



**Socialist Group in the
European Parliament**

The President

305954 02.05.2006

European Parliament
Rue Wiertz 60
B-1047 Bruxelles
T +32 2 284 2111
F +32 2 230 6664
www.socialistgroup.org

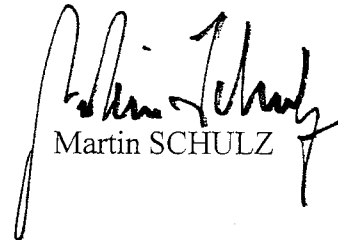
Sr. D. Josep BORRELL
Presidente del Parlamento Europeo
Rue Wiertz
1047 Bruselas

Bruselas, 26 de abril de 2006
MS/JS/FN/wss

Estimado Presidente,

De conformidad con el artículo 2.7.1 del reglamento relativo a la utilización de los créditos previstos en la partida presupuestaria 3701, tengo el placer de enviarte el informe anual y el informe elaborado por los revisores de cuentas sobre la utilización de estos créditos en el año 2005.

Recibe un cordial saludo,



Martin SCHULZ

**ANNUAL REPORT BY THE SOCIALIST GROUP
IN THE EUROPEAN PARLIAMENT**

BUDGET ITEM 3701

FINANCIAL YEAR 2005

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Annexe: Audit Report

BALANCE SHEET Socialist Group in the European Parliament
End of financial year 2005

		<u>fin. year 2005</u>	<u>fin. year 2004/2</u>
	<i>notes</i>		
<u>ASSETS</u>			
FIXED ASSETS			
Chapter 1 Intangible and tangible assets	3		
.1 Intangible assets		0,00	0,00
.2 Tangible assets		75.013,09	64.614,93
Sub total chapter 1		<u>75.013,09</u>	<u>64.614,93</u>
CURRENT ASSETS			
Chapter 2 Debtors, stocks and other working assets	5		
.1 Suppliers		77.436,24	142.555,68
.2 Staff		105.349,20	105.705,73
.3 VAT		398.602,77	121.412,67
.4 Stocks		0,00	0,00
.5 Various		112.543,65	92.115,87
Sub total chapter 2		<u>693.931,86</u>	<u>461.789,95</u>
Chapter 3 Financial assets			
.1 Financial securities	4	4.279.633,05	0,00
.2 Cash and cash equivalent		3.898.611,21	6.032.670,01
Sub total chapter 3		<u>8.178.244,26</u>	<u>6.032.670,01</u>
Chapter 4 Deferred charges and accrued income			
.1 Deferred charges		63.598,49	37.181,09
.2 Accrued income		753,48	0,00
Sub total chapter 4		<u>64.351,97</u>	<u>37.181,09</u>
TOTAL ASSETS		<u>9.011.541,18</u>	<u>6.596.255,98</u>

LIABILITIES

	notes	<u>fin. year 2005</u>	<u>fin. year 2004/2</u>
Chapter 1 Reserves			
.1 Carry forward to next financial year	1	6.553.734,00	5.026.509,41
Sub total chapter 1		<u>6.553.734,00</u>	<u>5.026.509,41</u>
Chapter 2 Financial debts			
.1 Financial debts of a residual duration > 1 year		0,00	0,00
.2 Financial debts of a residual duration <= 1 year		6.741,87	11.436,80
Sub total chapter 2		<u>6.741,87</u>	<u>11.436,80</u>
Chapter 3 Other debts			
.1 Other debts	6	322.189,91	23.860,31
.2 Charges settled in 2005 but paid Jan. 2006		2.128.875,40	1.534.449,46
Sub total chapter 3		<u>2.451.065,31</u>	<u>1.558.309,77</u>
Chapter 4 Deferred income/accrued charges			
.1 Deferred income		0,00	0,00
.2 Accrued charges		0,00	0,00
Sous Total Chapitre 4		<u>0,00</u>	<u>0,00</u>
TOTAL LIABILITIES		<u>9.011.541,18</u>	<u>6.596.255,98</u>

