

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

Short Form Report
on the Accounts of
Budget Item 400 for
the year ended
31 December 2010



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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment, we have audited the accompanying annual accounts of the Group of the European People's Party (Christian Democrats) in the European Parliament ('the Group'), which comprise the balance sheet as at 31 December 2010 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 400 of the European Parliament and with the Group's internal rules (hereafter: 'Applicable Rules'), and for such internal control as the Management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

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 for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 agréé, 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 agréé 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts have been prepared in accordance with the harmonised accounting plan 400;
- The annual accounts have been prepared in accordance with generally accepted accounting principles as laid out in articles 187 to 194 of the Implementing Rules. Departures from these principles have been adequately explained by means of notes to the prepared annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

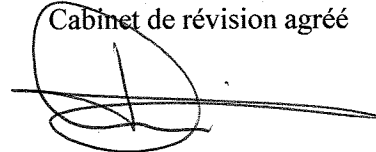
In our opinion the annual accounts give a true and fair view of the financial position of the Group as at 31 December 2010 and of the revenue and expenditure statement for the year ended 31 December 2010 in accordance with the Applicable Rules.

As a result of our work:

- We did not identify any significant non conformity with the provisions laid out in the Applicable Rules;
- We noted that the overall presentation of the revenue and expenditure statement for the year ended 31 December 2010 and the balance sheet as at 31 December 2010 complies with the chart of accounts set out by the Applicable Rules;
- Generally accepted accounting principles are adequately explained by means of notes to the annual accounts.

Luxembourg, April 26, 2011

KPMG Audit S.à r.l.
Cabinet de révision agréé



P. Wies

**Balance sheet of the Group of the European People's Party
(Christian Democrats)
in the European Parliament
for budget item 400 as at 31 December 2010**

ASSETS	Notes	<u>31/12/2010</u> EUR		<u>31/12/2009</u> EUR	
I Tangible and intangible fixed assets					
I.1 Intangible fixed assets		-		-	
I.2 Tangible fixed assets	7	<u>243.224</u>	243.224	<u>333.010</u>	333.010
II Debtors, stocks and other current assets	4.1				
II.1 Suppliers		2.376		-	
II.2 Staff		24.082		10.313	
II.3 Value added tax		73.730		93.241	
II.4 Stocks		-		-	
II.5 Others		<u>113.711</u>	213.899	<u>106.998</u>	210.552
III Financial assets	4.2				
III.1 Securities		1.356.525		249.145	
III.2 Cash and bank		<u>1.809.247</u>	3.165.772	<u>2.577.871</u>	2.827.016
TOTAL ASSETS			<u><u>3.622.895</u></u>		<u><u>3.370.578</u></u>
LIABILITIES					
I Reserves		<u>1.720.288</u>	1.720.288	<u>2.182.192</u>	2.182.192
II Financial debts					
II.1 Financial debts of more than one year		-		-	
II.2 Financial debts of less than one year		<u>-</u>	-	<u>-</u>	-
III Other debts	4.3				
III.1 Others		11.037		-	
III.2 Charges settled in the year/period and paid in the following year/period		<u>1.891.570</u>	1.902.607	<u>1.188.386</u>	1.188.386
TOTAL LIABILITIES			<u><u>3.622.895</u></u>		<u><u>3.370.578</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)
in the European Parliament
for budget item 400 for the year ended 31 December 2010**

	Notes	01/01/2010 - 31/12/2010 EUR	01/07/2009 - 31/12/2009 EUR
I REVENUE			
I.1 EP SUBSIDIES AND OTHER EP REVENUE			
I.1.1 Allocation from EP	5.1	19.990.381	9.785.783
I.1.2 Other revenue from EP		-	-
		<u>19.990.381</u>	<u>9.785.783</u>
I.2 OWN RESOURCES			
I.2.1 Interest and similar receipts		180.047	7.191
I.2.2 Exchange gains		7.543	1.847
I.2.3 Miscellaneous resources	5.2	22.365	10.754
I.2.4 Amount carried forward from the preceding financial year		2.182.192	2.613.307
		<u>2.392.147</u>	<u>2.633.099</u>
TOTAL REVENUE		<u><u>22.382.528</u></u>	<u><u>12.418.882</u></u>

The notes are an integral part of these annual accounts.

