



Groupe du Parti Populaire Européen (Démocrates-Chrétiens) et Démocrates Européens au Parlement européen
Group of the European People's Party (Christian Democrats) and European Democrats in the European Parliament
Fraktion der Europäischen Volkspartei (Christdemokraten) und europäischer Demokraten im Europäischen Parlament

Le Président - The Chairman - Der Vorsitzende

Bruxelles, le 30 avril 2008

Monsieur Hans-Gert POETTERING
Président
Parlement européen

306915 30.04.2008

Cher Monsieur le Président,

Veillez trouver en annexe le rapport d'Audit accompagné des comptes de notre Groupe au 31 décembre 2007 en accord avec la réglementation régissant l'utilisation des crédits du poste budgétaire 4000 adoptée par le Bureau en date du 30 juin 2003.

Ce document est destiné à la publication sur l'Intranet du Parlement européen.

Je vous prie d'agréer, Monsieur le Président, l'expression de mes sentiments les meilleurs.

Trio Amical

Joseph DAUL

annexe

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**Group of the European People's Party
(Christian Democrats) and European
Democrats in the European Parliament,
Luxembourg**

Short Form Report
on the Accounts of
Budget Item 4000 for
the year from
1 January 2007 to
31 December 2007



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REPORT OF THE REVISEUR D'ENTREPRISES

Following our appointment, we have audited the accompanying annual accounts of the Group of the European People's Party (Christian Democrats) and European Democrats in the European Parliament ('the Group'), which comprise the balance sheet as at 31 December 2007 and the revenue and expenditure statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the annual accounts

The management is responsible for the preparation and fair presentation of these annual accounts in accordance with the rules adopted by the European Parliament Bureau in the version of 30 June 2003, as subsequently amended, in respect of the procedures for the use of resources of budget item 4000 of the European Parliament and with the Group's internal rules (hereafter: 'Applicable Rules'), as well as the financial regulation of the Group. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control.

An audit also includes evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

By carrying out our work, we have verified that expenditure has been made in accordance with the Applicable Rules as well as the Group's financial regulations.

Our audit work included specific procedures aimed at gathering sufficient and appropriate audit evidence that:

- Expenditures have been charged to the correct budget item;
- Appropriations are available;
- The principles of sound financial management have been applied;
- Expenditure conformed to Applicable Rules;
- Payment orders are supported by original documentation (or certified copies);
- The accounts have been prepared in accordance with the harmonised accounting plan 4000;
- The accounts have been prepared in accordance with generally accepted accounting principles as laid out in articles 186 to 196 of the Implementing Rules. Departures from these principles have been adequately explained by means of notes to the prepared annual accounts.

Basis for qualified opinion

The Group has recognised expenditure amounting to EUR 181,121 relating to charges for contractual staff invoiced from the European Parliament for the years 2005 to 2007 in the current year. The actual payment of this expenditure was made in April 2008. This is not in accordance with article 2.5.3 of the rules on the use of resources of budget item 4000 which state that expenditure relating to activities that have taken place during the financial year is recognised in the revenue and expenditure statement for the year if the actual payments are made no later than 31 January of the following year.

Had the Group booked the expenditure of EUR 181,121 in the year 2008, it would have had to repay a subsidy amounting to EUR 156,646 to the European Parliament, corresponding to the surplus in excess of the maximum of 50 % of the annual subsidies that may be carried forward to the following year.

Qualified opinion

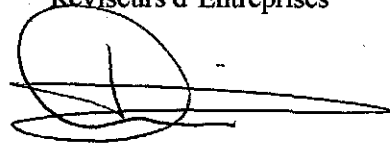
In our opinion, except for the effect of the matter described in the preceding paragraph, the annual accounts give a true and fair view of the financial position of the Group as at 31 December 2007 and of the revenue and expenditure statement for the year then ended in accordance with the Applicable Rules.

As a result of our work:

- We did not identify any other significant non-compliance with the provisions laid out in the Applicable Rules;
- We noted that the overall presentation of the revenue and expenditure statement for the year 2007 and the balance sheet as at 31 December 2007 complies with the chart of accounts set out by the Applicable Rules mentioned above;
- Generally accepted accounting principles are adequately explained by means of notes to the annual accounts.

