a response to the amounts due in relation to the previous budgetary years.

In addition to the budget amendment, the Executive Director has executed his rights in accordance with Article 10 of the S2R Financial Rules and transferred Appropriation from Title 2 to Title 4 in the course of the year. This action has been implemented as a response to the multiannual budgetary planning of the JU and its ability to reactivate credits from Title 4 in the following budgetary year. The appropriations will be reactivated and implemented in budget 2018.

### **Title 3 Operational Expenditure**

Title 3 of the S2R Budget constitutes the JU's Operational Budget. The vast majority of the JU's budget falls under this category representing 94.5 % of the active budget and 89.0% of the overall budget (including Title 4). The budget category covers the JUs Calls for proposals, Operational procurement and expert fees incurred as part of the evaluation.

The execution rate of the Operational budget in both Commitment and Payment Appropriations was respectively 100% and 84.2%. Majority of the Payment Appropriations were used for the pre-financing of the Grants resulting from the 2017 Calls for Proposals.

As a part of the Budget Amendment of October 2017, GB Decision 5/2017, the JU reduced its budgeted amount of Commitment Appropriations under operational expenditure by 1 %. This amount was realised after the revaluation of all operational expenditure and moved to Title 4. This action has been implemented as a response to the multiannual budgetary planning of the JU and its ability to reactivate credits from Title 4 in the following budgetary year. The appropriations will be reactivated and implemented in budget 2018.

Title	Commitment appropriations (including reactivations)				Assigned revenue appropriations	Total appropriations available	Commitments made	%
	Initial budget adopted	Amending budget	Transfers	Final adopted budget				
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)=(4)+(5)	(7)	(8)=(7)/(6)
1	2 082	0	0	2 082	0	2 082	2 082	100,0 %
2	1 661	( 116)	( 102)	1 443	23	1 466	1 443	98,5 %
3	61 508	( 449)	0	61 059	0	61 059	61 056	100,0 %
<b>Total</b>	<b>65 251</b>	<b>( 565)</b>	<b>( 102)</b>	<b>64 584</b>	<b>23</b>	<b>64 607</b>	<b>64 581</b>	<b>100,0 %</b>
4	2 326	1 541	102	3 969	0	3 969	0	0,0 %
<b>GRAND TOTAL</b>	<b>67 577</b>	<b>976</b>	<b>0</b>	<b>68 553</b>	<b>23</b>	<b>68 575</b>	<b>64 581</b>	<b>94,2 %</b>

Commitments made on title 3 (61056) is including commitments made by REA executive agency in the framework of Expert contracts for an amount of 153 KEURO.

Title	Payment appropriations (including reactivations)				Assigned revenue appropriations	Total appropriations available	Payments made	%
	Initial budget adopted	Amending budget	Transfers	Final adopted budget				
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)=(4)+(5)	(7)	(8)=(7)/(6)
1	2 082	227	0	2 309	0	2 309	1 880	81,5 %
2	1 661	484	0	2 145	23	2 168	1 196	55,2 %
3	52 040	(14 507)	0	37 533	0	37 533	31 587	84,2 %
<b>Total</b>	<b>55 783</b>	<b>(13 796)</b>	<b>0</b>	<b>41 986</b>	<b>23</b>	<b>42 009</b>	<b>34 664</b>	<b>82,5 %</b>
4	1 177	931	0	2 108	0	2 108	0	0,0 %
<b>GRAND TOTAL</b>	<b>56 959</b>	<b>(12 865)</b>	<b>0</b>	<b>44 095</b>	<b>23</b>	<b>44 117</b>	<b>34 664</b>	<b>78,6 %</b>

Payments made on title 3 (31587) is including payments made by REA executive agency in the framework of Expert contracts for an amount of 153 KEURO.

#### Title 4 Unused appropriations not required in current year

The amount included under Title 4 – Unused appropriations not required in current year has been established to support a transparent implementation of S2R JU Financial Rules Art.6§5, the so called N+3 rule. In accordance with the Financial Rules and the general practice of the JU, these appropriations will be reactivated in the budget of the following year N+1 and used first.

As a part of the Budget Amendment of October 2017, GB Decision 5/2017, the JU has included in its budget the reactivated credits from Title 1, Title 2 and Title 3 resulting from the previous budget year. In addition, it has moved credits within the initial budget to Title 4. After the adoption of the amendment and as described in earlier chapters, the Executive director has executed his rights in accordance with Article 10 of the S2R Financial Rules and transferred appropriations from Title 2 to Title 4.

