

FINANCIAL STATEMENTS

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

**BUDGET ITEM 400
OF THE BUDGET
OF THE EUROPEAN PARLIAMENT**

**BUDGET PERIOD ENDING
30 JUNE 2014**



EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

BUDGET PERIOD ENDED 30 JUNE 2014

Table of contents

	<u>Page</u>
Report of the external auditors	3
Balance sheet	5
Statement of income and expenditure	6
Notes to the Financial Statements	8



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**REPORT OF THE EXTERNAL AUDITORS ON THE FINANCIAL STATEMENTS RELATIVE
TO THE USE OF THE CREDITS OF ITEM 400 OF THE BUDGET OF THE EUROPEAN
PARLIAMENT FOR THE SIX MONTHS PERIOD ENDING 30 JUNE 2014**

In accordance with our engagement letter dated 16 September 2014, we have audited the accompanying financial statements of the European Conservatives and Reformists Group (or "the Group") prepared by the Group's Accountant, which comprise the balance sheet as of 30 June 2014, the statement of income and expenditures for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements are laid out on pages 5 to 12.

Responsibilities of the Group

Pursuant to the Rules on the use of appropriation from budget item 400 of the European Parliament (hereafter "the Rules"), the European Conservatives and Reformists Group is responsible to the Parliament for the conformity of appropriation usage and for the preparation and fair presentation of the Group's financial statements in accordance with the principles set out in these rules. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making estimates that are reasonable in the circumstances. It also includes ensuring the respect of the Rules of budget item 400.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board (IAASB). The audit includes all tests of transactions, existence, ownership and valuation of assets and liabilities that are considered necessary. The nature and extent of the audit procedures depend on the auditor's judgment, including the assessment of the Group's accounting system and, where we wish to place reliance on it, the internal control system. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statements.

Our audit involved such tests of the accounting records and other auditing procedures as were considered necessary to form an independent view and, in accordance with the specific requirements of our audit mandate, to report with reasonable assurance that:

- Expenditures are conformed to the Rules governing appropriation item 400;
- Appropriations are available;
- Payments orders are supported by original documentations or certified true copies;
- The financial statements have been laid out in accordance with the harmonised chart of accounts included in Part 2 of the Rules;
- The financial statements have been prepared in accordance with generally accepted accounting principles for the public sector as laid out in articles 143 and 144 of Regulation 966/2012 of 25 October 2012 (Financial Regulation), or that departures are adequately explained in the notes to the financial statements;
- Principles of sound financial management have been applied;
- Group's internal rules have been observed.

We believe that the audit evidence we have obtained is sufficient and appropriate to enable us to reach reasonable conclusions.

Opinion

As a result of our work, we did not identify any material non conformity with the dispositions laid out in the Rules governing appropriation item 400 or with the Group's internal rules.

The financial statements are presented in accordance with the harmonized Chart of Accounts foreseen in the Rules.

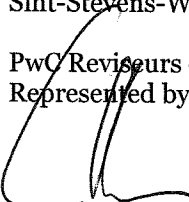
We do not report departures from accounting principles laid out in articles 143 and 144 of Regulation 966/2012 of 25 October 2012, unless adequately disclosed in the notes to the financial statements.

To the extent we have been able to verify it, the principle of sound financial management has been applied.

In our opinion, the financial statements give a true and fair view of the state of affair of the European Conservatives and Reformists Group at 30 June 2014 and its income and expenditures for the six months period then ended, in accordance with the accounting principles and policies laid out in Note 1 to the financial statements.

