

**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 period from
1 January 2009 to
30 June 2009



KPMG Audit
9, Allée Scheffer
L-2520 Luxembourg

Téléphone +352 22 51 51 1
Fax +352 22 51 71
audit@kpmg.lu
www.kpmg.lu

Group of the European People's Party
(Christian Democrats) and European Democrats
in the European Parliament
ASP Building
Rue Wiertz 60
B-1047 Brussels

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 30 June 2009 and the revenue and expenditure statement for the period from 1 January 2009 to 30 June 2009, 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.

Opinion

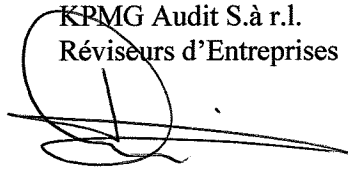
In our opinion the annual accounts give a true and fair view of the financial position of the Group as at 30 June 2009 and of the revenue and expenditure statement for the period from 1 January 2009 to 30 June 2009 in accordance with the Applicable Rules.

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 period from 1 January 2009 to 30 June 2009 and the balance sheet as at 30 June 2009 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, 20 October 2009

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 30 June 2009**

ASSETS	Notes	<u>30/06/2009</u> EUR		<u>31/12/2008</u> EUR	
I Tangible and intangible fixed assets					
I.1 Intangible fixed assets		-		-	
I.2 Tangible fixed assets	6	<u>360,431</u>	360,431	<u>412,919</u>	412,919
II Debtors, stocks and other current assets	3.1				
II.1 Suppliers		35,103		38,857	
II.2 Staff		512,822		-	
II.3 Value added tax		341,899		192,161	
II.4 Stocks		-		-	
II.5 Others		<u>119,877</u>	1,009,702	<u>109,026</u>	340,044
III Cash and banks	3.2				
III.1 Securities		249,145		2,013,178	
III.2 Cash		<u>1,622,120</u>	1,871,265	<u>7,186,054</u>	9,199,232
TOTAL ASSETS			<u><u>3,241,398</u></u>		<u><u>9,952,195</u></u>
LIABILITIES					
I Reserves		<u>2,613,307</u>	2,613,307	<u>7,405,677</u>	7,405,677
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	3.3				
III.1 Other debts		-		23,563	
III.2 Charges settled in the period/year and paid in the following period/year		<u>628,091</u>	628,091	<u>2,522,955</u>	2,546,518
TOTAL LIABILITIES			<u><u>3,241,398</u></u>		<u><u>9,952,195</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 period from 1 January 2009 to 30 June 2009**

	Notes	01/01/2009 - 30/06/2009 EUR	01/01/2008 - 31/12/2008 EUR
I REVENUE			
I.1 EP SUBSIDIES AND OTHER EP REVENUE			
I.1.1 Allocation from EP	4.1	9,929,396	21,694,617
I.1.2 Other revenue from EP		-	-
		<u>9,929,396</u>	<u>21,694,617</u>
I.2. OWN RESOURCES			
I.2.1 Interest and similar receipts		232,781	635,192
I.2.2 Exchange gains		85,018	46,926
I.2.3 Miscellaneous resources	4.4	38,177	12,056
I.2.4 Amount carried forward from the preceding financial year		7,405,677	9,074,297
		<u>7,761,653</u>	<u>9,768,471</u>
TOTAL REVENUE		<u><u>17,691,049</u></u>	<u><u>31,463,088</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 period from 1 January 2009 to 30 June 2009**

	Notes	01/01/2009 - 30/06/2009 EUR	01/01/2008 - 31/12/2008 EUR
II EXPENDITURE			
II.1 STAFF			
II.1.1 Secretariat missions	4.2	1,588,371	2,674,134
II.1.2 Recruitment		499	5,000
II.1.3 Traineeships		213,919	302,505
II.1.4 Salaries and related costs, fees		751,137	1,206,696
II.1.5 Staff training		122,380	215,100
II.1.6 Staff entertainment		37,312	82,093
		<u>2,713,618</u>	<u>4,485,528</u>
II.2 EQUIPMENT, ROUTINE ADMINISTRATIVE EXPENDITURE AND OPERATING EXPENDITURE			
II.2.1 Equipment, operating expenditure, computer engineering and maintenance		838,797	616,963
II.2.2 Equipment, telecommunications-related installation and maintenance expenditure, office machinery, furniture and technical installations		140,189	248,344
II.2.3 Stationery and office supplies		17,251	38,742
II.2.4 Postage and telecommunications		101,384	215,516
II.2.5 Printing and photocopying costs		609,308	491,035
II.2.6 Office rental costs		88,954	165,342
		<u>1,795,883</u>	<u>1,775,942</u>
II.3 DOCUMENTATION, STUDIES AND RESEARCH			
II.3.1 Newspapers, magazines, press agencies and books		150,674	319,453
II.3.2 Studies and research		49,035	43,003
II.3.3 Databases		-	3,120
		<u>199,709</u>	<u>365,576</u>
II.4 LEGAL AND ACCOUNTING COSTS, FINANCIAL CHARGES AND OTHER OPERATING EXPENDITURE			
II.4.1 Legal costs		-	-
II.4.2 Accounting and audit costs		73,066	38,652
II.4.3 Financial charges and exchange losses		70,274	121,627
II.4.4 Translation and interpreting costs		21,128	7,439
II.4.5 Other operating expenditure		156,061	120,306
		<u>320,529</u>	<u>288,024</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 period from 1 January to 30 June 2009
(continued)**

