Annual Accounts of the

Shift2Rail

Joint Undertaking

Financial year 2018

CONTENTS

CERTIFICATION OF THE ACCOUNTS

The annual accounts of the Shift2Rail Joint Undertaking for the year 2018 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

11 June 2019

BACKGROUND INFORMATION ON THE SHIFT2RAIL JOINT UNDERTAKING

Shift2Rail Joint Undertaking (S2R JU), based in Brussels, was established by the Council Regulation (EU) 642/2014[1]. 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.

The mission statement of S2R JU is:"Shift2Rail: moving European railway forward"

S2R JU will develop a more competitive and resource-efficient European transport system, through an umprecendented integrated rail system transformation to meet the evolving expectations of European citizens and shippers.

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 are 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 focuses on 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[2], 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.

[1] Council Regulation (EU) No 642/2014 of 16 June 2014 establishing the Shift2Rail Joint Undertaking.
[2] Adopted by the decision of the S2R JU Governing Board.

Highlights of the year

In 2018, the S2R JU total voted budget was kEUR 84 756 in commitment appropriations, of which kEUR 81 373 for operational expenditure and kEUR 3 383 for administrative expenditure. In payment appropriations, the total voted budget was kEUR 81 640, of which kEUR 67 392 was for operational expenditure, kEUR 4 498 for administrative expenditure and kEUR 9 750 of unused appropriations not required in the financial year but needed to meet early 2019 payments.

The budget implementation in terms of commitment appropriations is at 100 % and in terms of payment appropriations is at 82.3 % (in case of payment appropriations, excluding the unused appropriations not required in the financial year).The lower than expected payment appropriations' implementation is due to events outside the control of the JU and its Other Members, as a result of a pending legal decision concerning the JU membership. The implementation of administrative budget was kEUR 3 383 in commitment appropriations and kEUR 3 378 million in payment appropriations. Applying sound financial management, the JU make use of multi-annual framework contracts in particular in Title 2; nevertheless suppliers submit relevant invoices with delays and usually, in accordance with their accounting, after year-end. This resulted in payment appropriations implementation at 63.4 % of the voted budget; to be noted that Title 2 corresponds to only 3 % of the JU Budget in any case. The Operational Budget was implemented at kEUR 81 373 in commitment appropriations and kEUR 55 777 million (82.8 %) in payment appropriations. Due to unforeseeable reasons, outside the control of the JU, two of the pre-financing payments resulting from the call 2018 became due in 2019 only and resulted the majority (kEUR 8 273) of un-used operational Payment Appropriations for the year.

In October 2018, the S2R JU awarded 19 grants as a result of the 2018 Call launched on 11 January 2018 based on the amended Annual Work Plan (AWP) 2018. 17 grants agreements were signed between November and December 2018, allowing the timely start of the projects. As indicated earlier, 2 grants agreements will be signed at the beginning of 2019. In total, the awarded grants will co-fund Research and Innovation activities (for a total value of kEUR 152 593) up to kEUR 77 308. In this respect, it should be noted that the Founding Members other than the Union and the Associated Members (jointly referred to as the "Other Members") agreed to limit their requests for funding to 44.44 % of the total project cost, the lowest in the overall H2020 Programme. In accordance with the S2R Regulation, the JU1 validated the second batch of in-kind contributions from the Other Members in 2018. This validation brought the recognised efforts from Other Members on co-funded Research and Innovation activities recorded in the net assets to a total of kEUR 21 673.

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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

CONTENTS

BALANCE SHEET

EUR '000

	Note	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Property, plant and equipment	*2.1*	*235*	*264*
Pre-financing	*2.2*	*41 652*	*30 064*
		41 887	**30 328**
CURRENT ASSETS			
Pre-financing	*2.2*	*19 240*	*36 502*
Exchange receivables and non-exchange recoverables	*2.3*	*29 757*	*9 647*
		48 998	**46 149**
TOTAL ASSETS		**90 885**	**76 477**
CURRENT LIABILITIES			
Payables and other liabilities	*2.4*	*(69 211)*	*(36 770)*
Accrued charges	*2.5*	*(24 685)*	*(28 770)*
		(93 896)	**(65 541)**
TOTAL LIABILITIES		**(93 896)**	**(65 541)**
NET ASSETS		**(3 011)**	**10 936**
Contribution from Members	*2.6*	*187 070*	*89 241*
Accumulated deficit		*(78 305)*	*(11 925)*
Economic result of the year		*(111 776)*	*(66 381)*
NET ASSETS		**(3 011)**	**10 936**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2018	2017
EXPENSES			
Operating costs	*3.1*	*(108 268)*	*(63 366)*
Staff costs	*3.2*	*(1 547)*	*(1 364)*
Other expenses	*3.3*	*(1 960)*	*(1 651)*
Total expenses		**(111 776)**	**(66 381)**
ECONOMIC RESULT OF THE YEAR		**(111 776)**	**(66 381)**

CASHFLOW STATEMENT[3]

EUR '000

	2018	2017
Economic result of the year	*(111 776)*	*(66 381)*
Operating activities		
Amortization and depreciation	*52*	*48*
Cash contribution from Members	*79 165*	*34 476*
(Increase)/decrease in pre-financing	*5 673*	*(25 767)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*(20 110)*	*147*
Increase/(decrease) in payables	*32 441*	*32 034*
Increase/(decrease) in accrued charges	*(4 085)*	*22 460*
Increase/(decrease) in in-kind contribuions	*18 663*	*3 010*
Investing activities		
(Increase)/decrease in intangible assets and property, plant and equipment	*(23)*	*(28)*
NET CASHFLOW	**–**	**–**
Net increase/(decrease) in cash and cash equivalents	–	–
Cash and cash equivalents at the beginning of the year	–	–
Cash and cash equivalents at year-end	–	–

