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FOR ADOPTION

Assemblée des Régions d'Europe

Statutory auditors' report on the financial statements

Year ended 31 December 2007
Assemblée des Régions d'Europe – Association Loi 1908
6, rue Oberlin – 67000 Strasbourg
Reference: PM-083-048



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This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Assemblée des Régions d'Europe

Registered office: 6, rue Oberlin – 67000 Strasbourg

Statutory auditors' report on the financial statements

For the year ended 31 December 2007

Dear Sirs,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2007, on:

- the audit of the accompanying financial statements of the association Assemblée des Régions d'Europe;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the management. Our role is to express an opinion on these financial statements based on our audit.

1 Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the association's financial position and its assets and liabilities, as of 31 December 2007, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2 Justification of our assessments

In accordance with the requirements of article L.823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Accounting estimates

Your association constitutes provisions in order to cover risks of non recovery of the region members' subscriptions, as described in note I.2.C of the appendix.

On the basis of our work and information given to us, and in the framework of our appreciation of the accounting principles followed by your association, we confirm that the appendix gives pertinent information on the situation of the company with regard to the application of these methods.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.



3 Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity with the financial statements of the information given in the management report of the management, and in the documents addressed to the members with respect to the financial position and the financial statements.

Schiltigheim, on September 29, 2008

Assembly of European Regions
FINANCIAL YEAR TO 31.12.2007

 6, Rue Oberlin
 67000 STRASBOURG

CREDIT		Financial year N			Financial yr. N-1
		GROSS	Depreciation & Provisions	NET	NET
F I X E D A S S E T S	INTANGIBLE FIXED ASSETS(1)				
	Software	51 265	31 964	19 300	
	FIXED ASSETS				
	Land				
	Buildings				
	Other fixed assets(a)	169 398	145 011	24 387	0
	Current fixed assets				
	FINANCIAL ASSETS(2)				
	Other financial assets	1 040		1 040	690
	TOTAL I	221 703	176 975	44 728	690
L I Q U I D F U N D S	ACCOUNTS RECEIVABLE				
	Acc.receivable, members & rel. accounts(3)	999 850	919 441	80 408	106 119
	Other accounts receivable	171 951	127 890	44 061	68 446
	INVESTMENT SECURITIES				
	Other titles(b)	1 098 934		1 098 934	921 047
	LIQUID FUNDS	133 942		133 942	476 086
D E F E R R A L S A C C R U A L S	PREVIOUSLY IDENTIFIED EXPENSES(c)	9 774		9 774	8 418
	TOTAL II	2 414 451	1 047 332	1 367 119	1 580 116
TOTAL GENERAL (I+II)		2 636 154	1 224 307	1 411 847	1 580 806
(1) Of which, rental claim					
(2) Of which, with a lifespan of less than one year (gross)					
(3) Of which, with a lifespan of more than one year (gross)				919 441	822 674

(a)	Office furniture and material (depreciation)	169 398	171 932
		-145 011	-171 932
(b)	Unit trusts	1 098 934	921 047
(c)	Share of 2008 charges billed by suppliers in 2007	9 774	8 418

Assembly of European Regions
FINANCIAL YEAR TO 31.12.2007
**6, Rue Oberlin
67000 STRASBOURG**

DEBIT		Financial year N	Financial year N-1
E Q U I T Y C A P I T A L	ASSOCIATION ASSETS		
	BALANCE CARRIED FORWARD	785 112	592 790
	RESULTS FOR THE YEAR	-162 849	192 322
	TOTAL I	622 263	785 112
	OTHER ASSOCIATION ASSETS		
	TOTAL II		
P R O V I S I O N S F O R R I S K S A N D E X P E N S E S	PROVISIONS FOR RISKS AND EXPENSES	30 000	3 620
	TOTAL III	30 000	3 620
A C C O U N T S P A Y A B L E	ACCOUNTS PAYABLE		
	Bond loans		
	Bank loans and debts(1)	932	612
	Suppliers and related accounts	198 532	142 594
	Tax and company liabilities(a)	477 994	386 717
	Other liabilities	82 127	262 151
A D D I T I O N A L A C C O U N T S	PREVIOUSLY IDENTIFIED INCOME		
	TOTAL IV	759 585	792 074
	OVERALL TOTAL (I+II+III+IV)	1 411 847	1 580 806
	(1) Of which, current loan exposure and bank liabilities	0	0