Sint-Stevens-Woluwe, 30 September 2014

PwC Reviseurs d'Entreprises scrl
Represented by



François Cattoir
Reviseur d'Entreprises

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

BUDGET STATEMENTS RELATING TO THE USE OF THE CREDIT OF ITEM 400
OF THE BUDGET OF THE EUROPEAN PARLIAMENT

BALANCE SHEET AT 30 JUNE 2014

	NOTE	Amounts in Euro	
		2014/1	2013
ASSETS			
FIXED ASSETS			
Chapter 1 Intangible and tangible fixed assets			
1		0,00	0,00
2	1 and 9	17.834,82	22.084,09
Subtotal chapter 1		17.834,82	22.084,09
CURRENT ASSETS			
Chapter 2 Debtors, stocks and other current assets			
1	7	0,00	5.500,00
2		0,00	0,00
3	6	173.959,75	292.881,08
4		0,00	0,00
5		754,27	0,00
Subtotal chapter 2		174.714,02	298.381,08
Chapter 3 Cash and banks			
1		0,00	0,00
2		370.591,61	1.066.087,54
Subtotal chapter 3		370.591,61	1.066.087,54
Chapter 4 Deferred charges and accrued income			
1	4	11.943,98	5.118,25
2	5	27.438,64	31.402,85
Subtotal chapter 4		39.382,62	36.521,10
TOTAL ASSETS		602.523,07	1.423.073,81
LIABILITIES			
Chapter 1 Reserves			
1	2	450.038,91	1.050.302,42
Subtotal chapter 1		450.038,91	1.050.302,42
Chapter 2 Financial debts			
1		0,00	0,00
2		0,00	0,00
Subtotal chapter 2		0,00	0,00
Chapter 3 Other debts			
1		0,00	0,00
2	1 and 3	152.484,16	372.771,39
Subtotal chapter 3		152.484,16	372.771,39
TOTAL LIABILITIES		602.523,07	1.423.073,81

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

BUDGET STATEMENTS RELATING TO THE USE OF THE CREDIT OF ITEM 400
OF THE BUDGET OF THE EUROPEAN PARLIAMENT

STATEMENT OF REVENUES AND EXPENDITURE FOR THE PERIOD ENDED 30 JUNE 2014

	NOTE	Amounts in Euro	
		2014/1	2013
REVENUE			
Chapter 1 EP subsidies and other EP revenue			
1. Allocation from EP		2.128.048,41	4.046.038,85
2. Other revenue from EP	✓	0,00	0,00
Subtotal for Chapter 1		<u>2.128.048,41</u>	<u>4.046.038,85</u>
Chapter 2 Own resources			
1. Interest and similar receipts		2.402,52	25.689,81
2. Exchange gains		0,00	0,00
3. Miscellaneous resources		0,00	0,00
4. Amount carried forward from the preceding financial year		1.050.302,42	1.576.501,29
Subtotal for Chapter 2		<u>1.052.704,94</u>	<u>1.602.191,10</u>
Total revenue		<u>3.180.753,35</u>	<u>5.648.229,95</u>
Grand total		<u>3.180.753,35</u>	<u>5.648.229,95</u>
EXPENDITURE			
Chapter 1 Staff			
1. Secretariat Missions		259.998,61	585.154,15
2. Recruitment		3.335,39	9.551,37
3. Traineeships		81.211,23	139.959,30
4. Salaries and related costs, fees		80.099,41	171.853,78
5. Staff training		8.941,97	8.927,36
6. Staff representation costs		1.099,00	0,00
Subtotal for Chapter 1		<u>434.685,61</u>	<u>915.445,96</u>
Chapter 2 Equipment, routine administrative expenditure and operating expenditure			
1. Equipment, operating expenditure, computer-related, engineering and maintenance		110,29	0,00
2. Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations		735,06	0,00
3. Stationery and office supplies		4.031,38	7.942,17
4. Postage and telecommunications		18.402,23	39.069,14
5. Printing and photocopying costs		16.625,08	37.166,06
6. Office rental costs		11.335,30	26.501,10
7. Depreciation	1 and 9	4.740,69	12.767,69
Subtotal for Chapter 2		<u>55.980,03</u>	<u>123.446,16</u>

