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# Independent auditor's report on the Financial Statements in accordance with International Financial Reporting Standards of the Party of European Socialists AISBL for the year ended 31 December 2019

## Unqualified Opinion

We have audited the Financial Statements of the Party of European Socialists AISBL (the "Entity"), which comprise the statement of financial position as at 31 December 2019, as well as the statement of profit or loss and the statement of comprehensive income for the year then ended, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Entity as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Unqualified Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the Financial Statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Other Matters - Auditor's Opinion on the Annual Accounts and the Final Statement of eligible expenditure actually incurred

We have also audited the Annual Accounts of the Entity prepared in accordance with the financial reporting framework applicable in Belgium and the Final Statement of reimbursable expenditure actually incurred, prepared in accordance with rules and regulations applicable to funding of political parties and political foundations at European level. In this regard, we have issued our audit report dated 3 June 2020.

## Other Matters

We draw your attention to the developments surrounding the Covid-19 virus that has a profound impact on people's health and on society as a whole. This also has an impact on the operational and financial performance of organisations and the assessment of the Entity's ability to continue as a

Going Concern. The situation gives rise to inherent uncertainty. We have considered the uncertainties related to the potential effects of Covid-19 and the assumptions made by the Entity in this respect on its operations and financial situation. Our opinion is not modified in respect of this matter.

On 31 January 2020, the United Kingdom withdrew from the European Union and the European Atomic Energy Community (EURATOM). At present, negotiations for a new partnership with the United Kingdom of Great Britain and Northern Ireland are ongoing. We have considered the uncertainties related to the potential effects of Brexit and the assumptions made by the Entity in this respect on its operations and financial situation. Our opinion is not modified in respect of this matter.

**Responsibilities of the Board of Directors for the preparation of the Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of the Financial Statements in accordance with IFRS, and for such internal control as the Board of Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Pursuant to paragraph 1 of Article 23 of Regulation (EU, Euratom) No 1141/2014, the Entity is required to maintain and report on their Financial Statements on the basis of international accounting standards as defined in Article 2 of Regulation (EC) No 1606/2002.

In preparing the Financial Statements, the Board of Directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Entity's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

The audit has been performed following our appointment by the European Parliament, which seeks to obtain assurance relating to the Entity's adherence to its obligations under Article 23 of Regulation (EU, Euratom) No 1141/2004.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors or their delegates regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Restriction on use and distribution**

The opinion transmitted is only intended for the Entity and for the European Parliament. It may not be distributed or made available to any other parties, except those who have regulatory rights of access to it. Any review , transmission, dissemination or other use of, or taking of any action in reliance upon this information by any persons or entities other than the Entity or the European Parliament is prohibited and we will not assume any duty of care or liability towards these persons or entities.

19 June 2020

EY Réviseurs d'Entreprises SRL
Represented by

Danielle Vermaelen*
Partner
* Acting on behalf of a BV/SRL

21DV0008

# Party of European Socialists (PES)

## Financial statements as of and for the year ended 31 December 2019

# Statement of financial position at 31 December 2019

| EUR | Notes | 31 December 2019 | 31 December 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 2.492.809 | 147.350 |
| Intangible assets | 10 | 3.853 | 31.495 |
| Trade and other receivables | 14 | 243.742 | 243.542 |
| **Total non-current assets** | | **2.740.404** | **422.387** |
| **Current assets** | | | |
| Trade and other receivables | 14 | 769.291 | 459.862 |
| Cash and cash equivalents | 15 | 3.752.288 | 1.269.752 |
| **Total current assets** | | **4.521.579** | **1.729.614** |
| **Total assets** | | **7.261.983** | **2.152.001** |
| **EQUITY AND LIABILITIES** | | | |
| Initial funds | | 629.444 | 629.444 |
| Reserves | | (280.663) | (280.663) |
| Retained earnings | | 230.359 | 100.940 |
| **Total equity** | | **579.140** | **449.721** |
| **Non-current liabilities** | | | |
| Net employee defined benefit liabilities | 16 | 126.628 | 10.462 |
| Leasing liabilities | 11,12 | 2.112.922 | |
| **Total non-current liabilities** | | **2.239.550** | **10.462** |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 4.174.989 | 1.691.818 |
| Leasing liabilities | 11,12 | 268.304 | |
| **Total current liabilities** | | **4.443.293** | **1.691.818** |
| **Total liabilities** | | **6.682.843** | **1.702.280** |
| **Total equity and liabilities** | | **7.261.983** | **2.152.001** |

The accompanying notes are an integral part of these financial statements.

# Statement of profit or loss for the year ended 31 December 2019

| EUR | Notes | 2019 | 2018 |
|---|---|---|---|
| Revenue from contracts with customers | 4 | 1.162.045 | 1.109.627 |
| Other income | 5 | 8.495.289 | 6.316.000 |
| **Revenue** | | 9.657.334 | 7.425.627 |
| General and administrative expenses | 6 | (9.012.488) | (6.945.741) |
| Other operating income/(expenses) | 6 | (480.734) | (374.783) |
| **Operating profit/(loss)** | | **164.112** | **105.103** |
| Finance income | 7 | 26.132 | 2.889 |
| Finance costs | 7 | (53.524) | (9.458) |
| **Profit/(loss) for the year** | | **136.720** | **98.536** |

The accompanying notes are an integral part of these financial statements.

## Statement of comprehensive income for the year ended 31 December 2019

| EUR | Notes | 2019 | 2018 |
|---|---|---|---|
| **Profit/(loss) for the year** | | 136.720 | **98.536** |
| **Other comprehensive income** | | | |
| Remeasurement gain/loss on defined benefit plans | 16 | (112.188) | |
| **Total comprehensive income for the year, net of tax** | | **24.532** | **98.536** |

The accompanying notes are an integral part of these financial statements.