(a) Personnel charges, social security, pensions, contingency for 2007
charges paid in 2008

477 994

386 718

Assembly of European Regions**FINANCIAL YEAR TO 31.12.2007**6, Rue Oberlin
67000 STRASBOURG

STATEMENT OF OPERATING RESULTS	Financial year N	Financial year N-1
OPERATING INCOME		
Operating subsidies(a)	196 765	45 660
Release of provisions and transfer of charges(b)	243 075	791 900
Membership subscriptions	2 283 262	2 284 798
Other income	3 925	2 302
TOTAL I	2 727 026	3 124 660
OPERATING EXPENSES		
Other acquisitions and external expenses(1)(c)	1 061 110	794 907
Taxes, levies and similar payments	74 582	73 382
Wages and salaries	904 211	842 914
Social security contributions	368 872	339 536
Transfer to depreciation of fixed assets and to provisions		
- Fixed assets: transfer to depreciation(d)	5 043	57 071
- Current assets: transfer to provisions(e)	336 760	265 488
Allowances granted by the Association		
Other expenses	155 703	572 994
TOTAL II	2 906 281	2 946 292
1. OPERATING RESULT (I-II)	-179 255	178 368

Assembly of European Regions
FINANCIAL YEAR TO 31.12.2007

 6, Rue Oberlin
 67000 STRASBOURG

STATEMENT OF OPERATING RESULTS	FINANCIAL YEAR N	FINANCIAL YEAR N-1
FINANCIAL INCOME		
Positive exchange differences	0	12
Net income from assignment of investment securities	30 520	12 671
Interest	1 105	1 352
TOTAL III	31 624	14 035
FINANCIAL EXPENSES		
Retransfer to depreciation and provisions		
Interest and similar expenses		
Negative exchange differences	1 198	81
Net expenses from assignment of investment securities		
TOTAL IV	1 198	81
2. FINANCIAL ASSETS(III-IV)	30 427	13 954
3. ACTUAL PRE-TAX RESULT(I-II + III-IV)	-148 828	192 322
EXTRAORDINARY INCOME		
Operational business	12 382	0
Capital movements		
Retransfer of provisions	3 620	
TOTAL V	16 002	0
EXTRAORDINARY CHARGES		
Operational business	23	0
Capital movements	0	0
Retransfers to depreciation and provisions	30 000	
TOTAL VI	30 023	0
EXTRAORDINARY RESULT(V-VI)	-14 021	0
TAX ON INCOME (VII)		
TOTAL INCOME (I+III+V)	2 774 653	3 138 695
TOTAL EXPENSES (II+IV+VI+VII)	2 937 501	2 946 373
RESULT FOR THE YEAR	-162 849	192 322
(1) Includes: Regular payments for leasing of movable property	20 727	15 513

ASSEMBLY OF EUROPEAN REGIONS

**6, rue Oberlin
67000 STRASBOURG**

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APPENDIX

Balance sheet prior to distribution for the period ending 31 December 2007, with a total of €1 411 847, and income statement for the period, in list format, with a total loss of €162 849.11.

The period covers twelve months, from 1 January to 31 December 2007.

The following statements and tables are an integral part of the annual financial statements.

I. ACCOUNTING POLICIES AND APPRAISAL METHODS

1. MAIN POLICIES

The balance sheet and the income statement are drafted in accordance with the standards, policies and methods of the chart of accounts for associations under French law.