	Notes	01/01/2009 - 30/06/2009 EUR	01/01/2008 - 31/12/2008 EUR
II.5 EXPENDITURE ON MEETINGS AND ENTERTAINMENT			
II.5.1 Official Group meetings		415,252	922,035
II.5.2 Other meetings and conferences		775,862	1,665,619
II.5.3 Expenditure on entertainment		260,648	152,445
II.5.4 Guests		-	-
II.5.5 Fact-finding missions by individual Members		136,449	351,738
		<u>1,588,211</u>	<u>3,091,837</u>
II.6 PUBLICATIONS AND ADVERTISING			
II.6.1 Posters, booklets, publications		273,217	489,440
II.6.2 Advertising inserts and audiovisual advertising		346,785	714,119
II.6.3 Advertising material, novelty items, telecommunications advertising		767,541	2,407,304
II.6.4 Internet sites and cyber advertising		492,500	173,819
II.6.5 Visits to institutions, information stands		863,791	502,604
		<u>2,743,834</u>	<u>4,287,286</u>
II.7 MEMBERS			
II.7.1 Decentralised political and information activities	4.3	5,710,283	9,746,418
		<u>5,710,283</u>	<u>9,746,418</u>
II.8 SUBSIDIES AND SUBSCRIPTIONS			
II.8.1 Subsidies		5,675	16,800
II.8.2 Subscriptions		-	-
		<u>5,675</u>	<u>16,800</u>
TOTAL EXPENDITURE		<u>15,077,742</u>	<u>24,057,411</u>
BALANCE CARRIED FORWARD		<u>2,613,307</u>	<u>7,405,677</u>
TOTAL		<u>17,691,049</u>	<u>31,463,088</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 period ended 30 June 2009**

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.

As a result of the end of the legislative period 2004-2009, an interim report is prepared for the period from 1 January 2009 to 30 June 2009.

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 30 June of the current budgetary period and paid before 31 July the following month 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 period under review and paid in the following period').

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 period ended 30 June 2009
(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

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

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

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the period ended 30 June 2009
(continued)**

2 Significant accounting and valuation principles (continued)

Reserves

The reported surplus brought forward of EUR 2,613,307 (2008: EUR 7,405,677) as stated in the report is fully available for use for the second half of the budgetary period 2009.

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

The Group has received supplementary appropriations of EUR 2,256,382 from the EP in December 2008. Based on a decision of the Bureau of the EP the supplementary appropriations do not apply Art. 2.1.6 of the procedures for the use of resources of budget item 4000 of the European Parliament. As consequence, the supplementary appropriations are not included in the calculation of the maximum amount transferable to the next accounting period. However the supplementary appropriations should be expensed before 31 March 2009. As stated in the report to the annual accounts of the Group of the European People's Party (Christian Democrats) and European Democrats in the European Parliament as at 31 December, 2008, it is already concluded that supplementary appropriations were fully spent by 31 December 2008.

The balance carried forward is calculated as follows:

	EUR
1. Subsidies received from the EP for the period from 1 January 2009 to 30 June 2009	9,929,396
2. Own resources	<u>7,761,653</u>
3. Total revenue in 2009	17,691,049
4. Total expenditures in 2009	<u>15,077,742</u>
5. Difference between revenue and expenditures 2009	2,613,307
6. Subsidies to be transferred to the EP	-
7. Amount carried forward to the following accounting period 2009	<u>2,613,307</u>

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the period ended 30 June 2009
(continued)**

3 Significant Balance Sheet Positions

- 3.1 Debtors, stocks and other current assets of EUR 1,009,702 (31 December 2008: EUR 340,044) are due within one year.

Caption 'II.2 Staff' of EUR 512,822 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 69,237 representing subsidies to national delegations (31 December 2008: EUR 64,123) 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.

