

2012 Annual Financial Statements

**of Trust for Social
Achievement Foundation**

*TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
Annual financial statements
Independent auditors' report
31 December 2012.*

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION

*ANNUAL FINANCIAL STATEMENTS
INDEPENDENT AUDITORS' REPORT*

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

MANAGEMENT REPORT	1
STATEMENT OF ACTIVITY	4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF CASH FLOWS	6
STATEMENT OF CHANGES IN NET ASSETS	7

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND INFORMATION ON THE FOUNDATION	8
2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE FOUNDATION	9
4. FINANCING EXPENSES	19
5. MATERIALS AND CONSUMABLES USED	20
6. HIRED SERVICES EXPENSE	20
7. EMPLOYEE BENEFITS EXPENSE	20
8. OTHER EXPENSES	21
9. FINANCE INCOME	21
10. PROPERTY, PLANT AND EQUIPMENT	21
11. INTANGIBLE ASSETS	22
12. RECEIVABLES AND PREPAYMENTS	22
13. CASH AND CASH EQUIVALENTS	23
14. LONG-TERM FINANCING FOR NON-CURRENT ASSETS	23
15. TRADE PAYABLES	23
16. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY	24
17. RELATED PARTY TRANSACTIONS	24
18. CONTINGENT ASSETS AND LIABILITIES	24
19. FINANCIAL RISK MANAGEMENT	25
20. EVENTS AFTER THE REPORTING PERIOD	27

MANAGEMENT REPORT

Overview

The Trust for Social Achievement Foundation (“TSA” or the “Foundation”) is a Bulgarian non-profit organisation, registered for public benefit. The activity of the Foundation is governed by the Non-profit Legal Entities Act and the acts and regulations related to it.

TSA was established in August, 2012 r. and is registered under Company File 524/2012 of Sofia City Court, BULSTAT 176356758. The Foundation was entered in the Central Registry of Non-profit Legal Entities designated for public benefit activities at the Ministry of Justice under № 20120831005. The seat and registered address of the Foundation is: Sofia, Sredets Region, 64 Patriarh Evtimii Blvd. and its website is: <http://socialachievement.org/>

The TSA tests and supports innovative, results-driven approaches that increase self-sufficiency and improve life outcomes for Bulgaria’s poor, with a focus on the Roma. To achieve this, we honor and help develop professionalism, collaboration, and integrity in our partners. Our aim is for Bulgaria’s disadvantaged to achieve educational and economic success and to thereby break the poverty cycle, so that all of society can develop and prosper.

According to the Articles of Association – Statute of the Foundation its objectives are:

- ✓ To provide support at the local level for initiatives that improve educational achievement for at-risk pupils, with an emphasis on ethnic minorities and youth from impoverished and marginalized communities;
- ✓ To provide support at the local level for initiatives that improve the economic self-sufficiency for at-risk persons, with an emphasis on ethnic minorities and youth from impoverished and marginalized communities;
- ✓ To improve capacity at the local level for accountability and administration of grants, as well as the capacity for impact evaluation and assessment of results.

To achieve its mission TSA raises funds from donor organizations and provides grants in three areas: „Family Economic Success“, „Early Childhood Development“ and „Educational Achievement“. Besides, TSA sets aside resources for improving the capacity of its partner organizations.

Governance

According to its Articles of Association – Statute, the Foundation is governed by a Board of Directors (“Board”). Only individuals can be members of the Board. Board members are appointed and relieved by the Founder.

At December 31, 2012 the Board had four members.

MANAGEMENT REPORT (continued)

The members of the Board are not related to each other and do not receive any remuneration by TSA for their service on the Board.

In 2012 none of the members of the Board has entered into any transactions with TSA.

Articles of Association – Statute has been adopted on July 19, 2012 and has not been changed or amended since that date. No changes to the Board have been made in 2012.

Activity Overview

TSA has been established in August, 2012 with funding provided by the America for Bulgaria Foundation („ABF“) with the intent to continue ABF’s activities in the social area. Across all of its program areas, ABF is supporting efforts to build and strengthen a vibrant market economy. To achieve this goal, Bulgaria’s disadvantaged poor must be included. There are extremely high levels of unemployment and very low levels of education among the disadvantaged. Roma comprise an estimated 10% of the population and make up a significant portion of the poor.

