



Alliance of Liberals and Democrats for **Europe**
Alliance des Démocrates et des Libéraux pour l'**Europe**

Graham Watson

Leader

305879 02.05.2006

Mr Josep Borrell Fontelles
President of the European Parliament
PHS 11B014
European Parliament
Brussels

European Parliament
Rue Wiertz - Wiertzstraat
PHS 55' C 11
B-1047 Bruxelles
Tel: + 32 2 284 56 26
Fax: + 32 2 284 96 26
e-mail: gwatson@europarl.eu.int
Web: <http://alde.europarl.eu.int>

Brussels, 26 April 2006

Dear Mr President,

I have the pleasure to present to you herewith the unqualified auditors' report pertaining to the ALDE Group's accounts for the 2005 financial year, as required by articles 2.7.1 and 2.7.2 of the Rules on the use of appropriations from budget item 4000.

Sincerely,

Graham Watson

ALLIANCE OF LIBERALS AND DEMOCRATS FOR EUROPE

**REPORT OF THE FINANCIAL STATEMENTS
OF BUDGET ARTICLE 3701
FOR THE PERIOD FROM JANUARY 1, 2005
TO DECEMBER 31, 2005**

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**Report of the external auditors on the financial statements
relative to the use of the credits of item 3701
of the budget of the European Parliament
for the year ending 31 December 2005**

Alliance of Liberals and Democrats for Europe

Bâtiment Leo 55c37

Rue Wiertz

B-1047 Brussels

In accordance with our audit mandate, we have audited the financial statements of the Alliance of Liberals and Democrats for Europe, prepared by the Group's Accountant for the twelve month period ended 31 December 2005.

1. Respective responsibilities of the Group and the auditors

Pursuant to the rules on the use of appropriation from budget item 3701 of the European Parliament (hereafter "the Rules"), the Group is responsible to the Parliament for the conformity of appropriation usage and for the preparation of the Group's annual financial statements.

Our responsibility is to plan and perform the required work to verify the financial statements prepared by the political Group, and to report to the Group on this financial statements.

2. Basis of Opinion

We conducted our audit in accordance with International standards on Auditing as issued by the IASB. These standards require the auditor to plan and perform the audit to obtain reasonable assurance to support his audit opinion. An audit includes an examination, on a sample basis, of evidence relevant to the opinion.

Pursuant to the specific requirements of our audit mandate, our audit work included specific procedures aiming at gathering reasonable audit evidence that:

- Expenditures have been charged to the correct item in the budget of the Group;
- Appropriations are available;
- Expenditures are in conformity with the Rules governing appropriation item 3701;
- Principles of sound financial management have been applied;
- Payments orders are supported by original documentation or certified true copies;
- The accounts have been laid out in accordance with the harmonised chart of accounts foreseen in the rules;

- The accounts have been prepared in accordance with accounting principles as laid out in articles 186 to 196 of the Implementing Rules (Commission Regulation No 2342/2002), or that departures are adequately explained in the notes to the accounts.

We have obtained all information and explanation that we have requested for the purpose of our audit.

3. Opinions

- As a result of our work, we did not identify any material non conformity with the provisions laid out in the Rules governing appropriation item 3701 or with the Group's internal rules.
- We do not have to report any significant deviations from the principle of sound financial management.
- The overall presentation of the revenue and expenditure statement and of the balance sheet is in conformity with the harmonised chart of accounts foreseen in the Rules governing the appropriation of line 3701.
- We do not have to report departures from accounting principles laid out in articles 186 to 196 of the Implementing Rules, unless adequately disclosed in the notes to the financial statements.
- In our opinion, the financial statements annexed, taking into account the accounting principles explained in Note 2, give a true and fair view of the financial position and revenue and expenditure of the ALDE Group for the financial year ending on 31 December 2005.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises


Werner WEYNAND

Luxembourg, April 11, 2006

Alliance for Liberals and democrats for Europe

BALANCE SHEET

December 31, 2005

(expressed in EUR)