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

**BUDGET STATEMENTS RELATING TO THE USE OF THE CREDIT OF ITEM 400
OF THE BUDGET OF THE EUROPEAN PARLIAMENT**

**STATEMENT OF REVENUES AND EXPENDITURE FOR THE PERIOD ENDED 30 JUNE 2014
(continued)**

	NOTE	Amounts in Euro	
		2014/1	2013
Chapter 3 Documentation, studies & research			
1. Newspapers, magazines, press agencies and books		44.429,09	62.152,59
2. Studies and research		0,00	0,00
3. Databases		0,00	2.930,05
Subtotal for Chapter 3		<u>44.429,09</u>	<u>65.082,64</u>
Chapter 4 Legal and accountancy fees, financial charges and other operating expenditure			
1. Legal costs		2.035,28	1.826,89
2. Accounting/audits costs		12.500,00	12.250,00
3. Financial charges and exchange losses		19.466,04	64.294,77
4. Translation and interpreting costs		0,00	0,00
5. Other operating expenditure		18.671,95	30.826,45
Subtotal for Chapter 4		<u>52.673,27</u>	<u>109.198,11</u>
Chapter 5 Expenditure on meetings and entertainment			
1. Official Group meetings		128.249,47	115.241,87
2. Other meetings and conferences		61.748,05	306.150,88
3. Expenditure on entertainment		5.770,56	3.705,28
4. Guests		35.489,24	55.538,72
5. Fact-finding missions by individual Members		132.040,31	189.020,98
Subtotal for Chapter 5		<u>363.297,63</u>	<u>669.657,73</u>
Chapter 6 Publication and advertising			
1. Posters, booklets and publications		19.337,47	15.229,77
2. Advertising inserts and audiovisual advertising		96.314,08	100.259,17
Advertising material, novelty items, telecommunication			
3. advertising		10.644,30	18.380,66
4. Internet sites and cyber advertising		14.954,65	45.878,92
5. Visits to institutions, information stands		325,00	0,00
Subtotal for Chapter 6		<u>141.575,50</u>	<u>179.748,52</u>
Chapter 7 Members			
1. Decentralised political and information activities (details attached)	8	1.638.073,31	2.535.348,41
Subtotal for Chapter 7		<u>1.638.073,31</u>	<u>2.535.348,41</u>
Total expenditure		<u>2.730.714,44</u>	<u>4.597.927,53</u>
Balance carried forward	2	450.038,91	1.050.302,42

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

NOTES TO THE FINANCIAL STATEMENTS

BUDGET PERIOD ENDED 30 JUNE 2014

NOTE 1: BASIS OF THE ACCOUNTS AND ACCOUNTING PRINCIPLES

Basis of preparation

The accounts, hereafter, have been prepared in conformity with:

- The 400 financial rules approved by the Bureau of the European Parliament on 30 June 2003, revised by the Bureau on 22 March 2006 (PE 335.475/BUR), on 11 July 2007, on 20 September 2010, on 23 March 2011, on 26 September 2011, on 02 July 2012, on 11 March 2013, on 24 February 2014 and 14 April 2014;
- The internal financial rules of the Group;
- The accounting principles and the harmonized accounting plan adopted by the Secretaries-General of the political groups on 15/09/2005.

Accounting principles

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 400 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 budget period, 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 budget period.

All expenditure of a budget period paid during the month following the end of the budget period is booked on the expenditure accounts of the current budget period 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 budget 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 budget period not paid by the end of the month following the end of this budget 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 budget period is registered on a balance sheet account in chapter IV (deferred charges and accrued income).

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

NOTES TO THE FINANCIAL STATEMENTS

BUDGET PERIOD ENDED 30 JUNE 2014

Classification

The classification of the expenditure on the charge accounts follows the principle of classification by destination by the accounting plan annexed to the Rules on the use of appropriations from Article 400.

Specific accounting policies

Exchange policy

The revenue and expenditure in other currencies are converted in euro following the exchange rate of the day of the payment. The balance sheet accounts in other currencies are translated into euro at the exchange of the end of the budget period.

Depreciation of tangible 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 and supplies	12,5%
Other installations and machines	12,5%
Office furniture	10,0%

A recapitulative table of the assets in the balance sheet is annexed in Note 9.

Valuation methods for financial securities

Non applicable

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 collectability.

Comparison to the figures

According to article 2.1.1. one of the financial rules governing budget item 400 this report covers the period 2014-1 which lasts from 01/01/2014 to 30/06/2014.

For practical reasons no comparative figures for the identical period of 2013 can be presented. Therefore 12 months' worth of figures have been mentioned for 2013.

EUROPEAN CONSERVATIVES AND REFORMISTS GROUP

NOTES TO THE FINANCIAL STATEMENTS

BUDGET PERIOD ENDED 30 JUNE 2014

NOTE 2: CARRY FORWARD TO THE NEXT BUDGETING PERIOD

In accordance with article 2.1.6 of the Rules on the use of appropriations from budget item 400, appropriations that are not used during the financial year may be carried over to the following financial year up to a maximum of 50% of the annual appropriations received from the European Parliament's budget.

	€	
Credits received by our group for 2014-1 budget period	2.128.048,41	✓
Maximum amount of carry forward to 2014-2 budget period	No limitation	✓
Difference between total revenue and total expenditure at the end of the 2014-1 period	450.038,91	✓
Credits to be received from EP	25.036,12	no. 1100
Carry forward to 2014-2 budget period	450.038,91	

The amount carried forward for the 2013 budgeting period of € 1.050.302,42 has been recognised as own resources in 2014.

NOTE 3: CHARGES SETTLED IN 2014-1 BUT PAID IN 2014-2

In application of article 2.5.3 of the Rule PE 422.537/BUR, an amount of € 152.484,16 corresponds to expenditure related to the 2014 accounting period and paid before 31 July 2014. ✓

NOTE 4: DEFERRED CHARGES

The amount recorded under this heading of the balance sheet as at 30 June 2014 (€ 11.943,98) ✓ consists of 8 invoices covering periods subsequent to 30 June 2014.