The funding provided by ABF is in the amount of BGN 18.5 million for the period October, 2012 to October, 2017. In 2012 TSA has received from ABF in the form of both contingent financing and unconditional financing a total of BGN 1.1 million. In 2012 TSA approved one grant in the „Family Economic Success“ program, and by the end of the year had disbursed BGN 22 thousand. Under this grant, provided that all negotiated terms and conditions are met, the TSA will further disburse a total of BGN 52 thousand.

From the point that the organization was established until the end of 2012, the management focused its efforts on strengthening the foundation of the organization which included activities to build its team as well as creating structure and guidelines for administering grants and engaging in the organization’s main planned activities. As of December 31, 2012 TSA had 8 full-time employees, had acquired its office and had nearly completed the office renovation and the acquisition of the needed tangible and intangible assets, such as software. During this period the Foundation also developed its internal rules and procedures for grant application review and grant approval and built its website.

As of December 31, 2012 current assets were BGN 338 thousand, of which cash and cash equivalents of BGN 323 thousand and other receivables and prepayments of BGN 15 thousand. Current liabilities amounted to BGN 10 thousand, of which BGN 4 thousand represented payables to personnel and social security.

The available cash and the expected disbursement of funds under the ABF grant are sufficient to support TSA’s liquidity.

MANAGEMENT REPORT (continued)

At December 31, 2012 total assets amounted to BGN 980 thousand, and the result from non-profit activity for the period was BGN 420 thousand.

The Foundation does not own equity or other interests in other legal entities, does not have any related parties, does not belong to any economic group and has not entered into any related parties transactions for the period August 3, 2012 to December 31, 2012. During this period there were no unusual events that could have a material adverse impact on TSA's activities, its financial condition and the results from its non-profit activity.

TSA has not received or provided any loans or loan guarantees. The Foundation has not used financial instruments and has no branches.

TSA's policy for managing its financial resources is adequate and it has sufficient resources to meet its liabilities and to finance its activities.

Important events after the end of the reporting period

Since the end of the reporting period no events have occurred that could have a significant impact on the Foundation's financial condition and the results from its non-profit activity.

Expected Developments and Plans for 2013

In 2013 the Foundation intends to grow its activities in providing grants in its three program areas and to complete the development of its infrastructure and information systems. TSA also intends to initiate its work on improving the capacity at the local level for accountability and administration of grants, as well as the capacity for impact evaluation and assessment of results.

TSA does not plan for any material asset acquisitions in 2013.

March 7, 2013

Executive Director:.....

Emilia Karadocheva



**TRUST
FOR SOCIAL
ACHIEVEMENT**

Grant Thornton Ltd.

26, Cherni Vrah Blvd, 1421 Sofia
4, Paraskeva Nikolau Str., 9000 Varna

T (+3592) 987 28 79, (+35952) 69 55 44

F (+3592) 980 48 24, (+35952) 69 55 33

E office@gtbulgaria.com

W www.gtbulgaria.com

INDEPENDENT AUDITOR'S REPORT

To the Founders of
Trust for Social Achievement Foundation
Sofia

Report on the Financial Statements

We have audited the accompanying financial statements of **Trust for Social Achievement Foundation**, which comprise the statement of financial position as of 31 December 2012, and the statement of activity, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by EU, and the Bulgarian legislation and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

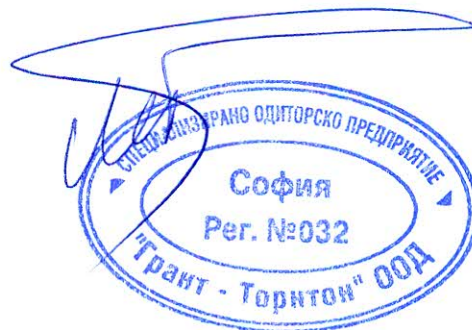
In our opinion, the financial statements give a true and fair view of the financial position of **Trust for Social Achievement Foundation** as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by EU and the Bulgarian legislation.

Report on Other Legal and Regulatory Requirements – Management's report for the year ended 31 December 2012

We have reviewed the management's report for the year ended 31 December 2012 of **Trust for Social Achievement Foundation**, which is not part of the financial statements. The historical financial information in the management's report complies in its main aspects with the financial information, presented in the financial statements for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards, as adopted by EU and the national legislation. The preparation of the management's report is responsibility of the management.