Statement of revenue and expenditure of the Socialist Group in the European Parliament

financial year 2005

	<u>Year 2005</u>	<u>Year 2004/2</u>
<i>Notes</i>		
<u>Receipts</u>		
<u>Chapter 1 Grants and other receipts from the European Parliament</u>		
.1 EP allocation	13.107.468,00	6.358.380,00
.2 Other EP resources	0,00	0,00
Subtotal for Chapter 1	<u>13.107.468,00</u>	<u>6.358.380,00</u>
<u>Chapter 2 Own resources</u>		
.1 Interest and assimilated products	229.519,07	44.203,69
.2 Profit on currency exchange	2 5.780,15	4.996,92
.3 Miscellaneous	33.259,98	93.157,33
.4 VAT reimbursements	151.953,81	181.263,41
.5 Amount carried forward from previous financial year	5.026.509,41	3.402.184,92
Subtotal for Chapter 2	<u>5.447.022,42</u>	<u>3.725.806,27</u>
Total receipts	<u>18.554.490,42</u>	<u>10.084.186,27</u>
Grand total	<u>18.554.490,42</u>	<u>10.084.186,27</u>

Expenditure

Notes

Year 2005

Year 2004/2

Chapter 1 Staff

.1	Secretariat missions		1.822.758,04	579.590,22
.2	Recruitment		103.622,23	65.780,10
.3	Traineeships		216.509,96	66.600,98
.4	Salaries and related costs, fees		344.713,24	213.763,26
.5	Staff training		150.573,09	90.266,39
.6	Staff representation costs		0,00	3.250,00
Subtotal for Chapter 1			2.638.176,56	1.019.250,95

Chapter 2 Equipment, routine administrative costs and operating costs

.1	Equipment, operating expenditure, computer-related engineering and maintenance	3	26.346,30	7.396,36
.2	Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations	3	177.828,88	84.438,13
.3	Stationery and office supplies		21.838,08	5.038,53
.4	Postage and telecommunications		130.534,67	57.354,64
.5	Printing and duplicating		43.945,08	9.889,96
Subtotal for Chapter 2			400.493,01	164.117,62

Chapter 3 Documentation, studies and research

.1	Newspapers, magazines, press agencies and books		52.042,22	34.758,38
.2	Studies and research		5.561,62	0,00
.3	Databases		1.547,10	701,80
Subtotal for Chapter 3			59.150,94	35.460,18

Chapter 4 Legal and accountancy fees, financial and other charges

.1	Legal costs		11.618,35	5.386,05
.2	Accounting costs/audits		22.714,66	55.067,38
.3	Financial charges and losses from currency exchange	2	14.828,19	2.622,87
.4	Other operating expenditure		5.868,70	0,00
Subtotal for Chapter 4			55.029,90	63.076,30

Chapter 5 Cost of meetings and representation

.1	Group meetings		10.977,72	0,00
.2	Other meetings and conferences		252.146,06	34.125,00
.3	Expenditure on entertainment		89.015,78	126.340,41
.4	Guests		15.239,12	3.262,00
Subtotal for Chapter 5			367.378,68	163.727,41

Chapter 6 Publications and publicity

.1	Posters, leaflets and booklets	122.339,56	53.324,12
.2	Advertising inserts and audiovisual advertising Advertising material,gadgets,publicity by telecommunication equipments	36.891,62	37.009,00
.3		287.858,00	107.680,00
.4	Internet sites + e-publicity	191.886,50	53.798,02
.5	Visits to institutions, information stands	26.860,80	0,00
Subtotal for Chapter 6		665.836,48	251.811,14

Chapter 7 Members of Parliament

.1	Members' mission costs	226.360,25	74.678,61
.2	Members' political and information activities, administrative expenses and political and information activities of national delegations (details attached)	7.128.166,34	3.210.809,59
Subtotal for Chapter 7		7.354.526,59	3.285.488,20

Notes

Year 2005Year 2004/2**Chapter 8 Grants, subscriptions and contributions**

.1	Subsidies	77.843,00	17.025,00
.2	Membership fees	60.213,80	57.720,06
Subtotal for Chapter 8		138.056,80	74.745,06