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

STATEMENT OF CHANGES IN NET ASSETS

EUR '000

	Contribution from Members	Accumulated Surplus/ (Deficit)	Economic result of the year	Net Assets
BALANCE AS AT 31.12.2016	**51 755**	**–**	**(11 925)**	**39 831**
Allocation 2016 economic result	–	*(11 925)*	*11 925*	–
Cash contribution	*34 476*	–	–	*34 476*
Contribution in-kind	*3 010*	–	–	*3 010*
Economic result of the year	–	–	*(66 381)*	*(66 381)*
BALANCE AS AT 31.12.2017	**89 241**	**(11 925)**	**(66 381)**	**10 936**
Allocation 2017 economic result	–	*(66 381)*	*66 381*	–
Cash contribution	*79 165*	–	–	*79 165*
Contribution in-kind	*18 663*	–	–	*18 663*
Economic result of the year	–	–	*(111 776)*	*(111 776)*
BALANCE AS AT 31.12.2018	**187 070**	**(78 305)**	**(111 776)**	**(3 011)**

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the 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	31.12.2018	31.12.2017	Currency	31.12.2018	31.12.2017
BGN	**1.9558**	*1.9558*	**PLN**	**4.3014**	*4.177*
CZK	**25.7240**	*25.5350*	**RON**	**4.6635**	*4.6585*
DKK	**7.4673**	*7.4449*	**SEK**	**10.2548**	*9.8438*
GBP	**0.8945**	*0.8872*	**CHF**	**1.1269**	*1.1702*
HRK	**7.4125**	*7.4400*	**JPY**	**125.8500**	*135.01*
HUF	**320.9800**	*310.3300*	**USD**	**1.145**	*1.1993*

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;amounts for employee benefit liabilities, 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
Buildings	*4 % to 10 %*
Plant and equipment	*10 % to 25 %*
Furniture and vehicles	*10 % to 25 %*
Computer hardware	*25 % to 33 %*
Other	*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

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. During this financial year, the entity did not hold any investments in this category.

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 and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. 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 from 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).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

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 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 Private Members 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-funded by the JU. The IKOP are recognised in the net assets of the JU in the period when the conditions for Members' contributions stipulated by the Regulation were met.

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

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

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. PROPERTY, PLANT AND EQUIPMENT

EUR '000

	Plant and equipment	Furniture and vehicles	Computer hardware	Other	TOTAL
Gross carrying amount at 31.12.2017	*35*	*43*	*41*	*253*	*372*
Additions	–	*13*	*5*	*5*	*23*
Disposals	–	–	(1)	(3)	(4)
Gross carrying amount at 31.12.2018	**35**	**55**	**45**	**255**	**391**
Accumulated depreciation at 31.12.2017	*(12)*	*(9)*	*(18)*	*(70)*	*(108)*
Depreciation charge for the year	*(4)*	*(5)*	*(12)*	*(30)*	*(51)*
Disposals	–	–	1	1	2
Accumulated depreciation at 31.12.2018	**(16)**	**(14)**	**(28)**	**(98)**	**(156)**
NET CARRYING AMOUNT AT 31.12.2018	**19**	**42**	**17**	**158**	**235**
NET CARRYING AMOUNT AT 31.12.2017	*23*	*34*	*23*	*183*	*264*

The category Other includes costs capitalised related to the improvements made to the rented building. In 2018 S2R JU started to use ABAC assets.

2.2. PRE-FINANCING

EUR '000

	31.12.2018	31.12.2017
Non-current pre-financing	*41 652*	*30 064*
Current pre-financing	*19 240*	*36 502*
Total	**60 893**	**66 565**

For all pre-financing amounts open at 31 December 2018 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2019 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 34 103. This explains the decrease in the current prefinancing as compared to 2018. The remaining portion of cut off expenses is recorded in accrued charges (see note **2.5**).

In accordance with the Horizon 2020 rules 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 non-current prefinancing as compared to 2017.

However, as the older S2R projects resulting from the calls 2015 and 2016 have passed their first years, the clearing of the prefinancing recorded for the year exceeds the new pre-financing payments made (kEUR 27 095) resulting an overall decrease of the pre-financing recorded in the accounts.

2.3. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

At 31 December 2018 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	31.12.2018	31.12.2017
Recoverables from non-exchange transactions		*407*	*41*
Receivables from exchange transactions	*2.3.1*	*29 350*	*9 606*
Total		**29 757**	**9 647**

The recoverables from non-exchange transactions comprise amounts receivable from public bodies related to 2018 contributions to administrative costs from members.

2.3.1. Receivables from exchange transactions

EUR '000

	31.12.2018	31.12.2017
Central treasury liaison accounts	*28 211*	*8 495*
Customers	*1 132*	*1 096*
Deferred charges relating to exchange transactions	*5*	*15*
Others	*1*	*0*
Total	**29 350**	**9 606**

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. Any balance on this intercompany account is used against future payments of the Joint Undertaking. The Central treasury liaison account increased due to unforseen reasons, including the delay in the award of 2018 Call, caused by legal issues, independent from the Call itself and S2R JU. The payment appropriations have moved to the following year.

Customers refers to 2018 contributions to administrative costs from members claimed but not cashed in the year.

LIABILITIES

2.4. PAYABLES AND OTHER LIABILITIES

EUR '000

	31.12.2018	31.12.2017
Contribution in kind to be validated	*63 746*	*31 906*
Current payables	*5 465*	*4 864*
Total	**69 211**	**36 770**

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 audit certificate at 31 December. 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 mainly the members declaration in accordance with Article 4.3 of the S2R Regulation. 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 in 2018 the number of on-going projects on which the contributions in-kind are estimated was still increasing.

The sub-heading current payables is mainly composed of liabilities to suppliers (kEUR 4 509) and to public bodies (kEUR 952).

2.5. ACCRUED CHARGES

EUR '000

	31.12.2018	31.12.2017
Accrued charges	*24 685*	*28 770*

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in year 2018 but not yet invoiced or processed by the end of the year. They are largely composed of estimated operating expenses (kEUR 23 440) for on-going projects without a validated cost statement, where the 2018 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2018 and other operating activities (kEUR 953).

Included under this heading are also accrued administrative expenses of kEUR 263 relating mainly to non-IT services provided by third parties, office supplies and maintenance, building security and maintenance, expenses related to expert and training costs. This heading also includes accrued staff expenses of kEUR 28 for untaken leave.