The provisions below have been applied in view of the principle of prudence, according to the following basic rules:

- continuity of activities for the Association
- consistent accounting methods used for successive periods
- independent periods

2. APPRAISAL METHODS

CALCULATION OF DEPRECIATION AND PROVISIONS

The basic method applied for the measurement of the components recognised is the past cost method.

All transactions in foreign currencies have been translated on the basis of the exchange rate on the date of the transaction.

The main specific appraisal methods applied are as follows:

A. PROPERTY, PLANT AND EQUIPMENT

The gross value of recognised assets is stated as acquisition value. Assets have been depreciated as follows for the period starting on 1 January 2007:

- Software: 1 year
- Office equipment: 3 years
- Office furniture: 8 years
- Other assets: 5 years

Provisions for depreciation for the period 2007 reached 5 043 euros as compared with 57 070.68 euros for the previous period.

Assets were fully depreciated in the year of acquisition in previous periods.

This change in appraisal method had a positive impact on the financial statements for the period 2007: 43 688 euros.

B. FINANCIAL ASSETS

Financial assets have been recognised at nominal value and consist of a deposit paid for a lease.

C. RECEIVABLES AND DEBT

Receivables and debt are measured at nominal value. If applicable, receivables have been impaired in the form of a provision in view of any non-recovery risks which may arise.

Main receivables:

• outstanding membership fees for 2004 - 2007	€999 850
• a receivable for CEDRE	€127 890
• fiscal and corporate receivables	€8 031
• outstanding supplier credits	€230
• outstanding income	€5 800
• outstanding EC subsidy	€30 000

and main debt

• supplier debt	€198 532
• fiscal and corporate debt	€477 993
• prepaid membership fees for 2008	€42 035
• debt for the Alcohol project	€3 480
• outstanding Summer School subsidies	€24 193
• debt for the WEB PORTAL program	€5 096
• miscellaneous debt	€7 323

A provision for the impairment of membership fees will be systematically created for the entire amount owed, if the fees remain unpaid at year-end. Membership fees owed from periods prior to 2004 are recognised as bad debt and the assigned provisions for impairment are re-integrated.

II. ADDITIONAL INFORMATION ON THE BALANCE SHEET
AND THE INCOME STATEMENT

1. RECOGNISED ASSETS

	Balance at 31/12/2006	Acquisitions in 2007	Transfers or non-operational in 2007	Balance at 31/12/2007
Software, office equipment and furniture	171 932	48 731	0	220 663

2. DEPRECIATION

	Balance on 31/12/2006	Provision 2007	Collection in 2007	Balance on 31/12/2007
Software, office equipment and furniture	171 932	5 043	0	176 975

3. FINANCIAL ASSETS

	Balance on 31/12/2006	Acquisition 2007	Transfer 2007	Balance 31/12/2007
Deposit	690	1 040	690	1 040

4. PROVISIONS FOR IMPAIRMENT

PROVISIONS	Balance on 31/12/2006	Provision 2007	Collection in 2007	Balance 31/12/2007
Impairment of membership fees	822 674	336 760	239 992	919 442
Impairment of CEDRE receivable	127 890	0	0	127 890
Impairment of other receivables (V.A.T.)	3 083	0	3 083	0
TOTAL	953 647	336 760	243 075	1 047 332

5. PROVISIONS FOR RISKS AND EXPENSES

PROVISIONS	Balance on 31/12/2006	Provision 2007	Collection in 2007	Balance 31/12/2007
Provisions for supplier litigation risks	3 620		3 620	0
Provisions for risks JOHNSON case		30 000	0	30 000
TOTAL	3 620	30 000	3 620	30 000

6. MATURITY OF RECEIVABLES AND DEBT

RECEIVABLES	TOTAL	LESS THAN OR EQUAL TO 1 YEAR	MORE THAN 1 YEAR
Rent deposit	1 040	0	1 040
Membership fees	999 850	80 409	919 441
Other receivables	171 951	44 061	127 890
Prepaid expenses	9 774	9 774	0
TOTAL	1 182 615	134 244	1 048 371