Mariy Apostolov
Registered Auditor
Managing partner

Grant Thornton Ltd.
Auditing Company



29 March 2013
Bulgaria, Sofia

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

STATEMENT OF ACTIVITY
for the period 3 August - 31 December 2012

	Notes	03.08.2012 - 31.12.2012 BGN '000
Income from financing	3	607
Financing expenses	4	(22)
Materials and consumables used	5	(18)
Hired services expense	6	(71)
Employee benefits expense	7	(68)
Depreciation and amortisation expense	10, 11	(4)
Other expenses	8	(6)
Income from non-profit activities		418
Finance income	9	2
Finance income		2
Result from non-profit activities for the period		420
TOTAL RESULT FOR THE PERIOD		420

The accompanying notes on pages 8 to 27 form an integral part of these financial statements.

The financial statements on pages 1 to 27 were approved for issue by Board of Directors and signed on 7 March 2013 г.

Executive Director:


 / Emilia Karadocheva /


 Prepared by AFAS OOD



Signed in accordance with Independent Auditors' Report on 9 March 2013:





TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

	Notes	31 December 2012 BGN '000
ASSETS		
Non-current assets		
Property, plant and equipment	10	600
Intangible assets	11	42
		642
Current assets		
Other receivables and prepayments	12	15
Cash and cash equivalents	13	323
		338
TOTAL ASSETS		980
LIABILITIES		
Non-current liabilities		
Long-term financing for non-current assets	14	550
		550
Current liabilities		
Trade payables	15	6
Payables to personnel and for social security	16	4
		10
TOTAL LIABILITIES		560
NET ASSETS OF THE FOUNDATION		
Result from non-profit activities for the period		420

The accompanying notes on pages 8 to 27 form an integral part of these financial statements.

The financial statements on pages 1 to 27 were approved for issue by Board of Directors and signed on 7 March 2013 г.



Executive Director:

/ Emilia Karadocheva /

Preparer: AFA OOD

Signed in accordance with an Independent Auditors' Report on 29 March 2013:



TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

STATEMENT OF CASH FLOWS
for the period 3 August - 31 December 2012

	Notes	03.08.2012 -31.12.2012 BGN '000
Cash flows from operating activities		
Contingent financing received		550
Unconditional financing received		1
Financing granted		(22)
Cash paid to suppliers		(104)
Cash paid to employees and for social security		(67)
Other proceeds/(payments), net		(5)
Net cash flows from operating activities		353
Cash flows from investing activities		
Purchases of property, plant and equipment		(31)
Purchases of intangible assets		(1)
Interest received		2
Net cash flows (used in) investing activities		(30)
Net increase in cash and cash equivalents		323
Cash and cash equivalents at 3 August		-
Cash and cash equivalents at 31 December	13	323

The accompanying notes on pages 8 to 27 form an integral part of these financial statements.

The financial statements on pages 1 to 27 were approved for issue by Board of Directors and signed on 7 March 2013 г.

Executive Director:


 / Emilia Karadocheva /

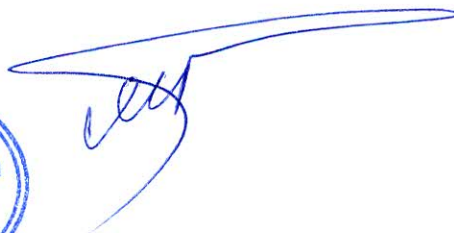
**TRUST
 FOR SOCIAL
 ACHIEVEMENT**

Preparer: AFA OOD



Signed in accordance with an Independent Auditors' Report on 29 March 2013:





TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

STATEMENT OF CHANGES IN NET ASSETS
for the period 3 August - 31 December 2012

	Operating result for the period	Total net assets
	BGN'000	BGN'000
Balance at 3 August 2012	-	-
Net result for the period	420	420
Balance at 31 December 2012	420	420

The accompanying notes on pages 8 to 27 form an integral part of these financial statements.

The financial statements on pages 1 to 27 were approved for issue by Board of Directors and signed on 7 March 2013 г.

Executive Director:


 / Emilia Karadocheva /



Prepared: AFA OOD



Signed in accordance with an Independent Auditors' Report on 29 March 2013:





1. BACKGROUND INFORMATION ON THE FOUNDATION

The Trust for Social Achievement Foundation is a non-profit organisation, registered by virtue of the Non-profit Legal Entities Act under Company File 524/2012 of Sofia City Court. The seat and registered address of the Foundation is: Sofia, Sredets Region, 64 Patriarh Evtimii Blvd.

The Foundation was entered in the Central Registry of Non-profit Legal Entities designated for public benefit activities at the Ministry of Justice.