**Expenditure of the Group of the European People's Party
(Christian Democrats)
in the European Parliament
for budget item 400 for the year ended 31 December 2010**

	Notes	01/01/2010 - 31/12/2010 EUR	01/07/2009 - 31/12/2009 EUR
II EXPENDITURE			
II.1 STAFF			
II.1.1 Secretariat missions	5.3	3.163.718	1.337.026
II.1.2 Recruitment		24.649	8.322
II.1.3 Traineeships		321.287	161.903
II.1.4 Salaries and related costs, fees		2.408.063	673.638
II.1.5 Staff training		121.353	112.497
II.1.6 Staff entertainment		91.619	57.420
		6.130.689	2.350.806
II.2 EQUIPMENT, ROUTINE ADMINISTRATIVE EXPENDITURE AND OPERATING EXPENDITURE			
II.2.1 Equipment, operating expenditure, computer engineering and maintenance		589.389	526.357
II.2.2 Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations		300.314	143.685
II.2.3 Stationery and office supplies		46.201	18.147
II.2.4 Postage and telecommunications		215.957	128.032
II.2.5 Printing and photocopying costs		273.184	609.175
II.2.6 Office rental costs		169.446	101.664
		1.594.491	1.527.060
II.3 DOCUMENTATION, STUDIES AND RESEARCH			
II.3.1 Newspapers, magazines, press agencies and books		255.191	142.207
II.3.2 Studies and research		45.594	3.894
II.3.3 Databases		-	10.178
		300.785	156.279
II.4 LEGAL AND ACCOUNTING COSTS, FINANCIAL CHARGES AND OTHER OPERATING EXPENDITURE			
II.4.1 Legal costs		-	-
II.4.2 Accounting and audit costs		33.299	41.629
II.4.3 Financial charges and exchange losses		286.905	34.034
II.4.4 Translation and interpreting costs		101.238	17.591
II.4.5 Other operating expenditure		26.249	78.574
		447.691	171.828

The notes are an integral part of these annual accounts.

**Expenditure of the Group of the European People's Party
(Christian Democrats)
in the European Parliament
for budget item 400 for the year ended 31 December 2010
(continued)**

	Notes	01/01/2010 - 31/12/2010 EUR	01/07/2009 - 31/12/2009 EUR
II.5 EXPENDITURE ON MEETINGS AND ENTERTAINMENT			
II.5.1 Official Group meetings	5.4	919.651	558.565
II.5.2 Other meetings and conferences		1.157.134	1.072.819
II.5.3 Expenditure on entertainment		272.317	108.869
II.5.4 Guests		-	120
II.5.5 Fact-finding missions		423.316	110.614
		<u>2.772.418</u>	<u>1.850.987</u>
II.6 PUBLICATIONS AND ADVERTISING			
II.6.1 Posters, booklets, publications		646.623	119.839
II.6.2 Advertising inserts and audiovisual advertising		77.803	133.538
II.6.3 Advertising material, novelty items, telecommunications advertising		1.488.606	390.376
II.6.4 Internet sites and cyber advertising	5.5	473.440	-
II.6.5 Visits to institutions, information stands		322.467	115.038
		<u>3.008.939</u>	<u>758.791</u>
II.7 MEMBERS			
II.7.1 Decentralised political and information activities	5.6	6.401.426	3.419.137
		<u>6.401.426</u>	<u>3.419.137</u>
II.8 SUBSIDIES AND SUBSCRIPTIONS			
II.8.1 Subsidies		5.800	1.800
II.8.2 Subscriptions		-	-
		<u>5.800</u>	<u>1.800</u>
TOTAL EXPENDITURE		<u>20.662.240</u>	<u>10.236.690</u>
BROUGHT FORWARD TO FUTURE PERIOD		<u>1.720.288</u>	<u>2.182.192</u>
TOTAL		<u>22.382.528</u>	<u>12.418.882</u>

The notes are an integral part of these annual accounts.