From the total of kEUR 3 969 recorded under Title 4, kEUR 3 867 has been reactivated in the initial budget 2018 under the respective Annual Work Plan. The remaining amount will be reactivated as part of the Budget Amendment for the year together with any unused appropriations on Title 1, Title 2 and Title 3 from budget 2017.

## 2. RESULT OF THE IMPLEMENTATION OF THE BUDGET

EUR '000

	Title	2017	2016
<b>Revenue</b>		<b>35 233</b>	<b>49 731</b>
of which:			
Revenue	9	35 233	49 731
<b>Expenditure</b>		<b>(34 511)</b>	<b>(42 137)</b>
of which:			
Staff expenditure	1	(1 880)	(801)
Admin expenditure	2	(1 196)	(538)
Operational expenditure	3	(31 434)	(40 798)
<b>Exchange rate differences</b>		-	-
<b>Budget result of the year</b>		<b>722</b>	<b>7 594</b>

### 3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

	2017	2016
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>(66 381)</b>	<b>(11 925)</b>
<b>Adjustment for accrual items (items not in the budgetary result but included in the economic result)</b>		
<i>In-kind contributions validated in the year</i>	3 010	
<i>Adjustments for accrual cut-off (net)</i>	48 739	10 855
<i>Unpaid invoices at year end but booked in expenses</i>	4 870	
<i>Depreciation, amortization and impairment of intangible and tangible assets</i>	48	23
<i>Recovery orders issued in the year and not yet cashed</i>	(1 138)	(2 025)
<i>Pre-financing given in previous year and cleared in the year</i>	3 239	-
<i>Revenue for fixed Assets received free of charge</i>	-	(284)
<b>Adjustment for budgetary items (item included in the budgetary result but not in the economic result)</b>		
<i>Members' cash contributions collected in the year</i>	34 476	51 755
<i>Asset acquisitions (less unpaid amounts)</i>	(28)	(7)
<i>New pre-financing paid in the year and remaining open as at 31 December</i>	(28 161)	(40 798)
<i>Entitlements established in previous year and cashed in the year</i>	2 048	-
<b>BUDGET RESULT OF THE YEAR</b>	<b>722</b>	<b>7 594</b>

## 4. IMPLEMENTATION OF BUDGET REVENUE

EUR '000

	Income appropriations		Entitlements established			Revenue				Outstanding
	Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%	
	1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	
900	1 618	1 618	1 618	-	1 618	1 618	-	1 618	100 %	-
901	52 040	31 240	31 087	-	31 087	31 087	-	31 087	100 %	-
902	1 618	1 618	1 618	2 025	3 643	481	2 025	2 505	155 %	1 138
<b>Total chapter 90</b>	<b>55 276</b>	<b>34 476</b>	<b>34 323</b>	<b>2 025</b>	<b>36 348</b>	<b>33 186</b>	<b>2 025</b>	<b>35 210</b>	<b>102 %</b>	<b>1 138</b>
913	-	-	23	-	23	23	-	23	0 %	-
<b>Total chapter 91</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>0 %</b>	<b>-</b>
930	1 683	3 325	-	-	-	-	-	-	0 %	-
931	-	6 293	-	-	-	-	-	-	0 %	-
<i>Unused appropriations from previous years</i>										
<i>Unused operational appropriations previous years</i>										
<b>Total chapter 93</b>	<b>1 683</b>	<b>9 618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0 %</b>	<b>-</b>
<b>Total Title 9</b>	<b>56 959</b>	<b>44 095</b>	<b>34 346</b>	<b>2 025</b>	<b>36 371</b>	<b>33 208</b>	<b>2 025</b>	<b>35 233</b>	<b>80 %</b>	<b>1 138</b>
<b>GRAND TOTAL</b>	<b>56 959</b>	<b>44 095</b>	<b>34 346</b>	<b>2 025</b>	<b>36 371</b>	<b>33 208</b>	<b>2 025</b>	<b>35 233</b>	<b>80 %</b>	<b>1 138</b>