# Statement of changes in equity for the year ended 31 December 2019

| EUR | Initial funds | Reserves | Retained earnings | Total equity |
|---|---|---|---|---|
| Balance at 1 January 2018 | 629.444 | (280.663) | 2.404 | 351.185 |
| Profit/(loss) for the year | | | 98.536 | 98.536 |
| Balance at 31 December 2018 | 629.444 | (280.663) | 100.940 | 449.721 |
| | | | | |
| Balance at 1 January 2019 | 629.444 | (280.663) | 100.940 | 449.721 |
| OCI | | | (112.188) | (112.188} |
| Effect of adoption IFRS 16 leases | | | 104.887 | 104.887 |
| Profit/(loss) for the year | | | 136.720 | 136.720 |
| Balance at 31 December 2019 | 629.444 | (280.663) | 230.359 | 579.140 |

The accompanying notes are an integral part of these financial statements.

## Statement of cash flows for the year ended 31 December 2019

| EUR | Notes | 2019 | 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit/(loss) for the year** | | 136.720 | 98.536 |
| Adjustments for: | | | |
| Finance income | 7 | {26.132) | {2.889) |
| Finance costs | 7 | 53.524 | 9.456 |
| Depreciation and impairment of property, plant and equipment | 9 | 342.892 | 64.409 |
| Amortisation and impairment of intangible assets | 10 | 27.642 | 34.040 |
| European Parliament grant | 5 | {8.482.452) | {6,269.622) |
| Impairment loss on trade receivables | **14** | (4.896) | {23.486) |
| Movement in defined benefit obligation | 16 | 6.473 | 2.502 |
| **Net profit/(loss) before changes in working capital** | | **(7,946.229)** | **(6,087.054)** |
| Changes in working capital: | | | |
| Decrease/(increase) in trade and other receivables | | {300.410) | 86.928 |
| Increase/(decrease) in trade and other payables | | (411.196) | (383.147) |
| Cash receipt/(reimbursement) European Parliament grant: | | | |
| Receipt of European Parliament grant | 17 | 11.475.000 | 8.237.274 |
| **Net cash flows from operating activities** | | **2.817.165** | **1.854.001** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | 9 | {39.370) | {34.660) |
| **Net cash flows from investing activities** | | **(39.370)** | **(34.660)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings | | | (553.614) |
| Interest paid on borrowings | | | (1.103) |
| Interest paid on lease liabilities | 7 | {27.504) | |
| Payments of lease liabilities | 12 | {267.755) | |
| **Net cash flows from financing activities** | | **{295.259)** | **(554.717)** |
| **Movement in cash and cash equivalents including bank overdrafts** | | **2.482.536** | **1.264.624** |
| **Net increase** in **cash and cash equivalents** | | **2.482.536** | **1.264.624** |
| Net foreign exchange difference | | | |
| **Cash and cash equivalents at 1 January** | | **1.269.752** | **5.128** |
| **Cash and cash equivalents at 31 December** | | **3.752.288** | **1.269.752** |

The accompanying notes are an integral part of these financial statements.

# Notes to the financial statements for the year ended 31 December 2019

## 1. General information

Party of European Socialists AISBL is an international not-for-profit organisation incorporated and domiciled in Belgium. The registered office is located at Rue Guimard 10-20, 1050 Brussels. The party is a European political party in charge with the organization of political events.

### Financial statements

The financial statements as of and for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 19 June 2020.

### Board of directors

At the end of the financial period, the Board of Directors was composed of the following members:

| Name | Function | Start of mandate | End of mandate |
|---|---|---|---|
| **Stanishev Sergei** | President | 7/12/2018 | 6/12/2021 |
| Quinn Ruairi | Treasurer | 7/12/2018 | 6/12/2021 |
| **PostAchim** | Secretary General | 7/12/2018 | 6/12/2021 |

### Auditors

The statutory audit of the standalone financial statements is performed by EY Reviseurs d'entreprises SRL represented by Danielle Vermaelen.

### Figures in the financial statements

These financial statements are presented in euro, which is the Party's presentation currency and the functional currency of the Party. All amounts in these financial statements are presented in euro, unless otherwise stated.

## 2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. Basis of preparation

The financial statements of the Party for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards {"IFRS") and IFRS Interpretations Committee {IFRIC) interpretations as endorsed by the European Union. The changes in accounting policies due to new IFRS standards entered into force in 2019 are described in Note 2.3.

The historical cost convention has been used to prepare the financial statements. The accrual basis of accounting has been used to prepare the financial statements based on the assumption that the Party is a going concern and will continue operation in the foreseeable future.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Party's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

## 2.2. Summary of significant accounting policies

### a) Current versus non-current classification

The Party presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle, meaning within a calendar year,
- Expected to be realised within twelve months after the reporting period,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

**All** other assets are classified as non-current.

A liability is current when:

- It is expected to be settled **in** the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Party classifies all other liabilities as non-current.

### b) Foreign currencies

#### Functional and presentation currency

Items included in the financial statements of the Party are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in euro (EUR), which is the Party's presentation currency and the functional currency of the Party.

#### Transactions and balances

Transactions in foreign currencies are initially recorded by the Party at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

The party has limited transactions in foreign currency, therefore the foreign exchange risk is not considered to have a significant impact on the profit before tax and pre-tax equity.

### c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. The Party does not have any intangible assets with an indefinite useful life.

Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

### Website costs

Research costs are expensed as incurred. Website development costs are only recognized as intangible asset if: 1/ it can be demonstrated that the website will generate probable future economic benefits when, for example, donations can be made through the website and 2/ the Party can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Directly attributable costs that are capitalized as part of the intangible asset include costs incurred for external consultants and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization will begin when development is completed and the asset is available for use. The costs are amortized using the straight-line method over their estimated useful lives (4 years). During the period of development, the asset is tested for impairment annually.

### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortized using the straight-line method over their estimated useful lives (4 years).

### Summary of the policies applied to the intangible assets

| | Computer software | Website |
|---|---|---|
| **Useful lives** | Finite (4 years) | **Finite (4 years)** |
| **Amortisation method used** | Straight-line basis | **Straight-line basis** |
| **Internally generated** | Acquired | **Internally generated** |

## d) Property, plant and equipment

The Party's property, plant and equipment are mainly composed of IT equipment, furniture, office equipment, leasehold improvements and right-of-use assets relating to lease contract of offices and IT equipment (printer).