NET ASSETS

2.6. CONTRIBUTIONS FROM MEMBERS

EUR '000

Programming period	2018			2017		
	Cash	in-Kind	Total	Cash	in-Kind	Total
H2020	*165 397*	*21 673*	*187 070*	*86 232*	*3 010*	*89 241*
Total	**165 397**	**21 673**	**187 070**	**86 232**	**3 010**	**89 241**

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. 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)

EUR '000

Member	EU	Industry Grouping		Total	
	Cash	Cash	In kind	Cash	In kind
Running costs contributions at 31.12.2017[4]	*3 042*	*4 859*	–	*7 901*	–
Current year contributions	*1 662*	*1 662*	–	*3 324*	–
Running costs contributions at 31.12.2018	**4 704**	**6 521**	**–**	**11 224**	**–**
Operating costs contributions at 31.12.2017	*78 331*	–	*3 010*	*78 331*	*3 010*
Current year contributions	*75 842*	–	*18 663*	*75 842*	*18 663*
Operating costs contributions at 31.12.2018	**154 173**	**–**	**21 673**	**154 173**	**21 673**
TOTAL contributions at 31.12.2017	*81 373*	*4 859*	*3 010*	*86 232*	*3 010*
TOTAL contributions at 31.12.2018	**158 876**	**6 521**	**21 673**	**165 397**	**21 673**
% of total contributions (by type)	*96.06%*	*3.94%*	*100.00%*	*100.00%*	*100.00%*
Total contribution in %	*84.93%*	*15.07%*		*100.00%*	
Voting rights %	*50.00%*	*50.00%*		*100.00%*	

[4] The amounts exclude the EU Contribution of kEUR 1 817 received in 2014-2016 and used prior to the S2R JU autonomy.-footnote Runniung costs contrib. at 31/12/2017.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

EXPENSES

3.1. OPERATING COSTS

Included under this heading are operating expenses related to projects that were carried out in 2018. 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 acounts, the estimates are based on reports of services or work performed (e.g. Report of the member of the Joint Undertaking other that 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:

EUR '000

	Note	2018	2017
Operating costs validated in current year		*29 682*	*3 433*
Operating costs to be validated	*2.5*	*63 664*	*35 581*
Reversal of previous year's estimation	*2.5*	*(35 581)*	*(6 017)*
In kind contributions (IKOP) validated in current year		*18 663*	*3 010*
Operating costs of IKOP estimated for current year	*2.4*	*63 746*	*31 906*
Reversal of previous year's IKOP estimation	*2.4*	*(31 906)*	*(4 547)*
Total		**108 268**	**63 366**

The substantial increase compared to 2018 is due to the fact that in 2018 there were more on-going projects for which the contributions were estimated based on the reports submitted by 31 January 2019 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.

3.2. STAFF COSTS

EUR '000

	2018	2017
Staff costs	*1 547*	*1 364*

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.

3.3. OTHER EXPENSES

EUR '000

	2018	2017
Office Supplies and maintenance	*892*	*302*
External non IT services	*569*	*502*
Operating lease expenses	*261*	*301*
Missions	*83*	*58*
Property, plant and equipment related expenses	*83*	*86*
Experts and related expenses	*26*	*148*
Other	*24*	*31*
Communications and publications	*22*	*224*
Total	**1 960**	**1 651**

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			
	< 1 year	1- 5 years	> 5 years	Total
Buildings	*264*	*1 110*	*292*	*1 666*

4. OTHER SIGNIFICANT DISCLOSURES

4.1. OUTSTANDING COMMITMENTS NOT YET EXPENSED

EUR '000

	31.12.2018	31.12.2017
Outstanding commitments not yet expensed	*67 638*	*45 193*

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 2018 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.

	31.12.2018	31.12.2017
Executive Director	*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 IKAA (in-kind from Additional Activities) - see Notes **1.6.2** and **4.5** - Article 4(2) of the S2R Regulation establishes that the total contribution to be provided by the members of the S2R Joint Undertaking other than the Union shall consist of at least kEUR 350 000, including at least kEUR 200 000 from the founding members other than the Union and their affiliated entities, and at least kEUR 150 000 from associated members and their affiliated entities. In accordance with Article 16(3)b of the S2R Statutes, IKOP consists "of the costs incurred by the Other Members in implementing indirect actions less the contribution of the S2RJU and any other Union contribution to those costs".

For the period up to 31 December 2018, with first projects starting at 1 September 2016, the Members other than the Union declared a total project costs of kEUR 147 037 from which a total funding foreseen to be requested is kEUR 61 618 from the JU. From the total project cost declared up to 31.12.2018, kEUR 127 246 has been certified by independent auditors in accordance with the Provisions of Article 4(3) by 01.05.2019.

The certifications received in previous years have resulted a validations of kEUR 3 010 of IKOP in 2017 and kEUR 18 663 in 2018 which has been recorded in the net assets of the JU. The certificates received by the JU and entering into IKOP validation process in 2019 are foreseen to result kEUR 52 591 of IKOP, representing 82.5% of the total currently reported under "to be validated". After this validation, the cumulative validated IKOP would represent 22% 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 **2.6.1** - 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 2018, the Members other than the Union declared a total of kEUR 160 440 as IKAA corresponding to 134% of the minimum value expected during the total programme. Out of this total, kEUR 118 640 has already been certified by independent auditors in accordance with the Provisions of Article 4(3).

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 2018 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 2018 financial assets comprise exchange receivables that are neither past due nor impaired.

Financial assets by risk category

The exchange receivables entirely relate with kEUR 28 211 to entities with a prime external credit rating and with kEUR 1 138 with entities without external credit rating that have neither defaulted in the past.

5.4. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

At 31 December 2018 the financial liabilities amounted to kEUR 93 896. They are composed of contributions in kind to be validated (kEUR 63 746), current payables and other liabilities (kEUR 5 465) and accrued charges (kEUR 24 685) with expected remaining maturity of less than 1 year.

REPORTS ON THE IMPLEMENTATION OF THE BUDGET

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

CONTENTS

1. BUDGETARY PRINCIPLES, STRUCTURE AND IMPLEMENTATION

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 re-activated in future budgets.