Luxembourg, April 24, 2008

KPMG Audit S.à r.l.
Réviseurs d'Entreprises



P. Wies

**Balance sheet of the Group of the European People's Party
(Christian Democrats) and European Democrats
in the European Parliament
for budget item 4000 as at 31 December 2007**

ASSETS	Notes	<u>31/12/2007</u> EUR	<u>31/12/2006</u> EUR
I Tangible and intangible fixed assets			
I.1 Intangible fixed assets		-	-
I.2 Tangible fixed assets	6	<u>305,543</u>	<u>274,421</u>
		305,543	274,421
II Debtors, stocks and other current assets	3.2		
II.1 Suppliers		36,957	7,171
II.2 Staff		-	-
II.3 Value added tax		135,771	102,696
II.4 Stocks		-	-
II.5 Others		<u>90,122</u>	<u>35,584</u>
		262,850	145,451
III Financial assets	3.1		
III.1 Securities		8,380,678	370,901
III.2 Cash and bank		<u>2,297,320</u>	<u>9,952,070</u>
		10,677,998	10,322,971
IV Accrued income and deferred charges			
V.1 Accrued income		55,073	686
V.2 Deferred charges		<u>32,906</u>	<u>18,254</u>
		87,979	18,940
TOTAL		<u><u>11,334,370</u></u>	<u><u>10,761,783</u></u>
LIABILITIES			
I Reserves		<u>9,074,297</u>	<u>8,946,788</u>
		9,074,297	8,946,788
II Financial debts			
II.1 Financial debts of more than one year		-	-
II.2 Financial debts of less than one year		-	-
III Other debts	3.3		
III.1 Others		46,887	38,699
III.2 Charges settled in the year and paid in the following year		<u>2,213,186</u>	<u>1,776,296</u>
		2,260,073	1,814,995
IV Accrued charges and deferred income			
IV.1 Accrued charges		-	-
IV.2 Deferred income		-	-
TOTAL		<u><u>11,334,370</u></u>	<u><u>10,761,783</u></u>

The notes are an integral part of these annual accounts.

**Resources available of the Group of the European People's Party
(Christian Democrats) and European Democrats
in the European Parliament
for budget item 4000 for the year from 1 January to 31 December 2007**

	Notes	01/01/2007 - 31/12/2007 EUR	01/01/2006 - 31/12/2006 EUR
I REVENUE			
L1 EP SUBSIDIES AND OTHER EP REVENUE			
I.1.1 Allocation from EP	4.1	18,197,622	18,088,382
I.1.2 Other revenue from EP		-	-
		<u>18,197,622</u>	<u>18,088,382</u>
I.2. OWN RESOURCES			
I.2.1 Interest and similar receipts		457,907	337,782
I.2.2 Exchange gains		11,320	66,451
I.2.3 Miscellaneous resources	4.4	33,330	72,570
I.2.4 VAT reimbursements		-	33
I.2.5 Amount carried forward from the preceding financial year		8,946,788	6,726,605
		<u>9,449,345</u>	<u>7,203,441</u>
TOTAL REVENUE		<u><u>27,646,967</u></u>	<u><u>25,291,823</u></u>

The notes are an integral part of these annual accounts.

**Expenditure of the Group of the European People's Party
(Christian Democrats) and European Democrats
in the European Parliament
for budget item 4000 for the year from 1 January to 31 December 2007**