## 5. IMPLEMENTATION OF BUDGET EXPENDITURE

### 5.1. BREAKDOWN & CHANGES IN COMMITMENT APPROPRIATIONS

#### 5.1.1. Breakdown & Changes in commitment appropriations Title 1

EUR '000

	Budget appropriations of the year			Final budget adopted 4=1+2+3	Carryover 5	Additional appropriations		Total 7=5+6	Total approp. available 8=4+7
	Initial adopted budget 1	Amending budgets 2	Transfers 3			Assigned revenue 6			
110 Temporary agents	350	-	(194)	156	400	-	400	556	
111 Contract agents and interim staff	210	-	163	373	800	-	800	1 173	
Total chapter 11	560	-	(32)	528	1 200	-	1 200	1 728	
130 Mission costs	30	-	21	51	20	-	20	71	
Total chapter 13	30	-	21	51	20	-	20	71	
150 Training	67	-	(42)	25	-	-	-	25	
Total chapter 15	67	-	(42)	25	-	-	-	25	
190 Other staff expenditure	135	-	53	188	70	-	70	258	
Total chapter 19	135	-	53	188	70	-	70	258	
<b>Total Title 1</b>	<b>792</b>	<b>-</b>	<b>-</b>	<b>792</b>	<b>1 290</b>	<b>-</b>	<b>1 290</b>	<b>2 082</b>	

#### 5.1.2. Breakdown & Changes in commitment appropriations Title 2

EUR '000

	Budget appropriations of the year			Final budget adopted 4=1+2+3	Carryover 5	Additional appropriations		Total 7=5+6	Total approp. available 8=4+7
	Initial adopted budget 1	Amending budgets 2	Transfers 3			Assigned revenue 6			
200 Rental of buildings and associated costs	75	40	(64)	51	235	23	257	309	
Total chapter 20	75	40	(64)	51	235	23	257	309	
210 It expenditure and technical facilities	85	-	10	95	71	-	71	166	
Total chapter 21	85	-	10	95	71	-	71	166	
220 Movable property and associated costs	17	-	-	17	57	-	57	74	
Total chapter 22	17	-	-	17	57	-	57	74	
230 Current administrative expenditure	61	(36)	-	25	-	-	-	25	
Total chapter 23	61	(36)	-	25	-	-	-	25	
240 Postage and telecommunications	30	-	(5)	25	-	-	-	25	
Total chapter 24	30	-	(5)	25	-	-	-	25	
250 Administrative board expenditure	50	(40)	(1)	9	30	-	30	39	
Total chapter 25	50	(40)	(1)	9	30	-	30	39	
260 Administrative support services	500	(380)	(54)	66	-	-	-	66	
Total chapter 26	500	(380)	(54)	66	-	-	-	66	
270 Pr and events	300	234	(3)	531	66	-	66	597	
Total chapter 27	300	234	(3)	531	66	-	66	597	
290 Other infrastructure and operating expenditure	150	-	14	164	-	-	-	164	
Total chapter 29	150	-	14	164	-	-	-	164	
<b>Total Title 2</b>	<b>1 268</b>	<b>(182)</b>	<b>(102)</b>	<b>983</b>	<b>460</b>	<b>23</b>	<b>482</b>	<b>1 466</b>	

## 5.1.3. Breakdown &amp; Changes in commitment appropriations Title 3

EUR '000

	Budget appropriations of the year				Additional appropriations			Total	Total approp. available 8=4+7
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue			
	1	2	3	4=1+2+3	5	6	7=5+6		
300 Operational expenditure	60 359	(449)	-	59 910	1 149	-	1 149	61 059	
Total chapter 30	60 359	(449)	-	59 910	1 149	-	1 149	61 059	
<b>Total Title 3</b>	<b>60 359</b>	<b>(449)</b>	<b>-</b>	<b>59 910</b>	<b>1 149</b>	<b>-</b>	<b>1 149</b>	<b>61 059</b>	

## 5.1.4. Breakdown &amp; Changes in commitment appropriations Title 4

EUR '000

	Budget appropriations of the year				Additional appropriations			Total	Total approp. available 8=4+7
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue			
	1	2	3	4=1+2+3	5	6	7=5+6		
400 Administrative budget	1 177	182	102	1 462	-	-	-	1 462	
Total chapter 40	1 177	182	102	1 462	-	-	-	1 462	
410 Operational budget	1 149	449	-	1 598	909	-	909	2 507	
Total chapter 41	1 149	449	-	1 598	909	-	909	2 507	
<b>Total Title 4</b>	<b>2 326</b>	<b>632</b>	<b>102</b>	<b>3 059</b>	<b>909</b>	<b>-</b>	<b>909</b>	<b>3 969</b>	
<b>GRAND TOTAL</b>	<b>64 745</b>	<b>-</b>	<b>(0)</b>	<b>64 745</b>	<b>3 808</b>	<b>23</b>	<b>3 830</b>	<b>68 575</b>	