1.3. HIGHLIGHTS OF THE BUDGETARY IMPLEMENTATION

The main highlights of the 2018 Budget implementation are as follows:

At the year-end 2018, the JU had implemented 100 % of its commitment appropriations made available in its active budget. The payment appropriations were executed up to 82.3 % of the active funds. The implementation when compared to the full S2R budget (including Title 4) was 100 % in Commitment and 72.5 % in Payment Appropriations.

In GB Decision 6/2017 on 27 October 2017, the S2R Governing Board adopted the initial Annual Work Plan and Budget for 2018. There were two amendments adopted to this document during the year 2018:

- GB Decision 1/2018 on 11 January amending the Annual Work Plan and Budget which did not have any budgetary impact and;

- GB Decision 12/2018 of 29 June 2018, amending the initially adopted budget later in the year.

GB Decision 12/2018 corresponded to the specific needs of the JU, including a number of transfers within the Administrative budget. These transfers had the objective to allocate better the resources needed for the running costs. In addition to the transfers within the Administrative expenses, the overall administrative budget was reduced by EUR 100 000 in both Commitment and Payment Appropriations. This amount was transferred to an operational line to cover the cost for experts supporting the project reviews.

In addition, considering the outcome of the Call 2018 in terms of expected pre-financing, the request for payments received by the date of the amendment and the estimated interim payments by year end, Payment Appropriations from the Operational budget were transferred to Title 4 of the Budget (Title 4: Un-used Appropriations not required in the year). This Title is of technical nature and, in accordance with the S2R Financial Rules, recognises the appropriations available for applying N+3 rule on the following budgetary years. It is used to increase transparency and accurate reporting of the JU. By allocating the appropriations in Title 4, they were identified as being used in the following years to meet the JU's legal obligations on payments and the JU could re-activate them as part of the initial budget 2019.

Administrative Expenditure (Title 1 Staff Expenditure and Infrastructure and Title 2 Operating Expenditure)

Title 1 and Title 2 of the S2R Budget was executed up to 100 % in commitment appropriations, demonstrating a reliable budgetary planning.

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 was 75.1 %; showing an improvement in the budget implementation in relation to the previous budgetary year.

In addition to the budget amendment under GB Decision 12/2018, the Executive Director has executed its rights in Accordance with Article 10 of the S2R Financial Rules and transferred Appropriations within Administrative budget in the course of the year. These transfers are made to allow the JU to respond to the need of resources on specific items.

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 96.0 % of the active and overall budget (including Title 4). The budget category covers the JUs Calls for proposals, Operational procurement and expert fees occurred as part of the evaluation.

The execution rate of the Operational budget in both Commitment and Payment Appropriations was respectively 100 % and 82.8 %. Majority of the Payment Appropriations were used for the pre-financing of the Grants resulting from the 2018 Calls for Proposals. Two of the pre-financing payments resulting from this call became due in 2019 only and resulted the majority (kEUR 8 273) of un-used Payment Appropriations for the year. These pre-financing payments are scheduled for the first quarter 2019.

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 practise of the JU, these appropriations will be reactivated in the future year budget(s) of the following year and used first.

As a part of the Budget Amendment of 29 June 2018, GB Decision 12/2018, the JU has moved some of its Payment Appropriation credits from operational line to Title 4. By this transfer, the JU has marked the appropriations available for re-activation on future budget years for the respective cost claims. The full kEUR 9 750 transferred to Title 4 has been re-activated as part of the initial budget 2019 and will be used against the payment obligations realised within that year.

	Commitment appropriations (including reactivations)					EUR '000
Title	Initial budget adopted	Amending budget	Transfers	Final adopted budget	Commitments made	%
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)=(5)/(4)
1	2 305	(100)	(12)	2 193	2 193	100 %
2	1 178	0	12	1 190	1 190	100 %
3	81 273	100	0	81 373	81 373	100 %
Total	**84 756**	**(0)**	**0**	**84 756**	**84 756**	**100 %**
4	0	0	0	0	0	0 %
GRAND TOTAL	**84 756**	**(0)**	**0**	**84 756**	**84 756**	**100 %**

	Payment appropriations (including reactivations)					EUR '000
Title	Initial budget adopted	Amending budget	Transfers	Final adopted budget	Payments made	%
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)=(5)/(4)
1	2 305	165	(12)	2 458	2 084	85 %
2	1 178	850	12	2 040	1 294	63 %
3	77 042	(9 650)	0	67 392	55 777	83 %
Total	**80 525**	**(8 635)**	**0**	**71 890**	**59 155**	**82 %**
4	749	9 001	0	9 750	0	0 %
GRAND TOTAL	**81 273**	**366**	**0**	**81 640**	**59 155**	**72 %**

2. RESULT OF THE IMPLEMENTATION OF THE BUDGET

EUR '000

	Title	2018	2017
Revenue		**79 048**	**35 233**
of which:			
Revenue	*9*	*79 048*	*35 233*
Expenditure		**(59 155)**	**(34 511)**
of which:			
Staff expenditure	*1*	*(2 084)*	*(1 880)*
Admin expenditure	*2*	*(1 294)*	*(1 196)*
Operational expenditure	*3*	*(55 777)*	*(31 434)*
Exchange rate differences		**-**	**-**
Budget result		**19 893**	**722**

3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

	2018	2017
ECONOMIC RESULT OF THE YEAR	**(111 776)**	**(66 381)**
Adjustment for accrual items (items not in the budgetary result but included in the economic result)	**78 484**	**58 768**
In-kind contributions validated in the year	*18 663*	*3 010*
Adjustments for accrual cut-off (net)	*48 626*	*48 739*
Unpaid invoices at year end but booked in expenses	*11 391*	*4 870*
Depreciation, amortization and impairment of intangible and tangible assets	*52*	*48*
Recovery orders issued in the year and not yet cashed	*(1 255)*	*(1 138)*
Pre-financing given in previous year and cleared in the year	*1 007*	*3 239*
Revenue for fixed Assets received free of charge		
Adjustment for budgetary items (item included in the budgetary result but not in the economic result)	**53 185**	**8 335**
Members' cash contributions collected in the year	*79 165*	*34 476*
Asset acquisitions (less unpaid amounts)	*(23)*	*(28)*
New pre-financing paid in the year and remaining open as at 31 December	*(27 095)*	*(28 161)*
Entitlements established in previous year and cashed in the year	*1 138*	*2 048*
BUDGET RESULT OF THE YEAR	**19 893**	**722**

