Ref. Ares(2022)4713044 - 28/06/2022

Annual accounts of the Europe’s Rail Joint Undertaking

Financial year 2021

CONTENTS

CERTIFICATION OF THE ACCOUNTS

I acknowledge my responsibility for the preparation and presentation of the annual accounts of the Europe's Rail Joint Undertaking in accordance with Article 52 of the Model Financial Regulation ('MFR')[1] and I hereby certify that the annual accounts of the Europe's Rail Joint Undertaking for the year 2021 have been prepared in accordance with Chapter 8 of the MFR and the accounting rules adopted by the Commission's Accounting Officer, as are to be applied by all the institutions and union bodies.

I have obtained from the Authorising Officer, who certified its reliability, all the information necessary for the production of the accounts that show the Europe's Rail Joint Undertaking's assets and liabilities and the budgetary implementation. Based on this information, and on such checks as I deemed necessary to sign off the accounts, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cash-flow of the Europe's Rail Joint Undertaking.

Rosa ALDEA BUSQUETS

Accounting Officer of the
Europe's Rail Joint Undertaking

[1] COMMISSION DELEGATED REGULATION (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.

BACKGROUND INFORMATION NOTE

1. General background on the entity

Establishment

Shift2Rail Joint Undertaking was the first European rail initiative to seek focused research and innovation (R & I) and market-driven solutions by accelerating the integration of new and advanced technologies into innovative rail product solutions. The initiative was represented by the Shift2Rail Joint Undertaking (S2R JU), a public-private institutional partnership in the rail sector between the Union and key players from the rail industry.

Horizon Europe – the EU Framework Programme for Research and Innovation (2021-2027) – aims to increase the EU's research and innovation impact by combining European partnership co-investment with additional private and public sector funds in areas where the scope and scale of the research and innovation resources can help achieve the EU's Horizon Europe priorities notably, its Pillar II – Global challenges and European industrial competitiveness. The setting up of the joint undertakings under Horizon Europe has been regulated through Council Regulation No. 2021/2085 of 19 November 2021 and published in the Official Journal on 30 November 2021.

Under the Single Basic Act (Article 174.6), the Europe's Rail Joint Undertaking (EU-Rail) shall be the legal and universal successor in respect of all contracts, including employment contracts and grant agreements, liabilities and acquired property of the Shift2Rail Joint Undertaking established by Council Regulation (EU) No. 642/2014 of 16 June 2014, which it shall replace and succeed.

Mission

EU-Rail vision is to deliver, via an integrated system approach, a high capacity, flexible, multi-modal, sustainable and reliable integrated European railway network by eliminating barriers to interoperability and providing solutions for full integration, for European citizens and cargo and hereby accomplishing its mission: *"Rail Research and Innovation to make Rail the everyday mobility".*

Main operational activities

The EU-Rail's R&I programme contributes to addressing the challenges faced by the rail sector through a comprehensive and coordinated systemic approach, focusing on the needs of the rail system and its users. The activities are carried out through collaboration between stakeholders in the entire railway value chain, and also outside the traditional rail sector, including SMEs, research and technology centres and universities.

The rail research and innovation performed within EU-Rail focuses on the following overall objectives for the duration of the EU-Rail, in line with EU-Rail Regulation and EU-Rail Master Plan:

- Contribute towards the achievement of the Single European Railway Area;
- Ensure a fast transition to more attractive, user-friendly, competitive, affordable, easy to maintain, efficient and sustainable European rail system, integrated into the wider mobility system;
- Support the development of a strong and globally competitive European rail industry.

In addition and more specifically, EU-Rail shall:

(a) Facilitate research and innovation activities to deliver an integrated European railway network by design, eliminating barriers to interoperability and providing solutions for full integration. It shall cover traffic management, vehicles, infrastructure also including integration with national gauges, and services, and providing the best answer to the needs of passengers and businesses. It shall accelerate uptake of innovative solutions to support the Single European Railway Area, while increasing capacity and reliability and decreasing costs of railway transport;

(b) Deliver a sustainable and resilient rail system by developing a zero-emission, silent rail system and climate resilient infrastructure, applying circular economy to the rail sector, piloting the use of innovative processes, technologies, designs and materials in the full life-cycle of rail systems and developing other innovative solutions to guided surface transport;

(c) Develop through its System Pillar a unified operational concept and a functional, safe and secure system architecture, with due consideration of cyber-security aspects, focused on the European railway network for integrated European rail traffic management, command, control and signalling systems, including automated train operation which shall ensure that research and innovation is targeted on commonly agreed and shared customer requirements and operational needs and is open to evolution;

(d) Facilitate research and innovation activities related to rail freight and intermodal transport services to deliver a competitive green rail freight fully integrated into the logistic value chain, with automation and digitalisation of freight rail at the core;

(e) Develop demonstration projects in interested Member States;

(f) Contribute to the development of a strong and globally competitive European rail industry; and

(g) Enable, promote and exploit synergies with other Union policies, programmes, initiatives, instruments or funds in order to maximise its impact and added value.

Governance

EU-Rail is headed by an Executive Director, who is the legal representative of EU-Rail and responsible for the day-to-day management of the Joint Undertaking. He is appointed by the Governing Board, the main decision-making body of EU-Rail.

The Governing Board has overall responsibility for the strategic orientation and the operations of EU-Rail and supervises the implementation of its activities. It brings together two groups of the JU's members:

- EU represented by the European Commission;
- The Industry Grouping, represented by Founding Members (the Private Members).

Other bodies of the Joint Undertaking are:

- The States Representatives Group, representing EU Member States and countries associated with the Horizon Europe Framework Programme. This group offers opinions on the strategic orientations of the JU and on the links between EU-Rail activities and relevant national or regional research and innovation programmes.
- The System Pillar steering group, consisting of the Commission, representatives of the rail and mobility sector and of relevant organizations, the Executive Director of the JU, the chairperson of the SRG and representatives of ERA and ERRAC. It shall provide advice to the Governing Board and the Executive Director on System Pillar issues.
- The Deployment Group, open to all stakeholders, advising the Governing Board on the market uptake of rail innovation developed in EU-Rail and to support the deployment of the innovative solutions.

Sources of financing

The EU-Rail is jointly funded by its Members. The administrative costs are covered by financial contributions divided equally on an annual basis between the Union and the Private Members (except research centres and universities under the former S2R Regulation). The operational costs are covered by financial contribution of the Union and in-kind contributions. The in-kind contributions consist of the costs incurred by Private Members in implementing indirect actions that are not reimbursed by EU-Rail.

2. Annual accounts

Basis for preparation

The legal framework and the deadlines for the preparation of the annual accounts are set by the Model Financial Regulation (MFR)[2]. As per this regulation, the annual accounts are prepared in accordance with

[2] COMMISSION DELEGATED REGULATION (EU) 2019/887 of 13 March 2019 on the model financial regulation for public-private partnership bodies referred to in Article 71 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council, OJEU L 142, 29.5.2019.

the rules adopted by the Accounting Officer of the Commission (EU Accounting Rules, EAR), which are based on internationally accepted accounting standards for the public sector (IPSAS).

Accounting Officer

In accordance with the MFR, the Governing Board of the entity appoints the Accounting Officer who is, amongst other tasks, responsible for the preparation of the annual accounts, which are consolidated in those of the EU.

Following the decision of the S2R JU Governing Board of 18 March 2016, the Accounting Officer of the Commission shall, as of 24 May 2016, act as the Accounting Officer of the joint undertaking[3].

Composition of the annual accounts

The annual accounts cover the period from 1 January to 31 December and comprise the financial statements and the reports on the implementation of the budget. While the financial statements and the complementary notes are prepared on an accrual accounting basis, the budget implementation reports are primarily based on movements of cash.

Process from provisional accounts to discharge

The provisional annual accounts prepared by the Accounting Officer are transmitted, by 1 March of the following year, to the European Court of Auditors (ECA) and to the audit company selected by the entity. Following the audit, the Accounting Officer prepares the final annual accounts and submits them to the Governing Board for opinion.

The final annual accounts, together with the opinion of the Governing Board, are sent to the Accounting Officer of the Commission, the ECA, the European Parliament and the Council by 1 July of the following financial year. The ECA scrutinises the final annual accounts and includes any findings in the annual report for the European Parliament and the Council.

It falls to the Council to recommend, and then to the European Parliament to decide, whether to grant discharge to the Executive Director in respect of the implementation of the budget for a given financial year. Amongst other elements this decision, is also based on a review of the accounts and the annual report of ECA.

3. Operational highlights

Achievements of the year

Transition towards Europe's Rail Joint Undertaking

EU-Rail was established by Council Regulation (EU) No 2021/2085 of 19 November 2021 that established the Joint Undertakings under Horizon Europe (the Single Basic Act, hereafter "SBA") It repealed Council Regulation (EU) No 642/2014 of 16 June 2014 that established the S2R JU. This major achievement was realized by building upon a transparent and open selection process of the EU-Rail founding members and their essential unconditional commitment to deliver, together with the Union, a major transformation of rail.

In accordance with Article 174(6) of the SBA, the EU-Rail is the legal and universal successor of S2R JU in respect of all contracts, including employment contracts and grant agreements, liabilities and acquired property. The EU-Rail continues to act as a public-private partnership in the rail sector established under Article 187 of the Treaty on the Functioning of the European Union.

Building upon S2R JU's achievements, the objective of EU-Rail is to deliver a high-capacity integrated European railway network by eliminating barriers to interoperability and providing solutions for full integration, covering traffic management, vehicles, infrastructure and services. This should exploit the huge potential for digitalisation and automation to reduce the costs of rail, increase capacity, and enhance its

[3] In force on the basis of the EU-Rail Governing Board decision 2/2021 of 21 December 2021, approving the list of decisions adopted by the EU-Rail that shall continue to apply for the Europe's Rail Joint Undertaking.

flexibility and reliability. It should be based upon a solid Reference Functional System Architecture shared by the sector, in coordination with the European Union Agency for Railways.