Property, plant and equipment are stated at historical cost less subsequent depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Party and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on the assets is calculated using the straight-line method to allocate their cost over their estimated useful lives. These useful lives have been determined as follows:

| Property, plant and equipment | Useful lives |
|---|---|
| IT equipment | 4 years |
| Office equipment and furniture | 4-8 years |
| Leasehold improvements | The shorter of the lease term and the asset's economic life |

The methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate. Where an asset's carrying amount is greater than its estimated recoverable amount, it is written down to its recoverable amount.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

### e) European Parliament grants

The Party receives a grant from the European Parliament, which is awarded at the end of each accounting year. At that moment there is a reasonable assurance that the grant will be received and all attached conditions (execution of the work plan) will be complied with. Since the grant relates to expense items, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The Party makes an assessment at the end of the accounting year of the amount of eligible expenditure it has incurred. The portion of the grant that will cover this expenditure is recorded as income in the income statement. Two scenarios can occur:

- Scenario 1 in which the amount of eligible expenditure matches the grant amount or exceeds the grant amount. In this scenario, the entire grant is recorded as income in the income statement,
- Scenario 2 in which the amount of eligible expenditure is less than the grant amount. In this scenario, the portion of the grant that is not used can be carried over to the next year. The amount of the carry-over will be accounted for as a liability in the balance sheet and will be released the next accounting year once the expenditure it is intended to cover has been incurred.

At the end of the reporting period, the final balance of eligible expenditure is determined after the external audit. The expenditure that is rejected through this audit will lead to a reduction of the final grant and can result in a reimbursement of a portion of the grant by the political party to the European Parliament. After payment of the final balance, the European Parliament can as well perform an audit even up till 5 years after the payment. This audit can also lead to a reduction of the grant amount and a reimbursement. If the Foundation has to make a reimbursement to the European Parliament, the Foundation needs to account for a liability.

### f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Party's cash management.

### g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The Party's financial assets are composed of trade and other receivables and cash and cash equivalents. These financial assets have been classified as subsequently measured at amortised cost, except for cash and cash equivalents.

The trade receivables do not contain a significant financing component and have been initially measured at the transaction price determined under IFRS 15. The cash and cash equivalents have been initially measured at fair value plus transaction costs.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost (debt instruments),
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments), or with no recycling of cumulative gains and losses upon derecognition (equity instruments),

- Financial assets at fair value through profit or loss.

The Party's financial assets are classified as financial assets at amortised cost (debt instruments) since both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The financial assets are derecognized when the rights to receive cash flows from the asset have expired.

In terms of impairment of the trade receivables, the Party applies a simplified approach in calculating Expected Credit Losses (ECL). The Party does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. A provision matrix that is based on historical credit loss experience has been established, which is adjusted for forward-looking factors specific to the debtors and the economic environment.

All financial assets are fully written off after two years when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Party is unlikely to receive the outstanding contractual amounts in full.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Party's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification. The Party's financial liabilities are all classified in the category loans and borrowings, or the category payables.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The financial liabilities are derecognized when the obligation under the liability is discharged or cancelled or expires.

### Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The Party does not offset its financial assets and liabilities.

### h) Impairment of non-financial assets

The Party assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Party estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

There were no indications that assets may be impaired during the accounting period. Moreover, the Party does not have intangible assets that are not ready to use or are not subject to amortization. As a result, there is no requirement to perform a yearly impairment test.

### i) Provisions for other liabilities and charges

A provision is recognized when the Party has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Party expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### j) Leases - lessee accounting

The Party assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period oftime in exchange for consideration.

The Party leases office workspace and IT equipment. The Party applied a single recognition and measurement approach for all leases for which it is the lessee. The Party recognised lease liabilities and right-of-use assets representing the right to use the underlying assets. In accordance with IFRS 16, the simplified modified retrospective has been applied for the transition to IFRS 16 at the date of initial application of 1 January 2019.

#### Lease liabilities

At the commencement date of the lease, the Party recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. The lease payments also include the exercise price of a purchase option if reasonably certain to be exercised by the Party and payments of penalties for terminating a lease, if the lease term reflects the Party exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Party uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Party selected the accounting policy to present interest paid on lease liabilities as part of the cash flows for financing activities.

### Right-of-use assets

The Party recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of initial measurement of the lease liability, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

| Underlying assets | Depreciation term |
| --- | --- |
| IT equipment | 5 years |
| Office | 9 years |

Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Party at the end of the lease term, or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful live of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section re 'Impairment of non-financial assets'.

### Short-term leases and leases of low-value assets

The Party applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The information about leases is included in the following notes:

| | |
| --- | --- |
| Depreciation charges on right-of-use assets | Note 6 Expense by nature |
| Interest expense on lease liabilities | Note 7 Finance income and costs |
| Right of use assets movement | Note 9 Property, plant and equipment |
| Lease liabilities movement | Note 12 Financial risk management |

### k) Leases - Lessor accounting

Leases in which the Party does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising from leases of office space is accounted for on a straight-line basis over the lease term and is included in other operating income in the statement of profit or loss. The party is not a lessor.

### l) Pensions

#### Defined contribution plans

The Party does not operate a defined contribution plan.

#### Defined benefit plans

The Party operates a defined benefit plan for its employees in Belgium funded through payments to an insurance Party. The employer guarantees a minimum return of 1,75% on employee contributions and 1,75% on employer contributions resulting in a financial risk to be borne by the Party. Because of this minimum return all plans in Belgium are defined benefit plans.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Party recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Party recognises the following changes in the net defined benefit obligation under 'General and Administration expenses' in the statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements,
- Net interest expense or income

### m) Revenue from contracts with customers/membership fees

IFRS 15 establishes a five-step model for recognizing revenue from contracts with customers. Under IFRS 15, revenue is recognized for the amount of consideration an entity expects to be entitled to in exchange for goods or services transferred to a customer.