DEBT	TOTAL	LESS THAN OR EQUAL TO 1 YEAR	MORE THAN 1 YEAR
Debts to credit establishments	932	932	
Suppliers and related accounts	198 532	198 532	
Fiscal and corporate debts	477 994	477 994	
Other debts	82 127	82 127	
TOTAL	759 585	759 585	0

7. OUTSTANDING EXPENSES

TYPE OF DEBT	AMOUNT
Unreceived supplier invoices	87 737
Untaken paid leave and personnel expenses	103 823
Recoverable working hours and personnel expenses	135 832
Personnel, other outstanding expenses	8 365
Secondary state pension payments	113 256
Bank commission	932
TOTAL	449 945

8. OUTSTANDING INCOME

TYPE OF INCOME	AMOUNT
Wallonia subsidy	1 000
Friula Venezia subsidy	2 000
Outstanding supplier credits	229
TOTAL	3 229

9. PREPAID EXPENSES

TYPE OF EXPENSES	AMOUNT
Lease	2 468
Maintenance	4 745
Insurance	82
Travel	958
AT fee 2008	311
Other fees	1 210
TOTAL	9 774

10. Securities and AVAILABILITIES

	N	N-1
Mutual funds	1.098 934	921 047
B.F.C.M.	132 581	472 285
WORKING CAPITAL	1 361	3 801
TOTAL	1 232 876	1 397 133

11. BREAKDOWN OF OPERATING INCOME

TYPE OF INCOME	N	N-1
Membership fees	2 283 262	2 284 798
Subsidies	196 764	45 660
Recovery of provisions for the impairment of membership fees	239 992	791 900
Miscellaneous income	3 925	2 302
TOTAL	2 723 943	3 124 660

12. DETAILS OF OTHER EXPENSES

TYPE OF EXPENSES	N	N-1
Losses on receivables	151 206	569 227
Miscellaneous expenses	4 497	3 767
TOTAL	155 703	572 994

13. PERSONNEL AT 31 DECEMBER 2007

	EMPLOYEES
Management	12
Other employees	5
Trainees	1
TOTAL	18

III. INDIVIDUAL TRAINING RIGHTS (DIF)

At year-end for the current period, the total number of hours of training to which employees are entitled in virtue of DIF represents 892 hours.

892 hours of training were not taken.

IV. COMMITMENTS IN TERMS OF PENSIONS AND RETIREMENT

Unrecognised retirement benefits amounted to €33 826 at year-end.

This amount has been calculated based on the following assumptions:

- application of the method recommended by International Accounting Standards (IAS), i.e. the future credit units method;
- the probability of presence at retirement age (death rate - personnel turnover per age);
- updating at 2%;
- voluntary departure at retirement age.

V. FUTURE EVENTS

On 7 February 2008, a service provider was ordered to pay the Assembly of European Regions damages of 128 257.77 euros, and an amount of 4 000 euros pursuant to article 700 of the French Code of Civil procedure.

The collection of these amounts is subject to uncertainty, therefore they were not recognised in the accounts of the Assembly of European Regions at 31 December 2007.



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Assemblée des Régions d'Europe

Registered office: 6, rue Oberlin – 67000 Strasbourg

Statutory Auditor's Report on regulated related party agreements

For the year ended 31 December 2007

To the members of the association Assemblée des Régions d'Europe

In our capacity as statutory auditor of your company, we are required to report to you on certain regulated related party agreements. We are not required to ascertain whether any such agreement exists.

In accordance with article L.612-5 of the Commercial Code, we inform you that we have been advised of no regulated related party agreement.

Schiltigheim, on September 29, 2008



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Assemblée des Régions d'Europe

Statutory Auditors' Report

on regulated related party agreements

Year ended 31 December 2007
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