Objectives & indicators

The JU objectives of 2021 were met with the full commitment of the remaining budget appropriations related to the H2020 funded S2R Programme for the operational activities. This demonstrates that the JU was able to engage the railway sector to an effective resource commitment to progress in delivering the railway system transformation, through an increasingly integrated Programme (despite starting its operations almost two years after the start of H2020 programming period).

The Annual Work Plan (AWP) and budget 2021 were amended on two occasions mainly to address the need to support two main key policy priorities: (1) the implementation of the S2R Programme and (2) the transition to the new Research & Innovation (R&I) Programme by using the funds available under the provisions of Article 16(1)2 of the ex-S2R Statutes.

The progress achieved and the launch of these additional core activities represented another key step towards the digitalization and automation of the railway system, to contribute delivering sustainable (climate neutral, life-cycle cost efficient, connected, integrated through a system approach) mobility and transport for passengers and supply chain.

In 2021, the priorities consisted of:

1. Delivering the European Rail Traffic Management System (ERTMS) game changers (telecoms, localization, moving blocks, automation), in view of their integration in the technical specifications for interoperability (TSI) 2022 package. The objective is to ensure the evolution of the system towards Baseline 3 and its market uptake;

2. Reaching higher Technology Readiness Level (TRL) towards demonstrators, completion and possibly future ITDs (Integrated Technology Demonstrators) in the different Innovation Programs (IPs);

3. Exploring new areas and new technologies that will contribute to fostering the system transformation of railway;

4. Preparing the transition to the next programming period, with particular reference to the Linx4Rail series of projects and the incoming System Pillar.

All activities performed under the S2R Programme's Projects (largely those awarded in the period 2018 – 2021) are expected to be phased out as from 2021 until the end of 2023.

In accordance with Article 1(1) of the ex-S2R Regulation, a last Call for Proposals under the MFF 2014-2020 was launched in 2021; the awarded projects started their activities well before the end of 2021. This was planned, in particular, due to the need to support specific policy priorities in the area of rail freight and more specifically in relation to the European DAC Delivery Programme. Additional activities were funded to ensure the adequate transition between the S2R Programme and its successor, in particular in relation to the concept of operations and underpinning functional system architecture (e.g. the future System Pillar).

The launch of these final policy priorities under the S2R Programme aimed at ensuring the delivery of the results expected for the demonstrators and paving the way for the next generation of the Rail Research and Innovation Programme, while building upon on the continuous monitoring of the progress achieved.

To complement the research and innovation activities and ensure the link with regional, national or international activities, the work on the establishment of collaboration agreements continued in 2021. Of particular note are the agreements concluded with CEN/CENELEC and UIC, and the exchanges with the Alsace Region and with the Groningen Region. Communication and dissemination activities took place all along the year, via digital, physical and hybrid events and conferences attended or organized by the JU; the S2R InnoDays attracted almost 1000 participants connected from all parts of Europe and beyond.

In the last five years, the JU has demonstrated the progress achieved through the commitment of its Members and stakeholders. The system transformation to which EU-Rail is expected to substantially contribute builds upon the work delivered already in the S2R Programme by the end of 2021. It requires a major effort in the years to come, to ensure that the conclusion and phasing out of the ongoing remaining projects of the S2R Programme is duly synchronized with the ramp up phase of the new R&I activities of EU-Rail. It involves also connecting fundamental research, applied research and large-scale demonstrations/deployment. The system approach brought forward by an institutional partnership such as the EU-Rail has proved to be capable of delivering such major transformation, involving legislator, regulator, standardisation bodies and stakeholders.

Budget and budget implementation

At the year-end 2021, the JU had implemented 100% of its commitment appropriations made available in its active budget (Titles 1 to 3). The payment appropriations were implemented up to 85% of the active funds. The implementation when compared to the full JU budget (including Title 4) was 100% in commitment and 63% in payment appropriations.

In GB Decision 08/2020 on 7 December, the S2R Governing Board adopted the initial Annual Work Plan and Budget for 2021. There were two amendments adopted to this document during 2021. Both amendments aimed at maximizing the performance and impact of the JU.

<u>Amendment number 1</u>

The Executive Director proposed to the Governing Board the following:

- To transfer the unused appropriations from the Union for the running costs of the JU for the amount of EUR 3.2 million to Title 3 for operational activities, plus an additional EUR 0.2 million coming from the operational unused appropriations. This possibility is established in Article 16.2 of the Statutes of the S2R JU Regulation: "*If part of the contribution for administrative costs is not used, it may be made available to cover the operational costs of the S2R Joint Undertaking*".

- To continue using the amount of the appropriations to be received from the Members other than the Union for the running costs of the JU 2022 - 2024, as planned;

- To make use of the aforementioned amount of EUR 3.4 million transferred to Title 3 to:

    - Prepare and launch a topic under a call for proposal "innovation action" to support the European DAC Delivery Programme with activities between mid-2021 and 2022, to support the definition of the European solution. The expected activities will be defined taking into consideration the gaps identified within the DAC programme itself, taking into consideration the input of the S2R Members;

    - Prepare and launch, considering also the input received from ERRAC WG1 and its Scientific Committee's Chair, an additional topic under the aforementioned call for proposals to identify the overall benefits for the stakeholders, end users in primis, of the R&I work resulting from S2R and its future successor;

    - Prepare and launch a topic under a call for proposal "CSA", if possible, with a funding rate at 70%, to consolidate the progress of the Linx4Rail projects and, also, contributing indirectly to the preparation and launch of the activities of the future "System Pillar"; alternatively, realize the same activity making use of specific contract(s) within the ERTMS framework contract;

    - Split the available budget appropriations equally between the two proposed topics.

The Governing Board agreed with the proposal of the Executive Director at its meeting of 23 March 2021; with particular regard to the concept of operations and functional system architecture (L4R projects' consolidation here above), the use of the existing Framework Contract was agreed.

<u>Amendment number 2</u>

The Executive Director proposed to the Governing Board the following:

- Reduction of the contribution from the European Union due to the decrease of the EFTA rate, with impact on the administrative and operational budget (and with subsequent reduction in the contribution from Members other than the EU for the administrative budget);

- Increase of the unused administrative appropriations from previous years, amounting to kEUR 381. This amount will be mainly used to cover the costs of the S2R JU premises, including refurbishing to accommodate new staff, IT expenditure, administrative expenditure and communication activities;

- In addition to the operational budget added in amendment no. 1, it was proposed to the Governing Board to re-inscribe the unused appropriations from closed projects in 2020 and 2021 for the amount of EUR 2.9 million to Title 3 for operational activities. This has aimed at launching specific contracts within the existing framework contracts. Consequently, new specific contracts were added in the amended AWP2021 and the relevant budget appropriations adjusted. The new total for Title 3, amounted to EUR 9.6 million (see section below);

- Finally, following the delay in the submission of some operational and other requests for payment, suspension of activities either due to the quality of technical reports received or in order to receive complementary elements confirming the achievement of the project results, the JU would not have been able to implement at least EUR 17.5 million of payment appropriations by the end of 2021. This amount was therefore transferred to the unused appropriations in order to be immediately re-inscribed into the payment appropriations of 2022.

  In particular, kEUR 626 of unused administrative payment appropriations and kEUR 17 500 of unused operational payment appropriations, recorded under Title 4 in S2R budget 2021, have immediately been re-allocated to the EU-Rail budget 2022 in accordance with the EU-Rail GB Decision 02/2021 of 21 December 2021, adopting the S2R Annual Work Plan and budget for 2022 (Omnibus Decision).

To support the planning of re-activating credits, the JU is making use of Title 4 in its budget. This Title is of a technical nature and, in accordance with the EU-Rail Financial Rules, shows 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 2021. In accordance with the new EU-Rail Council Regulation, any S2R Programme unused appropriations that will be re-inscribed in revenue and expenditure from 2022 and onwards will be counted as being part of the EUR 600 million total Horizon Europe budget of EU-Rail Programme.

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

Title 1 and Title 2 of the S2R Budget were 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 also made 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 implementation rate of the payment appropriations was 95% (96% in 2020), showing a steady implementation of payment appropriation in relation to the previous budgetary year and demonstrating the JU's ability to react to changing circumstances in 2021.

Due to the COVID-19 crisis, a significant part of the budget for missions was reallocated to support digital meetings and events, enhancement of digital services to support staff and implementation of a specific training programme to accompany the staff in such critical period. The Executive Director has executed his rights in accordance with Article 10 of the S2R Financial Rules and reallocated these funds to answer the specific needs of the JU for the year. In addition, the payments related to the Press & Information budget were not executed due to the rescheduling of events (e.g.: TRA and Innotrans, etc.). The events have been postponed to 2022.

Title 3 Operational Expenditure

Title 3 of the S2R Budget constitutes the JU's Operational Budget. The majority of the JU's budget falls under this category representing 70% of the active (Titles 1 to 3) and overall budget (including Title 4). The proportion has decreased in 2021 since only EUR 9.6 million was available to be allocated to operational commitment appropriations this year, being the final year of the launch of activities under the S2R Programme. The budget category covers the JUs last Call for proposals under H2020 MFF, operational procurement and expert fees incurred as part of the evaluation.

The implementation rate of the operational budget in both commitment and payment appropriations was respectively 100% and 84% (80% in 2020). This year, only a minor portion of payment appropriations were used for the pre-financing of the grants resulting from the 2021 call for proposal.

The reported implementation also includes kEUR 48 relating to the Expert Evaluators which is managed by the REA Services.

Title 4 Unused appropriations not required in current Year

The amount included under Title 4 – Unused appropriations not required in current year has been established to support a transparent implementation of S2R JU Financial Rules Art.6.5, the so-called n+3 rule. In accordance with the Financial Rules and the general practice of the JU, these appropriations will be reactivated in the future year budget(s) of the following year and used first.

As detailed above, kEUR 17 500 of unused operational payment appropriations has been transferred to Title 4.

