



CENTER FOR
THE STUDY OF
DEMOCRACY

Center for the Study of Democracy (The Group)

Consolidated Annual Financial Statements

31 December 2011

Independent Auditors' Report

To the General Assembly of
The Center for Study of Democracy

Sofia, 29 June 2012

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Center for Study of Democracy and its subsidiaries (the 'Group') which comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

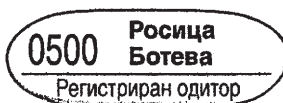
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.



Rositsa Boteva
Registered Auditor
"Major Parvan Toshev" str., Nr. 25
Sofia 1408



Bulgaria

Center for the Study of Democracy (The Group)
Consolidated Statement of Financial Position, 31 December 2011

(all amounts in BGN thousand)	Note	31 December 2011	31 December 2010
Assets			
Property, plant and equipment	5	2,109	2,138
Intangible assets	6	2	12
Investment property	7	356	367
Deferred tax assets	16	12	8
Total non-current assets		<u>2,479</u>	<u>2,525</u>
Trade and other receivables	8	641	276
Cash and cash equivalents	9	941	1,335
Deferred expenses		202	183
Total current assets		<u>1,784</u>	<u>1,794</u>
Total assets		<u>4,263</u>	<u>4,319</u>
Equity		<u>3,068</u>	<u>3,268</u>
Liabilities			
Loans payable	11	241	225
Total non-current liabilities		241	225
Trade and other payables	10	311	307
Lease liabilities		-	9
Deferred financing	12	623	492
Corporate income tax liabilities	16	20	18
Total current liabilities		<u>954</u>	<u>826</u>
Total liabilities		<u>1,195</u>	<u>1,051</u>
Total equity and liabilities		<u>4,263</u>	<u>4,319</u>

These financial statements set out on pages 3-25 were approved by the Governing Board on 29 June 2012. They are signed on behalf of the Governing Board by:

Vladimir Yordanov
Executive Director
29 June 2012



Initialed for identification purposes in reference to the audit report:

Rositsa Boteva
Registered Auditor
29 June 2012




Center for the Study of Democracy (The Group)
Consolidated Statement of Comprehensive Income, 31 December 2011

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2011	31 December 2010
Revenues	13	2,078	2,449
Cost of Sales	14	<u>(2,219)</u>	<u>(2,407)</u>
Gross Profit		(141)	42
Other operating income		-	41
Administrative expenses		-	(25)
Impairment losses		<u>(49)</u>	<u>-</u>
Revenue from operating activities		(190)	58
Financial income		16	15
Financial expenses		<u>(27)</u>	<u>(36)</u>
Net financing costs	15	(11)	(21)
Profit before income tax		(201)	37
Income tax expense	16	1	(21)
Net profit for the period		<u>(200)</u>	<u>16</u>
Other comprehensive income		-	-
Total comprehensive income		<u>(200)</u>	<u>16</u>

These financial statements set out on pages 3-25 were approved by the Governing Board on 29 June 2012. They are signed on behalf of the Governing Board by:

Vladimir Yordanov
Executive Director
29 June 2012




Initialled for identification purposes in reference to the audit report:

Rositsa Boteva
Registered Auditor
29 June 2012




Center for the Study of Democracy (The Group)
Consolidated Statement of Changes in Equity, 31 December 2011

(all amounts in BGN thousand)	Note	Retained earnings	Total
Balance as at 1 January 2010		3,252	3,252
Net profit for the period		16	16
Balance as at 31 December 2010		<u>3,268</u>	<u>3,268</u>
Balance as at 1 January 2011		3,268	3,268
Net profit for the period		(200)	(200)
Balance as at 31 December 2011		<u><u>3,068</u></u>	<u><u>3,068</u></u>

These financial statements set out on pages 3-25 were approved by the Governing Board on 29 June 2012. They are signed on behalf of the Governing Board by:



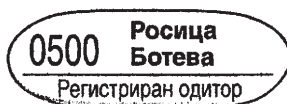
Vladimir Yordanov
Executive Director
29 June 2012



