



**Sozialdemokratische Fraktion
im Europäischen Parlament**

Der Vorsitzende

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Herrn Hans-Gert PÖTTERING
Präsident des Europäischen Parlaments
Rue Wiertz 60
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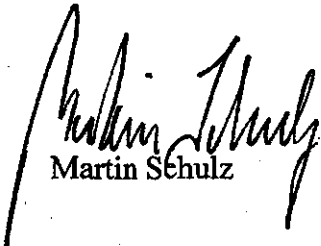
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Brüssel, 24.04.2007
MS/JS/FN/ms/89

Sehr geehrter Herr Präsident,

in Übereinstimmung mit Artikel 2.7.1 der Geschäftsordnung über die vorgesehene Verwendung der Mittel der Haushaltszeile 4000, freue ich mich, Ihnen den von den externen Auditoren erstellten Bericht über die Verwendung dieser Mittel im Haushaltsjahr 2006 übersenden zu können.

Mit freundlichen Grüßen


Martin Schulz

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



BUDGET ITEM 4000

FINANCIAL YEAR 2006



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 December 2006 as laid out pages 1 to 15 of this document.

Respective responsibilities of the Group and the auditors

Pursuant to the rules on the use of appropriation from budget item 4000 (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.

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TCLM is an independent

member firm of RSM International,

an affiliation of independent accounting
and consulting firms

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

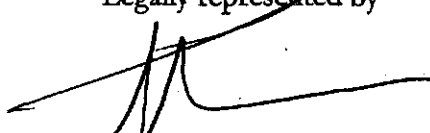
- Expenditures have been charged to the correct item in the budget of the Group;
- Appropriations are available;
- Expenditures are conformed to the Rules governing appropriation item 4000;
- Principles of sound financial management have been applied;
- Payment orders are supported by original documentations (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

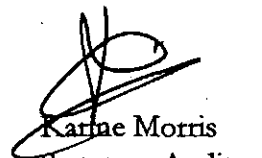
- As a result of our work, we did not identify any material non-conformity with the dispositions laid out in the Rule governing appropriation item 4000 or with the Group internal rules;
- The overall presentation of the income and expense statement and of the balance sheet complies with the chart of accounts provided with the rules governing the appropriation line 4000;
- 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 31/12/2006 and of the revenues and expenses of 2006;
- We have received all necessary explanations for the purpose of our work.

Brussels, 23 April 2007

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



Jean-François Cats
Statutory Auditor
Partner



Kartae Morris
Statutory Auditor
Partner

FINANCIAL YEAR **2006**

BALANCE SHEET

BALANCE SHEET Socialist Group in the European Parliament
End of financial year 2006

		<u>fin. year 2006</u>	<u>fin. year 2005</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		89.790,11	75.013,09
Sub total chapter 1		<u>89.790,11</u>	<u>75.013,09</u>
CURRENT ASSETS			
Chapter 2 Debtors, stocks and other working assets	5		
.1 Suppliers		103.570,84	77.436,24
.2 Staff		91.304,62	105.349,20
.3 VAT		446.301,78	398.602,77
.4 Stocks		0,00	0,00
.5 Various		96.438,95	112.543,65
Sub total chapter 2		<u>737.616,19</u>	<u>693.931,86</u>
Chapter 3 Financial assets			
.1 Financial securities	4	1.795.566,84	4.279.633,05
.2 Cash and cash equivalent		7.494.166,50	3.898.611,21
Sub total chapter 3		<u>9.289.733,34</u>	<u>8.178.244,26</u>
Chapter 4 Deferred charges and accrued income			
.1 Deferred charges		62.189,94	63.598,49
.2 Accrued income		4.887,25	753,48
Sub total chapter 4		<u>67.077,19</u>	<u>64.351,97</u>
TOTAL ASSETS		<u>10.184.216,83</u>	<u>9.011.541,18</u>

LIABILITIES

	notes	<u>fin. year 2006</u>	<u>fin. year 2005</u>
Chapter 1 Reserves			
.1 Carry forward to next financial year	1	6.732.483,44	6.553.734,00
Sub total chapter 1		<u>6.732.483,44</u>	<u>6.553.734,00</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		10.756,21	6.741,87
Sub total chapter 2		<u>10.756,21</u>	<u>6.741,87</u>
Chapter 3 Other debts	5		
.1 Other debts		7.866,01	322.189,91
.2 Charges settled in N but paid in N+1		3.433.111,17	2.128.875,40
Sub total chapter 3		<u>3.440.977,18</u>	<u>2.451.065,31</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>10.184.216,83</u>	<u>9.011.541,18</u>