The party has a contract with Member parties of which it receives Member party contributions or Membership fees. Membership fees are fixed in euro; they are payable without deduction of incurred costs, and are adjusted annually in line with Belgian inflation. The fees are paid at the start of the year for a one year membership. As such the revenue that is recorded 31 December equals the membership fees received for the respective year.

There are three kind of Membership Fees:

- Full members: full member parties and full member organisations;

  Full members participate in the meetings of the PES with the right of expression, the right of initiative and the right to vote.

- Associate members: associate parties and associate organisations;

  Associate members have the right to attend meetings to which they are invited with the right of expression and the right of initiative, but without the right to vote.

- Observer members: observer parties, observer organisations and individual members.

  Observer members may attend meetings to which they have been invited with the right of expression but without the right of initiative or the right to vote.

In line with the IFRS requirements the Party will cease to account for revenue when the collectability criterion is no longer met.

### n) Joint operation

A joint operation is a joint arrangement not structured in a separate vehicle, in which the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. A joint operator shall recognize

(a) its assets, including its share of any assets held jointly;
(b) its liabilities, including its share of any liabilities incurred jointly;
(c) its revenue from the sale of its share of the output arising from the joint operation;
(d) its share of the revenue from the sale of the output by the joint operation; and
(e) its expenses, including its share of any expenses incurred jointly.

The Party does not have any joint projects.

## 2.3. Changes in accounting policies and disclosures

The Party applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Party. The Party has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

***IFRS 16 Leases***

IFRS 16 was issued in January 2016 and supersedes IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Party adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Party elected to apply the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Party will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Party also elected to use the exemptions on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Party mainly leases office workspace and IT equipment, that are accounted for in accordance with IFRS 16 as from 1 January 2019 and were previously accounted for as operating leases under IAS 17.

The Party recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application or the interest rate implicit in the lease when available.

The Party also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Applied the low value exemption to leases for which the underlying assets value is lower than 5.000 EUR
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The effect of adoption IFRS 16 as at 1 January 2019 is an increase of total assets by 2.648.981,50 EUR for the right-of-use assets, and an increase of total liabilities by 2.648.981,50 EUR for the lease liabilities. The effect of the write-off of the lease incentive deferred expenses had been adjusted to retained earnings (104.886 EUR).

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| Items | EUR |
|---|---|
| Operating lease commitments as at 31 December 2018 | 1.747.612 |
| Less commitments relating to short-term leases | |
| Less commitments relating to leases of low-value assets | |
| Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018 | 796.380 |
| Lease payment adjustment related to Indexation | 239.731 |
| Other | 17.539 |
| Subtotal | 2.801.262 |
| Discounting effect at Incremental borrowing rate as at 1 January 2019 | (152.280} |
| **Discounted lease liability as at 1 January 2019** | **2.648.982** |

The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application is 1.20%.

***Amendments to /AS 19: Plan Amendment, Curtailment or Settlement***

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments had no impact on the financial statements of the Party as it did not have any plan amendments, curtailments, or settlements during the period.

## 2.4. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Party's financial statements are disclosed below. The Party intends to adopt these standards and interpretations, if applicable, when they become effective.

- *Amendments to References to the Conceptual Framework* in IFRS Standards, effective 1 January 2020
- *Amendments to* IFRS 3 *Business Combinations*- Definition of a business, effective 1 January 2020
- *Amendments to* IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* - Definition of material, effective 1 January 2020
- *Amendments to* IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* - Interest Rate Benchmark Reform, effective 1 January 2020
- *Amendments to* IAS 39 *Financial Instruments: Recognition and measurement* and IFRS 7 *Financial Instruments: Disclosures - Interest Rate Benchmark Reform,* effective 1 January 2020
- IFRS 17 *Insurance Contracts,* effective 1 January 2021
- *Amendments to /AS 1* - Classification of Liabilities as Current or Non-Current, effective 1 January 2022

## 3. Critical accounting estimates and judgments

The preparation of the Party's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Party based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Party. Such changes are reflected in the assumptions when they occur.

### Provision for expected credit losses of trade receivables and contract assets

The Party uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type).

The provision matrix is initially based on the Party's historical observed default rates. The Party will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year this could lead to an increased number of defaults and an adjustment of the historical default rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Party's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

### Determining the lease term of contracts with renewal options

The Party determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For extension options, the Party applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Party reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

### Defined benefit plans (pension benefits)

The Party operates a pension plan funded through payments to an insurance Party. Due to the minimum return employers in Belgium are required to guarantee, this plan meets the definition of a defined benefit plan under IAS 19.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currency of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

### Recovery order European Parliament Grant

The external auditor and/or auditor of the European Parliament can reject expenditure of the Party if not eligible. This can result in a recovery order being issued to the Party and hence a reimbursement of a portion of the grant. If this is the case, the Party sets up a liability at year end. In December 2019 this provisions amounts to EURO (2018: EUR 579.423).

## 4. Revenue from contracts with customers

The line item "Revenue from contracts with customers" in the income statement relates to:

| EUR | 2019 | 2018 |
|---|---|---|
| **Type of revenue** | | |
| Membership fees: | | |
| - ***From associate members*** | ***14.233*** | ***6.624*** |
| *Central Europe* | | |
| *Northern Europe* | *12.733* | *5.124* |
| *Southeastern Europe* | *1.500* | *1.500* |
| - ***From observers*** | | ***1.709*** |
| *Southern Europe* | | *1.709* |
| - ***From full members*** | ***857.812*** | ***857.594*** |
| *Central Europe* | *206.915* | 207.070 |
| *Northern Europe* | *89.133* | *120.533* |
| *Southeastern Europe* | *95.499* | *92.718* |
| *Southern Europe* | *270.583* | *259.610* |
| *West Europe* | *195.682* | *177.663* |
| - ***Additional contribution from members*** | ***290.000*** | ***243.700*** |
| **Total revenue from contracts with customers** | **1.162.045** | **1.109.627** |

The revenue of the membership fees is recorded over time as the service is delivered throughout the year. The receivables amount to€ 276.107 at 31 December 2019 (€376.973 in 2018). These receivables are non-interest bearing and are generally on terms of 1 to 90 days. In 2019 € 4.896 (€ 23.486 in 2018) was reversed as an allowance for ECL on trade receivables.