Initialed for identification purposes in reference to the audit report:



Rositsa Boteva
Registered Auditor
29 June 2012




Center for the Study of Democracy (The Group)
Consolidated Cash Flow Statement, 31 December 2011

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2011	31 December 2010
Cash flows from operating activities			
(Loss)/Profit before income tax		(201)	37
Adjustments for:			
Depreciation and amortisation	5,6,7	111	113
Net interest income accrued		<u>1</u>	<u>(15)</u>
		<u>(89)</u>	<u>135</u>
Changes in working capital:			
(Increase)/Decrease of inventory		-	2
(Increase)/Decrease of trade and other receivables and deferred expenses		(384)	37
Increase/(Decrease) of trade and other payables		<u>137</u>	<u>609</u>
Cash flow from operating activities		<u>(336)</u>	<u>783</u>
Interest received		12	15
Income tax paid		<u>(11)</u>	<u>(8)</u>
Net cash flows from operating activities		<u>(335)</u>	<u>790</u>
Cash flows from investment activities			
Purchase of property, plant and equipment and intangible assets		(59)	(174)
Proceeds from sale of property, plant and equipment		<u>-</u>	<u>-</u>
Net cash flows from investment activities		<u>(59)</u>	<u>(174)</u>

Center for the Study of Democracy (The Group)
Consolidated Cash Flow Statement, 31 December 2011

(all amounts in BGN thousand)	Note	For the year ending:	
		31 December 2011	31 December 2010
Cash flows from financial activities			
Paid interest and bank charges		-	(24)
Loans received		-	-
Net cash flow from financial activities		-	(24)
Net (decrease)/increase in cash and cash equivalents		(394)	592
Cash and cash equivalents at the beginning of the period		1,335	743
Cash and cash equivalents at the end of the period	9	941	1,335

These financial statements set out on pages 3-25 were approved by the Governing Board on 29 June 2012. They are signed on behalf of the Governing Board by:



Vladimir Yordanov
Executive Director
29 June 2012



Initialled for identification purposes in reference to the audit report:



Rositsa Boteva
Registered Auditor
29 June 2012



1. Group background and activities

The Center for the Study of Democracy (CSD) is a non-profit organisation domiciled in Bulgaria. The consolidated financial statements of CSD for the year ended 31 December 2010 comprise CSD and its subsidiaries, Vitoshka Research EOOD and Project 1 EOOD (together referred to as the "Group").

Founded in late 1989, the Center for the Study of Democracy (CSD) is an interdisciplinary public policy institute dedicated to the values of democracy and market economy. CSD is a non-partisan, independent organization fostering the reform process in Bulgaria through impact on policy and civil society.

CSD objectives are:

- to provide an enhanced institutional and policy capacity for a successful European integration process;
- to promote institutional reform and the practical implementation of democratic values in legal and economic practice;
- to monitor public attitudes and serve as a watchdog of the institutional reform process in the country;
- to strengthen the institutional and management capacity of NGOs in Bulgaria.

The Center for the Study of Democracy owns 100% of its subsidiaries Vitoshka Research EOOD and Project 1 EOOD.

Vitoshka Research EOOD, established in 2000, is specialised in wide range of research fields: social and economic policy; social assessment and evaluation studies; economic and political behaviour; political attitudes and value systems; market, media and audience research; advertising studies, and others.

Project 1 EOOD was established in 2003. Its main activity is managing real estate investments of the Group and project management of the contract research of the Group.

As of 31 December 2011 the Group has 41 employees.

The financial statements were approved by the Governing Board on 29 June 2012.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated 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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

The consolidated financial statements comprise the financial statements of the Center for the Study of Democracy and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting period as the parent Group, using consistent accounting policies. For consolidation purposes, the financial information of the Group has been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

All intra-group balances, income and expenses and unrealized gains resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the

operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Disposals of non-controlling interests result in gains and losses for the Group that are recognised in the income statement. Acquisitions of non-controlling interests are accounted for whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. The management relied on their own judgment when applying the accounting policy of the Group. The elements of the financial statements whose presentation includes higher degree of judgment or subjectivity and for which the assumptions and judgments have higher influence are separately disclosed in Note 4.