After this transfer, the total unused appropriations available of kEUR 626 of unused administrative payment appropriations and kEUR 17 500 of unused operational payment appropriations, recorded under Title 4 in EU-Rail budget 2021, have immediately been re-allocated to the EU-Rail budget 2022 in accordance with the GB Decision 02/2021 of 21 December 2021, adopting the Annual Work Plan and budget for 2022 (Omnibus Decision).

Impact of the activities in the financial statements

The major features in the 2021 Financial Statements of EU-Rail are the following:

Pre-financing: 2021 was the last year in which grants could still be awarded from H2020. The remaining funding still available under this programme was thus rather sparse, which resulted in only a very limited number of new grant agreements signed in 2021. The low amount of new pre-financing payments combined with a finalisation of several projects and thus clearing of the pre-financing with incurred expenses, resulted in an overall decrease of pre-financing from kEUR 96 319 in 2020 to kEUR 76 577 in 2021. In the structure of the pre-financing, the substantial shift from the non-current pre-financing (a decrease of kEUR 41 104) to the current pre-financing (an increase of kEUR 21 361) is linked to the phasing out of the H2020 projects which are all expected to be finished by the end of 2023 (see note **2.2**)

Members' contributions: The contributions from members increased by kEUR 99 858 and amounted to kEUR 528 779 in 2021. The increase of kEUR 42 687 in the cash contributions comprises cash funding from the EU and the private members to cover the administrative and operating activities of the JU in 2021. The increase of kEUR 57 172 in the in-kind contributions comprises the in-kind contributions from the member other than EU that have been validated by the EU-Rail executive director in 2021 (see note **2.6**).

Operating costs: although the overall amount of the operating costs remained at a comparable level, (2021: kEUR 130 157 versus 2020: kEUR 119 355) a significant shift from estimated operating costs to validated operating costs can be noted in 2021. This evolution is in line with the phasing out of the H2020 projects where the costs are incurred mostly on the basis of the validated mid-term and final cost claims and lower amounts need thus to be estimated (see note **3.3**).

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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

CONTENTS

BALANCE SHEET

EUR '000

	Note	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Intangible assets		*1*	*2*
Property, plant and equipment	*2.1*	*152*	*183*
Pre-financing	*2.2*	*9 167*	*50 271*
		9 320	**50 456**
CURRENT ASSETS			
Pre-financing	*2.2*	*67 410*	*46 049*
Exchange receivables and non-exchange recoverables	*2.3*	*40 277*	*40 598*
		107 687	**86 646**
TOTAL ASSETS		**117 006**	**137 102**
CURRENT LIABILITIES			
Payables and other liabilities	*2.4*	*(97 906)*	*(97 465)*
Accrued charges	*2.5*	*(57 488)*	*(44 413)*
		(155 394)	**(141 878)**
TOTAL LIABILITIES		**(155 394)**	**(141 878)**
NET ASSETS		**(38 388)**	**(4 776)**
Contribution from Members	*2.6*	*528 779*	*428 922*
Accumulated deficit		*(433 698)*	*(311 031)*
Economic result of the year		*(133 469)*	*(122 667)*
NET ASSETS		**(38 388)**	**(4 776)**

STATEMENT OF FINANCIAL PERFORMANCE

EUR '000

	Note	2021	2020
REVENUE			
Revenue from non-exchange transactions	**3.1**		
Recovery of expenses		*119*	*136*
		119	**136**
Revenue from exchange transactions	**3.2**		
Other		*16*	*33*
		16	**33**
Total revenue		**135**	**169**
EXPENSES			
Operational costs	*3.3*	*(130 157)*	*(119 355)*
Staff costs	*3.4*	*(1 840)*	*(1 914)*
Other expenses	*3.5*	*(1 606)*	*(1 568)*
Total expenses		**(133 604)**	**(122 836)**
ECONOMIC RESULT OF THE YEAR		**(133 469)**	**(122 667)**

CASHFLOW STATEMENT[4]

EUR '000

	2021	2020
Economic result of the year	*(133 469)*	*(122 667)*
Operating activities		
Depreciation and amortization	*55*	*52*
(Increase)/decrease in pre-financing	*19 743*	*(17 584)*
(Increase)/decrease in exchange receivables and non-exchange recoverables	*321*	*(14 282)*
Increase/(decrease) in payables	*441*	*16 719*
Increase/(decrease) in accrued charges	*13 074*	*7 450*
Increase/(decrease) in cash contributions	*42 686*	*77 054*
Increase/(decrease) in in-kind contributions	*57 171*	*53 298*
Investing activities		
(Increase)/decrease in intangible assets and property, plant and equipment	*(23)*	*(40)*
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	–	–

[4] Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of EU-Rail, the treasury of EU-Rail was integrated into the Commission's treasury system. Therefore, EU-Rail 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 31.12.2019	**298 570**	**(190 081)**	**(120 950)**	**(12 461)**
Allocation 2019 economic result	*–*	*(120 950)*	*120 950*	*–*
Cash contribution	*77 054*	*–*	*–*	*77 054*
Contribution in-kind	*53 298*	*–*	*–*	*53 298*
Economic result of the year	*–*	*–*	*(122 667)*	*(122 667)*
BALANCE AS AT 31.12.2020	**428 922**	**(311 031)**	**(122 667)**	**(4 776)**
Allocation 2020 economic result	*–*	*(122 667)*	*122 667*	*–*
Cash contribution	*42 686*	*–*	*–*	*42 686*
Contribution in-kind	*57 171*	*–*	*–*	*57 171*
Economic result of the year	*–*	*–*	*(133 469)*	*(133 469)*
BALANCE AS AT 31.12.2021	**528 779**	**(433 698)**	**(133 469)**	**(38 388)**

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 cash flows of an entity that is useful to a wide range of stakeholders.

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 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	31.12.2021	31.12.2020	Currency	31.12.2021	31.12.2020
BGN	**1.9558**	*1.9558*	**PLN**	**4.5969**	4.5597
CZK	**26.8580**	26.2420	**RON**	**4.9490**	4.8683
DKK	**7.4364**	7.4409	**SEK**	**10.2503**	10.0343
GBP	**0.84028**	0.8990	**CHF**	**1.0331**	1.0802
HRK	**7.5156**	7.5519	**JPY**	**130.3800**	126.4900
HUF	**369.1900**	363.8900	**USD**	**1.1326**	1.2271

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, financial risk of accounts receivable and the amounts disclosed in the notes concerning financial instruments, impairment allowance for financial assets at amortised cost and for financial guarantee contract liabilities, accrued revenue and charges, provisions, degree of impairment of intangible assets and property, plant and equipment, net realisable value of inventories, contingent assets and liabilities. Actual results could differ from those estimates.

Reasonable estimates are an 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.

1.2.4. Application of new and revised European Union Accounting Rules (EAR)

Revised EAR which is effective for annual periods beginning on or after 1 January 2021

In 2020, the Accounting Officer adopted the revised EAR 11 'Financial Instruments', which is mandatorily effective as of 1 January 2021. The revised EAR 11 is based on the new IPSAS 41 'Financial Instruments', the amended IPSAS 28 'Financial Instruments: Presentation' and the amended IPSAS 30 'Financial Instruments: Disclosures' which were issued in August 2018. It establishes the financial reporting principles for financial assets and financial liabilities. In accordance with the transition provisions of the revised EAR 11, the entity accounts for any changes from the initial application, on 1 January 2021. The revised EAR 11 does not require the restatement of prior periods.

Changes from the application of the revised EAR 11

The only financial instruments of the entity, are the receivables from exchange transactions. In accordance with the revised EAR 11 requirements, the entity has classified these receivables as 'financial assets at amortised cost' ('loans and receivables' in prior periods). The entity has applied the impairment requirements of the revised EAR 11 to the receivables, but no recognition of loss allowance in the accumulated surplus or deficit on 1 January 2021 was needed

1.3. BALANCE SHEET

1.3.1. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable or arises from binding arrangements. Acquired intangible assets are stated at historical cost less accumulated amortisation and impairment losses. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and the expenses relate solely to the development phase of the asset. Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 to 11 years).

1.3.2. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer 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 is not depreciated, as it is 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

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee.

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term with neither an asset nor a liability recognised in the balance sheet.

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 tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) 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. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.3.4. Financial assets

The classification of the financial instruments is determined at initial recognition. Based on the management model and the asset contractual cash-flow characteristics the financial assets can be classified in three categories: Financial assets at amortised cost ('AC'), financial assets at fair value through net assets/equity ('FVNA') or financial assets at fair value through surplus or deficit ('FVSD'). Based on this classification, the entity has only 'financial assets at amortised cost', which are exchange receivables.

Financial assets at amortised cost are non-derivative financial assets that meet two conditions: 1) The entity holds them in order to collect the contractual cash flows. 2) On specified days, there are contractual cash flows that are solely payments of the principal and interest on the outstanding principal.

Financial assets at amortised cost are included in current assets, except for those with maturity of more than 12 months from the balance sheet reporting date.

Initial recognition and measurement

Financial assets at amortised cost are initially recognised at their fair value plus the transaction costs.

Subsequent measurement

Financial assets at amortised cost are carried at amortised cost, which is the amount initially recognised minus the principal repayments, plus or minus the cumulative amortisation of the interests using the effective interest method. In addition, the entity recognises a loss allowance for expected credit losses over the lifetime of the financial assets. At each reporting date, the annual movement in the loss allowance adjusts the carrying amount of the financial asset. In the statement of financial performance, the entity recognises an impairment gain or loss for the adjustment of the loss allowance.

Derecognition

Financial assets at amortised cost are derecognised either when the rights to receive cash flows from the investments have expired or are waived, or and when the entity has transferred substantially all risks and rewards of ownership to another party.

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. Thus, as the entity retains control over the pre-financing and is entitled to a refund for the ineligible part, the amount is recognised as an asset.

Pre-financing is initially recognised on the balance sheet when cash is transferred to the recipient. It is measured at the amount of the consideration given. In subsequent periods pre-financing is 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

The EU accounting rules require separate presentation of exchange and non-exchange transactions. To distinguish between the two categories, the term 'receivable' is reserved for exchange transactions, whereas for non-exchange transactions, i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange, the term 'recoverables' is used (e.g. recoverables from Member States related to own resources).