## 5.2. BREAKDOWN & CHANGES IN PAYMENT APPROPRIATIONS

### 5.2.1. Breakdown & Changes in payment appropriations Title 1

EUR '000

	Initial adopted budget	Budget appropriations of the year			Final budget adopted	Additional appropriations		Total	Total approp. available
		Amending budgets	Transfers	Carryover		Assigned revenue	Total		
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7	
110 Temporary agents	350	-	(194)	156	400	-	400	556	
111 Contract agents and interim staff	210	-	163	373	957	-	957	1 330	
Total chapter 11	560	-	(32)	528	1 357	-	1 357	1 886	
130 Mission costs	30	-	21	51	24	-	24	75	
Total chapter 13	30	-	21	51	24	-	24	75	
150 Training	67	-	(42)	25	17	-	17	42	
Total chapter 15	67	-	(42)	25	17	-	17	42	
190 Other staff expenditure	135	-	53	188	118	-	118	307	
Total chapter 19	135	-	53	188	118	-	118	307	
<b>Title 1</b>	<b>792</b>	<b>-</b>	<b>-</b>	<b>792</b>	<b>1 517</b>	<b>-</b>	<b>1 517</b>	<b>2 309</b>	

### 5.2.2. Breakdown & Changes in payment appropriations Title 2

EUR '000

	Initial adopted budget	Budget appropriations of the year			Final budget adopted	Additional appropriations		Total	Total approp. available
		Amending budgets	Transfers	Carryover		Assigned revenue	Total		
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7	
200 Rental of buildings and associated costs	75	-	-	75	352	23	375	450	
Total chapter 20	75	-	-	75	352	23	375	450	
210 It expenditure and technical facilities	85	-	110	195	163	-	163	358	
Total chapter 21	85	-	110	195	163	-	163	358	
220 Movable property and associated costs	17	-	-	17	60	-	60	77	
Total chapter 22	17	-	-	17	60	-	60	77	
230 Current administrative expenditure	61	(36)	-	25	-	-	-	25	
Total chapter 23	61	(36)	-	25	-	-	-	25	
240 Postage and telecommunications	30	-	-	30	5	-	5	35	
Total chapter 24	30	-	-	30	5	-	5	35	
250 Administrative board expenditure	50	(31)	-	19	50	-	50	69	
Total chapter 25	50	(31)	-	19	50	-	50	69	
260 Administrative support services	500	(339)	(20)	141	-	-	-	141	
Total chapter 26	500	(339)	(20)	141	-	-	-	141	
270 Pr and events	300	-	(90)	210	468	-	468	678	
Total chapter 27	300	-	(90)	210	468	-	468	678	
290 Other infrastructure and operating expenditure	150	-	-	150	185	-	185	335	
Total chapter 29	150	-	-	150	185	-	185	335	
<b>Title 2</b>	<b>1 268</b>	<b>(406)</b>	<b>-</b>	<b>862</b>	<b>1 284</b>	<b>23</b>	<b>1 306</b>	<b>2 168</b>	

## 5.2.3. Breakdown &amp; Changes in payment appropriations Title 3

EUR '000

	Budget appropriations of the year				Additional appropriations			Total	Total appropr. available 8=4+7
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue			
	1	2	3	4=1+2+3	5	6	7=5+6		
300 Operational expenditure	52 040	(20 800)	-	31 240	6 293	-	6 293	37 533	
Total chapter 30	52 040	(20 800)	-	31 240	6 293	-	6 293	37 533	
<b>Title 3</b>	<b>52 040</b>	<b>(20 800)</b>	<b>-</b>	<b>31 240</b>	<b>6 293</b>	<b>-</b>	<b>6 293</b>	<b>37 533</b>	

## 5.2.4. Breakdown &amp; Changes in payment appropriations Title 4

EUR '000

	Budget appropriations of the year				Additional appropriations			Total	Total appropr. available 8=4+7
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue			
	1	2	3	4=1+2+3	5	6	7=5+6		
400 Administrative budget	1 177	406	-	1 583	525	-	525	2 108	
Total chapter 40	1 177	406	-	1 583	525	-	525	2 108	
410 Operational budget	-	-	-	-	-	-	-	-	
Total chapter 41	-	-	-	-	-	-	-	-	
<b>Title 4</b>	<b>1 177</b>	<b>406</b>	<b>-</b>	<b>1 583</b>	<b>525</b>	<b>-</b>	<b>525</b>	<b>2 108</b>	
<b>GRAND TOTAL</b>	<b>55 276</b>	<b>(20 800)</b>	<b>(0)</b>	<b>34 476</b>	<b>9 618</b>	<b>23</b>	<b>9 641</b>	<b>44 117</b>	