New and amended standards, adopted by the Group:

New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2011 are not early adopted by the Group because management of the Group believes that they are nor currently relevant to the Group although they may affect accounting for future transactions and events.

2.2. Foreign currency translations

2.2.1. Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency is 'Bulgarian lev' or 'BGN'.

2.2.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.3. Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation, less impairment losses, if any. Historical cost includes all expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation commence from the date the asset is available for use. Land is not depreciated as it is deemed to have an indefinite life. Assets under construction are not depreciated as not yet available for use.

The Group uses straight – line depreciation method. Depreciation rates are based on the useful life of the different types of property, plant and equipment as follows:

Buildings	25 years
Machinery and equipment	2 years
Vehicles	4 years
Fixtures and fittings	2 - 6 years

Property, plant and equipment is depreciated from the month, following the acquisition date and for internally generated assets – from the month, following the date of entering into use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4. Intangible assets

Intangible assets acquired by the Group are presented at cost, less accumulated amortisation and impairment.

Subsequent expenditures

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

2.5. Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

For the purposes of these financial statements short term means a period within 12 months. During the year, the Group did not hold any investments in this category. The Group does not possess such financial assets as at 31 December 2011.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. Loans and receivables are carried at amortized cost using the effective interest rate.

Held-to-maturity

Held-to-maturity investments are fixed-maturity investments that the Group's management has the positive intention and ability to hold to maturity. These securities are included as non-current assets except for securities, reaching maturity within 12 months from the balance sheet date and which are recognised as current during the reporting period. During the year, the Group did not hold any investments in this category.

Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are investments acquired with the purpose to be owned for non-fixed period of time and which can be sold when the Group needs recourse or at change of interest rates. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or to use them as a source of working capital. In this case the investments are classified within current assets. During the year, the Group did not hold any investments in this category.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.7.

2.6. Inventory

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.7. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost (using effective interest method) less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

2.8. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less as well as bank overdrafts. Bank overdrafts are shown within current borrowings in current liabilities on the balance sheet.

2.9. Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.10. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of

transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.11. Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.12. Employee benefits on retirement

In accordance with article 222, para. 3 of the Bulgarian Labour Code, in the event of termination of a labour contract after the employee has reached the lawfully required retirement age, regardless of the reason for the termination, the employee is entitled to a compensation as follows: 2 gross monthly salaries in all cases and 6 gross monthly salaries if the employee has been engaged with the Group for at least 10 years. As at 31 December the Group has not accounted for those potential obligations.

2.13. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services

Revenue from time and material contracts, typically from delivering certain services, is recognised under the percentage of completion method. Revenue is generally recognised at

the contractual rates. For time contracts, the stage of completion is measured on the basis of labour hours delivered as a percentage of total hours to be delivered.

Revenue from fixed-price contracts for delivering certain services is also recognised under the percentage-of-completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

Revenue from grants and contributions

Grants from financing bodies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.14. Dividend distribution

The Group does not distribute dividends.

3. Financial risk management

3.1. Global financial crisis

Impact of the ongoing global financial and economic crisis

The global financial crisis has had a severe effect on the Bulgarian economy and the financial situation within the Bulgarian financial and corporate sectors has significantly deteriorated since mid-2008. In 2010 and 2011, the Bulgarian economy experienced a moderate recovery in economic growth. The recovery was accompanied by increased export and increased rate of household savings.

The future economic direction of Bulgaria is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments.

Management is unable to predict all developments which could have an impact on the sector and wider economy, and consequently what effect, if any, they could have on the future financial position of the Group.

The Bulgarian economy is also vulnerable to market downturns and economic slowdowns elsewhere in the world. Management is unable to determine reliably the effects on the Group's future financial position of any further changes in the economic environment in which the Group operates.

Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current circumstances.

Impact on liquidity

The global financial crisis continues to have significant impact on the Group during 2011. The length of the crisis, along with the slowed recovery of the industry and bank sector, might lead to decreased operational cash flows, the ability to obtain new credits, increased operating expenses and slowdown or reduction of the planned capital expenditures.

Impact on customers/borrowers

The debtors or borrowers of the Group may also be affected by the lower liquidity situation which could, in turn, impact their ability to repay the amounts owed. The operating conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

3.2. Financial risk factors

The risk exposures of the Group could be determined as follows: market risk (including currency risk, price risk and risk of future cash flow changes as a result of changes in market interest rate), credit risk and liquidity risk. The Group's management focuses on the financial risk and seeks to minimise potential adverse effects on the Group's financial performance.

3.2.1. Market risk

a) Currency risk

The Group is not exposed to foreign exchange risk as most of its activities are denominated in EUR. The exchange rate of the BGN is currently pegged to the EUR.

The Group's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

b) Price risk

The Group's management considers the price risk in the context of the future revenues that are expected to be generated in the operating activity of the Group.

3.2.2. Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group analyses its interest rate exposure on a dynamic basis and addresses the underlying risk.

3.2.3. Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions.

3.2.4. Liquidity risk

In the context of its underlying activities, the Group is able to maintain flexibility in funding and to use credit lines, overdrafts and other credit facilities, if necessary.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2011	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	311	241	-	-
As at 31 December 2010	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	307	-	225	-

4. Critical accounting estimates and judgements

Estimates and judgements 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 authenticity of accounting estimates and judgements is monitored regularly.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Useful life of property, plant and equipment

The presentation and valuation of property, plant and equipment requires the Management to estimate their useful life and remaining value. The Management assesses at the end of each accounting period the determined useful life of the property, plant and equipment.

Impairment of loans and receivables

Impairment of receivables is determined based on Management's expectations for the collectability of the loans and receivables. As at the date of preparation of the financial statements, the Management reviews and assesses the existing receivables' balances for collectability.

5. Property, plant and equipment

	Land & buildings	Computers	Vehicles	Fixtures & Fittings	Other assets	Assets under construc- tion	Total
Cost							
As at 1 January 2010	839	193	226	126	3	1,170	2,557
Additions	-	28	101	10	-	38	177
Disposals	-	(17)	-	(5)	-	-	(22)
As at 31 December 2010	839	204	327	131	3	1,208	2,712
Additions	-	5	-	-	-	56	61
Disposals	-	-	-	-	-	-	-
As at 31 December 2011	839	209	327	131	3	1,264	2,773
Depreciation							
As at 1 January 2010	103	144	149	104	3	11	514
Depreciation charge	18	24	34	6	-	-	82
Disposals	-	(17)	-	(5)	-	-	(22)
As at 31 December 2010	121	151	183	105	3	11	574
Depreciation charge	18	25	41	6	-	-	90
Disposals	-	-	-	-	-	-	-
As at 31 December 2011	139	176	224	111	3	11	664
Carrying amount							
As at 1 January 2010	736	49	77	22	-	1,159	2,043
As at 31 December 2010	718	53	144	26	-	1,197	2,138
As at 31 December 2011	700	33	103	20	-	1,253	2,109

Center for the Study of Democracy (The Group)
Notes to the Consolidated Annual Financial Statements, 31 December 2011
(all amounts in BGN thousand, unless otherwise stated)

6. Intangible assets

	Software	Total
Cost		
As at 1 January 2010	79	79
Additions	(13)	(13)
As at 31 December 2010	<u><u>66</u></u>	<u><u>66</u></u>
Disposals	-	-
As at 31 December 2011	<u><u>66</u></u>	<u><u>66</u></u>
Amortisation		
As at 1 January 2010	46	46
Amortisation charge	12	12
As at 31 December 2010	<u><u>54</u></u>	<u><u>54</u></u>
Amortisation charge	10	10
As at 31 December 2011	<u><u>64</u></u>	<u><u>64</u></u>
Carrying amount		
As at 1 January 2010	33	33
As at 31 December 2010	12	12
As at 31 December 2011	<u><u>2</u></u>	<u><u>2</u></u>