	Notes	01/01/2007 - 31/12/2007 EUR	01/01/2006 - 31/12/2006 EUR
II EXPENDITURE			
II.1 STAFF			
II.1.1 Secretariat missions	4.2	3,015,844	2,793,470
II.1.2 Recruitment		30,072	29,327
II.1.3 Traineeships		212,164	208,827
II.1.4 Salaries and related costs, fees		1,198,632	694,422
II.1.5 Staff training		154,716	151,787
II.1.6 Staff entertainment		72,594	62,915
		<u>4,684,022</u>	<u>3,940,748</u>
II.2 EQUIPMENT, ROUTINE ADMINISTRATIVE EXPENDITURE AND OPERATING EXPENDITURE			
II.2.1 Equipment, operating expenditure, computer engineering and maintenance		215,389	163,526
II.2.2 Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations		224,778	191,124
II.2.3 Stationery and office supplies		27,567	34,676
II.2.4 Postage and telecommunications		204,200	239,220
II.2.5 Printing and photocopying costs		244,300	291,010
II.2.6 Office rental costs		153,533	96,526
		<u>1,069,767</u>	<u>1,016,082</u>
II.3 DOCUMENTATION, STUDIES AND RESEARCH			
II.3.1 Newspapers, magazines, press agencies and books		251,859	257,091
II.3.2 Studies and research		4,842	500
II.3.3 Databases		-	-
		<u>256,701</u>	<u>257,591</u>
II.4 LEGAL AND ACCOUNTING COSTS, FINANCIAL CHARGES AND OTHER OPERATING EXPENDITURE			
II.4.1 Legal costs		-	1,600
II.4.2 Accounting and audit costs		58,473	76,097
II.4.3 Financial charges and exchange losses		97,943	154,001
II.4.4 Translation and interpreting costs		721	747
II.4.5 Other operating expenditure		43,530	70,473
		<u>200,667</u>	<u>302,918</u>

The notes are an integral part of these annual accounts.

**Expenditure of the Group of the European People's Party
(Christian Democrats) and European Democrats
in the European Parliament
for budget item 4000 for the year from 1 January to 31 December 2007
(continued)**

	Notes	01/01/2007 - 31/12/2007 EUR	01/01/2006 - 31/12/2006 EUR
II.5 EXPENDITURE ON MEETINGS AND ENTERTAINMENT			
II.5.1 Official Group meetings		416,156	590,675
II.5.2 Other meetings and conferences		1,284,633	943,191
II.5.3 Expenditure on entertainment		89,047	56,071
II.5.4 Guests		8,320	44,244
II.5.5 Fact-finding missions		225,740	289,438
		<u>2,023,896</u>	<u>1,923,619</u>
II.6 PUBLICATIONS AND ADVERTISING			
II.6.1 Posters, booklets, publications		402,487	352,006
II.6.2 Advertising inserts and audiovisual advertising		282,662	181,526
II.6.3 Advertising material, novelty items, telecommunications advertising		2,076,663	1,224,675
II.6.4 Internet sites and cyber advertising		2,300	-
II.6.5 Visits to institutions, information stands		70,713	93,299
		<u>2,834,825</u>	<u>1,851,506</u>
II.7 MEMBERS			
II.7.1 Decentralised political and information activities	4.3	7,490,092	7,051,571
		<u>7,490,092</u>	<u>7,051,571</u>
II.8 SUBSIDIES AND SUBSCRIPTIONS			
II.8.1 Subsidies		12,700	1,000
II.8.2 Subscriptions		-	-
		<u>12,700</u>	<u>1,000</u>
TOTAL EXPENDITURE		<u>18,572,670</u>	<u>16,345,035</u>
BROUGHT FORWARD TO FUTURE PERIODS		<u>9,074,297</u>	<u>8,946,788</u>
TOTAL		<u>27,646,967</u>	<u>25,291,823</u>

The notes are an integral part of these annual accounts.

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the year ended 31 December 2007**

1 Basis of preparation

The accounts have been prepared in accordance with the rules concerning the use of resources of the budget item, '4000 Expenditure for political and information activities and secretarial costs of the groups and members with no affiliation to any political party', as adopted by the Presidency of the European Parliament (hereafter referred to as 'EP') in the version of 30 June 2003 (PE335.475/BUR/Rev.2) and revised by the Presidency of the EP on 22 March 2006 and 11 July 2007.

2 Significant accounting and valuation principles

The accounts have been prepared on the historic cost basis and in accordance with the generally accepted accounting principles, namely:

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

According to article 2.5.3 of the budget item '4000 Expenditure for political and information activities and secretarial costs of the groups and members with no affiliation to any political party', the accounts are drawn up on a modified accrual basis. All expenses occurred up to 31 December of the current budgetary period and paid before 31 January the following year are accounted for as expense in the reporting period. Expenses of the accounting period that are settled after the balance sheet date are shown in the balance sheet under position 3.1 ('Charges settled in the year and paid in the following year').

Certain comparative figures have been reclassified (please refer to Note 4.2).