4. IMPLEMENTATION OF BUDGET REVENUE

		Income appropriations		Entitlements established			Revenue				
		Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%	Outstanding
		1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
900	*CONTRIBUTION FROM EU ADMINISTRATIVE*	*1 662*	*1 662*	*1 662*	*–*	*1 662*	*1 662*	*–*	*1 662*	*100 %*	*–*
901	*CONTRIBUTION FROM EU OPERATIONAL*	*75 842*	*75 842*	*75 842*	*–*	*75 842*	*75 842*	*–*	*75 842*	*100 %*	*–*
902	*CONTRIBUTION FROM THE INDUSTRY*	*1 662*	*1 662*	*1 662*	*1 138*	*2 800*	*407*	*1 138*	*1 545*	*93 %*	*1 255*
Total chapter 90		79 165	79 165	79 165	1 138	80 303	77 910	1 138	79 048	100 %	1 255
930	*UNUSED APPROPRIATIONS FROM PREVIOUS YEARS*	*–*	*366*	*–*	*–*	*–*	*–*	*–*	*–*	*0 %*	*–*
Total chapter 93		–	366	–	–	–	–	–	–	0 %	–
Total Title 9		**79 165**	**79 532**	**79 165**	**1 138**	**80 303**	**77 910**	**1 138**	**79 048**	**99 %**	**1 255**
GRAND TOTAL		**79 165**	**79 532**	**79 165**	**1 138**	**80 303**	**77 910**	**1 138**	**79 048**	**99 %**	**1 255**

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				Additional appropriations			
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
110	*Temporary agents*	*752*	–	*(73)*	*679*	–	–	–	*679*
111	*Contract agents and interim staff*	*1 058*	–	*4*	*1 062*	*159*	–	*159*	*1 221*
Total chapter 11		1 810	–	(69)	1 740	159	–	159	1 900
130	*Mission costs*	*55*	–	*36*	*91*	–	–	–	*91*
Total chapter 13		55	–	36	91	–	–	–	91
150	*Training*	*70*	–	*(35)*	*35*	–	–	–	*35*
Total chapter 15		70	–	(35)	35	–	–	–	35
190	*Other staff expenditure*	*211*	–	*(44)*	*167*	–	–	–	*167*
Total chapter 19		211	–	(44)	167	–	–	–	167
Total Title 1		**2 146**	**–**	**(112)**	**2 034**	**159**	**–**	**159**	**2 193**

5.1.2. Breakdown & Changes in commitment appropriations - Title 2

EUR '000

		Budget appropriations of the year				Additional appropriations			
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
200	*Rental of buildings and associated costs*	*320*	–	*(6)*	*314*	–	–	–	*314*
Total chapter 20		320	–	(6)	314	–	–	–	314
210	*IT expenditure and technical facilities*	*159*	–	*16*	*175*	–	–	–	*175*
Total chapter 21		159	–	16	175	–	–	–	175
220	*Movable property and associated costs*	*20*	–	*(19)*	*1*	–	–	–	*1*
Total chapter 22		20	–	(19)	1	–	–	–	1
230	*Current administrative expenditure*	*40*	–	*(28)*	*12*	–	–	–	*12*
Total chapter 23		40	–	(28)	12	–	–	–	12
240	*Postage and telecommunications*	*30*	–	*(13)*	*17*	–	–	–	*17*
Total chapter 24		30	–	(13)	17	–	–	–	17
250	*Administrative board expenditure*	*60*	–	*(7)*	*53*	–	–	–	*53*
Total chapter 25		60	–	(7)	53	–	–	–	53
260	*Administrative support services*	*86*	–	*(71)*	*15*	–	–	–	*15*
Total chapter 26		86	–	(71)	15	–	–	–	15
270	*PR and events*	*300*	–	*202*	*502*	–	–	–	*502*
Total chapter 27		300	–	202	502	–	–	–	502
290	*Other infrastructure and operating expenditure*	*164*	0	*(63)*	*101*	–	–	–	*101*
Total chapter 29		164	0	(63)	101	–	–	–	101
Total Title 2		**1 178**	**0**	**12**	**1 190**	**–**	**–**	**–**	**1 190**

5.1.3. Breakdown & Changes in commitment appropriations - Title 3

EUR '000

	Budget appropriations of the year				Additional appropriations			
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
300 Operational expenditure	*77 566*	–	*100*	*77 666*	*3 707*	–	*3 707*	*81 373*
Total chapter 30	77 566	–	100	77 666	3 707	–	3 707	81 373
Total Title 3	**77 566**	**–**	**100**	**77 666**	**3 707**	**–**	**3 707**	**81 373**

5.1.4. Breakdown & Changes in commitment appropriations - Title 4

EUR '000

	Budget appropriations of the year				Additional appropriations			
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
400 Administrative budget	*0*	(0)	–	–	–	–	–	–
Total chapter 40	0	(0)	–	–	–	–	–	–
Total Title 4	**0**	**(0)**	**–**	**–**	**–**	**–**	**–**	**–**
GRAND TOTAL	**80 890**	**(0)**	**–**	**80 890**	**3 867**	**–**	**3 867**	**84 756**

5.2. BREAKDOWN & CHANGES IN PAYMENT APPROPRIATIONS

5.2.1. Breakdown & Changes in payment appropriations - Title 1

EUR '000

		Budget appropriations of the year				Additional appropriations			
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
110	*Temporary agents*	*752*	–	*(223)*	*529*	*150*	–	*150*	*679*
111	*Contract agents and interim staff*	*309*	132	*(155)*	*286*	*1 067*	–	*1 067*	*1 353*
Total chapter 11		1 061	132	(378)	815	1 217	–	1 217	2 032
130	*Mission costs*	*55*	–	*43*	*98*	*7*	–	*7*	*105*
Total chapter 13		55	–	43	98	7	–	7	105
150	*Training*	*70*	–	*(18)*	*52*	*4*	–	*4*	*56*
Total chapter 15		70	–	(18)	52	4	–	4	56
190	*Other staff expenditure*	*211*	–	*41*	*252*	*13*	–	*13*	*265*
Total chapter 19		211	–	41	252	13	–	13	265
Title 1		**1 397**	**132**	**(312)**	**1 217**	**1 241**	**–**	**1 241**	**2 458**