Receivables from exchange transactions meet the definition of financial instruments. The entity classified them as financial assets at amortised cost and measured them accordingly.

Recoverables from non-exchange transactions are carried at fair value as at the date of acquisition 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. 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, or pre-financing received (see note **1.4.1**).

Where grants or other funding are provided to the beneficiaries, the cost claims are recorded as payables for the requested amount, at the moment 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. The corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the entity.

1.3.8. 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, or 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. These 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, revenue 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. For the EU entities, transfers mostly comprise funds received from the Commission (e.g., balancing subsidy to the traditional agencies, operating subsidy for the delegation agreements).

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.

(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 the incurring of liabilities that result in decreases in net assets. 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 the 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 either a possible obligation 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 where it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

A contingent liability also arises in the rare circumstances where a present obligation exists but cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the accounts. They are disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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 of the JU (no shares are issued) 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. These financial contributions are recognised in net assets in the period in which the enforceable 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-financed by the EU. The IKOP are recognised in net assets of the JU in the period when the conditions for Members' contributions stipulated by the Regulation are 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 the control of the JU, these contributions are not recognised in the financial statements of the JU. However, to provide a complete picture of the operational activities related to the JU they are still disclosed as additional information in the notes.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

EUR '000

	Plant and equipment	Furniture and vehicles	Computer hardware	Other	TOTAL
Gross carrying amount at 31.12.2020	*35*	*55*	*87*	*264*	*441*
Additions	*–*	*–*	*11*	*12*	*23*
Gross carrying amount at 31.12.2021	**35**	**55**	**97**	**276**	**464**
Accumulated depreciation at 31.12.2020	*(25)*	*(26)*	*(50)*	*(157)*	*(258)*
Depreciation charge for the year	*(4)*	*(6)*	*(15)*	*(29)*	*(55)*
Accumulated depreciation at 31.12.2021	**(30)**	**(31)**	**(65)**	**(187)**	**(312)**
NET CARRYING AMOUNT AT 31.12.2021	**5**	**24**	**33**	**89**	**152**
NET CARRYING AMOUNT AT 31.12.2020	*10*	*30*	*37*	*106*	*183*

The category 'Other' includes capitalised costs related to the improvements made to the rented building.

2.2. PRE-FINANCING

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 underlying contract, decision, agreement or basic legal act.

EUR '000

	31.12.2021	31.12.2020
Non-current pre-financing	*9 167*	*50 271*
Current pre-financing	*67 410*	*46 049*
Total	**76 577**	**96 319**

For all pre-financing amounts open at 31 December 2021 a case-by-case assessment has been performed and all the pre-financing that was considered unlikely to be cleared in the course of 2022 was classified as non-current pre-financing.

The overall high amount of the open pre-financing can be explained by the fact that according to the Horizon 2020 rules, the incurred costs (both actual and estimated) are only cleared against pre-financing when the amounts paid to the beneficiary reach 90% of the grant agreement amount. In addition, only the amount exceeding this threshold is cleared.

The outstanding pre-financing presented under this heading is net of estimated (cut-off) expenses for ongoing projects without validated cost claims on 31 December 2021. The clearing of pre-financing with year-end (cut-off) adjustments amounted to kEUR 24 229 (2020: 36 498). The remaining portion of the cut off expenses is recorded in accrued charges (see note **2.5**).

In 2021, funding still available under H2020 was rather limited and therefore only a few pre-financing payments were made from this last call for proposals. Low amount of new pre-financing payments combined with the finalisation of several projects and thus clearing of the pre-financing with incurred expenses, resulted in an overall decrease of pre-financing. The increase of the current pre-financing and the decrease of non-current pre-financing is linked to the phasing out of the H2020 projects which are all expected to be finished by the end of 2023.

2.3. EXCHANGE RECEIVABLES & NON-EXCHANGE RECOVERABLES

Exchange transactions are transactions in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Non-exchange transactions are transactions in which an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

At 31 December 2021 EU-Rail did not have any long term receivables or recoverables. All amounts under this heading are current and are as follows:

EUR '000

	31.12.2021	31.12.2020
Recoverables from non-exchange transactions		
Public bodies	*18*	*39*
	18	**39**
Receivables from exchange transactions		
Central treasury liaison accounts	40 062	40 222
Customers	181	320
Deferred charges relating to exchange transactions	18	23
Other	(2)	(5)
	40 259	**40 559**
Total	**40 277**	**40 598**

The largest amount under this heading relates to Central treasury liaison (intercompany) accounts with the Commission which represent the virtual bank accounts of EU-Rail. Following the appointment of the Accounting Officer of the Commission as the Accounting Officer of EU-Rail, the treasury of EU-Rail was integrated into the Commission's treasury system. Because of this EU-Rail does not have any bank accounts. All payments and receipts are processed via the Commission's treasury and registered on these intercompany accounts. The ending balance of this heading is thus the result of the incoming and outgoing payments and represents the funds available for the joint undertaking.

The headings Public bodies and Customers refers mainly 2021 contributions to administrative costs from members other than the Union that have been claimed but not paid at year end.

LIABILITIES

2.4. PAYABLES AND OTHER LIABILITIES

Payables are liabilities to pay for goods or services that have been received or supplied and - unlike accrued charges - have already been invoiced or formally agreed with the supplier. Payables can relate to both exchange transactions (such as the purchase of goods and services) and non-exchange transactions (e.g. cost claims from beneficiaries of grants, pre-financing or other EU funding).

EUR '000

	31.12.2021	31.12.2020
Contribution in kind to be validated	*96 437*	*93 119*
Suppliers	*1 469*	*3 855*
Public bodies	*0*	*491*
Total	**97 906**	**97 465**

Included under the '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 2021. The amount of in-kind contributions was estimated on a case-by-case basis using the best available information on the projects at the year-end, which is 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 increase compared to 2020 stems from the fact that due to the new projects started in 2021 the number of on-going projects on which the contributions in-kind are estimated has increased.

The sub-heading Suppliers comprises commercial invoices and cost claims of operational expenses received by the JU but not validated and paid at the year-end.

2.5. ACCRUED CHARGES

Accruals are liabilities to pay for goods or services that have been received or supplied but - unlike payables - have not yet been invoiced or formally agreed with the supplier. They include amounts due to employees (e.g. accruals for untaken holidays). The calculation of accruals is based on the open amount of budgetary commitments at year-end. The portion of the estimated accrued charges relating to pre-financing paid has been recorded as a reduction of the pre-financing amounts.

EUR '000

	31.12.2021	31.12.2020
Accrued charges	*57 488*	*44 413*

Accrued charges are the amounts estimated by the Authorising Officer of costs incurred for services and goods delivered in the year but for which no invoice was yet received or processed by the end of the year. They are largely composed of estimated operating expenses (kEUR 55 171) for on-going projects without a validated cost statement, where the 2021 expense was estimated on a case-by-case basis using the best available information about the projects at 31 December 2021. The portion of the estimated accrued charges which relates to pre-financing paid has been recorded as a reduction of the pre-financing amounts. The decrease in clearing of pre-financing with accrued charges resulted in an increase of "simple" accrued charges included under this heading.

An amount of kEUR 2 058 represents operating expenses other than grants. It is mostly related to operational framework contracts related to the action plans of EU-Rail. It includes also other operational contracts and expert costs.

Included under this heading are also accrued administrative expenses of kEUR 214 and accrued staff expenses for untaken leave (kEUR 45).

NET ASSETS

2.6. CONTRIBUTIONS FROM MEMBERS

The JU is funded by contributions from its members. Given their funding nature these contributions, which comprise both cash contributions and contributions in kind, are recognised in the JU's net assets as 'Contributions from owners’. The term 'owner' does not imply ownership of any shares of the JU (in fact no shares are issued), but reflects the specific governance of the JU where voting rights are allocated in accordance with the contributions made.

EUR '000

Programme	2021			2020		
	Cash	in-Kind	Total	Cash	in-Kind	Total
H2020	*349 666*	*179 113*	*528 779*	*306 979*	*121 942*	*428 922*

With regard to the Horizon 2020 programme, Council Regulation (EC) No 642/2014 distinguishes between Members (European Commission, Industry Grouping) and non-members of the JU. In addition, only the in-kind contributions from the Members that are both certified by external auditors and validated by the Executive Director of EU-Rail are considered in-kind contribution. 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**).

EUR '000

Member	EU	Industry Grouping			Total	
	Cash	Cash	In kind	Total	Cash	In kind
Running costs contributions at 31.12.2020	*7 421*	*9 238*	*–*	*9 238*	*16 659*	*–*
Current year contributions	*1 233*	*1 233*	*–*	*1 233*	*2 466*	*–*
Running costs contributions[5] at 31.12.2021	**8 654**	**10 471**	**–**	**10 471**	**19 125**	**–**
Operational costs contributions at 31.12.2020	*290 320*	*–*	*121 942*	*121 942*	*290 320*	*121 942*
Current year contributions	*40 221*	*–*	*57 171*	*57 171*	*40 221*	*57 171*
Operational costs contributions at	**330 541**	**–**	**179 113**	**179 113**	**330 541**	**179 113**
TOTAL contributions at 31.12.2020	*297 741*	*9 238*	*121 942*	*131 181*	*306 979*	*121 942*
TOTAL contributions at 31.12.2021	**339 195**	**10 471**	**179 114**	**189 585**	**349 666**	**179 113**
						–
						–
% of total contributions (by type)	*97.01%*	*2.99%*	*100.00%*		***100.00%***	***100.00%***
Total contribution in %	*64.15%*	*35.85%*			***100.00%***	
Voting rights %	*50.00%*	*50.00%*			***100.00%***	

[5] The amounts of ‘Running costs contributions”, exclude the EU Contribution of kEUR 1 817 received in 2014-2016 and used prior to the S2R JU autonomy.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions relates to transactions where the transferor provides resources to the recipient entity without the recipient entity providing approximately equal value directly in exchange. The heading mainly includes amounts received from the Commission during the year and recoveries of operational expenses.