Total expenditure**11.678.648,96****5.057.676,86**

Credits repayable to European Parliament

322.107,46

Amount carried forward to next financial year

6.553.734,00

5.026.509,41

Grand total**18.554.490,42****10.084.186,27**

NOTES TO THE ANNUAL ACCOUNTS FINANCIAL YEAR 2005

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 adopted by the Bureau of the Group on 6 December 2000 and revised on 10 December 2003
- the accounting principles and the harmonised accounting plan adopted by the Secretaries-General of the political groups

Accounting principles and evaluation methods

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 a trail for all accounting entries

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;
- reality over appearance;

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

All expenditure relative to activities of the current or previous financial years is registered in the accounts of the current year, upon authorisation by the authorising 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 and as debt on the balance (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 year.

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 authorising 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).

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 semestrial budgeting period 2004/2.

Note 1: Carry forward to next financial year (art 2.9.2 of the 3701 fin. rules):

1: Credits received by our group for the financial year 2005:	13.107.468 €
2: Maximum amount of carry forward to 2006 (50% of 1):	6.553.734 €
3: Remainder at the end of the 2005 financial year:	6.875.841,43 ⁶ €
4: Credits to be returned to the EP:	322.107,46€
5: Carry forward to financial year 2006:	6.553.734 €

Note 2: Exchange policy:

The revenue and expenditure in other currencies are converted in euro following the exchange rate of the first day of the month. The balance sheet accounts in other currencies are translated into euro at the exchange rate of the end of the financial year.

Note 3: Depreciations of fixed assets:

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

Up to and including the previous financial year, the Group recorded fixed assets and calculated their depreciation 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 depreciated on an annual basis.

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 depreciated on a monthly basis. For the sake of consistency, the Groups decided to use Regulation 643 in the preparation of its accounts for the present financial year.

Note 4: Valuation method for financial securities:

Financial securities are registered on the balance sheet for their net value at the end of the financial year.

Note 5: Valuation of receivables, debts and other assets:

Receivables, 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.

Our group has concluded the following substantial long standing (>1 year) financial commitments:

- 1) Renting of photocopy machines Danka contract up until 21 March 2009
cost: 21.275.76€/year
- 2) Renting of photocopy machines OCE Belgium up until 4 March 2009
cost: 56.264.16€/year

Note 6: Other debts:

This amount includes a debt of an amount of 322.107,46 € to be re-imbursed to the European Parliament in the framework of article art 2.9.2 of the 3701 fin. rules.
(limitation of the carry forward to next financial year)

Breakdown of outturn of decentralised appropriations

Chapter 7 article 2

Breakdown in accordance with the Accounting Plan annexed to the Rules on the use of the appropriations from budget item 3701

Chapter/ Article	Heading	Execution Fin. Year 2005	%	Execution Fin. Year 2004/2	%
10	staff	3.382.850,26	47,46%	1.800.305,37	56,07%
20	secretariat	132.938,28	1,86%	86.267,27	2,69%
30	documentation, studies and research	127.701,34	1,79%	47.415,36	1,48%
40	juridical, accounting and financial costs	55.847,70	0,78%	31.399,03	0,98%
52	meetings and conferences	1.191.523,46	16,72%	389.075,29	12,12%
54	guests	30.871,38	0,43%	17.092,77	0,53%
61	posters and brochures	873.910,79	12,26%	347.268,35	10,82%
62	insertions and audio-visual publicity	456.740,40	6,41%	216.319,67	6,74%
63	gadgets	331.577,79	4,65%	79.161,56	2,47%
64	internet Sites	250.031,90	3,51%	94.271,88	2,94%
65	Visits to institutions, info stands	294.173,04	4,13%	102.233,24	3,18%
	Total execution chapter 7 article 2	7.128.166,34	100,00%	3.210.809,79	100,00%

Analysis of the property and equipment on the balance sheet and depreciations

2005

Financial Year :