## 5.3. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

### 5.3.1. Implementation of commitment appropriations Title 1

EUR '000

	Commitments made						Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11 +12
	Total approp. availab.	from final adopt. budget	from carry-overs	from assign. revenue	Total 5=2+3+4	% 6=5/1	Assign. revenue	By decision	Total 9=7+8	from final adopt. budget	from carry-overs	from assign. revenue	
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
110 Temporary agents	556	156	400	-	556	100%	-	-	-	-	-	-	-
111 Contract agents and interim staff	1 173	373	800	-	1 173	100%	-	-	-	-	-	-	-
Total chapter 11	1 728	528	1 200	-	1 728	100%	-	-	-	-	-	-	-
130 Mission costs	71	51	20	-	71	100%	-	-	-	-	-	-	-
Total chapter 13	71	51	20	-	71	100%	-	-	-	-	-	-	-
150 Training	25	25	-	-	25	100%	-	-	-	-	-	-	-
Total chapter 15	25	25	-	-	25	100%	-	-	-	-	-	-	-
190 Other staff expenditure	258	188	70	-	258	100%	-	-	-	-	-	-	-
Total chapter 19	258	188	70	-	258	100%	-	-	-	-	-	-	-
<b>Total Title 1</b>	<b>2 082</b>	<b>792</b>	<b>1 290</b>	<b>-</b>	<b>2 082</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 5.3.2. Implementation of commitment appropriations Title 2

EUR '000

	Commitments made						Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11 +12
	Total approp. availab.	from final adopt. budget	from carry-overs	from assign. revenue	Total 5=2+3+4	% 6=5/1	Assign. revenue	By decision	Total 9=7+8	from final adopt. budget	from carry-overs	from assign. revenue	
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
200 Rental of buildings and associated costs	309	51	235	-	286	93%	23	-	23	-	-	-	-
Total chapter 20	309	51	235	-	286	93%	23	-	23	-	-	-	-
210 It expenditure and technical facilities	166	95	71	-	166	100%	-	-	-	-	-	-	-
Total chapter 21	166	95	71	-	166	100%	-	-	-	-	-	-	-
220 Movable property and associated costs	74	17	57	-	74	100%	-	-	-	-	-	-	-
Total chapter 22	74	17	57	-	74	100%	-	-	-	-	-	-	-
230 Current administrative expenditure	25	25	-	-	25	100%	-	-	-	-	-	-	-
Total chapter 23	25	25	-	-	25	100%	-	-	-	-	-	-	-
240 Postage and telecommunications	25	25	-	-	25	100%	-	-	-	-	-	-	-
Total chapter 24	25	25	-	-	25	100%	-	-	-	-	-	-	-
250 Administrative board expenditure	39	9	30	-	39	100%	-	-	-	-	-	-	-
Total chapter 25	39	9	30	-	39	100%	-	-	-	-	-	-	-
260 Administrative support services	66	66	-	-	66	100%	-	-	-	-	-	-	-
Total chapter 26	66	66	-	-	66	100%	-	-	-	-	-	-	-
270 Pr and events	597	531	66	-	597	100%	-	-	-	0	-	-	0
Total chapter 27	597	531	66	-	597	100%	-	-	-	0	-	-	0
290 Other infrastructure and operating expenditure	164	164	-	-	164	100%	-	-	-	-	-	-	-
Total chapter 29	164	164	-	-	164	100%	-	-	-	-	-	-	-
<b>Total Title 2</b>	<b>1 466</b>	<b>983</b>	<b>460</b>	<b>-</b>	<b>1 443</b>	<b>98%</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>0</b>

## 5.3.3. Implementation of commitment appropriations Title 3

EUR '000

	Commitments made						Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11 +12
	Total approp. availab.	from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
300 Operational expenditure	61 059	59 754	1 149	-	60 903	100%	-	-	-	156	-	-	156
Total chapter 30	61 059	59 754	1 149	-	60 903	100%	-	-	-	156	-	-	156
<b>Total Title 3</b>	<b>61 059</b>	<b>59 754</b>	<b>1 149</b>	<b>-</b>	<b>60 903</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156</b>	<b>-</b>	<b>-</b>	<b>156</b>