1.1. Ownership and management

The Foundation is managed by a Board of Directors and an Executive Director. The members of the Board of Directors are as follows: Emilia Kostadinova Karadocheva, Sarah Marie Perrine, Lachezar Ivanov Bogdanov and Rosen Nikolaev Ivanov.

As at 31 December 2012, the Foundation was represented by the Executive Director Emilia Kostadinova Karadocheva.

Principal activities

The Trust for Social Achievement Foundation has been established for the purpose to perform non-profit activities, including charity and educational activities and initiatives in public interest and benefit.

The mission of the Foundation is focused on the achievement of the following objectives:

- ✓ to provide local level support of initiatives that improve the educational achievements of students at risk and more specifically, such from ethnic minorities and children from impoverished and marginal communities;
- ✓ to provide local level support of initiatives that improve the economic independence of persons at risk and more specifically, such from ethnic minorities and the young people from impoverished and marginal communities;
- ✓ to improve local capacity for financial accountability and management of financial aids as well as the skills for systematic monitoring, assessment and demonstration of achievements through performance indicators for envisaged activities and through specific results.

1.3. Main indicators of the economic environment

The main economic indicators of the business environment that have affected the Foundation activities throughout the period 2010 – 2012, are presented in the table below:

Indicator	2010	2011	2012
GDP in million levs	70,511	75,265	77,582
Actual growth of GDP	0.4%	1.7%	0.8%
Year-end inflation	4.5%	2.8%	4.2%
Average exchange rate of USD for the year	1.4774	1.4065	1.5221
Exchange rate of the USD at the year-end	1.4728	1.5116	1.4836
Unemployment rate at the year-end	9.2%	10.4%	11.4%
Basic interest rate at the year-end	0.2%	0.2%	0.03%

Source: NSI, BNB

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE FOUNDATION

2.1. Basis for the preparation of the financial statements

The financial statements of Trust for Social Achievement Foundation have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effectively in force on 1 January 2012 and have been accepted by the Commission of the European Union.

Considering the specific status of the Foundation as a non-profit legal entity, certain IFRS principals, rules and methods have been modified to achieve a more fair and reliable presentation of the specific reporting items in the financial statements. The principles, rules and methods, which are of significance for the understanding of these financial statements, are disclosed in Notes 2.3 to 2.11.

For the current financial year the Foundation has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which are relevant to its activities.

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

Additionally, with regard to the stated below new standards, amended/revised standards and new interpretations that have been issued but not yet in force for annual periods beginning on 1 January 2012, the management has judged that they are unlikely to have a potential impact resulting in changes in the accounting policies and the financial statements of the Foundation:

- IAS 1 (amended) "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 July 2012 – endorsed by EC).
- IAS 19 (amended) "Employee Benefits" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).
- IAS 27 (as revised in 2011) "Separate Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application, at the latest, for annual periods beginning on or after 1 January 2014).
- IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application, at the latest, for annual periods beginning on or after 1 January 2014).
- IAS 32 (amended) "Financial Instruments: Presentation" (in force for annual periods beginning on or after 1 January 2014 – endorsed by EC) – regarding the offsetting of financial assets and financial liabilities.
- IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the offsetting of financial assets and financial liabilities (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).
- IFRS 7 (amended) "Financial Instruments: Disclosures" – regarding the relief from the requirement to restate comparatives and the related thereto disclosures when applying IFRS 9 (in force for annual periods beginning on or after 1 January 2015 – not endorsed by EC).
- IFRS 9 "Financial Instruments: Classification and Measurement" (in force for annual periods beginning on or after 1 January 2015 – not endorsed by EC).
- IFRS 10 "Consolidated Financial Statements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application, at the latest, for annual periods beginning on or after 1 January 2014). Transitional guidance (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC) – regarding the first-time application of this standard.

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

- IFRS 11 "Joint Arrangements" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application, at the latest, for annual periods beginning on or after 1 January 2014). Transitional guidance (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC) – regarding the first-time application of this standard.
- IFRS 12 "Disclosing of Interest in Other Entities" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC – for mandatory application, at the latest, for annual periods beginning on or after 1 January 2014). Transitional guidance (in force for annual periods beginning on or after 1 January 2013 – not endorsed by EC) – regarding the first-time application of this standard.
- IFRS 13 "Fair Value Measurement" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (in force for annual periods beginning on or after 1 January 2013 – endorsed by EC);
- IFRS Improvements (May 2012) - improvements in IAS 1, 16, 32, 34, IFRS 1 (in force for annual period beginning on or after 1 January 2013 – not endorsed by EC).