<u>ASSETS</u>		2005	2004
FIXED ASSETS			
	<i>notes</i>		
<i>Chapter 1 : Intangible and tangible assets</i>	5		
.1 Intangible assets		16.989,98	28.069,91
.2 Tangible assets		27.696,18	12.551,48
Sub total chapter 1		<u>44.686,16</u>	<u>40.621,39</u>
CURRENT ASSETS			
<i>Chapter 2 : Debtors, stocks and other working assets</i>	6		
.1 Suppliers		18.081,49	18.358,95
.2 Staff		0,00	0,00
.3 VAT		175.984,85	22.770,31
.4 Stocks		6.436,18	7.649,13
.5 Various		173,60	0,00
Sub total Chapter 2		<u>200.676,12</u>	<u>48.778,39</u>
<i>Chapter 3 : Financial assets</i>			
.1 Financial securities		0,00	0,00
.2 Cash and cash equivalent		4.095.258,68	2.469.072,78
Sub total Chapter 3		<u>4.095.258,68</u>	<u>2.469.072,78</u>
<i>Chapter 4 : Deferred charges and accrued income</i>			
.1 Deferred charges		8.412,75	13.635,06
.2 Accrued income		518,77	520,47
Sub total Chapter 4		<u>8.931,52</u>	<u>14.155,53</u>
TOTAL ASSETS		<u><u>4.349.552,48</u></u>	<u><u>2.572.628,09</u></u>

The accompanying notes form an integral part of these financial statements

LIABILITIES

2005

2004

*notes****Chapter 1 : Reserves***

.1 Carry forward to next financial year 3 2.891.672,10 2.105.688,43

Sub total chapter 1

2.891.672,10 2.105.688,43

Chapter 2 : Financial debts

.1 Financial debts of residual duration > 1 year 0,00 0,00

.2 Financial debts of residual duration ≤ 1 year 0,00 0,00

Sub total Chapter 2

0,00 0,00

Chapter 3 : Other debts

.1 Other debts 790.773,27 1.781,72

.2 Charges settled in 2005 but paid in 2006 667.107,11 465.157,94

Sub total Chapter 3

1.457.880,38 466.939,66

Chapter 4 : Deferred income / accrued income

.1 Deferred income 0,00 0,00

.2 Accrued charges 0,00 0,00

Sub total Chapter 4

0,00 0,00

TOTAL ASSETS

4.349.552,48 2.572.628,09

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PROFIT AND LOSS ACCOUNT

For the period from January 1 to December 31, 2005

(expressed in EUR)

<u>A. RECEIPTS</u>	2005	2004
<i>Chapter 1 : Grants and other receipts from the European Parliament</i>		
.1 EP allocation	5.632.898,20	2.784.313,00
.2 Other EP resources	150.446,00	0,00
Sub total chapter 1	<u>5.783.344,20</u>	<u>2.784.313,00</u>
<i>Chapter 2 : Own resources</i>		
.1 Interest and assimilated products	104.526,50	25.463,09
.2 Profit on currency exchange	11,27	178,94
.3 Miscellaneous	14.538,41	25.435,33
.4 VAT refund	26.325,89	3.260,33
.5 Amount carried forward from previous financial year	2.105.688,43	675.855,57
Sub total Chapter 2	<u>2.251.090,50</u>	<u>730.193,26</u>
TOTAL RECEIPTS	<u>8.034.434,70</u>	<u>3.514.506,26</u>
GRAND TOTAL	<u>8.034.434,70</u>	<u>3.514.506,26</u>

The accompanying notes form an integral part of these financial statements

Alliance for Liberals and democrats for Europe

PROFIT AND LOSS ACCOUNT (continued)

For the period from January 1 to December 31, 2005

(expressed in EUR)