3.1. RECOVERY OF EXPENSES

The revenue resulting from recovery of expenses refers to operational expenses recovered from beneficiaries during the year and adjustments coming from audits that will be collected in the following year.

EUR '000

	2021	2020
Recovery of operational expenses	*119*	*136*

REVENUE FROM EXCHANGE TRANSACTIONS

The revenue from exchange transactions and events relates to following types of transactions: rendering of services; sale of goods; and the use by others of entity assets yielding interest, royalties and dividends.

3.2. OTHER EXCHANGE REVENUE

EUR '000

	2021	2020
Recovery of administrative expenses	*14*	*32*
Miscellaneous income exchange	*2*	*0*
Total	**16**	**33**

EXPENSES

3.3. OPERATIONAL COSTS

Included under this heading are operational expenses related to projects that were carried out in the current year. The part of the operational costs related to on-going projects without any validated cost claims (or equivalent) available at 31 December was estimated using the best information available at the time of preparation of the annual accounts. The estimation is based on 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 operational costs of the year. Depending on the availability of information at the time of preparation of the annual accounts, the estimates are based on costs incurred to date as a proportion of the estimated total costs of the projects ("pro-rata temporis").

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

EUR '000

	2021	2020
Operational costs: validated in-kind contributions	*57 171*	*53 298*
Operational costs: estimated in-kind contributions	*3 318*	*18 478*
Total operational costs from in-kind contributions	**60 489**	**71 776**
Operational costs: validated EU contributions	*72 376*	*43 747*
Operational costs: estimated EU contributions	*(2 708)*	*3 832*
Total operational costs from EU contributions	**69 668**	**47 579**
Total	**130 157**	**119 355**

The increase of the total operating costs is a combined effect of an increase of the validated cost from in-kind and EU cash contributions and a decrease of the estimated part of those. This evolution is in line with the phasing out of the H2020 projects where the costs are incurred mostly on the basis of the validated mid-term and final cost claims and lower amounts thus need to be estimated.

3.4. STAFF COSTS

This heading includes the expenses for salaries, allowances and other employment-related benefits. Based on the service level agreement between the JU and the Commission, the calculations of staff-related costs is carried out by the Commission's Office for Administration and Payment of Individual Entitlements (also known as the Paymaster's Office - PMO). The pensions of the JU staff members are covered by the Pension Scheme of European Officials. This pension scheme is a defined benefit plan, i.e. the amount of benefit an employee will receive on retirement depends on several factors, the most important of which is years of service. Both the JU staff and the EU budget contribute to the pension scheme, with the contribution percentage being revised annually in line with the changes in the Staff Regulation governing the scheme. The cost to the EU Budget is not reflected in the JU accounts. Similarly, no provision related to the future pension payments is recognised in the annual accounts of the JU, as the obligation falls to the Commission. Consequently, both the annual cost to the EU budget, and the future benefits payable to the JU staff, are accounted for in the Commission's annual accounts as part of its provision for pensions and other post-employment benefits. The pension costs included in the Commission's Statement of Financial Performance represent current service cost (rights accrued during the year due to service) and interest cost (unwinding of the liability discounting) which have arisen following the year-end actuarial valuation of the employee benefits liabilities.

EUR '000

	2021	2020
Staff costs	*1 840*	*1 914*

The unusual decrease under this heading relates difficulties to recruit staff. To fill the gaps during the recruitment process, the JU made use of external support (see note **3.5**).

3.5. OTHER EXPENSES

Included under this heading are expenses of administrative nature such as external non-IT services, operating leasing expenses, communications and publications, training costs etc.

EUR '000

	2021	2020
External non-IT services	*621*	*646*
Office Supplies and maintenance	*586*	*387*
Operating lease expenses	*223*	*220*
Maintenance and security expenses	*88*	*89*
Property, plant and equipment related expenses	*55*	*53*
Missions	*38*	*11*
Training costs	*24*	*(5)*
Experts and related expenses	*2*	*5*
Car and transport expenses	*2*	*5*
Communications and publications	*(33)*	*156*
Foreign exchange losses	–	*1*
Total	**1 606**	**1 568**

As in 2020 so in 2021 the structure and the amounts of the administrative expenses have been impacted by the restrictions imposed by the COVID-19 pandemic, thus the global amount of these expenses remained comparable. The significant decrease under Publication and communication is due to postponement of some events (e.g. TRA and Innotrans). The lower 2021 expenses could not compensate the negative reversal of last year’s accruals which resulted in a negative amount of expenses under this title.

Operating lease expenses relate to the EU-Rail 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	*319*	*658*	–	*977*

4. OTHER SIGNIFICANT DISCLOSURES

4.1. OUTSTANDING COMMITMENTS NOT YET EXPENSED

The outstanding commitments not yet expensed comprise the budgetary RAL ('Reste à Liquider') less related amounts that have been included as expenses in the current year's statement of financial performance. The RAL represents the open budgetary 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.

EUR '000

	31.12.2021	31.12.2020
Outstanding commitments not yet expensed	*38 966*	*81 212*

The outstanding commitments not yet expensed represent the correction of the budgetary RAL with the estimated costs which are determined by using accrual based principle not reflected in the budgetary result, where the cash based principle is used. The high decrease between the years is driven by the high decrease in the budgetary RAL by kEUR 32 319, which is seen the budget implementation reports (chapter **6**).

4.2. RELATED PARTIES

The related parties of the JU are the participants of the JU and the key management personnel of these entities. As transactions between the JU and these parties take place as part of the normal operations of the JU and on terms and conditions that are normal for such transactions, no specific disclosures are required.

4.3. KEY MANAGEMENT ENTITLMENTS

The Director, or head of entity, is remunerated in accordance with the Staff Regulations of the European Union, which establish the rights and obligations of all officials of the EU. The Staff Regulations are published on the Europa website.

	31.12.2021	31.12.2020
Executive Director	*AD 14*	*AD 14*

4.4. IN-KIND CONTRIBUTIONS

In accordance with Article 174 of the Single Basic Act, EU-Rail is the universal successor of the Shift2Rail JU. The rights and obligations in relation to the Shift2Rail Programme, hence, remain applicable under the current legal framework. In this respect, in accordance with article 4(3) of Council Regulation (EU) No 642/2014 of 16 June 2014 (hereinafter 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".

Article 4(2) of the S2R Regulation establishes that the total contribution to be provided by the Other Members[1] and totalling EUR 470 million shall consist of:

IKOP[2] (in-kind operational): at least EUR 350 million, including at least EUR 200 million from the founding members other than the Union and their affiliated entities, and at least EUR 150 million 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 them [the Other Members] in implementing indirect actions less the contribution of the S2RJU and any other Union contribution to those costs".

[1] The "Other Members" consist of the Founding Members of the JU, with the exclusion of the Union, and the Associated Members.
[2] As laid down in Article 16(2) and Article 16(3)(b) of the Statutes.

IKAA (in-kind other activities): at least EUR 120 million, of which at least EUR 70 million from the founding members other than the Union and their affiliated entities, and at least EUR 50 million from associated members and their affiliated entities. These contributions shall consist of the costs incurred by them in implementing additional activities outside the work plan of the S2R Joint Undertaking, which are complementary to this work plan and contribute to the objectives of the S2R Master Plan. Other Union funding programmes may support those costs in compliance with the applicable rules and procedures. In such cases, Union financing shall not substitute for the in-kind contributions from the members other than the Union or their affiliated entities.

The aforementioned In-Kind Contributions, which consist of financial expenditure implemented by the Members – salaries, assets, operations, etc. – to achieve the S2R Programme and its Projects, are in addition to the cash contribution of the Other Members to the 50% of the running costs of the JU.

4.5. OTHER EVENTS

Establishment of EU-Rail

Council Regulation (EU) 2021/2085 of 19 November 2021 ('Single Basic Act' or 'SBA'), which became effective on 30 November 2021, established the new Joint Undertakings under Horizon Europe, including the reporting entity of these financial statements. According to Article 174(6) SBA, The Europe's Rail Joint Undertaking (EU-Rail) is the legal and universal successor of the previous joint undertaking Shift2Rail in respect of all contracts, including employment contracts and grant agreements, liabilities and acquired property. As a consequence, the 2021 amounts presented in these financial statements are based on both transactions and events that occurred in the period 01 January to 30 November under the previous joint undertaking and transactions and events that occurred in the period 01 December to 31 December 2021 under the reporting entity.

Pension contribution of private members

Based on analysis undertaken in 2021 it has been determined that the entity, in line with Article 83a (2) of the Staff Regulations, should pay into the general budget of the European Union the part of the employers' contributions which corresponds to the proportion between the entity's revenues without the subsidy from the general budget of the European Union and its total revenues. The applicable proportion should be calculated based on the specific percentage of the administrative costs funded by the Private members. The Commission is working on guidance for calculating and collection the employer contributions which has not been finalised and approved at the time of signature of these annual accounts. Due to the administrative limitations of applying Art. 83a (2) of the Staff Regulations retroactively, and in particular the change in the composition of Private members as compared to the entity's legal predecessor (see Council Regulation (EU) 2021/2085), the new guidance will be applied as of the financial year 2022 only.

4.6. EVENTS AFTER REPORTING DATE

In accordance with EU accounting rule 19, Events after Reporting Date, the war in Ukraine that began in February 2022 is a non-adjusting event, thus not requiring any adjustments to the figures reported in these financial statements at 31 December 2021. For subsequent reporting periods, the war may affect the recognition and measurement of some assets and liabilities on the balance sheet and also of some revenue and expenses recognised in the statement of financial performance. Based on the facts and circumstances at the time of preparation of these financial statements, in particular the evolving situation, the financial effect of the war in Ukraine on the accounts cannot be reliably estimated.

5. FINANCIAL RISK MANAGEMENT

5.1. TYPES OF RISK

Market risk is the risk that the fair value or future cash flows 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 entity has no significant interest rate risk and other price risk).