## 5. Other income

The line item "Other income" in the income statement relates to:

| EUR | 2019 | 2018 |
|---|---|---|
| **Other income** | | |
| European Parliament Grant | 8.482.452 | 6.309.079 |
| EP carry-over | | |
| Donations: | | |
| - Above EUR 500 | | |
| - Below EUR 500 | | |
| Other | 12.837 | 6.921 |
| **Total other income** | **8.495.289** | **6.316.000** |

## 6. Expenses by nature and other operating income

A breakdown of the "General and administrative expenses" by nature can be found in the table below:

| EUR | 2019 | 2018 |
|---|---|---|
| Advertising and promotional costs | 1.022.808 | 522.076 |
| Amortization intangible assets | 27.642 | 34.040 |
| Depreciation Property Plant and Equipment | 63.586 | 64.409 |
| Depreciation on right of use - offices | 274.624 | |
| Depreciation on right of use - IT equipment | 4.683 | |
| Event costs | 2.207.596 | 1.416.894 |
| Building & materials | 1.037.998 | 657.591 |
| Rent | 132.530 | 391.657 |
| IT, phone & internet | 108.556 | 92.673 |
| Wages and salaries | 2.578.141 | 2.250.441 |
| Social security cost | 642.714 | 564.091 |
| Net pension liability expense | 276.981 | 237.908 |
| Employer related costs - cars, trainings and others | 58.051 | 12.969 |
| ECL of trade receivables | (4.896) | (23.486) |
| Other | 581.474 | 724.478 |
| **Total** | **9.012.488** | **6.945.741** |

A breakdown of the "Other operating income/(expenses) - net" by nature can be found in the table below. The income is presented with a negative sign and the expenses are presented with a positive sign.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| EUR | Other operating (income) | Other operating expenses | Other operating (income) | Other operating expenses |
| (Gain)/loss on trade receivables | | 157.345 | | 37.436 |
| VAT | | 252.002 | | 120.103 |
| Local taxes | | 5.765 | | 151.511 |
| Other (income)/expense | | 65.622 | (176) | 65.910 |
| **Total** | | **480.734** | **(176)** | **374.960** |

## 7. Finance income and costs

**Finance income**

| EUR | 2019 | 2018 |
|---|---|---|
| Interest income on: | | |
| Defined benefit obligation | 21.809 | 2.163 |
| Other finance income | 4.323 | 726 |
| **Total finance income** | **26.132** | **2.889** |

**Finance costs**

| | | |
|---|---|---|
| Interest expense on bank borrowings | | 1.103 |
| Leases interest expenses | 27.504 | |
| Interest expense on defined benefit obligation | 19.314 | |
| Bank charges | 6.369 | 6.820 |
| Payment differences | 337 | |
| Other finance costs | | 1.535 |
| **Total finance costs** | **53.524** | **9.458** |

## 8. Employee benefit expense

| | 2019 | | 2018 | |
|---|---|---|---|---|
| EUR | Included in General and administrative expenses | Included in Other operating income/expenses | Included in General and administrative expenses | Included in Other operating income/expenses |
| Wages and salaries | 2.578.141 | | 2.250.441 | |
| Social security costs | 642.714 | | 564.092 | |
| Net pension liability expense | 276.981 | | 237.908 | |
| Employer related costs | 58.051 | | 12.969 | |
| **Total employee benefit expense** | **3.555.887** | | **3.065.410** | |

| | 2019 | 2018 |
|---|---|---|
| Average number of employees - head office | 35 | 29 |
| **Total average number of employees** | **35** | **29** |

## 9. Property, plant and equipment

| EUR | Furniture and material | Leasehold improvements | Right of use - offices | Right of use - IT equipment | Total |
|---|---|---|---|---|---|
| At 1 January 2018 | | | | | |
| Cost or valuation | 439.101 | 57.892 | | | 496.993 |
| Accumulated depreciation, impairments and other adjustments | (312.733) | (7.161) | | | (319.894) |
| Opening net book value at 1 January 2018 | 126.368 | 50.731 | | | 177.099 |
| Period ended 31 December 2018 | | | | | |
| Additions | 34.660 | | | | 34.660 |
| Disposals | | | | | |
| Closing Cost or Valuation at 31 December 2018 | 473.761 | 57.892 | | | 531.653 |
| Accumulated depreciation on disposals | | | | | |
| Depreciation charge for the year | (49.936) | (14.473) | | | (64.409) |
| Closing Accumulated depreciation, impairments and other adjustments at 31 December 2018 | (362.669) | (21.634) | | | (384.303) |
| Closing net book value at 31 December 2018 | 111.092 | 36.258 | | | 147.350 |
| Period ended 31 December 2019 | | | | | |
| *Initial application of IFRS 16 as of 1 January 2019* | | | 2.631.812 | 17.169 | 2.648.982 |
| Additions | 39.371 | | | | 39.370 |
| Disposals | | | | | |
| Closing Cost or Valuation at 31 December 2019 | 513.132 | 57.892 | 2.631.812 | 17.169 | 3.220.005 |
| Accumulated depreciation on disposals | | | | | |
| Depreciation charge for the year | (49.436) | (14.150) | (274.624) | (4.683) | (342.892) |
| Closing Accumulated depreciation, impairments and other adjustments at 31 December 2019 | (412.105) | (35.784) | (274.624) | (4.683) | (727.195) |
| Closing net book value at 31 December 2019 | 101.027 | 22.108 | 2.357.188 | 12.486 | 2.492.809 |

In 2018, the movement on tangible assets is explained by investments for a total amount of € 34.660 which mainly includes computers (approx.€ 22k) and office furniture (approx.€ 6,Sk) offset by the yearly depreciations(€ 64.409).