<u>B. EXPENDITURES</u>	2005	2004
<i>Chapter 1 : Staff</i>		
.1 Secretariat missions	962.878,95	307.611,98
.2 Recruitment	58.261,74	7.996,00
.3 Traineeships	55.825,52	6.215,30
.4 Salaries and related costs, fees	0,00	178,25
.5 Staff training	10.570,55	6.890,30
.6 Staff representation costs	4.325,00	0,00
Sub total chapter 1	1.091.861,76	328.891,83
<i>Chapter 2 : Equipment, routine administrative costs and operating costs</i>		
.1 Equipment, operating expenditure, computer- related engineering and maintenance	4.420,12	1.563,19
.2 Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations	32.913,13	7.515,38
.3 Stationery and office supplies	14.793,30	12.574,24
.4 Postage and telecommunications	51.371,70	16.328,78
.5 Printing and photocopying costs	37.247,54	20.772,49
.6 Office rental costs	0,00	0,00
Sub total chapter 2	140.745,79	58.754,08
<i>Chapter 3 : Documentation, studies and research</i>		
.1 Newspapers, magazines, press agencies and books	10.603,43	4.601,63
.2 Studies and research	0,00	5.000,00
.3 Databases	0,00	0,00
	10.603,43	9.601,63

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PROFIT AND LOSS ACCOUNT (continued)

For the period from January 1 to December 31, 2005

(expressed in EUR)

<u>B. EXPENDITURES</u>	2005	2004
<i>Chapter 4 : Legal and accountancy fees, financial and other charges</i>		
.1 Legal costs	0,00	0,00
.2 Accounting costs/audits	52.344,30	18.313,03
.3 Financial charges and losses from currency exchange	4.933,35	780,20
.4 Translation and interpretation costs	0,00	0,00
.5 Other operating expenditure	3.944,63	359,49
Sub total chapter 4	61.222,28	19.452,72
<i>Chapter 5 : Cost of meetings and representation</i>		
.1 Official group meetings	200.018,10	79.891,85
.2 Other meetings and conferences	259.268,18	67.934,35
.3 Expenditure on entertainment	38.884,28	19.552,84
.4 Guests	0,00	0,00
.5 Individual fact finding missions of members	0,00	0,00
Sub total chapter 5	498.170,56	167.379,04
<i>Chapter 6 : Publications and publicity</i>		
.1 Posters, leaflets and booklets	59.228,81	11.730,26
.2 Advertising inserts and audiovisuel advertising	17.025,00	0,00
.3 Advertising material, gadgets, publicity by telecommunication equipments	64.784,96	18.536,90
.4 Internet sites and e-publicity	3.194,39	23.673,14
.5 Visits to institutions, information stands	25.144,99	3.410,00
Sub total chapter 6	169.378,15	57.350,30

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PROFIT AND LOSS ACCOUNT (continued)

For the period from January 1 to December 31, 2005
(expressed in EUR)

<u>B. EXPENDITURES</u>	2005	2004
<i>Chapter 7 : Members</i>		
.1 Member's political and information activities, administrative expenses and political and information activities of national delegations	2.350.200,33	766.638,23
<i>Chapter 8 : Grants, subscriptions and contributions</i>		
.1 Subsidies	25.000,00	750,00
.2 Subscriptions	6.734,85	0,00
Sub total chapter 8	<u>31.734,85</u>	<u>750,00</u>
TOTAL EXPENDITURE	<u><u>4.353.917,15</u></u>	<u><u>1.408.817,83</u></u>
Credits repayable to European Parliament	788.845,45	0,00
Amount carried forward to next financial year	2.891.672,10	2.105.688,43
GRAND TOTAL	<u><u>8.034.434,70</u></u>	<u><u>3.514.506,26</u></u>

The accompanying notes form an integral part of these financial statements

Alliance for Liberals and democrats for Europe

NOTES TO THE ANNUAL ACCOUNTS

**For the period from January 1 to December 31, 2005
(expressed in EUR)**

NOTE 1 - CORPORATE INFORMATION

The present financial statements relate to the Alliance of Liberals and Democrats for Europe (ALDE) in the European Parliament.