NOTE 5: ACCRUED INCOME

In connection with the article 1.3.1 of the 400 financial rules, the amount recorded under caption "Accrued Income" is mainly related to the reallocation of appropriations as a result of a change in the composition of the Group during financial period relating to the first semester for € 25.036,12. The proportional reallocation of appropriation is carried out at the beginning of the following financial accounting period (i.e. second semester of 2014). Hence this amount is classified in the balance sheet as accrued income. ✓

NOTE 6: VAT RECOVERABLE

This relates to VAT paid for which the European Conservatives and Reformists Group anticipates to obtain refund from the relevant tax authorities in application of the privileges and immunities of the European Institutions. VAT recoverable at 30 June 2014 is composed as follows:

	€	
VAT Denmark	5.274,66	
VAT United Kingdom	135.231,74	
VAT Czech Republic	31.144,66	
VAT Hungary	2.308,69	
	173.959,75	✓

NOTE 7: SUPPLIERS

Last year, the amount of € 5.500 consisted of one advance invoice paid related to 2014 expenses.

**NOTE 7: DETAIL OF THE EXECUTION OF THE DECENTRALISED CREDITS OF
CHAPTER 7 ARTICLE 1**

The detail of the decentralised credits executed for Chapter 7.1 of the accounting plan annexed to the 4000 financial rules is the following:

Article	Category	Six Month 30 June 2014	%	Year ended 31 December 2013	%
1.	Staff	400.00	0.02%	0	0.00%
2.	Secretariat - equipment and expenses	0.00	0.00 %	3630.00	0.14 %
3.	Documentation, studies and research	401170.23	24.59 %	782330.53	30.86 %
4.	Legal, accounting, financial and other operating costs	0	0.00%	0	0.00%
52.	Other meetings and conferences	336419.38	20.54 %	552814.52	21.80 %
53.	Expenditure on entertainment		0.00%		0.00%
54.	Guests	74490.15	4.57 %	150693.89	5.94 %
61.	Posters, booklets and publications	170900.47	10.48 %	464813.69	18.33 %
62.	Advertising inserts and audiovisual advertising	350272.68	21.47 %	170280.06	6.72 %
63.	Advertising material, novelty items, telecommunications advertising	141024.28	8.64 %	223274.74	8.81 %
64.	Internet sites and cyber advertising	14105.33	0.86 %	38828.05	1.53 %
65.	Visits to institutions; information stands	149290.79	9.15 %	148682.93	5.86 %
	Total Chapter 7.1	1638073.31	100%	2535348.41	100%

EUROPEAN CONSERVATIVES AND REFORMULISTS GROUP

NOTES TO THE FINANCIAL STATEMENTS

BUDGET PERIOD ENDED 30 June 2014

NOTE 9: RECAPITULATIVE TABLE OF FIXED ASSETS

Category and write-down rate	IT software 25%	IT hardware 25%	Telecom- munications equipment 25%	Technical equipment and supplies 12.5%	Miscellaneous machinery and installations 12.5%	Movable property (seats, desks, cabinets) 10%	Total
	(€)	(€)	(€)	(€)	(€)	(€)	(€)
Opening balances (historical cost)	0,00	42.671,50	0,00	0,00	30.288,71	34.585,23	107.545,44
Less Items sold and entered in profit-and-loss account	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Plus Acquisitions during the financial year	0,00	491,42	0,00	0,00	0,00	0,00	491,42
Plus Transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Result Closing balance at historical cost	0,00	✓ 43.162,92	0,00	0,00	✓ 30.288,71	✓ 34.585,23	108.036,86
Opening balances (accumulated depreciation)	0,00	32.572,43	0,00	0,00	18.660,91	34.228,01	85.461,35
Less Accumulated depreciation of items sold and entered in p/l account	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Plus Depreciation charge for the financial year	0,00	3.156,53	0,00	0,00	1.493,15	91,01	4.740,69
Plus Depreciation charge from transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Result Closing balance at historical cost	0,00	✓ 35.728,96	0,00	0,00	✓ 20.154,06	✓ 34.319,02	90.202,04
Net book value of fixed assets on 31/12/2013	0,00	10.099,07	0,00	0,00	11.627,80	357,22	22.084,09
Net book value of fixed assets on 30/06/2014	0,00	✓ 7.433,96	0,00	0,00	✓ 10.134,65	✓ 266,21	17.834,82