5.2.2. Breakdown & Changes in payment appropriations - Title 2

EUR '000

		Budget appropriations of the year				Additional appropriations			
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
200	*Rental of buildings and associated costs*	*320*	–	*(2)*	*318*	–	–	–	*318*
Total chapter 20		320	–	(2)	318	–	–	–	318
210	*IT expenditure and technical facilities*	*159*	–	*141*	*300*	*18*	–	*18*	*319*
Total chapter 21		159	–	141	300	18	–	18	319
220	*Movable property and associated costs*	*20*	1	*51*	*72*	*15*	–	*15*	*87*
Total chapter 22		20	1	51	72	15	–	15	87
230	*Current administrative expenditure*	*40*	2	*(28)*	*14*	–	–	–	*14*
Total chapter 23		40	2	(28)	14	–	–	–	14
240	*Postage and telecommunications*	*30*	7	*(13)*	*24*	–	–	–	*24*
Total chapter 24		30	7	(13)	24	–	–	–	24
250	*Administrative board expenditure*	*60*	(1)	*(7)*	*53*	–	–	–	*53*
Total chapter 25		60	(1)	(7)	53	–	–	–	53
260	*Administrative support services*	*86*	19	*(64)*	*41*	–	–	–	*41*
Total chapter 26		86	19	(64)	41	–	–	–	41
270	*PR and events*	*300*	495	*195*	*990*	–	–	–	*990*
Total chapter 27		300	495	195	990	–	–	–	990
290	*Other infrastructure and operating expenditure*	*164*	94	*(63)*	*194*	–	–	–	*194*
Total chapter 29		164	94	(63)	194	–	–	–	194
Title 2		**1 178**	**617**	**212**	**2 007**	**33**	**–**	**33**	**2 040**

5.2.3. Breakdown & Changes in payment appropriations - Title 3

EUR '000

	Budget appropriations of the year				Additional appropriations			
	Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
300 Operational expenditure	*75 842*	(9 750)	*100*	*66 192*	*1 200*	–	*1 200*	*67 392*
Total chapter 30	75 842	(9 750)	100	66 192	1 200	–	1 200	67 392
Title 3	**75 842**	**(9 750)**	**100**	**66 192**	**1 200**	**–**	**1 200**	**67 392**

5.2.4. Breakdown & Changes in payment appropriations - Title 4

EUR '000

		Budget appropriations of the year				Additional appropriations			
		Initial adopted budget	Amending budgets	Transfers	Final budget adopted	Carryover	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
400	*Administrative budget*	*749*	(749)	–	–	–	–	–	–
Total chapter 40		749	(749)	–	–	–	–	–	–
410	*Operational budget*	–	9 750	–	*9 750*	–	–	–	*9 750*
Total chapter 41		–	9 750	–	9 750	–	–	–	9 750
Title 4		**749**	**9 001**	**–**	**9 750**	**–**	**–**	**–**	**9 750**
GRAND TOTAL		**79 165**	**(0)**	**(0)**	**79 165**	**2 474**	**–**	**2 474**	**81 640**

5.3. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

5.3.1. Implementation of commitment appropriations - Title 1

EUR '000

		Commitments made						Appropriations carried over to 2019			Appropriations lapsing			
		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	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11 +12
110	*Temporary agents*	*679*	*679*	*–*	*–*	*679*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
111	*Contract agents and interim staff*	*1 221*	*1 062*	*159*	*–*	*1 221*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 11		1 900	1 740	159	–	1 900	100%	–	–	–	–	–	–	–
130	*Mission costs*	*91*	*91*	*–*	*–*	*91*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 13		91	91	–	–	91	100%	–	–	–	–	–	–	–
150	*Training*	*35*	*35*	*–*	*–*	*35*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 15		35	35	–	–	35	100%	–	–	–	–	–	–	–
190	*Other staff expenditure*	*167*	*167*	*–*	*–*	*167*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 19		167	167	–	–	167	100%	–	–	–	–	–	–	–
Total Title 1		**2 193**	**2 034**	**159**	**–**	**2 193**	**100%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

5.3.2. Implementation of commitment appropriations - Title 2

EUR '000

		Commitments made						Appropriations carried over to 2019			Appropriations lapsing			
		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	Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11 +12
200	*Rental of buildings and associated costs*	*314*	*314*	*–*	*–*	*314*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 20		314	314	–	–	314	100%	–	–	–	–	–	–	–
210	*IT expenditure and technical facilities*	*175*	*175*	*–*	*–*	*175*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 21		175	175	–	–	175	100%	–	–	–	–	–	–	–
220	*Movable property and associated costs*	*1*	*1*	*–*	*–*	*1*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 22		1	1	–	–	1	100%	–	–	–	–	–	–	–
230	*Current administrative expenditure*	*12*	*12*	*–*	*–*	*12*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 23		12	12	–	–	12	100%	–	–	–	–	–	–	–
240	*Postage and telecommunications*	*17*	*17*	*–*	*–*	*17*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 24		17	17	–	–	17	100%	–	–	–	–	–	–	–
250	*Administrative board expenditure*	*53*	*53*	*–*	*–*	*53*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 25		53	53	–	–	53	100%	–	–	–	–	–	–	–
260	*Administrative support services*	*15*	*15*	*–*	*–*	*15*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 26		15	15	–	–	15	100%	–	–	–	–	–	–	–
270	*PR and events*	*502*	*502*	*–*	*–*	*502*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 27		502	502	–	–	502	100%	–	–	–	–	–	–	–
290	*Other infrastructure and operating expenditure*	*101*	*101*	*–*	*–*	*101*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 29		101	101	–	–	101	100%	–	–	–	–	–	–	–
Total Title 2		**1 190**	**1 190**	**–**	**–**	**1 190**	**100%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