7. Investment property

	2011	2010
As at 1 January		
Carrying amount at the beginning of the period	367	378
Depreciation charge	(11)	(11)
Carrying amount at the end of the period	<u><u>356</u></u>	<u><u>367</u></u>
As at 31 December		
Cost	428	428
Accumulated depreciation	(72)	(61)
Carrying amount	<u><u>356</u></u>	<u><u>367</u></u>

Investment properties of the Group consist of land and buildings acquired in the period 2005 – 2006. Investment property is presented at cost less accumulated depreciation and impairment losses.

8. Trade and other receivables

	As at 31 December	
	2011	2010
Trade receivables	677	267
Less: Impairment provision of trade payables	(74)	(25)
Trade receivables, net	<u>603</u>	<u>242</u>
Prepaid corporate tax	18	33
Other	20	1
	<u><u>641</u></u>	<u><u>276</u></u>

The carrying amount of trade and other receivables approximates their fair value.

9. Cash and cash equivalents

	As at 31 December	
	2011	2010
Cash at hand	162	83
Cash in bank current accounts	779	1,252
	<u><u>941</u></u>	<u><u>1,335</u></u>

Center for the Study of Democracy (The Group)
Notes to the Consolidated Annual Financial Statements, 31 December 2011
(all amounts in BGN thousand, unless otherwise stated)

10. Trade and other payables

	As at 31 December	
	2011	2010
Payables to related parties	150	150
Payables to partners and suppliers	140	132
Salaries and social securities payables	1	21
Other	20	4
	<u>311</u>	<u>307</u>

11. Loans liabilities

	As at 31 December	
	2011	2010
Principal of loan to related parties	200	200
Interest payable	41	25
	<u>241</u>	<u>225</u>

Loans liabilities represent loan granted in 2009 by IR Communications to Project 1. According to the loan contract the interest rate is 8 %.

12. Deferred financing

	As at 31 December	
	2011	2010
European Commission – Tracking Progress in Strengthening the Criminal Justice Indicators for Integrated Case Management	139	139
Norwegian Government – Norwegian Cooperation Programme – Strengthening Governance for Sustainable Production in Bulgaria	-	145
European Commission – Bulgarian Organised Crime Threat Assessment	-	113
European Commission – Integrating Refugee and Asylum-seeking Children in the Educational Systems of EU Member States	42	56
Open Society Institute (Budapest) – Good governance or Civil Society Capture	14	-
European Commission – Sharing Alternatives Practices for the Utilisation of Confiscated Criminal Assets	94	-
European Commission – Integrating Refugee and Asylum-seeking Children in the Education System in the Member States of the EU	103	-
European Commission – Threat assessment of bullying behaviour in Internet	29	-
European Commission – Enhancing Police Internal Affairs Departments in EU Member States	174	-
Other	20	18
Total deferred financing related to projects	615	471
Financing for acquisition of fixed assets	8	21
	623	492

Center for the Study of Democracy (The Group)
Notes to the Consolidated Annual Financial Statements, 31 December 2011
(all amounts in BGN thousand, unless otherwise stated)

13. Revenues

Revenues from grants financing and other project for respective periods are as follows:

	2011	2010
European Commission – Bulgarian Organised Crime Threat Assessment	312	424
Norwegian Government – Norwegian Cooperation Programme – Strengthening Governance for Sustainable Production in Bulgaria	319	263
European Commission – Integrating Refugee and Asylum-seeking Children in the Educational Systems of EU Member States	152	82
Ministry of Labour and Social Policy – European Integration Fund – Development of Information Foundations of the Bulgarian Immigration Policy Towards Third Countries Nationals	-	51
European Commission – Tracking Progress in Strengthening the Criminal Justice Indicators for Integrated Case Management	-	39
German Marshal Fund (Bulgaria Fund) – Countering Civil Society Capture in Bulgaria	-	33
Konrad Adenauer Foundation – Hidden Economy in Bulgaria	3	30
European Commission – Measuring Public Confidence in Justice Systems	113	-
European Commission – Assisting and Reintegrating Children Victims of Trafficking	76	-
Friedrich Ebert Foundation – Organised Crime Threat Assessment; Hidden Economy in Bulgaria	36	-
Open Society Institute (Budapest) – Good governance or Civil Society Capture	31	-
European Commission – Sharing Alternatives Practices for the Utilisation of Confiscated Criminal Assets	40	-
European Commission – Network to Empower Volunteering Work within the Prison System in Europe and in the Western Balkans	16	-
European Commission – Threat assessment of bullying behaviour in Internet	8	-
European Commission – Empowering civil society in Bosnia and Herzegovina to fight corruption	39	-
Other projects	12	37
	<u>1,157</u>	<u>959</u>
Revenue from services	904	1,463
Income from financing for fixed assets	17	27
	<u><u>2,078</u></u>	<u><u>2,449</u></u>

14. Cost of sales

Cost of sales for the Group includes:

	2011	2010
Expenses for materials	47	50
External services	1,394	1,684
Depreciation and amortisation	111	113
Salaries and social securities	581	447
Other expenses	86	113
	<u>2,219</u>	<u>2,407</u>

15. Finance costs, net

	2011	2010
Interest income	<u>16</u>	<u>15</u>
	16	15
Interest expense	(17)	(19)
Foreign exchange gains/(losses), net	(5)	(12)
Other financial expenses	<u>(5)</u>	<u>(5)</u>
	<u>(27)</u>	<u>(36)</u>
Finance costs, net	<u>(11)</u>	<u>(21)</u>

16. Income tax

The major components of income tax expense for the year ended 31 December 2011 and the period ended 31 December 2010 are:

	2011	2010
Current tax	(3)	(22)
Deferred tax	<u>4</u>	<u>1</u>
Income expense	<u>1</u>	<u>(21)</u>

Center for the Study of Democracy (The Group)
Notes to the Consolidated Annual Financial Statements, 31 December 2011
(all amounts in BGN thousand, unless otherwise stated)

Movement in deferred tax asset and deferred tax liability as of 31 December 2011 and 31 December 2010 includes the following:

	31 December 2011		31 December 2010		2011 net	2010 net
	Assets	Liabilities	Assets	Liabilities		
Property, plant and equipment	8	-	5	-	8	5
Trade payables	4	-	3	-	4	3
Net deferred tax asset/liability	12	-	8	-	12	8

The official rate stated in Corporate Tax Law adopted for 2011 was set to 10 % (2010:10%). Deferred taxes are calculated on all temporary differences under the balance method using this effective tax rate.

Movement in deferred tax

	Balance as of 1 January 2011	Income in income statement	Balance as of 31 December 2011
Property, plant and equipment	5	3	8
Trade payables	3	1	4
Net deferred tax asset/liability	8	4	12

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional taxes and penalties. The Groups' management is not aware of any circumstances which may give rise to a potential material liability in this respect.

There are no tax checks performed in the recent years.

17. Related parties

The group is related party to the Applied Research and Communication Fund and its subsidiaries.

The following transactions occurred during the year:

Related party	Transactions during the year	January-December		31 December		31 December	
		2011	2010	2011	2010	2011	2010
		Transactions		Receivables		Payables	
ARC Consulting	Consulting services	60	166	48	-	150	150
Applied Research and Communication Fund	Development of a research project	-	24	-	-	-	-
Applied Research and Communication Fund	Rental contract	45	45	-	-	-	-
		-	-	-	-	241	225
IR Communications		105	235	48	-	391	375

Transactions with directors and other members of the management

Total amount of the remunerations and social contributions included in the expenses for external services is as follows:

	2011	2010
Board of Directors	206	177

18. Events after the balance sheet date

There were no events after balance date requiring corrections of the financial statements or disclosures.