(1) Currency risk is the risk that the entity operations will be affected by changes in exchange rates. This risk arises from the change in the 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. The entity 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 non-payment or other failure to meet a contractual obligation. The default events include a delay in repayments, and bankruptcy.

Liquidity risk is the risk that an EU entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

5.2. CURRENCY RISKS

At the end of the year, the financial assets are composed of exchange receivables. The financial liabilities are composed of accounts payable. Their ending balances are mainly quoted in EUR, the entity is thus not exposed to currency risk.

5.3. CREDIT RISK

At the end of the year, the financial assets comprise exchange receivables that are not past due for more than 30 days. As no credit loss is expected during the life time of those receivables the entity is not exposed to any significant credit risk.

5.4. LIQUIDITY RISK

The financial liabilities are mainly composed of accounts payable. All the accounts payable have remaining contractual maturity of less than 1 year.

THE BUDGET IMPLEMENTATION REPORTS AND EXPLANATORY NOTES

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

CONTENTS

1. BUDGETARY PRINCIPLES AND STRUCTURE

1.1. BUDGETARY PRINCIPLES

The establishment and implementation of the budget of S2R JU and EU-Rail is governed by the following basic principles set out by the Financial Rules of the joint undertaking:

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 the joint undertaking. 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, the joint undertaking 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 joint undertaking 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 joint undertaking, 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 relating to staff expenditure such as salaries and allowances for personnel working with the joint undertaking. 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 the joint undertaking in accordance with its establishing Council Regulation.

Title 4

Budget lines are technical nature and are used to capture the appropriations to be re-activated in future budgets.

2. RESULT OF THE IMPLEMENTATION OF THE BUDGET

EUR '000

	Title	2021	2020
Revenue		**42 720**	**76 937**
of which:			
Revenue	9	42 720	76 937
Expenditure		**(42 877)**	**(61 083)**
of which:			
Staff expenditure	1	(2 371)	(2 393)
Administrative expenditure	2	(1 088)	(1 034)
Operational expenditure	3	(39 417)	(57 657)
Specific expenditure	4	–	–
Exchange rate differences		**-**	**(0)**
Budget result		**(157)**	**15 853**

3. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR '000

	2021	2020
ECONOMIC RESULT OF THE YEAR	**(133 469)**	**(122 667)**
Adjustment for accrual items (items not in the budgetary result but	**98 600**	**97 245**
In-kind contributions validated in the year	*57 171*	*53 298*
Adjustments for accrual cut-off (net)	*(2 758)*	*11 065*
Unpaid invoices at year end but booked in expenses	*3 706*	*16 850*
Depreciation, amortization and impairment of intangible and tangible assets	*55*	*53*
Recovery orders issued in the year and not yet cashed	*(199)*	*(212)*
Correction of recovery orders issued last year	*(133)*	*(168)*
Pre-financing given in previous year and cleared in the year	*40 722*	*16 360*
Other individually immaterial	*37*	*-*
Adjustment for budgetary items (item included in the budgetary	**34 712**	**41 276**
Members' cash contributions collected in the year	*42 715*	*77 088*
Asset acquisitions (less unpaid amounts)	*(23)*	*(40)*
New pre-financing paid in the year and remaining open as at 31 December	*(8 184)*	*(35 825)*
Entitlements established in previous year and cashed in the year	*203*	*53*
BUDGET RESULT OF THE YEAR	**(157)**	**15 853**

4. IMPLEMENTATION OF BUDGET REVENUE

4.1. Implementation of budget revenue – Title 9

EUR '000

Item		Income appropriations		Entitlements established			Revenue				
		Initial budget	Final budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total	%	Out-standing
		1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
900	Contribution from EU (administrative)	1 238	1 233	1 233	–	1 233	1 233	–	1 233	100 %	–
901	Contribution from EU (operational)	40 390	40 221	40 221	–	40 221	40 221	–	40 221	100 %	–
902	Contribution from members other than the EU	1 238	1 233	1 233	203	1 436	1 034	203	1 237	100 %	199
Total Chapter 90		42 866	42 686	42 686	203	42 890	42 488	203	42 691	100 %	199
910	Recoveries from members	0	0	9	–	9	9	–	9	-	–
911	Recoveries from non-members	0	0	3	–	3	3	–	3	-	–
912	Recoveries from others	0	0	16	–	16	16	–	16	-	–
Total Chapter 91		0	0	29	–	29	29	–	29	-	–
920	Bank interest	0	0	0	–	0	0	–	0	-	–
Total Chapter 92		0	0	0	–	0	0	–	0	-	–
Total Title 9		**42 866**	**42 686**	**42 715**	**203**	**42 919**	**42 516**	**203**	**42 720**	**100 %**	**199**
GRAND TOTAL		**42 866**	**42 686**	**42 715**	**203**	**42 919**	**42 516**	**203**	**42 720**	**100 %**	**199**

5. IMPLEMENTATION OF BUDGET EXPENDITURE

5.1. Breakdown & changes in commitment appropriations

5.1.1. Breakdown & changes in commitment appropriations – Title 1

EUR '000

	Item	Budget appropriations				Additional appropriations			Total appropr. available
		Initial adopted budget	Amending budgets	Transfers	Final adopted budget	Reactivated appropriations	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
110	Temporary agents	77	–	–	77	700	–	700	777
111	Contract agents, seconded national experts, trainees and interims	112	(68)	22	66	1 300	0	1 300	1 366
Total Chapter 11		189	(68)	22	143	2 000	0	2 000	2 143
130	Mission costs	90	(44)	–	46	–	–	–	46
Total Chapter 13		90	(44)	–	46	–	–	–	46
150	Training	20	5	(7)	19	–	–	–	19
Total Chapter 15		20	5	(7)	19	–	–	–	19
190	Other staff expenditure	60	(1)	–	60	150	0	150	210
Total Chapter 19		60	(1)	–	60	150	0	150	210
Total Title 1		**359**	**(108)**	**15**	**267**	**2 150**	**0**	**2 151**	**2 417**

5.1.2. Breakdown & changes in commitment appropriations – Title 2

EUR '000

Item		Budget appropriations				Additional appropriations			Total appropr. available
		Initial adopted budget	Amending budgets	Transfers	Final adopted budget	Reactivated appropriations	Assigned revenue	Total	
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
200	Rental of buildings and associated costs	139	175	(14)	300	473	13	486	786
Total Chapter 20		139	175	(14)	300	473	13	486	786
210	IT expenditure and technical facilities	150	–	(4)	146	34	–	34	179
Total Chapter 21		150	–	(4)	146	34	–	34	179
220	Movable property and associated costs	10	(10)	–	–	–	–	–	–
Total Chapter 22		10	(10)	–	–	–	–	–	–
230	Current administrative expenditure	15	(5)	–	10	–	–	–	10
Total Chapter 23		15	(5)	–	10	–	–	–	10
240	Postage and telecommunications	15	(12)	4	7	–	3	3	10
Total Chapter 24		15	(12)	4	7	–	3	3	10
250	Administrative board expenditure	50	(45)	–	5	–	–	–	5
Total Chapter 25		50	(45)	–	5	–	–	–	5
260	Administrative support services	50	–	(0)	50	114	–	114	164
Total Chapter 26		50	–	(0)	50	114	–	114	164
270	Public relations and events	300	–	(1)	299	41	–	41	340
Total Chapter 27		300	–	(1)	299	41	–	41	340
290	Other infrastructure and operating expenditure	150	–	–	150	–	–	–	150
Total Chapter 29		150	–	–	150	–	–	–	150
Total Title 2		**879**	**103**	**(16)**	**966**	**662**	**16**	**678**	**1 644**

5.1.3. Breakdown & changes in commitment appropriations – Title 3

EUR '000

Item	Budget appropriations				Additional appropriations			Total appropr. available
	Initial adopted budget	Amending budgets	Transfers	Final adopted budget	Reactivated appropriations	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
300 Operational expenditure	–	–	–	–	9 552	12	9 564	9 564
Total Chapter 30	–	–	–	–	9 552	12	9 564	9 564
Total Title 3	**–**	**–**	**–**	**–**	**9 552**	**12**	**9 564**	**9 564**
GRAND TOTAL	**1 238**	**(5)**	**0**	**1 233**	**12 364**	**29**	**12 392**	**13 625**

5.2. Breakdown & changes in payment appropriations

5.2.1. Breakdown & changes in payment appropriations – Title 1

EUR '000

Item	Budget appropriations				Additional appropriations			Total appropr. available
	Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Reactivated appropriations	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
110 Temporary agents	200	–	–	200	577	–	577	777
111 Contract agents, seconded national experts, trainees and interims	313	(115)	–	199	1 179	–	1 179	1 377
Total Chapter 11	513	(115)	–	399	1 756	–	1 756	2 154
130 Mission costs	90	(50)	–	40	–	6	6	46
Total Chapter 13	90	(50)	–	40	–	6	6	46
150 Training	20	(2)	–	19	20	–	20	39
Total Chapter 15	20	(2)	–	19	20	–	20	39
190 Other staff expenditure	210	14	–	224	–	2	2	226
Total Chapter 19	210	14	–	224	–	2	2	226
Total Title 1	**833**	**(152)**	**–**	**681**	**1 776**	**9**	**1 784**	**2 465**

5.2.2. Breakdown & changes in payment appropriations – Title 2

EUR '000

Item	Budget appropriations				Additional appropriations			Total appropr. available
	Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Reactivated appropriations	Assigned revenue	Total	
	1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
200 Rental of buildings and associated costs	335	6	(20)	321	–	0	0	322
Total Chapter 20	335	6	(20)	321	–	0	0	322
210 IT expenditure and technical facilities	150	–	85	235	–	–	–	235
Total Chapter 21	150	–	85	235	–	–	–	235
220 Movable property and associated costs	10	–	(10)	–	–	–	–	–
Total Chapter 22	10	–	(10)	–	–	–	–	–
230 Current administrative expenditure	15	(1)	(1)	13	–	–	–	13
Total Chapter 23	15	(1)	(1)	13	–	–	–	13
240 Postage and telecommunications	15	(0)	(4)	11	–	8	8	19
Total Chapter 24	15	(0)	(4)	11	–	8	8	19
250 Administrative board expenditure	50	5	(50)	5	–	–	–	5
Total Chapter 25	50	5	(50)	5	–	–	–	5
260 Administrative support services	50	26	(39)	36	–	–	–	36
Total Chapter 26	50	26	(39)	36	–	–	–	36
270 Public relations and events	300	25	57	382	–	–	–	382
Total Chapter 27	300	25	57	382	–	–	–	382
290 Other infrastructure and operating expenditure	150	23	(18)	155	–	–	–	155
Total Chapter 29	150	23	(18)	155	–	–	–	155
Total Title 2	**1 075**	**83**	**–**	**1 158**	**–**	**8**	**8**	**1 166**