FINANCIAL YEAR

2006

STATEMENT OF REVENUE AND EXPENDITURE

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

financial year 2006

	<u>Year 2006</u>	<u>Year 2005</u>
	<i>Notes</i>	
<u>Receipts</u>		
<u>Chapter 1 Grants and other receipts from the European Parliament</u>		
.1 EP allocation	13.989.113,00	13.107.468,00
.2 Other EP resources	0,00	0,00
Subtotal for Chapter 1	13.989.113,00	13.107.468,00
<u>Chapter 2 Own resources</u>		
.1 Interest and assimilated products	358.634,64	229.519,07
.2 Profit on currency exchange	2 6.157,47	5.780,15
.3 Miscellaneous	15.533,97	185.213,79
.5 Amount carried forward from previous financial year	6.553.734,00	5.026.509,41
Subtotal for Chapter 2	6.934.060,08	5.447.022,42
Total receipts	20.923.173,08	18.554.490,42
Grand total	20.923.173,08	18.554.490,42

Expenditure

	<i>Notes</i>	<u>Year 2006</u>	<u>Year 2005</u>
<u>Chapter 1 Staff</u>			
.1	7	1.852.003,69	1.822.758,04
.2		35.641,14	103.622,23
.3		252.396,50	216.509,96
.4		480.541,95	344.713,24
.5		167.145,43	150.573,09
.6		5.234,68	0,00
Subtotal for Chapter 1		<u>2.792.963,39</u>	<u>2.638.176,56</u>
<u>Chapter 2 Equipment, routine administrative costs and operating costs</u>			
.1	3	21.352,65	26.346,30
.2			
.3	3	166.063,10	177.828,88
.4		26.498,09	21.838,08
.5		193.031,60	130.534,67
.6		20.776,84	43.945,08
Subtotal for Chapter 2		<u>427.722,28</u>	<u>400.493,01</u>
<u>Chapter 3 Documentation, studies and research</u>			
.1		56.612,65	52.042,22
.2		30.394,38	5.561,62
.3		2.159,57	1.547,10
Subtotal for Chapter 3		<u>89.166,60</u>	<u>59.150,94</u>
<u>Chapter 4 Legal and accountancy fees, financial and other charges</u>			
.1		21.032,24	11.618,35
.2		55.163,47	22.714,66
.3	2	19.147,09	14.828,15
.4	6	27.946,00	3.400,00
.5		322,56	2.468,70
Subtotal for Chapter 4		<u>123.611,36</u>	<u>55.029,91</u>
<u>Chapter 5 Cost of meetings and representation</u>			
.1	7	229.019,09	10.977,70
.2	7	975.095,51	252.146,00
.3		118.651,75	89.015,70
.4		30.405,21	15.239,10
.5	7	263.156,47	226.360,20
Subtotal for Chapter 5		<u>1.616.328,03</u>	<u>593.738,90</u>

	<u>Year 2006</u>	<u>Year 2005</u>
<u>Chapter 6 Publications and publicity</u>		
.1 Posters, leaflets and booklets	142.491,29	122.339,56
.2 Advertising inserts and audiovisual advertising	7.917,50	36.891,62
Advertising material, gadgets, publicity by telecommunication		
.3 equipments	237.126,82	287.858,00
.4 Internet sites + e-publicity	246.397,44	191.886,50
.5 Visits to institutions, information stands	46.525,95	26.860,80
Subtotal for Chapter 6	<u>680.459,00</u>	<u>665.836,48</u>
<u>Chapter 7 Members of Parliament</u>		
.1 Members' political and information activities, administrative expenses and political and information activities of national delegations (details attached)	8.373.942,04	7.128.166,34
Subtotal for Chapter 7	<u>8.373.942,04</u>	<u>7.128.166,34</u>
<u>Chapter 8 Grants, subscriptions and contributions</u>		
.1 Subsidies	19.238,40	77.843,00
.2 Membership fees	67.258,54	60.213,80
Subtotal for Chapter 8	<u>86.496,94</u>	<u>138.056,80</u>
Total expenditure	<u>14.190.689,64</u>	<u>11.678.648,96</u>
Credits repayable to European Parliament	0,00	322.107,46
Amount carried forward to next financial year	6.732.483,44	6.553.734,00
Grand total	<u>20.923.173,08</u>	<u>18.554.490,42</u>

NOTES TO THE ANNUAL ACCOUNTS FINANCIAL YEAR 2006

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

- the 4000 financial rules approved by the Bureau of the European Parliament on 30 June 2003 and revised by the Bureau on 22 March 2006 (PE 335.475/BUR)
- the internal financial rules of the Group
- 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 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 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).

Classification

The classification of the expenditure on the expenditure accounts follows the principle of classification by destination by the accounting plan annexed to the Rules on the use of appropriations from article 4000.

For the sake of clarity in general and clear budgeting in particular, the Group decided to classify expenditure by destination and not by nature, thereby departing from the practice of previous years.

Scrupulous adherence to the comparability principle, however, would have compelled us to recalculate all the balances from the previous financial year in accordance with this new accounting policy and present them in the new format. Since the extra work this would have created far outweighed the benefits of scrupulous adherence to the comparability principle, this action was not taken.

These two changes in accounting policy affect neither the authenticity nor the accuracy of the picture presented by the accounts for the present year.