Valuation principles

Money market funds shown under the position 'financial assets' are valued at the lower of cost or market value. The fixed term deposits are valued at their nominal value.

Debtors are recorded at their nominal value while liabilities are stated at their repayment value.

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament**
Notes to the accounts for the year ended 31 December 2007
(continued)

2 Significant accounting and valuation principles (continued)

Foreign currencies

The accounts are expressed in Euros (EUR).

All balances in foreign currencies are converted with the exchange rate as per balance sheet date, except for fixed assets which are valued at their acquisition cost.

Income and expenditure in foreign currencies are converted to EUR at the exchange rate of the second last day of the previous month as published by the European Central Bank (ECB).

Gains and losses on foreign exchange are recognised as income or expense in accordance with the imparity principle.

Tangible fixed assets

Up to 31 December 2004, the EPP-ED applied the procedures of regulation (EC) No. 2909/2000 in respect of the depreciation of tangible fixed assets. Depreciation was applied on an annual basis and the maximum applicable amount had been depreciated.

As from 27 April 2005, rule EC No. 643/2005 applies. This rule states that fixed assets are depreciated from the month of purchase of the asset on. The EPP-ED group has applied the rule as per 1 January 2005.

Assets with an acquisition cost higher than EUR 420 and a normal useful economic life of more than one year are capitalised and depreciated on a straight line basis as follows:

	Depreciation p.a.
Office equipment and machinery	12.5% or 25%
Furniture and fleet vehicles	10% and 25%
Computer equipment	25%

Reserves

At year end a maximum of 50% of the annual subsidies may be brought forward to the following year. Surpluses in excess of this amount have to be transferred to the EP.

The surplus brought forward to the budgetary period 2008 is calculated as follows:

	EUR
1. Subsidies received from the EP for 2007	18,197,622
2. Maximum amount transferable to the next accounting period (50 % of the subsidies received from the EP for 2007)	9,098,811
3. Difference between income and expenses 2007	9,074,297
4. Subsidies to be transferred to the EP	-
5. Amount carried forward to the accounting period 2008	9,074,297

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the year ended 31 December 2007
(continued)**

3 Significant Balance Sheet Positions

3.1 Financial assets as at 31 December 2007 are presented as follows:

	31/12/2007	31/12/2006
	EUR	EUR
Money market funds	8,380,678	370,901
Subtotal securities	8,380,678	370,901
Term deposits	800,000	-
Current accounts	1,496,389	9,951,342
Petty cash	931	728
Subtotal cash and bank	2,297,320	9,952,070
TOTAL FINANCIAL ASSETS	10,677,998	10,322,971

Financial assets are due and payable within one year.

The securities have been valued at lower of cost or market value as at 31 December 2007. Accordingly a provision for unrealised losses of EUR 44,877 (2006: EUR 0) was recorded in the revenue and expenditure statement. The market value of the money market funds at year end amounts to EUR 8,596,159. The EPP-ED has pledged shares in money market funds with a current market value of EUR 267,961 in order to obtain a credit line. As per 31 December 2007, the credit line remains undrawn.

- 3.2 Debtors, stock and other current assets of EUR 262,850 (31 December 2006: EUR 145,451) are due within one year. Of the above amount EUR 87,926 are included in 'other debtors', representing subsidies to national delegations (31 December 2006: EUR 31,249) for which the recipients of the funds have not yet rendered account for by supplying documentation (non-justified advances). These expenses will be accounted for in the revenue and expenditure statement once the receipts have been processed.
- 3.3 Other debts of EUR 2,260,073 (31 December 2006: EUR 1,814,995) represent expenditures accounted for during the period and payable within the first month after the year end, as well as expenses incurred and paid for by staff prior to 31 December 2007 amounting to EUR 46,887 (31 December 2006: EUR 38,699) to be reimbursed in 2007.

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the period ended 31 December 2007
(continued)**

4 Significant Income and Expenditure account items

- 4.1 Subsidies from the EP represent resources made available to cover secretarial costs and expenses for other political and information activities.
- 4.2 Travel costs for members of the Group secretariat amount to EUR 3,651,181 in 2007 (2006: EUR 3,473,037). In 2006, costs were allocated according to their destination. As a consequence, travel costs for staff's participation in plenary sessions were shown under 'official group meetings'. In 2007, these travel costs are disclosed under 'Secretariat missions'. The comparative figures have been reclassified accordingly.