5.3.3. Implementation of commitment appropriations - Title 3

EUR '000

	Commitments made						Appropriations carried over to 2019			Appropriations lapsing			
	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	Total
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11 +12
300 Operational expenditure	*81 373*	*77 666*	*3 707*	*–*	*81 373*	*100%*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Total chapter 30	81 373	77 666	3 707	–	81 373	100%	–	–	–	–	–	–	–
Total Title 3	**81 373**	**77 666**	**3 707**	**–**	**81 373**	**100%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
GRAND TOTAL	**84 756**	**80 890**	**3 867**	**–**	**84 756**	**100%**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

5.4. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

5.4.1. Implementation of payment appropriations - Title 1

EUR '000

			Payments made					Appropriations carried over to 2019				Appropriations lapsing			
		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 assig. rev.	Total
		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
110	Temporary agents	679	529	150	–	679	100%		–	–	–	–	–	–	–
111	Contract agents and interim staff	1 353	84	1 067	–	1 151	85%		–	–	–	202	–	–	202
Total chapter 11		2 032	613	1 217	–	1 830	90%		–	–	–	202	–	–	202
130	Mission costs	105	80	7	–	87	83%		–	–	–	18	–	–	18
Total chapter 13		105	80	7	–	87	83%		–	–	–	18	–	–	18
150	Training	56	7	4	–	11	19%		–	–	–	45	–	–	45
Total chapter 15		56	7	4	–	11	19%		–	–	–	45	–	–	45
190	Other staff expenditure	265	143	13	–	156	59%		–	–	–	109	–	–	109
Total chapter 19		265	143	13	–	156	59%		–	–	–	109	–	–	109
Total Title 1		**2 458**	**843**	**1 241**	**–**	**2 084**	**85%**		**–**	**–**	**–**	**374**	**–**	**–**	**374**

5.4.2. Implementation of payment appropriations - Title 2

EUR '000

		Payments made						Appropriations carried over to 2019				Appropriations lapsing			
		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 assig. rev.	Total
		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
200	Rental of buildings and associated costs	318	284	–	–	284	89%		–	–	–	34	–	–	34
Total chapter 20		318	284	–	–	284	89%		–	–	–	34	–	–	34
210	IT expenditure and technical facilities	319	122	18	–	141	44%		–	–	–	178	–	–	178
Total chapter 21		319	122	18	–	141	44%		–	–	–	178	–	–	178
220	Movable property and associated costs	87	19	15	–	34	39%		–	–	–	53	–	–	53
Total chapter 22		87	19	15	–	34	39%		–	–	–	53	–	–	53
230	Current administrative expenditure	14	14	–	–	14	99%		–	–	–	0	–	–	0
Total chapter 23		14	14	–	–	14	99%		–	–	–	0	–	–	0
240	Postage and telecommunications	24	5	–	–	5	23%		–	–	–	18	–	–	18
Total chapter 24		24	5	–	–	5	23%		–	–	–	18	–	–	18
250	Administrative board expenditure	53	46	–	–	46	88%		–	–	–	6	–	–	6
Total chapter 25		53	46	–	–	46	88%		–	–	–	6	–	–	6
260	Administrative support services	41	40	–	–	40	98%		–	–	–	1	–	–	1
Total chapter 26		41	40	–	–	40	98%		–	–	–	1	–	–	1
270	PR and events	990	630	–	–	630	64%		–	–	–	360	–	–	360
Total chapter 27		990	630	–	–	630	64%		–	–	–	360	–	–	360
290	Other infrastructure and operating expenditure	194	99	–	–	99	51%		–	–	–	96	–	–	96
Total chapter 29		194	99	–	–	99	51%		–	–	–	96	–	–	96
Total Title 2		**2 040**	**1 260**	**33**	**–**	**1 294**	**63%**		**–**	**–**	**–**	**747**	**–**	**–**	**747**

5.4.3. Implementation of payment appropriations - Title 3

EUR '000

		Payments made						Appropriations carried over to 2019				Appropriations lapsing			
		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 assig. rev.	Total
		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	67 392	54 577	1 200	–	55 777	83%		–	–	–	11 615	–	–	11 615
Total chapter 30		67 392	54 577	1 200	–	55 777	83%		–	–	–	11 615	–	–	11 615
Total Title 3		**67 392**	**54 577**	**1 200**	**–**	**55 777**	**83%**		**–**	**–**	**–**	**11 615**	**–**	**–**	**11 615**

5.4.4. Implementation of payment appropriations - Title 4

EUR '000

		Payments made						Appropriations carried over to 2019				Appropriations lapsing			
		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 assig. rev.	Total
		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
410	Operational budget	9 750	–	–	–	–	0%		–	–	–	9 750	–	–	9 750
Total chapter 41		9 750	–	–	–	–	0%		–	–	–	9 750	–	–	9 750
Total Title 4		**9 750**	**–**	**–**	**–**	**–**	**0%**		**–**	**–**	**–**	**9 750**	**–**	**–**	**9 750**
GRAND TOTAL		**81 640**	**56 681**	**2 474**	**–**	**59 155**	**72%**		**–**	**–**	**–**	**22 485**	**–**	**–**	**22 485**

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*	–	–	–	–	*679*	*679*	–	–	–
111	*Contract agents and interim staff*	*180*	(49)	*131*	–	*1 221*	*1 020*	–	*201*	*201*
Total chapter 11		180	(49)	131	–	1 900	1 698	–	201	201
130	*Mission costs*	*22*	(13)	*9*	–	*91*	*78*	–	*13*	*13*
Total chapter 13		22	(13)	9	–	91	78	–	13	13
150	*Training*	*24*	–	*6*	*18*	*35*	*5*	–	*31*	*49*
Total chapter 15		24	–	6	18	35	5	–	31	49
190	*Other staff expenditure*	*119*	(31)	*83*	*5*	*167*	*73*	–	*93*	*98*
Total chapter 19		119	(31)	83	5	167	73	–	93	98
Total Title 1		**347**	**(93)**	**230**	**24**	**2 193**	**1 854**	**–**	**339**	**362**