**Group of the European People's Party (Christian Democrats)
in the European Parliament
Notes to the accounts for the year ended 31 December 2010**

1 General

Officially recognised as the Christian Democrat Group on 23 June 1953, pursuant to the Resolution of the Common Assembly of the European Coal and Steel Community, the Group changed its name, following the European elections in 2009 from 'Group of the European People's Party (Christian Democrats) and European Democrats' to 'Group of the European People's Party (Christian Democrats)' hereafter referred as 'EPP Group'.

With 265 Members as at 31 December 2010, the EPP Group is the largest political Group in the European Parliament (hereafter referred to as 'EP').

2 Basis of preparation

The accounts have been prepared in accordance with the rules concerning the use of resources of the budget item, '400 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 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, 11 July 2007 and 20 September 2010.

According to article 2.1.1 of the financial rules governing budget item 400 this report covers the financial year 2010. The comparative figures cover the 6 month budgetary period from 01 July 2009 to 31 December 2009.

3 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 '400 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 III.2 ('Charges settled in the year under review and paid in the following year').

**Group of the European People's Party (Christian Democrats)
in the European Parliament
Notes to the accounts for the year ended 31 December 2010**

3 Significant accounting and valuation principles (continued)

Valuation principles

Fixed-term securities shown under the position III. 'Financial assets' are valued at lower of cost or market. 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.

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

Fixed assets are depreciated starting the month of purchase of the asset. The EPP 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:

	<u>Depreciation p.a.</u>
Software	25,0%
Hardware	25,0%
Telecommunications equipment	25,0%
Technical equipment	12,5%
Miscellaneous installations and machines	12,5%
Furniture (chairs, desks, cupboards)	10,0%

A recapitulative table of the assets in the balance sheet is under point 7.

**Group of the European People's Party (Christian Democrats)
in the European Parliament
Notes to the accounts for the year ended 31 December 2010
(continued)**

3 Significant accounting and valuation principles (continued)

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 balance carried forward to the budgetary period 2011 is calculated as follows:

	EUR
1. Subsidies received from the EP for 2010	19.990.381
2. Maximum amount transferable to next accounting period (50% of the subsidies received from the EP for 2010)	9.995.191
3. Total revenue in 2010	22.382.528
4. Total expenditures in 2010	20.662.240
5. Difference between revenue and expenditures 2010	1.720.288
6. Subsidies to be transferred to the EP	-
7. Amount carried forward to the following accounting year 2011	1.720.288

Group of the European People's Party (Christian Democrats) in the European Parliament

**Notes to the accounts for the year ended 31 December 2010
(continued)**

4 Significant balance sheet positions

- 4.1 Debtors, stocks and other current assets of EUR 213,899 (31 December 2009: EUR 210,252) are due within one year.

Caption 'II.2 Staff' of EUR 24,082 (31 December 2009: EUR 10,313) represents advances to staff for which recipients of the funds have not yet provided supplying documentation (non-justified advances).

Caption 'II.5 Others' includes an amount of EUR 45,637 representing subsidies to national delegations' external offices (31 December 2009: EUR 29,857) for which the recipients of the funds have not yet provided supplying documentation (non-justified advances). These expenses will be accounted for in the revenue and expenditure statement once the receipts have been processed.

- 4.2 Financial assets as at 31 December 2010 are presented as follows:

	31/12/2010	31/12/2009
	EUR	EUR
Fixed-rate securities	1.356.525	249.145
Total securities	1.356.525	249.145
Term deposits	1.000.000	500.000
Current accounts	808.537	2.076.559
Petty cash	710	1.312
Total cash	1.809.247	2.577.871
TOTAL	3.165.772	2.827.016

The securities are valued at lower of cost or market. The market value of the securities at year end amounts to EUR 1,356,525 (31 December 2009: EUR 283,118). Value adjustments from the application of the lower cost market value principle of EUR 198,002 (31 December 2009: EUR 0) are shown under caption II.4.3 'Financial charges and exchange losses'.

- 4.3 Other debts of EUR 1,902,607 (31 December 2009: EUR 1,188,386) represent expenditures accounted for during the period and payable within the first month after the year end.