The significant increases of the current year are mainly explained by the capitalization of the leases of the office and printers as from the accounting year 2019 for€ 2.648.982. This increase is partially offset by the yearly depreciations on tangible fixed assets(€ 342.892).

The Party has lease contracts for offices and IT equipment. Leases have lease terms between 5 and 9 years.

The Party has a lease contract for a printer that contains variable payments based on the number of units printed. For 2019, the variable payments amounted to 1.222 EUR and recognised as part of General & Administrative expenses.

The Party has the option, under its leases of offices space to terminate the lease after a period of 6 years, over a lease term of 9 years. The Party judges that it is reasonably certain that it will not exercise this termination option given the significant investments in leasehold improvements the party has invested in the leased offices. As such, the Party did not consider the termination option in its determination of the lease term.

## 10. Intangible assets

| EUR | Software and licences | Other intangibles | Total |
|---|---|---|---|
| At 1 January 2018 | | | |
| Cost or valuation | 188.112 | 19.095 | 207.207 |
| Accumulated amortization, impairments and other adjustments | (125.247) | (16.425) | (141.672) |
| Opening net book value at 1 January 2018 | 62.865 | 2.670 | 65.535 |
| Period ended 31 December 2018 | | | |
| Additions | | | |
| Disposals | | | |
| Closing Cost or Valuation at 31 December 2018 | 188.112 | 19.095 | 207.207 |
| Accumulated depreciation on disposals | | | |
| Depreciation charge for the year | (33.150) | (890) | (34.040) |
| Closing Accumulated depreciation, impairments and other adjustments at 31 December 2018 | (158.397) | (17.315) | (175.712) |
| Closing net book value at 31 December 2018 | 29.715 | 1.780 | 31.495 |
| Period ended 31 December 2019 | | | |
| Additions | | | |
| Disposals | | | |
| Closing Cost or Valuation at 31 December 2019 | 188.112 | 19.095 | 207.207 |
| Accumulated depreciation on disposals | | | |
| Depreciation charge for the year | (26.752) | (890) | (27.642) |
| Closing Accumulated depreciation, impairments and other adjustments at 31 December 2019 | (185.149) | (18.205) | (203.354) |
| Closing net book value at 31 December 2019 | 2.963 | 890 | 3.853 |

The movement on intangible assets is only explained by the yearly depreciations. There were no additions in 2019.

# 11. Financial assets and financial liabilities

## a) Financial assets

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | EUR | EUR |
| Debt instruments at amortised cost | | |
| Non-current financial assets | | |
| Trade receivables & Other receivables | 1.013.032 | 703.403 |
| Total financial assets | 1.013.032 | 703.403 |
| | | |
| Total current | 769.291 | 459.861 |
| Total non-current | 243.742 | 243.542 |

## b) Financial liabilities: Borrowings

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | EUR | EUR |
| Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings | | |
| Trade and other payables (Note 17) | 603.018 | 1.112.395 |
| European parliament grant | 3.571.971 | 579.423 |
| Total other financial liabilities | 4.174.989 | 1.691.818 |
| Total current | 4.174.989 | 1.691.818 |
| Total non-current | | |

| | Interest rate | Maturity | 31 December 2019 | 31 December 2018 |
|---|---|---|---|---|
| | % | | EUR | EUR |
| **Current interest-bearing loans and borrowings** | | | | |
| Leasing liabilities | 1,2 | 2020 | 268.304 | |
| Bank overdrafts | | | | |
| Bank loan | | | | |
| **Total current interest-bearing loans and borrowings** | | | **268.304** | |
| **Non-current interest-bearing loans and borrowings** | | | | |
| Leasing liabilities | 1,2 | 2021-2028 | 2.112.922 | |
| Bank overdrafts | | | | |
| Bank loan | | | | |
| **Total non-current interest-bearing loans and borrowings** | | | **2.112.922** | |
| **Total interest-bearing loans and borrowings** | | | **2.381.227** | |

## c) Fair Values

Set out below is a comparison, by class, of the carrying amounts and fair values of the Party's financial instruments:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | EUR | EUR | EUR | EUR |
| **Financial assets** | | | | |
| Non-current financial assets | | | | |
| Trade & Other receivables Current | 769.291 | 769.291 | 459.861 | 459.861 |
| Trade & Other receivables Non-Current | 243.742 | 257.667 | 243.542 | 314.004 |
| **Total** | **1.013.033** | **1.026.958** | **703.403** | **773.865** |
| **Financial liabilities** | | | | |
| Leasing liabilities Current | 268.304 | 268.304 | | |
| Leasing liabilities Non-Current | 2.112.922 | 2.112.922 | | |
| Bank loan | | | | |
| Trade & Other payables | 4.174.989 | 4.263.943 | 1.691.818 | 1.691.818 |
| **Total** | **6.556.215** | **6.645.169** | **1.691.818** | **1.691.818** |

The Party has both short term financial assets and financial liabilities as long term financial assets and financial liabilities for which the carrying amount is a reasonable approximation of the fair value. The carrying amount of leasing obligations is a reasonable approximation of the fair value.

## 12. Financial risk management

### a) Financial risk factors

The Party's principal financial liabilities comprise loans and borrowings, lease liabilities, and trade and other payables. The main purpose of these liabilities is to finance the Party's operations. The Party's principal financial assets include trade receivables, and cash and short term deposits that derive directly from its operations. The Party is exposed primarily to market risk, currency risk and liquidity risk. Party's managers oversee the management of these risks.

The Party's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Party's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Party is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

*Credit risk from operating activities*

The trade receivables balance contains the member party contributions to be received. The impairment policy of the Party is to write-off receivables as soon as they remain unpaid for two years. When members are excluded, the related receivable is often waived and written-off.