5

## 5.3.4. Implementation of commitment appropriations Title 4

EUR '000

	Commitments made						Appropriations carried over to 2018			Appropriations lapsing			Total 13=10+11 +12
	Total approp. availab.	from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from carry-overs	from assign. revenue	
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	
400 Administrative budget	1 462	-	-	-	-	0%	-	-	-	1 462	-	-	1 462
Total chapter 40	1 462	-	-	-	-	0%	-	-	-	1 462	-	-	1 462
410 Operational budget	2 507	-	-	-	-	0%	-	-	-	1 598	909	-	2 507
Total chapter 41	2 507	-	-	-	-	0%	-	-	-	1 598	909	-	2 507
<b>Total Title 4</b>	<b>3 969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 059</b>	<b>909</b>	<b>-</b>	<b>3 969</b>
<b>GRAND TOTAL</b>	<b>68 575</b>	<b>61 530</b>	<b>2 898</b>	<b>-</b>	<b>64 428</b>	<b>94%</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>3 216</b>	<b>909</b>	<b>-</b>	<b>4 125</b>

<sup>5</sup> Commitments made on Title 3 (kEUR 60 903) does not include commitments made by REA executive agency in the framework of Expert contracts for an amount of kEUR 153.

## 5.4. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

### 5.4.1. Implementation of payment appropriations Title 1

EUR '000

		Payments made				Appropriations carried over to 2018				Appropriations lapsing			Total 14=11+12 +13		
		Total approp. availab.	from final adopt. budget	from carry-overs	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget		from carry-overs	from assign. rev.
		1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13	
110	Temporary agents	556	156	400	-	556	100%	-	-	-	-	-	-	-	-
111	Contract agents and interim staff	1 330	251	875	-	1 126	85%	-	-	-	-	122	83	-	204
<b>Total chapter 11</b>		<b>1 886</b>	<b>407</b>	<b>1 275</b>	<b>-</b>	<b>1 681</b>	<b>89%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>83</b>	<b>-</b>	<b>204</b>
130	Mission costs	75	28	24	-	52	69%	-	-	-	-	23	0	-	23
<b>Total chapter 13</b>		<b>75</b>	<b>28</b>	<b>24</b>	<b>-</b>	<b>52</b>	<b>69%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>0</b>	<b>-</b>	<b>23</b>
150	Training	42	2	-	-	2	5%	-	-	-	-	23	17	-	39
<b>Total chapter 15</b>		<b>42</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>5%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>17</b>	<b>-</b>	<b>39</b>
190	Other staff expenditure	307	72	74	-	145	47%	-	-	-	-	117	45	-	161
<b>Total chapter 19</b>		<b>307</b>	<b>72</b>	<b>74</b>	<b>-</b>	<b>145</b>	<b>47%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117</b>	<b>45</b>	<b>-</b>	<b>161</b>
<b>Total Title 1</b>		<b>2 309</b>	<b>508</b>	<b>1 372</b>	<b>-</b>	<b>1 880</b>	<b>81%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284</b>	<b>144</b>	<b>-</b>	<b>428</b>