6.2. Commitments outstanding - Title 2

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
200	*Rental of buildings and associated costs*	*37*	(26)	*0*	*10*	*314*	*284*	–	*29*	*40*
Total chapter 20		37	(26)	0	10	314	284	–	29	40
210	*IT expenditure and technical facilities*	*448*	(5)	*128*	*314*	*175*	*13*	–	*162*	*476*
Total chapter 21		448	(5)	128	314	175	13	–	162	476
220	*Movable property and associated costs*	*88*	(46)	*33*	*9*	*1*	*1*	–	–	*9*
Total chapter 22		88	(46)	33	9	1	1	–	–	9
230	*Current administrative expenditure*	*6*	(2)	*3*	–	*12*	*10*	–	*2*	*2*
Total chapter 23		6	(2)	3	–	12	10	–	2	2
240	*Postage and telecommunications*	*13*	(12)	*1*	*(0)*	*17*	*4*	–	*13*	*13*
Total chapter 24		13	(12)	1	(0)	17	4	–	13	13
250	*Administrative board expenditure*	*6*	(5)	*2*	–	*53*	*45*	–	*8*	*8*
Total chapter 25		6	(5)	2	–	53	45	–	8	8
260	*Administrative support services*	*30*	(4)	*26*	–	*15*	*14*	–	*1*	*1*
Total chapter 26		30	(4)	26	–	15	14	–	1	1
270	*PR and events*	*527*	(11)	*471*	*45*	*502*	*159*	–	*344*	*388*
Total chapter 27		527	(11)	471	45	502	159	–	344	388
290	*Other infrastructure and operating expenditure*	*110*	(26)	*80*	*4*	*101*	*19*	–	*82*	*86*
Total chapter 29		110	(26)	80	4	101	19	–	82	86
Total Title 2		**1 265**	**(138)**	**744**	**383**	**1 190**	**549**	**–**	**641**	**1 023**

6.3. Commitments outstanding - Title 3

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
300 Operational expenditure	*77 195*	(429)	*28 344*	*48 422*	*81 373*	*27 434*	–	*53 940*	*102 362*
Total chapter 30	77 195	(429)	28 344	48 422	81 373	27 434	–	53 940	102 362
Total Title 3	**77 195**	**(429)**	**28 344**	**48 422**	**81 373**	**27 434**	**–**	**53 940**	**102 362**
GRAND TOTAL	**78 807**	**(661)**	**29 318**	**48 828**	**84 756**	**29 837**	**–**	**54 919**	**103 748**

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 approved by the Budgetary Authority. Cf. Budget.

Agencies

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

Amending budget

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

Annuality

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

Appropriations

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

Assigned revenue External/Internal

Dedicated revenue received to finance specific items of expenditure. Main sources of external assigned revenue are financial contributions from third countries to programmes financed by the Union. Main sources of internal assigned revenue is revenue from third parties in respect of goods, services or work supplied at their request; (c) revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium. The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21.

Authorising Officer (AO)

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

Budget

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

Budget result

The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences.

For agencies, the resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for agencies.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

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

Budgetary authority

Institutions with decisional powers on budgetary matters: for the EU institutions, the European Parliament and the Council of Ministers.

For the agencies and joint undertakings, their board is the budgetary authority.

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. Financial Regulation Art. 7: 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. Financial Regulation Art. 7: 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.

For reference, regulation (EU, Euratom) 2018/1046 on the financial rules applicable to the general budget of the Union.

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 Treaty on the Functioning of the European Union. 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.

Only for joint undertakings, as specified in theirs Financial Rules, any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years (the so-called "N+3" rule). Hence, lapsing appropriations for JUs could be reactivated until financial year "N+3".

Legal base (basic act)

The legal base or basis is, as a general rule, a law based on an article in the Treaty on the Functioning of the European Union giving competence to the Community for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain articles from the treaty 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. (Financial Regulation Art. 9). 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 (Financial Regulation Art. 7).

RAL

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

Recovery

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

Result

Cf. Outturn

Revenue

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

Rules of application

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

Surplus

Positive difference between revenue and expenditure (Cf. 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. However they are expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation. The Financial Regulation 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.

SHIFT2RAIL JOINT UNDERTAKING
(S2R JU)

Independent Auditor's report on the Final Annual Accounts as at : 31 DECEMBER 2018

Date: June 13, 2019

bakertilly

Regenboog 2, B-9090 Melle
T: +32 9 272 72 10
melle@bakertilly.be
www.bakertilly.be

Shift2Rail Joint Undertaking
White Atrium Building – 2nd floor
Avenue de la Toison d'Or 56-60
B-1060 BRUSSELS

INDEPENDENT AUDITOR'S REPORT ON THE FINAL ANNUAL ACCOUNTS OF SHIFT2RAIL JOINT UNDERTAKING FOR THE FINANCIAL YEAR FROM 01 JANUARY TO 31 DECEMBER 2018

Opinion

We have audited the accompanying final annual accounts of Shift2Rail Joint Undertaking, 'the Agency' for the financial year from 01 January to 31 December 2018.Their final annual accounts consist of the financial statements and the reports on the implementation of the budget for the financial year ended December 31, 2018. The financial statements comprise the balance sheet as at December 31, 2018, and the statement of financial performance, the cash flow statement and the statement of changes in net assets/liabilities for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the final annual accounts of the Agency present fairly, in all material aspects, its financial position as at December 31, 2018, and the results of its operations and its cash flow, for the year then ended, and are prepared in accordance with its Financial Regulation, and, in accordance with the accounting rules adopted by the Commission's accounting officer, and the International Public Sector Accounting Standards, as issued by the International Public Sector Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA) and the ISSAI (International Standards of Supreme Audit Institutions, as issued by the International Organization of Supreme Audit Institutions (INTOSAI)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Annual Activity Report of the Agency.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the final annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the final annual accounts

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

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

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the final annual accounts

Our objectives are to obtain reasonable assurance about whether the final annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these final annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ✓ Identify and assess the risks of material misstatement of the final annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ✓ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.

- ✓ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ✓ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.

- ✓ Evaluate the overall presentation, structure and content of the final annual accounts, including the disclosures, and whether the final annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

bakertilly

Restriction on use and distribution

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

Melle, June 13, 2019

Yours faithfully,

Baker Tilly Belgium Bedrijfsrevisoren CVBA

Jan Smits
Audit Partner

Accountancy – Audit – Consultancy – Corporate Finance

Now, for tomorrow

bakertilly