Category and depreciation rate	IT software 25% <u>05</u>	IT hardware 25% <u>10</u>	Telecom- munications, audiovisual equipment 25% <u>30</u>	Technical equipment and supplies 12,5%	Miscellaneous machinery and installations 12,5% <u>45</u>	Movable property (seats, desks, cabinets 10% <u>50</u>	TOTAL
Opening balance 2005 (historical cost)	22.140,85	70.820,63	37.975,54			560,50	131.497,52
Less Items sold and entered in profit and loss account in 2005		546,02	478,91				1.024,93
Plus Acquisitions during the financial year 2005	9.425,43	30.906,28	2.749,51		4.059,07		47.140,29
Plus Transfers							0,00
Result Closing balance at historical cost	31.566,28	101.180,89	40.246,14	0,00	4.059,07	560,50	177.612,88

Opening balances (accumulated depreciation)	5.710,09	36.394,70	24.609,42		0,00	168,15	66.882,37
Less Accumulated depreciation of items sold and entered in p/l account		546,02	478,91				1.024,93
Plus Depreciation charge for the financial year	6.250,07	21.002,49	9.125,23		308,26	56,05	36.742,10
Result Closing balance at historical cost	11.960,17	56.851,17	33.255,74	0,00	308,26	224,20	102.599,54

Net book value of fixed assets on 31/12/2004	16.430,76	34.425,93	13.366,12	0,00	0,00	392,35	64.615,15
Net book value of fixed assets on 31/12/2005	19.606,11	44.329,72	6.990,40	0,00	3.750,81	336,30	75.013,35



registered auditors

PSE
Parliamentary Group of the party of European Socialists

Auditor's Report

Unqualified Auditor's Report

According to the audit mandate, we have audited the Group Financial Statement prepared by the Group Accountant for the year ending 31/12/2005 as laid out pages 1 to 10 of this document.

Respective responsibilities of the Group and the auditors

Pursuant to the rules on the use on the use of appropriation from budget item 3701 (hereafter "the Rule"), the Group is responsible before the Institution of the conformity of appropriation usage and of the preparation of the group annual financial statements.

We have the responsibility to plan and carry out the required work to verify the financial statement prepared by the political group and to report to the group with a reasonable assurance our audit opinions.

Basis of Opinions

We conducted the audit in accordance with International standards on Auditing as issued by the IASSB. This standard requires the auditor to plan and carry out his work in such a way as to obtain sufficient and appropriate evidence and explanations to support our audit opinions. An audit includes an examination, on a sample basis, of evidence relevant to the opinions.

TCLM - Toelen, Cats, Morlie & C^o
Lozenberg 22 b2 - B 1932 Zaventem
T +32 (0)2 725 50 04 - F +32 (0)2 725 53 41
audit@tclm-rsm.be
VAT BE 0436.391.122 - RMP Brussels

civil association cvba-scr1 - offices in
Antwerp, Brussels, Charleroi,
Mons and Zaventem
www.tclm-rsm.be

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an affiliation of independent accounting
and consulting firms

The audit work included specific procedures aiming at gathering sufficient and appropriate audit evidence that

- Expenditures have been charged to the correct item in the budget of the Group;
- Appropriations are available;
- Expenditures are conformed to the Rules governing appropriation item 3701;
- Principles of sound financial management have been applied;
- Payments orders are supported by original documentations (or certified true copies);
- Accounts have been laid out in accordance with the harmonised chart of account;
- Accounts have been prepared in accordance with generally accepted accounting principles as laid out in articles 186 to 196 of the Implementing Rules or, that departures are adequately explained by means of note to the prepared accounts.

Opinions

- As a result of our work, we did not identify any material non-conformity with the dispositions laid out in the Rule governing appropriation item 3701 or with the Group internal rules;
- The overall presentation of the income and expense statement and of the balance sheet complies with the chart of accounts provided with the rules governing the appropriation line 3701;
- No departures from generally accepted accounting principles have been established;
- Principles of sound financial management have been applied;
- In our opinion, the balance sheet give a true and fair view of the state of affairs of the Group at 31/12/2005 and of the revenues and expenses of 2005;
- We have received all necessary explanations for the purpose of our work.

Brussels, 26 April 2006

T C L M – Toelen, Cats, Morlie & Co
Legally represented by



Jean-François Cats
Statutory Auditor
Partner