The financial year begins on 1 January and ends on December 31.

Given the fact that in the financial year European elections were held and in view of article 2.1.1. of the 3701 financial rules, the comparison period to the 2005 amounts in both the Balance sheet and the Statement of revenue and expenditure is the second semester 2004.

Prerequisite

1. Movements on the accounts and the balances shall be entered in the accounting ledgers.
2. All accounting entries, including adjustments to the accounts, shall be based on dated and numbered supporting documents, to which they shall refer.
3. The accounting system must be such as to leave trail for all accounting entries.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements shall be drawn up in accordance with the generally accepted accounting principles, namely:

- going concern basis,
- prudence,
- consistent accounting methods,
- comparability of information,
- materiality,
- no netting,
- substance over form.

Basis of preparation

The accounts hereafter have been prepared in conformity with:

- the 3701 financial rules approved by the Bureau of the European Parliament on 1 February 2001 and revised by the Bureau on 1 July 2003 (PE 335.475/BUR)
- the internal financial rules of the Group
- the accounting principles and the harmonized accounting plan adopted by the Political Groups on September 15, 2005.

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NOTES TO THE FINANCIAL STATEMENTS (continued) For the period from January 1 to December 31, 2005 (expressed in EUR)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pursuant to Rule 2.5.3 of the Rules on the use of appropriations from budget item 3701 the accounts are held on a modified accrual system.

All expenditure relative to activities of the current or previous financial years is registered in the accounts of the current year, upon authorization by the authorizing officer responsible and payment by the accountant, if the actual payment is made no later than during the month following the end of the financial year.

All expenditure of a financial year paid during the month following the end of the financial year is booked on the expenditure accounts of the current financial year with counterpart a balance account (chapter III.2).

All expenditure for which actual payment is made later than the end of the month following the closure of the financial period or for risks and future charges is registered in the accounts of the next financial period.

No provisions will be made for expenditure of the current financial period not paid by the end of the month following the end of this financial period or for risks and future charges.

All revenue is registered in the income accounts upon establishment by the authorizing officer.

All revenue established and not received in the course of the financial year is registered on a balance sheet account in chapter IV (deferred charges and accrued income).

NOTE 3 -- CARRY FORWARD TO NEXT FINANCIAL YEAR (IN EUR)

1. Credits received by our group for the financial year 2005:	5,783,344.20
2. Maximum amount of carry forward to 2006 (50% of 1):	2,891,672.10
3. Difference between total revenue and total expenditure at the end of the 2005 financial year:	3,680,517.55
4. Credits to be returned to the European Parliament:	788,845.45
5. Carry forward to financial year 2006:	2,891,672.10

Alliance for Liberals and democrats for Europe

NOTES TO THE FINANCIAL STATEMENTS (continued) For the period from January 1 to December 31, 2005 (expressed in EUR)

NOTE 4 – FOREIGN CURRENCY TRANSACTION

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

NOTE 5 - FIXED ASSETS (IN EUR)

Assets with a unit value of 420 Euros or more and being intended to serve the activities of the group on a lasting basis are entered in the inventory and the Group's balance sheet. Fixed assets are to be valued at their acquisition price and depreciated on a monthly basis following the straight line method by the following annual percentages:

Software	25.0	%
Hardware:	25.0	%
Telecommunications and audiovisual equipment:	25.0	%
Technical equipment:	12.5	%
Other installations and machines:	12.5	%
Office furniture:	10.0	%

A recapitulative table of the assets in the balance sheet is annexed

Until 2004, the Group recorded fixed assets and calculated their written-down values in accordance with Commission Regulation (EC) No 2909/2000 of 29 December 2000. In substance, the said Regulation required that the value of fixed assets be written down annually.