For its receivables, the Party has policies to ensure that her receivables on member parties or members are closely monitored by the finance department. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than two years and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

| **31 December 2019** | **Current** | **<30 days** | **3CH50 days** | **61-90 days** | **>91 days** | **Total** |
|---|---|---|---|---|---|---|
| | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| Expected credit loss rate (%) | 9% | 10% | 13% | 15% | 16% | |
| Estimated total gross carrying amount at default | | | 18.544 | | 257.563 | **276.107** |
| Expected credit loss | | | 2.379 | | 42.330 | **44.709** |

| | **Trade Receivables Days past due** | | | | | |
|---|---|---|---|---|---|---|
| **31 December 2018** | **Current** | **<30 days** | **3CH50 days** | **61-90 days** | **>90 days** | **Total** |
| | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| Expected credit loss rate (%) | 9,22% | 9,26% | 11,68% | 14,23% | 15,62% | |
| Estimated total gross carrying amount at default | | | | | 317.576 | **317.576** |
| Expected credit loss | | | | | 49.605 | **49.605** |

*Credit risk from financing activities*

Credit risk from balances with banks and financial institutions is managed by the Party's finance department in accordance with the Party's policy. The Party's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2019 and 2018 is the carrying amounts as illustrated in Note 11.

## Liquidity risk

The Party monitors its risk of a shortage of funds using a liquidity planning tool. The amounts disclosed in the table are the contractual undiscounted cash flows.

| At 31 December 2019 (EUR) | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Borrowings | | | | | |
| Trade and other payables | 603.018 | | | | **603.018** |
| Leasing liabilities | 295.259 | 295.259 | 1.455.566 | 459.919 | **2.506.003** |
| European Parliament grant | 3.571.971 | | | | **3.571.971** |

| At 31 December 2018 (EUR) | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Borrowings | | | | | |
| Trade and other payables | 1.112.395 | | | | **1.112.395** |
| Leasing liabilities | | | | | |
| European Parliament grant | 579.423 | | | | **579.423** |

Changes in liabilities arising from financing activities are shown in the table below:

| | 1 January 2019 | Cash outflows | Cash inflows | IFRS 16 impact & Other | 31 December 2019 |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| Current leasing liabilities | | (267.755) | | 536.059 | 268.304 |
| Non-current leasing liabilities | | | | 2.112.922 | 2.112.922 |
| **Total liabilities from financing activities** | | **(267.755)** | | **2.648.981** | **2.381.226** |

| | 1 January 2018 | Cash flows | New leases | Other | 31 December 2018 |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| Current interest-bearing loans and borrowings (excluding items listed below) | 553.614 | (553.614) | | | |
| **Total liabilities from financing activities** | **553.614** | **(553.614)** | | | |

### b) Capital management

The Party's objectives when managing capital are to safeguard the Party's ability to continue as a going concern:

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Cash and cash equivalents - note 15 | 3.752.288 | 1.269.752 |
| Less: total borrowings | | |
| **Net cash** | **3.752.288** | **1.269.752** |

## 13. Joint Operations

The Party has no joint arrangement with the Member Foundations for which they conduct together joint projects.

## 14. Trade and other receivables

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Trade receivables | 276.107 | 376.973 |
| Less: allowance for ECL | (44.709) | (49.605) |
| **Trade receivables - net** | **231.398** | **327.368** |
| European Parliament grant receivable | | |
| Social Security | 389.518 | |
| Accrued income and deferred charges | 147.393 | 130.604 |
| Rental deposits | 243.742 | 243.542 |
| Other receivables | 982 | 1.889 |
| **Total** | **1.013.033** | **703.403** |
| **non-current portion** | **243.742** | **243.542** |
| **Current portion** | **769.291** | **459.861** |

The movements in the Party's bad debt allowance are as follows:

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| **At 1 January** | **49.605** | 73.091 |
| Addition to the ECL allowance | | |
| Reversal ECL allowance | (4.896) | (23.486) |
| Write-off | | |
| **Foreign exchange movement** | | |
| **At 31 December** | **44.709** | **49.605** |

The carrying amounts of the Party's trade and other receivables are denominated all in euro.

## 15. Cash and cash equivalents

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Cash at banks and on hand | 3.752.288 | 1.269.752 |
| Short-term bank deposits | | |
| Savings account | | |
| **Total cash and cash equivalents (excluding bank overdrafts)** | **3.752.288** | **1.269.752** |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Party, and earn interest at the respective short-term deposit rates.

At 31 December 2019, the Party had available EUR 1 mio (2018: EUR 1 mio) of undrawn committed borrowing facilities.

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Cash and cash equivalents | 3.752.288 | 1.269.752 |
| Bank overdrafts | | |
| **Cash and cash equivalents (including bank overdrafts)** | **3.752.288** | **1.269.752** |

## 16. Pensions and other post-employment benefit plans

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Post-employment Pension Plan | 126.628 | 10.462 |
| **Total** | **126.628** | **10.462** |

The Party's defined benefit pension plan is a final salary plan for employees, which requires contributions to be made to a separately administered fund. This plan is governed by the employment laws. The level of benefits provided depends on the member's length of service and salary at retirement age.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the funded status and amounts recognised in the statement of financial position for the respective plans:

| Net benefit expense (recognised in profit or loss - EUR) | 2019 | 2018 |
|---|---|---|
| Current Service cost | 276.981 | 237.908 |
| Interest income on benefit obligation | (2.495) | (2.163) |
| **Net benefit expense** | 274.486 | 235.745 |

Changes in the present value of the defined benefit obligation are, as follows:

| | |
|---|---|
| **Net defined benefit obligation at 1 January 2018** | **7.960** |
| Interest Income | (2.163) |
| Current service cost | 237.908 |
| Actuarial gains/losses | |
| Benefits paid | |
| Contribution received | (233.243) |
| Exchange differences | |
| **Net defined benefit obligation at 31 December 2018** | **10.462** |
| Interest Income | (2.495) |
| Current service cost | 276.981 |
| Actuarial gains/losses | 112.188 |
| Benefits paid | |
| Contribution received | (270.508) |
| Exchange differences | |
| **Net defined benefit obligation at 31 December 2019** | 126.628 |