5.2.3. Breakdown & changes in payment appropriations – Title 3

EUR '000

Item		Budget appropriations: Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Additional appropriations: Reactivated appropriations	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
300	Operational expenditure	40 390	(17 669)	–	22 721	23 950	12	23 962	46 683
Total Chapter 30		40 390	(17 669)	–	22 721	23 950	12	23 962	46 683
Total Title 3		**40 390**	**(17 669)**	**–**	**22 721**	**23 950**	**12**	**23 962**	**46 683**

5.2.4. Breakdown & changes in payment appropriations – Title 4

EUR '000

Item		Budget appropriations: Initial budget adopted	Amending budgets	Transfers	Final adopted budget	Additional appropriations: Reactivated appropriations	Assigned revenue	Total	Total appropr. available
		1	2	3	4=1+2+3	5	6	7=5+6	8=4+7
400	Administrative budget	567	59	–	626	–	–	–	626
Total Chapter 40		567	59	–	626	–	–	–	626
410	Operational budget	–	17 500	–	17 500	–	–	–	17 500
Total Chapter 41		–	17 500	–	17 500	–	–	–	17 500
Total Title 4		**567**	**17 559**	**–**	**18 126**	**–**	**–**	**–**	**18 126**
GRAND TOTAL		**42 866**	**(179)**	**–**	**42 686**	**25 725**	**29**	**25 754**	**68 440**

5.3. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

5.3.1. Implementation of commitment appropriations - Title 1

EUR '000

	Item	Total approp. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopt. budget	from re-activations	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from re-activa-tions	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	777	77	700	–	777	100 %	–	–	–	–	–	–	–
111	Contract agents, seconded national experts, trainees and interims	1 366	66	1 300	0	1 366	100 %	–	–	–	–	–	–	–
Total Chapter 11		2 143	143	2 000	0	2 143	100 %	–	–	–	–	–	–	–
130	Mission costs	46	46	–	–	46	100 %	–	–	–	–	–	–	–
Total Chapter 13		46	46	–	–	46	100 %	–	–	–	–	–	–	–
150	Training	19	19	–	–	19	100 %	–	–	–	–	–	–	–
Total Chapter 15		19	19	–	–	19	100 %	–	–	–	–	–	–	–
190	Other staff expenditure	210	60	150	–	210	100 %	–	–	–	–	–	0	0
Total Chapter 19		210	60	150	–	210	100 %	–	–	–	–	–	0	0
Total Title 1		**2 417**	**267**	**2 150**	**0**	**2 417**	**100 %**	**–**	**–**	**–**	**–**	**–**	**0**	**0**

5.3.2. Implementation of commitment appropriations - Title 2

EUR '000

Item		Total approp. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopt. budget	from re-activations	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from re-activa-tions	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	786	300	473	13	786	100 %	–	–	–	–	–	–	–
Total Chapter 20		786	300	473	13	786	100 %	–	–	–	–	–	–	–
210	IT expenditure and technical facilities	179	146	34	–	179	100 %	–	–	–	–	–	–	–
Total Chapter 21		179	146	34	–	179	100 %	–	–	–	–	–	–	–
230	Current administrative expenditure	10	10	–	–	10	100 %	–	–	–	–	–	–	–
Total Chapter 23		10	10	–	–	10	100 %	–	–	–	–	–	–	–
240	Postage and telecommunications	10	7	–	3	10	100 %	–	–	–	–	–	–	–
Total Chapter 24		10	7	–	3	10	100 %	–	–	–	–	–	–	–
250	Administrative board expenditure	5	5	–	–	5	100 %	–	–	–	–	–	–	–
Total Chapter 25		5	5	–	–	5	100 %	–	–	–	–	–	–	–
260	Administrative support services	164	50	114	–	164	100 %	–	–	–	–	–	–	–
Total Chapter 26		164	50	114	–	164	100 %	–	–	–	–	–	–	–
270	Public relations and events	340	299	41	–	340	100 %	–	–	–	–	–	–	–
Total Chapter 27		340	299	41	–	340	100 %	–	–	–	–	–	–	–
290	Other infrastructure and operating expenditure	150	150	–	–	150	100 %	–	–	–	–	–	–	–
Total Chapter 29		150	150	–	–	150	100 %	–	–	–	–	–	–	–
Total Title 2		**1 644**	**966**	**662**	**16**	**1 644**	**100 %**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

5.3.3. Implementation of commitment appropriations - Title 3

EUR '000

Item		Total approp. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopt. budget	from re-activations	from assign. revenue	Total	%	Assign. revenue	By decision	Total	from final adopt. budget	from re-activa-tions	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	9 564	–	9 552	12	9 564	100 %	–	–	–	–	–	–	–
Total Chapter 30		9 564	–	9 552	12	9 564	100 %	–	–	–	–	–	–	–
Total Title 3		**9 564**	**–**	**9 552**	**12**	**9 564**	**100 %**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
GRAND TOTAL		**13 625**	**1 233**	**12 364**	**28**	**13 625**	**100 %**	**–**	**–**	**–**	**–**	**–**	**0**	**0**

5.4. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

5.4.1. Implementation of payment appropriations - Title 1

EUR '000

	Item	Total approp. availab.	Payments made					Appropriations carried over to 2022				Appropriations lapsing			
			from final adopt. budget	from re-activations	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget	from re-activa-tions	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	777	187	577	–	764	98 %	–	–	–	–	13	–	–	13
111	Contract agents, seconded national experts, trainees and interims	1 377	167	1 179	–	1 346	98 %	–	–	–	–	32	–	–	32
Total Chapter 11		2 154	354	1 756	–	2 110	98 %	–	–	–	–	44	–	–	44
130	Mission costs	46	18	–	6	24	52 %	–	–	–	–	22	–	–	22
Total Chapter 13		46	18	–	6	24	52 %	–	–	–	–	22	–	–	22
150	Training	39	15	20	–	35	90 %	–	–	–	–	4	–	–	4
Total Chapter 15		39	15	20	–	35	90 %	–	–	–	–	4	–	–	4
190	Other staff expenditure	226	200	–	2	202	90 %	–	–	–	–	23	–	0	24
Total Chapter 19		226	200	–	2	202	90 %	–	–	–	–	23	–	0	24
Total Title 1		**2 465**	**587**	**1 776**	**8**	**2 371**	**96 %**	**–**	**–**	**–**	**–**	**94**	**–**	**0**	**94**

5.4.2. Implementation of payment appropriations - Title 2

EUR '000

Item		Total approp. availab.	Payments made					Appropriations carried over to 2022				Appropriations lapsing			
			from final adopt. budget	from re-activations	from assign. revenue	Total	%	Autom. carry-overs	By decision	Assigned rev.	Total	from final adopt. budget	from re-activa-tions	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	322	311	–	0	311	97 %	–	–	–	–	10	–	–	10
Total Chapter 20		322	311	–	0	311	97 %	–	–	–	–	10	–	–	10
210	IT expenditure and technical facilities	235	219	–	–	219	93 %	–	–	–	–	16	–	–	16
Total Chapter 21		235	219	–	–	219	93 %	–	–	–	–	16	–	–	16
230	Current administrative expenditure	13	8	–	–	8	58 %	–	–	–	–	5	–	–	5
Total Chapter 23		13	8	–	–	8	58 %	–	–	–	–	5	–	–	5
240	Postage and telecommunications	19	5	–	8	13	70 %	–	–	–	–	6	–	–	6
Total Chapter 24		19	5	–	8	13	70 %	–	–	–	–	6	–	–	6
250	Administrative board expenditure	5	1	–	–	1	24 %	–	–	–	–	4	–	–	4
Total Chapter 25		5	1	–	–	1	24 %	–	–	–	–	4	–	–	4
260	Administrative support services	36	36	–	–	36	99 %	–	–	–	–	0	–	–	0
Total Chapter 26		36	36	–	–	36	99 %	–	–	–	–	0	–	–	0
270	Public relations and events	382	375	–	–	375	98 %	–	–	–	–	7	–	–	7
Total Chapter 27		382	375	–	–	375	98 %	–	–	–	–	7	–	–	7
290	Other infrastructure and operating expenditure	155	125	–	–	125	81 %	–	–	–	–	30	–	–	30
Total Chapter 29		155	125	–	–	125	81 %	–	–	–	–	30	–	–	30
Total Title 2		**1 166**	**1 080**	**–**	**8**	**1 088**	**93 %**	**–**	**–**	**–**	**–**	**78**	**–**	**–**	**78**

5.4.3. Implementation of payment appropriations - Title 3

EUR '000

Item		Total approp. availab.	Payments made: from final adopt. budget	from re-activations	from assign. revenue	Total	%	Appropriations carried over to 2022: Autom. carry-overs	By decision	Assigned rev.	Total	Appropriations lapsing: from final adopt. budget	from re-activa-tions	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	46 683	15 455	23 950	12	39 417	84 %	–	–	–	–	7 266	–	–	7 266
Total Chapter 30		46 683	15 455	23 950	12	39 417	84 %	–	–	–	–	7 266	–	–	7 266
Total Title 3		**46 683**	**15 455**	**23 950**	**12**	**39 417**	**84 %**	**–**	**–**	**–**	**–**	**7 266**	**–**	**–**	**7 266**