In 2005, the Commission adopted Regulation (EC) No 643/2005, dated 27 April 2005, to replace the aforementioned Regulation. The substance of Regulation 643 was that the value of fixed assets was to be written down on a monthly basis. For the sake of consistency, the Group decided to use Regulation 643 in the preparation of its accounts for the present financial year.

NOTE 5 – DEBTORS, STOCKS AND OTHER WORKING ASSETS

Receivable, debts and other assets are stated at their nominal value. Value reductions on receivables and other assets are accounted for if there is any uncertainty regarding their collectibility.

Balance des comptes généraux

Période 12/2005

Valeurs EUR

Classement par Référence : de	à	67101000	à	67133000	Sans les comptes non mouvementés		Catégories	jusqu'à	ZZZ
					Report	Crédit			
Libellé	Période		Cumul		Solde				
Réf.	Report	Débit	Crédit	Débit		Crédit			
67102000	0,00	57.703,84	0,00	166.798,19	482,94	166.315,25			
67103									
67103000	0,00	19.297,03	520,87	31.149,02	520,87	30.628,15			
67105000	0,00	72.638,58	0,00	164.260,84	0,00	164.260,84			
6712									
67121000	0,00	269.442,85	1.603,56	947.470,13	1.683,03	945.787,10			
67122000	0,00	7.862,99	0,00	40.157,32	0,00	40.157,32			
67123000	0,00	24.430,93	0,00	32.350,61	0,00	32.350,61			
6713									
67130000	0,00	21.763,28	0,00	22.467,38	0,00	22.467,38			
67131000	0,00	313.636,68	0,00	655.119,60	10.191,06	644.928,54			
67132000	0,00	43.779,79	0,00	123.634,68	51,22	123.583,46			
67133000	0,00	128.730,25	0,00	179.721,68	0,00	179.721,68			
Total des comptes de classe 67	0,00	959.186,22	2.124,43	2.363.129,45	12.929,12	2.350.200,33			
Total des comptes de classe 6	0,00	959.186,22	2.124,43	2.363.129,45	12.929,12	2.350.200,33			
résultat (6/7)	0,00	959.186,22	2.124,43	2.363.129,45	12.929,12	2.350.200,33 D			
Totaux	0,00	959.186,22	2.124,43	2.363.129,45	12.929,12	2.350.200,33			

CATEGORY AND WRITE-DOWN RATE	IT SOFTWARE 25%		IT HARDWARE 25%		TELECOMMUNICATIONS EQUIPMENT 25%		TECHNICAL EQUIPMENT AND SUPPLIES 12.5%		MISCELLANEOUS MACHINERY AND INSTALLATIONS 12.5%		MOVABLE PROPERTY (seats, desks, cabinets) 10%		TOTAL
HISTORICAL COST													
Opening balances (historical cost)	75980.03	19369.14	1348.3	3804.84	0	110.05	101612.4						
Less items sold and entered in profit and loss account	0	1896	528.56	0	0	0	2224.56						
Plus Acquisitions during the financial year	8548.75	13386.35	952.12	8541.89	0	2170.8	33611.91						
Plus Transfers	0	0	0	0	0	0	0						
Result Closing balance at historical cost	84528.78	31071.49	1771.86	12346.73	0	3280.85	132999.7						
ACCUMULATED DEPRECIATION													
Opening balances (accumulated depreciation)	47910.12	11196.76	822.61	771.48	0	288	60990.96						
Less Accumulated depreciation of items sold and entered in p/l account	0	0	0	0	0	0	0						
Plus Depreciation charge for the financial year	19628.68	6118.64	304.77	1141.25	0	129.09	27322.43						
Result Closing balance at historical cost	67538.8	17317.4	1127.37	1912.73	0	417.09	88313.39						
WRITTEN-DOWN VALUES													
Net book value of fixed assets on 31/12/2004	28069.91	8170.38	525.7	3033.36	0	822.05	40621.40						
Net Book value of fixed assets on 31/12/2005	16989.98	13754.09	644.49	10434	0	2863.76	44686.32						