## 5.4.2. Implementation of payment appropriations Title 2

EUR '000

		Total approp. availab.	from final adopt. budget	Payments made				Appropriations carried over to 2018				Appropriations lapsing			Total 14=11+12+13
				from carry-overs	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget	from carry-overs	from assign. rev.	
		1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13	
200	Rental of buildings and associated costs	450	54	265	-	319	71%	-	-	23	23	21	87	-	108
	<b>Total chapter 20</b>	<b>450</b>	<b>54</b>	<b>265</b>	<b>-</b>	<b>319</b>	<b>71%</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>23</b>	<b>21</b>	<b>87</b>	<b>-</b>	<b>108</b>
210	It expenditure and technical facilities	358	182	89	-	271	76%	-	-	-	-	13	74	-	87
	<b>Total chapter 21</b>	<b>358</b>	<b>182</b>	<b>89</b>	<b>-</b>	<b>271</b>	<b>76%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>74</b>	<b>-</b>	<b>87</b>
220	Movable property and associated costs	77	0	19	-	19	25%	-	-	-	-	17	41	-	58
	<b>Total chapter 22</b>	<b>77</b>	<b>0</b>	<b>19</b>	<b>-</b>	<b>19</b>	<b>25%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>41</b>	<b>-</b>	<b>58</b>
230	Current administrative expenditure	25	23	-	-	23	90%	-	-	-	-	2	-	-	2
	<b>Total chapter 23</b>	<b>25</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>90%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
240	Postage and telecommunications	35	14	1	-	16	44%	-	-	-	-	16	4	-	19
	<b>Total chapter 24</b>	<b>35</b>	<b>14</b>	<b>1</b>	<b>-</b>	<b>16</b>	<b>44%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16</b>	<b>4</b>	<b>-</b>	<b>19</b>
250	Administrative board expenditure	69	0	39	-	39	57%	-	-	-	-	19	11	-	30
	<b>Total chapter 25</b>	<b>69</b>	<b>0</b>	<b>39</b>	<b>-</b>	<b>39</b>	<b>57%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>11</b>	<b>-</b>	<b>30</b>
260	Administrative support services	141	136	-	-	136	97%	-	-	-	-	5	-	-	5
	<b>Total chapter 26</b>	<b>141</b>	<b>136</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>97%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>
270	Pr and events	678	204	31	-	235	35%	-	-	-	-	6	437	-	443
	<b>Total chapter 27</b>	<b>678</b>	<b>204</b>	<b>31</b>	<b>-</b>	<b>235</b>	<b>35%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>437</b>	<b>-</b>	<b>443</b>
290	Other infrastructure and operating expenditure	335	128	10	-	138	41%	-	-	-	-	22	175	-	197
	<b>Total chapter 29</b>	<b>335</b>	<b>128</b>	<b>10</b>	<b>-</b>	<b>138</b>	<b>41%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>175</b>	<b>-</b>	<b>197</b>
	<b>Total Title 2</b>	<b>2 168</b>	<b>743</b>	<b>454</b>	<b>-</b>	<b>1 196</b>	<b>55%</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>23</b>	<b>119</b>	<b>830</b>	<b>-</b>	<b>949</b>

### 5.4.3. Implementation of payment appropriations Title 3

EUR '000

	Total approp. availab.	from final adopt. budget	Payments made		Total	%	Appropriations carried over to 2018			Total	Appropriations lapsing			Total
			from carry-overs	from assign. revenue			Autom. carry-overs	By decision	Assigned rev.		from final adopt. budget	from carry-overs	from assign. rev.	
	1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
300 Operational expenditure	37 533	31 040	395	-	31 434	84%	-	-	-	-	200	5 898	-	6 098
Total chapter 30	37 533	31 040	395	-	31 434	84%	-	-	-	-	200	5 898	-	6 098
<b>Total Title 3</b>	<b>37 533</b>	<b>31 040</b>	<b>395</b>	<b>-</b>	<b>31 434</b>	<b>84%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200</b>	<b>5 898</b>	<b>-</b>	<b>6 098</b>

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### 5.4.4. Implementation of payment appropriations Title 4

EUR '000

	Total approp. availab.	from final adopt. budget	Payments made		Total	%	Appropriations carried over to 2018			Total	Appropriations lapsing			Total
			from carry-overs	from assign. revenue			Autom. carry-overs	By decision	Assigned rev.		from final adopt. budget	from carry-overs	from assign. rev.	
	1	2	3	4	5=2+3+4	6 = 5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
400 Administrative budget	2 108	-	-	-	-	0%	-	-	-	-	1 583	525	-	2 108
Total chapter 40	2 108	-	-	-	-	0%	-	-	-	-	1 583	525	-	2 108
<b>Total Title 4</b>	<b>2 108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 583</b>	<b>525</b>	<b>-</b>	<b>2 108</b>
<b>GRAND TOTAL</b>	<b>44 117</b>	<b>32 290</b>	<b>2 220</b>	<b>-</b>	<b>34 511</b>	<b>78%</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>23</b>	<b>2 186</b>	<b>7 398</b>	<b>-</b>	<b>9 584</b>

<sup>6</sup> Payments made on Title 3 (kEUR 31 434) does not include payments made by REA executive agency in the framework of Expert contracts for an amount of kEUR 153.