Travel costs are split as follows:	01/01/2007- 31/12/2007	01/01/2006- 31/12/2006
	EUR	EUR
Plenary sessions	2,897,309	2,669,516
Mini sessions and other	118,535	123,954
II.1.1 Total secretariat missions	3,015,844	2,793,470
Other secretariat mission costs are included under the following headings:		
II.1.2. Missions in relation with recruitment	4,784	-
II.1.5. Missions related to staff training	4,636	9,905
II.4.2. Missions relating to accounting and audit costs	2,971	2,556
II.5.1. Official group meetings (outside official seats)	246,333	311,799
II.5.2. Other conferences/seminars	339,145	312,930
II.5.5. Fact-finding missions	21,516	28,873
II.6.5 Open days (information stands)	15,952	13,504
TOTAL MISSIONS	3,651,181	3,473,037

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament**
Notes to the accounts for the period ended 31 December 2007
(continued)

4 Significant Income and Expenditure account items (continued)

4.3 Expenses under position II 7.1 relate to political activities and information activities of members as well as political and information activities of national delegations, and consist of the following categories:

Heading	01/01/2007-31/12/2007		01/01/2006-31/12/2006	
	EUR	in %	EUR	in %
Staff costs	824,860	9.40	662,892	9.40
Material, maintenance and operating expenses	145,552	1.94	154,770	2.19
Documentation, surveys and research expenses	58,029	0.77	71,536	1.01
Consulting fees and other administration expenses	65,718	0.88	5,168	0.07
Meetings and conferences	1,359,380	18.15	1,214,606	17.22
Representation costs	104,189	1.39	17,488	0.25
Invitations	1,058,303	14.13	1,227,038	17.40
Brochures and other publications	1,597,835	21.33	1,619,738	22.97
Adverts and audio-visual advertising	374,189	5.00	269,514	3.82
Promotional material	750,991	10.03	626,897	8.89
Internet	541,918	7.24	395,173	5.60
Visit groups	609,128	8.13	786,751	11.16
	7,490,092	100.00	7,051,571	100.00

4.4 The position 'Miscellaneous resources' represents income resulting from adjustments to the supplier accounts in respect of previous financial periods.

5 Commitments

As per 31 December 2007 'Other financial commitments' amount to EUR 595,487 (in 2006: EUR 609,182) and result from a rental agreement for copy machines for EUR 477,952 (in 2006: EUR 440,291) as well as from the rental agreement for the Madrid office for EUR 117,535 (in 2006: EUR 168,891), with remaining rental periods up to 60 months.

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the period ended 31 December 2007
(continued)**

6 Tangible fixed assets

Category and depreciation rate	Computer software 25% (Euro)	Computer hardware 25% (Euro)	Telecom equipment 25% (Euro)	Technical equipment and supplies 12,50% (Euro)	Miscellaneous installations and machines 12,50% (Euro)	Furniture (chairs, desks, cupboards) 10% (Euro)	Total (Euro)
Historic cost							
Opening balances (historic cost)	23,100	453,344	197,525	104,569	26,390	51,767	856,695
Less Sales entered in profit and loss account	-	14,433	-	-	-	-	14,433
Add Acquisition during financial year	18,019	71,145	40,202	1,203	2,956	6,411	139,936
Add Transfers	-	-	-	-	-	-	-
Closing balance at historic cost	41,119	510,056	237,727	105,772	29,346	58,178	982,198
Accumulated depreciation							
Opening balances (accumulated depreciation)	16,360	303,542	135,330	76,185	21,074	29,783	582,274
Less accumulated depreciation of fixed assets sold and entered in the profit and loss account	-	5,793	121	-	-	-	5,914
Add depreciation for financial year	5,330	51,313	29,913	5,951	2,630	5,159	100,296
Closing balance at historic cost	21,690	349,062	165,122	82,135	23,704	34,942	676,655
Net value							
Net accounting value as at 31/12/2006	6,740	149,802	62,195	28,384	5,316	21,984	274,421
Net accounting value as at 31/12/2007	19,429	160,994	72,605	23,637	5,642	23,236	305,543