2019 changes in the defined benefit obligation and fair value of plan assets

| EUR | 2019 | 2018 |
|---|---|---|
| Defined benefit obligation at 1 January | 981.616 | 757.174 |
| Pension cost charged to profit or loss | | |
| Service cost | 276.981 | 237.908 |
| Tax paid | (37.641) | (28.337) |
| Net interest expense | 19.314 | 14.870 |
| Sub-total included in profit or loss | 258.654 | 224.442 |
| Remeasurement gains/(losses) in OCI | 107.171 | |
| Experience adjustments | | |
| Sub-total included in OCI | 107.171 | |
| Defined benefit obligation at 31 December | 1.347.441 | 981.616 |

| EUR | 2.019 | 2.018 |
|---|---|---|
| Fair value of plan assets at 1 January | 971.154 | 749.214 |
| Pension cost charged to profit or loss | | |
| Tax paid | (37.641) | (28.337) |
| Net interest expense | 21.809 | 17.033 |
| Sub-total included in profit or loss | (15.832) | (11.303) |
| Remeasurement gains/(losses) in OCI | (5.017) | |
| Sub-total included in OCI | (5.017) | |
| Contributions by employee | | |
| Contributions by employer | 270.508 | 233.243 |
| Fair value of plan assets at 31 December | 1.220.813 | 971.154 |

The fair values of each major class of plan assets are as follows:

| | | |
|---|---|---|
| Unquoted investments: | | |
| Assets held by insurance companies (individuals) | 1.220.813 | 971.154 |
| Property | | |
| Total | 1.220.813 | 971.154 |

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Party's plans are shown below:

| Assumptions | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | % | % |
| **Discount rate:** | | |
| Defined Contribution pension plan | 2 | 2 |
| **Future salary increases:** | | |
| Defined Contribution pension plan | 3 | 3 |
| **Future consumer price index increases:** | | |
| Defined Contribution pension plan | 2 | 2 |
| **Healthcare cost increase rate** | | |
| **Life expectation for pensioners at the age of 65:** | **Years** | **Years** |
| Male | 86 | 86 |
| Female | 90 | 90 |

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

| | Impact on defined benefit obligation | |
|---|---|---|
| | 31 December 2019 | 31 December 2018 |
| **Assumptions** | EUR | EUR |
| **Discount rate:** | | |
| 0,5% increase | (155.987) | (107.489) |
| 0,5% decrease | 177.072 | 130.492 |
| **Life expectancy of male pensioners:** | | |
| Increase by 1 year | 5.331 | 4.194 |
| Decrease by 1 year | (5.828) | (4.500) |
| **Life expectancy of female pensioners:** | | |
| Increase by 1 year | 2.420 | 2.331 |
| Decrease by 1 year | (2.692) | (2.590) |

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. The same method has been applied for the sensitivity analysis as when calculating the recognised pension liability.

The following are the expected payments or contributions to the defined benefit plan in future years:

| | 31 December 2019 | 31 December 2018 |
|---|---|---|
| | EUR | EUR |
| Within the next 12 months (next annual reporting period) | | |
| Between 2 and 5 years | 29.289 | |
| Between 5 and 10 years | 151.871 | 60.623 |
| Beyond 10 years | 6.864.234 | 7.739.339 |
| **Total expected payments** | **7.045.394** | **7.799.962** |

The average duration of the defined benefit plan obligation at the end of the reporting period is 21,75 years (2018: 23,38 years).

## 17. Trade and other payables

| EUR | 31 December 2019 | 31 December 2018 |
|---|---|---|
| Trade payables | 308.498 | 668.374 |
| Social security and other taxes | 294.520 | 339.136 |
| European Parliament Grant | 3.571.971 | 579.423 |
| Accrued expenses and deferred income | | 104.886 |
| **Trade and other payables** | **4.174.989** | **1.691.818** |
| **Non-current portion** | | |
| **Current portion** | **4.174.989** | **1.691.818** |

The trade and other payables of the Party are current financial liabilities and are non-interest bearing and are normally settled on 65 day terms.

The movement of the European Parliament Grant of the period is further detailed in the table below:

| | |
|---|---|
| **Opening 1 January 2018** | **6.888.502** |
| Release grant into income statement | (6.309.079) |
| **Closing 31 December 2018** | **579.423** |
| Release grant into income statement | (8.482.452) |
| Grant award 2019 | 11.475.000 |
| **Closing 31 December 2019** | **3.571.971** |

## 18. Commitments and contingencies

### Contingent liabilities

The rental agreements for the office space contains a restoration clause. However the restoration obligation is at the discretion of the lessor and therefore not within the control of the Party.

## 19. Events after the reporting date

The following events occurred after reporting date impacting the financial statements closing 31 December 2019.

1) COVID-19 Crisis:

During the first half of 2020, the coronavirus outbreak has had huge impact on the EU economy. In response to the pandemic worldwide spread, many governments in affected jurisdictions imposed travel bans, quarantines and other emergency public safety measures. For example, governments have imposed restrictions on travel and the movement and gathering of people. As a non-adjusting event, the outbreak of the coronavirus does not require any adjustments to the figures reported in these annual accounts.

For subsequent reporting periods, COVID-19 may affect the recognition and measurement of some assets and liabilities on the balance sheet and also of some revenue and expenses recognised in the statement of financial performance. For example, some planned events and meetings were cancelled, and revenues from external sources has decreased. The impact of these, among other effects, on the financial performance may be significant for the reporting year 2020. Based on the information available at the date of signature of these annual accounts, the financial effects of the coronavirus outbreak cannot be reliably estimated. The Board is evaluating the possible measures to combat the outbreak of activities and to sustain our going concern.

2) Brexit:

On 31 January 2020, the United Kingdom withdrew from the European Union. At present, negotiations for a new partnership with the United Kingdom of Great Britain and Northern Ireland are ongoing. The Party estimates that this event will not have a significant impact on the operations and financial situation of the organisation.

Further there are no other events occurred after reporting date impacting the financial statements closing 31 December 2019.