## 6. COMMITMENTS OUTSTANDING

### 6.1. Commitments outstanding Title 1

EUR '000

	Commitments outstanding at the end of prev. year				Commitments of the year				Total commitments
	Comm. carried forward from prev. year	Decommit. Revaluation Cancellations	Payments	Total	Comm. made during the year	Payment	Cancellation of comm. which cannot be carried forward	Commit. outstanding at year-end	outstanding at year-end
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
110 Temporary agents	-	-	-	-	556	556	-	-	-
111 Contract agents and interim staff	157	(24)	133	-	1 173	992	-	180	180
Total chapter 11	157	(24)	133	-	1 728	1 548	-	180	180
130 Mission costs	9	(6)	3	-	71	48	-	22	22
Total chapter 13	9	(6)	3	-	71	48	-	22	22
150 Training	17	(15)	2	-	25	1	-	24	24
Total chapter 15	17	(15)	2	-	25	1	-	24	24
190 Other staff expenditure	48	(42)	6	-	258	139	-	119	119
Total chapter 19	48	(42)	6	-	258	139	-	119	119
<b>Total Title 1</b>	<b>232</b>	<b>(87)</b>	<b>145</b>	<b>-</b>	<b>2 082</b>	<b>1 735</b>	<b>-</b>	<b>347</b>	<b>347</b>

## 6.2. Commitments outstanding Title 2

	Commitments outstanding at the end of prev. year					Commitments of the year				EUR '000
	Comm. carried forward from prev. year	Decommit. Revaluation Cancellations	Payments	Total	Comm. made during the year	Payment	Cancellation of comm. which cannot be carried forward	Commit. outstanding at year-end	Total commitments outstanding at year-end	
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8	
200 Rental of buildings and associated costs	72	(2)	70	-	286	249	-	37	37	
Total chapter 20	72	(2)	70	-	286	249	-	37	37	
210 It expenditure and technical facilities	556	(3)	217	336	166	54	-	112	448	
Total chapter 21	556	(3)	217	336	166	54	-	112	448	
220 Movable property and associated costs	37	(5)	15	18	74	4	-	70	88	
Total chapter 22	37	(5)	15	18	74	4	-	70	88	
230 Current administrative expenditure	5	(2)	3	-	25	19	-	6	6	
Total chapter 23	5	(2)	3	-	25	19	-	6	6	
240 Postage and telecommunications	4	(1)	4	-	25	12	-	13	13	
Total chapter 24	4	(1)	4	-	25	12	-	13	13	
250 Administrative board expenditure	9	(3)	6	-	39	33	-	6	6	
Total chapter 25	9	(3)	6	-	39	33	-	6	6	
260 Administrative support services	181	(80)	97	4	66	39	-	27	30	
Total chapter 26	181	(80)	97	4	66	39	-	27	30	
270 Pr and events	168	(3)	137	29	597	99	-	499	527	
Total chapter 27	168	(3)	137	29	597	99	-	499	527	
290 Other infrastructure and operating expenditure	185	(101)	68	16	164	70	-	94	110	
Total chapter 29	185	(101)	68	16	164	70	-	94	110	
<b>Total Title 2</b>	<b>1 218</b>	<b>(199)</b>	<b>616</b>	<b>402</b>	<b>1 443</b>	<b>580</b>	<b>-</b>	<b>863</b>	<b>1 265</b>	

## 6.3. Commitments outstanding Title 3

	Commitments outstanding at the end of prev. year					Commitments of the year				EUR '000
	Comm. carried forward from prev. year	Decommit. Revaluation Cancellations	Payments	Total	Comm. made during the year	Payment	Cancellation of comm. which cannot be carried forward	Commit. outstanding at year-end	Total commitments outstanding at year-end	
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8	
300 Operational expenditure	48 171	(444)	3 407	44 320	60 903	28 028	-	32 875	77 195	
Total chapter 30	48 171	(444)	3 407	44 320	60 903	28 028	-	32 875	77 195	
<b>Total Title 3</b>	<b>48 171</b>	<b>(444)</b>	<b>3 407</b>	<b>44 320</b>	<b>60 903</b>	<b>28 028</b>	<b>-</b>	<b>32 875</b>	<b>77 195</b>	
<b>GRAND TOTAL</b>	<b>49 620</b>	<b>(730)</b>	<b>4 168</b>	<b>44 722</b>	<b>64 428</b>	<b>30 343</b>	<b>-</b>	<b>34 085</b>	<b>78 807</b>	

## 7. 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.

### 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. The main sources of external assigned revenue are financial contributions from third countries to programmes financed by the Union. The main sources of internal assigned revenue are revenue from third parties in respect of goods, services or work supplied at their request; 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 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.

## 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.

## Budgetary authority

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

## 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.

## 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.