5.4.4. Implementation of payment appropriations - Title 4

EUR '000

Item		Total approp. availab.	Payments made: from final adopt. budget	from re-activations	from assign. revenue	Total	%	Appropriations carried over to 2022: Autom. carry-overs	By decision	Assigned rev.	Total	Appropriations lapsing: from final adopt. budget	from re-activa-tions	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
400	Administrative budget	626	–	–	–	–	0 %	–	–	–	–	626	–	–	626
Total Chapter 40		626	–	–	–	–	0 %	–	–	–	–	626	–	–	626
410	Operational budget	17 500	–	–	–	–	0 %	–	–	–	–	17 500	–	–	17 500
Total Chapter 41		17 500	–	–	–	–	0 %	–	–	–	–	17 500	–	–	17 500
Total Title 4		**18 126**	**–**	**–**	**–**	**–**	**0 %**	**–**	**–**	**–**	**–**	**18 126**	**–**	**–**	**18 126**
GRAND TOTAL		**68 440**	**17 123**	**25 725**	**28**	**42 877**	**63 %**	**–**	**–**	**–**	**–**	**25 563**	**–**	**0**	**25 564**

6. OUTSTANDING COMMITMENTS

6.1. Outstanding commitments– Title 1

EUR '000

Item		Commitments outstanding at the end of previous year				Commitments of the current year				
		Commitm. carried forward from previous year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payments	Cancellation of commit. which cannot be carried forward	Commit. outstanding at year-end	**Total commitm. outstanding at year-end**
		1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
110	Temporary agents	–	–	–	–	777	764	–	13	13
111	Contract agents, seconded national experts, trainees and interims	156	(41)	116	–	1 366	1 230	–	136	136
Total Chapter 11		156	(41)	116	–	2 143	1 994	–	149	149
130	Mission costs	6	(6)	0	–	46	24	–	22	22
Total Chapter 13		6	(6)	0	–	46	24	–	22	22
150	Training	23	(3)	20	–	19	15	–	4	4
Total Chapter 15		23	(3)	20	–	19	15	–	4	4
190	Other staff expenditure	52	–	32	20	210	170	–	40	60
Total Chapter 19		52	–	32	20	210	170	–	40	60
Total Title 1		**238**	**(50)**	**168**	**20**	**2 417**	**2 203**	**–**	**214**	**234**

6.2. Outstanding commitments – Title 2

EUR '000

Item		Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at year-end
		Commitm. carried forward from previous year	Decommit. Revaluation Cancellations	Payments	Total	Commitments made during the year	Payments	Cancellation of commit. which cannot be carried forward	Commit. 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	14	–	–	14	786	311	–	475	489
Total Chapter 20		14	–	–	14	786	311	–	475	489
210	IT expenditure and technical facilities	355	(4)	181	170	179	38	–	141	311
Total Chapter 21		355	(4)	181	170	179	38	–	141	311
230	Current administrative expenditure	1	–	–	1	10	8	–	2	3
Total Chapter 23		1	–	–	1	10	8	–	2	3
240	Postage and telecommunications	13	(0)	8	4	10	4	–	5	10
Total Chapter 24		13	(0)	8	4	10	4	–	5	10
250	Administrative board expenditure	17	(17)	–	–	5	1	–	4	4
Total Chapter 25		17	(17)	–	–	5	1	–	4	4
260	Administrative support services	57	(0)	29	28	164	8	–	156	185
Total Chapter 26		57	(0)	29	28	164	8	–	156	185
270	Public relations and events	339	(134)	157	48	340	219	–	121	169
Total Chapter 27		339	(134)	157	48	340	219	–	121	169
290	Other infrastructure and operating expenditure	41	(11)	–	31	150	125	–	25	56
Total Chapter 29		41	(11)	–	31	150	125	–	25	56
Total Title 2		**837**	**(166)**	**375**	**296**	**1 644**	**713**	**–**	**930**	**1 226**

6.3. Outstanding commitments – Title 3

EUR '000

Item	Commitments outstanding at the end of previous year				Commitments of the current year				Total commitm. outstanding at year-end
	Commitm. carried forward from previous year	Decommit. Revaluation Cancel-lations	Pay-ments	Total	Commit-ments made during the year	Pay-ments	Cancel-lation of commit. which cannot be carried forward	Commit. outstand-ing at year-end	
	1	2	3	4=1+2-3	5	6	7	8=5-6-7	9=4+8
300 Operational expenditure	129 115	(2 852)	37 583	88 681	9 564	1 834	–	7 730	96 411
Total Chapter 30	129 115	(2 852)	37 583	88 681	9 564	1 834	–	7 730	96 411
Total Title 3	**129 115**	**(2 852)**	**37 583**	**88 681**	**9 564**	**1 834**	**–**	**7 730**	**96 411**
GRAND TOTAL	**130 190**	**(3 067)**	**38 126**	**88 997**	**13 625**	**4 750**	**–**	**8 874**	**97 871**

7. GLOSSARY

Administrative appropriations

Appropriations to cover the running costs of the entities (staff, buildings, office equipment).

Adopted budget

Draft budget becomes the adopted budget as soon as approved by the budgetary authority.

Amending budget

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

Appropriations

Budget funding.

The budget forecasts both commitments (legal pledges to provide finance) 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.

Assigned revenue

Revenue dedicated to finance specific items of expenditure.

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.

Budget implementation

Consumption of the budget through expenditure and revenue operations.

Budget item / Budget line / Budget position

Revenue and expenditure are shown in the budget structure 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 commitment

Operation by which the authorising officer responsible reserves the budget appropriations necessary to cover for subsequent payments to honour legal commitments.

Cancellation of appropriations

Appropriations which have not been used by the end of the financial year and which cannot be carried over, shall be cancelled.

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 value of legal obligations (contracts, grant agreements or decisions) that could be signed in the current financial year.

De-commitment

Operation whereby the authorising officer responsible cancels wholly or partly the reservation of appropriations previously made by means of a budgetary commitment.

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.

Economic result

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

Entitlements established

Right to collect income from a debtor as recognised through the issuing of a recovery order.

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 currencies at the date of the accounts.

Expenditure

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

Grants

Direct financial contributions from the budget to third-party beneficiaries, engaged in activities that serve Union policies.

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, as represented by an appropriation.

For joint undertakings (and EIT), as specified in their 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 can be re-activated until financial year "N+3".

Legal basis / basic act

The legal act adopted by the legislative authority (usually the Council and European Parliament) specifying the objective of a Union spending programme, the purpose of the appropriations, the rules for intervention, expiry date and the relevant financial rules to serve as a legal basis for the implementation of the spending programme.

Legal commitment

The act whereby the Authorising Officer enters into an obligation towards third parties which results in a charge for the Union budget.

Common forms of legal commitments are contracts in the case of procurement, grant agreements and grant decisions.

Non-differentiated appropriations

Appropriations which meet annual needs and must therefore be committed during the budget year. Only amounts qualifying for automatic carryover can be disbursed in the following year. Non-differentiated appropriations which have not been used, i.e. committed, by the end of the year, are cancelled (unless, exceptionally, permission is given by a Commission decision for a non-automatic carryover). Non-differentiated appropriations apply to administrative expenditure and commitment appropriations equal payment appropriations.

Operational appropriations

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

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.

Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years.

RAL (Reste à liquider)

Amount remaining to be paid on a budgetary commitment at a given moment. Cf. Outstanding commitments

Surplus

Positive difference between revenue and expenditure, which has to be returned to the funding authority. Cf. Budget result

Transfer between budget lines

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.

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B-1060 BRUSSELS

Your message of	your reference	our reference	Melle
		WVDW/HECL/PLTH	2022-06-14

Dear Carlo M. Borghini,

We have been appointed as auditor of Europe's Rail Joint Undertaking, according to the Framework Contract No: BUDG/19/P0/01 and specific contract No – 08_17.

As requested, you will find enclosed:

- Our independent auditor's report on the final annual accounts - after fulfilling of all the pending issues listed in Annex 3;
- Annex 1: Preliminary findings;
- Annex 2: Follow-up of previous years comments;
- Annex 3: List of Open points regarding our audit 2021.

Yours faithfully,

Baker Tilly Belgium Bedrijfsrevisoren CVBA

Wim Van De Walle
Audit Partner

Europe's Rail Joint Undertaking
(EU-Rail JU)

Independent Auditor's report on the Final Annual Accounts as at : 31 DECEMBER 2021

Date: June 14, 2022

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INDEPENDENT AUDITOR'S REPORT ON THE PROVISIONAL ANNUAL ACCOUNTS OF EUROPE'S RAIL JOINT UNDERTAKING FOR THE FINANCIAL YEAR FROM 01 JANUARY TO 31 DECEMBER 2021

Opinion

We have audited the accompanying provisional annual accounts of Europe's Rail Joint Undertaking, 'the Agency' for the financial year from 01 January to 31 December 2021.Their annual accounts consist of the financial statements and the reports on the implementation of the budget for the financial year ended December 31, 2021. The financial statements comprise the balance sheet as at December 31, 2021, 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 provisional annual accounts of the Agency present fairly, in all material aspects, its financial position as at December 31, 2021, 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.

Emphasis of matter

We draw attention to the Note 4.4 Other events, which describes the remark of the Court of auditors regarding the JU's employer contributions to the EU pension scheme, where the outcome is still uncertain. The possible impact, depending on the outcome of this remark, is described in this note.
Our opinion is not modified in respect of this matter.

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 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 provisional annual accounts

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

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

Our objectives are to obtain reasonable assurance about whether the provisional 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 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 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 annual accounts, including the disclosures, and whether the 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.

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 provisional 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 14, 2022

Yours faithfully,

Baker Tilly Belgium Bedrijfsrevisoren CVBA

Wim Van De Walle
Audit Partner

ANNEX 1: Preliminary findings

There are no preliminary findings to report.

ANNEX 2: Follow-up of previous years comments

There is no follow up and comments about previous years.

ANNEX 3: Open points regarding our audit 2021

There are no open issues regarding our audit of the final accounts

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