Group of the European People's Party (Christian Democrats) in the European Parliament

Notes to the accounts for the year ended 31 December 2010

(continued)

Significant revenue and expenditure positions

- 5.1 Subsidies from the EP represent resources made available to cover secretarial costs and expenses for other political and information activities.
- 5.2 'Miscellaneous resources' represents income resulting from adjustments to the supplier accounts in respect of previous financial periods.
- 5.3 Travel costs for staff members of the EPP Group secretariat amount to EUR 3,926,239 (31 December 2009: EUR 1,953,550).

Travel costs are included in the following captions:

	01/01/2010-	01/07/2009
	31/12/2010	31/12/2009
	EUR	EUR
II.1.1 Secretariat missions	3.163.718	1.309.480
II.1.2 Missions in relation with recruitment	537	-
II.1.5 Missions related to staff training	1.281	-
II.4.2 Missions relating to accounting and audit costs	-	-
II.5.1 Official meeting's of the Group (outside official seats)	368.031	441.740
II.5.2 Other conferences/seminars	324.207	185.164
II.5.5 Fact-finding missions	52.857	17.166
II.6.5 Open days (information stands)	15.608	-
TOTAL TRAVEL COSTS	<u>3.926.239</u>	<u>1.953.550</u>

- 5.4 From 2010 the EIN Summer University event classified previously as II.5.2. 'Other conferences/seminars' was regrouped and included into the 'Official group meeting (outside official seats)'. The comparative figures from 2009 have not been restated.
- 5.5 All expenditures related to website of the EPP Group are shown from 2010 under II.6.2 'internet sites and cyber advertising' in order to follow the principle of classification by destination.

Group of the European People's Party (Christian Democrats) in the European Parliament

**Notes to the accounts for the year ended 31 December 2010
(continued)**

5 Significant revenue and expenditure positions (continued)

5.6 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	01/01/2010-31/12/2010		01/07/2009-31/12/2009	
	EUR	in %	EUR	in %
Staff costs	304.494	4,76%	171.114	5,00%
Material, maintenance and operating expenses	5.644	0,09%	4.239	0,12%
Documentation, surveys and research expenses	198.201	3,10%	217.617	6,36%
Consulting fees and other administration expenses	7.711	0,12%	-	0,00%
Meetings and conferences	1.601.630	25,02%	703.341	20,57%
Representation costs	-	0,00%	-	0,00%
Invitations	1.073.436	16,77%	580.635	16,98%
Brochures and other publications	961.717	15,02%	606.944	17,75%
Adverts and audio-visual advertising	300.902	4,70%	243.983	7,14%
Promotional material	935.630	14,62%	489.615	14,32%
Internet	563.015	8,80%	261.869	7,66%
Visit groups	449.046	7,01%	139.780	4,09%
	6.401.426	100,00%	3.419.137	100,00%

6 Commitments

As per 31 December 2010 'Other financial commitments' amount to EUR 451,706 (31 December 2009: EUR 471,178) and result from rental agreements for copy machines.

There is no commitment longer than one year from rental agreements for external offices.

Group of the European People's Party (Christian Democrats) in the European Parliament
Notes to the accounts for the year ended 31 December 2010
(continued)

7 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 12,5°% (Euro)	Furniture (chairs, desks, cupboards) 10% (Euro)	Total (Euro)
Historic cost							
Opening balances (historic cost)	35.620	347.459	459.205	36.815	20.763	45.698	945.560
Less Sales entered in profit and loss account	6.145	84.697	52.868	4.448	7.450	-	155.608
Add Acquisition during financial year	6.216	11.620	21.904	-	-	15.449	55.189
Add Transfers							
Gives Closing balance at historic cost	35.691	274.382	428.241	32.367	13.313	61.147	845.141
Accumulated depreciation							
Opening balances (accumulated depreciation)	25.608	242.962	264.302	34.444	19.036	26.198	612.550
Less accumulated depreciation of fixed assets sold and entered in profit and loss account	6.082	81.369	50.939	4.919	7.545	-	150.854
Add depreciation for financial year	6.705	49.958	79.098	716	513	3.231	140.221
Gives Closing balance at historic cost	26.231	211.551	292.461	30.241	12.004	29.429	601.917
Net value							
Net accounting value as at 31/12/2009	10.012	104.497	194.903	2.371	1.727	19.500	333.010
Net accounting value as at 31/12/2010	9.460	62.831	135.780	2.126	1.309	31.718	243.224