- 3.2 Cash and banks as at 30 June 2009 are presented as follows:

	30/06/2009	31/12/2008
	EUR	EUR
Money market funds	249,145	2,013,178
Total securities	249,145	2,013,178
Term deposits	-	-
Current accounts	1,619,454	7,184,158
Petty cash	2,666	1,896
Total cash	1,622,120	7,186,054
 TOTAL	1,871,265	9,199,232

The securities have been valued at lower of cost or market as at 30 June 2009. The market value of the money market funds at period end amounts to EUR 282,379 (2008: EUR 2,184,634). The EPP-ED has pledged shares in money market funds with a current market value of EUR 282,379 (2008: EUR 279,681) in order to obtain a credit line. As per 30 June 2009, the credit line remains undrawn.

- 3.3 Other debts of EUR 628,091 (31 December 2008: EUR 2,546,518) represent expenditures accounted for during the period and payable within the first month after the period end, as well as expenses incurred and paid for by staff prior to 30 June 2009 amounting to EUR 0 (31 December 2008: EUR 23,563) to be reimbursed after 30 June 2009.

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the period ended 30 June 2009
(continued)**

4 Significant Revenue 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 Total travel costs for staff members of the Group secretariat amount to EUR 1,883,183 (2008: EUR 3,672,622).

Travel costs are included in the following captions:

	01/01/2009- 30/06/2009	01/01/2008- 31/12/2008
	EUR	EUR
II.1.1 Secretariat missions	1,588,371	2,674,134
II.1.2. Missions in relation with recruitment	-	-
II.1.5. Missions related to staff training	911	2,103
II.4.2. Missions relating to accounting and audit costs	1,207	2,960
II.5.1. Official group meetings (outside official seats)	184,461	440,822
II.5.2. Other conferences/seminars	93,990	460,246
II.5.5. Fact-finding missions	13,590	72,948
II.6.5 Open days (information stands)	653	19,409
TOTAL TRAVEL COSTS	1,883,183	3,672,622

**Group of the European People's Party (Christian Democrats) and
European Democrats in the European Parliament
Notes to the accounts for the period ended 30 June 2009
(continued)**

4 Significant Revenue 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	01/01/2009-30/06/2009		01/01/2008-31/12/2008	
	EUR	in %	EUR	in %
Staff costs	328,314	5.75	821,864	8.43
Material, maintenance and operating expenses	48,482	0.85	131,742	1.35
Documentation, surveys and research expenses	134,981	2.36	93,163	0.96
Consulting fees and other administration expenses	37,312	0.65	120,244	1.23
Meetings and conferences	984,363	17.24	1,978,117	20.30
Representation costs	-	-	-	0.00
Invitations	641,638	11.24	1,407,239	14.44
Brochures and other publications	1,236,595	21.66	1,868,374	19.17
Adverts and audio-visual advertising	526,008	9.21	565,705	5.80
Promotional material	987,810	17.30	1,582,103	16.23
Internet	284,869	4.99	424,950	4.36
Visit groups	499,911	8.75	752,917	7.73
	<u>5,710,283</u>	<u>100.00</u>	<u>9,746,418</u>	<u>100.00</u>

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

5 Commitments

As per 30 June 2009 'Other financial commitments' amount to EUR 404,580 (2008: EUR 351,798) 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) and
European Democrats in the European Parliament**
Notes to the accounts for the period ended 30 June 2009
(continued)

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)	42,673	381,497	410,183	104,059	29,346	68,691	1,036,449
Less Sales entered in profit and loss account	-10,025	-38,825	-10,478	-51,049	-8,330	0	-118,707
Plus Acquisition during financial period	0	10,965	13,463	720	0	3,976	29,124
Plus Transfers			3,125	-3,125			0
Result Closing balance at historic cost	32,648	353,637	416,293	50,605	21,016	72,667	946,866
Accumulated depreciation							
Opening balances (accumulated depreciation)	28,898	235,007	204,137	88,342	26,083	41,063	623,530
Less accumulated depreciation of fixed assets sold and entered in revenue and expenditure statement	-10,025	-39,286	-10,255	-50,189	-8,509	-373	-118,637
Plus depreciation for financial period	3,487	34,860	37,931	1,929	991	2,344	81,542
Result Closing balance at historical cost	22,360	230,581	231,813	40,082	18,565	43,034	586,435
Net value							
Net accounting value as at 31/12/2008	13,775	146,490	206,046	15,717	3,263	27,628	412,919
Net accounting value as at 30/06/2009	10,288	123,056	184,480	10,523	2,451	29,633	360,431