Note 1: Carry forward to next financial year (art 2.9.2 of the 4000 fin. rules):

1: Credits received by our group for the financial year 2006:	13.989.113,00€
2: Maximum amount of carry forward to 2007 (50% of 1):	6.994.556,50€
3: Remainder at the end of the 2006 financial year:	6.732.483,44€
4: Credits to be returned to the EP:	0,00€
5: Carry forward to financial year 2007:	6.732.483,44€

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.

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 photocopier machines Danka contract up until 21 March 2009
cost: 21.681,12€/year
- 2) Renting of photocopier machines OCE Belgium up until 4 March 2009
cost: 45.084,00€/year
- 3) Renting of photocopier machines OCE France up until 13 June 2009
cost: 37.522,24€/year
- 4) Renting of photocopier machines Xerox up until 10 June 2009
cost: 13.787,16€/year

Note 6: Translation and interpretation costs:

Up until the financial year 2005 the Group charged its translation and interpretation costs, not directly linked to an activity covered by another article of the budget, to the article 4.4; Other operating expenditure. Following the adoption of the harmonized accounting plan these expenses are as off the financial year 2006 charged on article 4.4; Translation and interpretation costs. For the sake of clarity the expenses charged on art 4.4 in 2005 have been recalculated in the present profit and loss account.

Note 7: Cost for mission expenses of MEP's and members of staff

Up until the financial year 2005 the Group charged the mission expenses of the MEP's and members of staff following the principle of classification by nature. All MEP's mission costs were charged on article 7.1; Members' mission costs, all staff mission costs were charged on article 1.1; Secretariat mission.

As from the financial year 2006, following the principle of classification by destination the mission costs are charged to the article of the underlying activity where applicable. A recalculation of the mission costs of 2005 in order to obtain comparable figures of the execution of 2005 proved to be too strenuous an activity in order to be justified by the benefit of the comparability.

EXECUTION OF THE CREDITS ALLOCATED TO THE NATIONAL DELEGA

Breakdown of outturn of decentralised appropriations

Chapter 7 article 1

Breakdown in accordance with the Accounting Plan annexed to the Rules on the use of the appropriations from budget item 4000

Chapter/ Article	Heading	Execution Fin. Year 2006	%	Execution Fin. Year 2005	%
1	staff	3.700.115,79	44,19%	3.382.850,26	47,46%
2	secretariat	187.620,85	2,24%	132.938,28	1,86%
3	documentation, studies and research	104.679,30	1,25%	127.701,34	1,79%
4	juridical, accounting and financial costs	122.553,22	1,46%	55.847,70	0,78%
52	meetings and conferences	1.122.610,72	13,41%	1.191.523,46	16,72%
54	guests	32.465,10	0,39%	30.871,38	0,43%
61	posters and brochures	1.059.439,20	12,65%	873.910,79	12,26%
62	insertions and audio-visual publicity	569.690,36	6,80%	456.740,40	6,41%
63	gadgets	643.183,37	7,68%	331.577,79	4,65%
64	internet Sites	150.428,32	1,80%	250.031,90	3,51%
65	Visits to institutions, info stands	681.155,81	8,13%	294.173,04	4,13%
	Total execution chapter 7 article1	8.373.942,04	100,00%	7.128.166,34	100,00%

**Detail of the property and equipment of the Parliamentary Group
of the PES**

FINANCIAL YEAR

2006

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

Financial Year : 2006

	Category and depreciation rate	IT software 25% 05	IT hardware 25% 10	Telecom- munications equipment 25% 30	Technical equipment and supplies 12,5% 45	Miscellaneous machinery and installations 12,5% 45	Movable property (seats, desks, cabinets) 10% 50	TOTAL
H	Opening balances 2006 (historical cost)	31.566,28	100.355,90	41.051,79	0,00	4.059,07	560,50	177.593,54
I	Less items sold and entered in profit and loss account in 2006	0,00	1.875,46	0,00	0,00	0,00	0,00	1.875,46
S	Plus Acquisitions during the financial year 2006	2.981,81	34.319,74	9.630,30	0,00	4.990,00	0,00	51.921,85
O	Plus Transfers	0,00	0,00	0,00	0,00	0,00	0,00	0,00
R	Result Closing balance at historical cost	34.548,09	132.800,18	50.682,09	0,00	9.049,07	560,50	227.639,93
I								
A	Opening balances (accumulated depreciation)	11.960,19	56.026,27	34.061,46	0,00	308,26	224,20	102.580,39
C	Less Accumulated depreciation of items sold and entered in p/l account	0,00	1.875,46	0,00	0,00	0,00	0,00	1.875,46
C	Plus Depreciation charge for the financial year 2006	7.464,37	23.502,63	5.562,41	0,00	559,36	56,05	37.144,83
U	Result Closing balance at historical cost	19.424,57	81.404,36	39.623,87	0,00	867,62	280,25	141.600,67
L								
I	Net book value of fixed assets on 31/12/2005	19.606,09	44.329,63	6.990,33	0,00	3.750,81	336,30	75.013,15
A	Net book value of fixed assets on 31/12/2006	15.123,52	55.146,73	11.058,22	0,00	8.181,45	280,25	89.790,17