The financial statements have been prepared on a historical cost basis.

The Foundation maintains its accounting books in Bulgarian Lev (BGN), which is accepted as being its presentation currency. The data in the financial statements and the notes thereto are presented in thousand Bulgarian Levs (BGN'000).

The presentation of the financial statements requires the management to make best estimates, accruals and reasonable assumptions that affect the reported values of assets and liabilities, of income and expenses, and the disclosure of contingent receivables and payables as at the date of the financial statements. These estimates, accruals and assumptions are based on the information, which is available at the date of the financial statements, and therefore, the future actual results might be different from them (whereas in the conditions of financial crisis the uncertainties are more significant).

2.2. Comparatives

The Foundation was registered on 3 August 2012 and therefore, the financial statements do not include comparative information.

2.3. Functional currency and recognition of exchange differences

The functional and presentation currency of the Foundation is the Bulgarian Lev. BGN is fixed under the BNB Act to the official currency of the European Union, the Euro, at the ratio of BGN 1.95583:EUR 1.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash and cash equivalents, receivables and payables denominated in foreign currency are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the statement of financial position, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently revalued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement of foreign currency transactions or the recording of foreign currency transaction at rates different from those at which they were converted on initial recognition, are treated as current operating income/expenses and are presented net.

2.4. Income

The income of Trust for Social Alternative Foundation is from received financing – either contingent or unconditional.

The income from contingent financing requires the execution of certain obligations. It is recognised on a systematic basis in the periods in which the Foundation recognises as expense the respective costs that the gratuitous funds are intended to compensate so that the preliminary set condition is satisfied.

Income from financing, contingent on conditions for acquisition of non-current assets, is recognised up to the amount of depreciation expenses charged on the assets acquired through gratuitous funds in the period.

The gratuitous funds, related with the non-depreciable asset of the Foundation "Land in a built-up yard", are recognised over the useful life of the acquired building.

Income from unconditional financing is recognised when originated.

Finance income is included in the statement of activity when earned and comprises: interest income from bank deposits.

2.5. Expenses

Expenses of the Foundation are recognised as they are incurred, following the accrual and matching concepts.

The Foundation spends its financial resources in line with a budget, approved by the Board of Directors, which covers all operating expenses and the overall plan for financing of the authorised number and amount of grants in each of the project areas related with the fulfilment of its mission as a non-profit organisation for performing activities in public benefit.

Deferred expenses are put off and recognised as current expenses in the period whereto they refer.

2.6. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at historical cost less the accumulated depreciation and any impairment losses in value.

Initial acquisition

Upon their initial acquisition, machinery and equipment are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use. The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

The Foundation has set a value threshold of BGN 700, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the moment of their acquisition.

Subsequent measurement

The chosen by the Foundation approach for subsequent measurement of property, plant and equipment, is the historical cost (cost) model, less any accumulated depreciation and any accumulated impairment losses in value.

Subsequent costs

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent expenses incurred in relation to machinery and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

Depreciation methods

The Foundation applies the straight-line depreciation method for machinery and equipment. Depreciation of an asset begins when it is available for use. The useful life of the groups of assets is dependent on their physical wear and tear, the characteristic features of the equipment, the future intentions for use and the expected obsolescence.

The useful life per group of assets is as follows:

- buildings – 25 years;
- computer hardware – 2 years;
- office equipment – 6.7 years;
- motor vehicles – 4 years;
- office furniture – 6.7 years.

The useful life, set for any tangible fixed asset, is reviewed at the end of each reporting period and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

Impairment of assets

The carrying amounts of machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might significantly differ from their recoverable

amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of machinery and equipment is the higher of the fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the statement of activity.

Gains and losses on disposal (sale)

Tangible fixed assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of property, plant and equipment are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net under ‘other operating income/(losses)’ on the face of the statement of activity.

2.7. Intangible assets

Intangible assets are stated in the financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value. Cost is the fair value of the respective asset as at the date of acquisition and includes purchase price and any other directly attributable transaction costs. They include software and licences used by the Foundation.

The Foundation applies the straight-line amortisation method for the intangible assets with determined useful life of 2 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then the impairment loss is included as an expense in the statement of activity.

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected from their use or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration received and the carrying amount of the asset at the date of sale. They are stated net under 'other operating income/(losses)' on the face of the statement of activity.

2.8. Cash and cash equivalents

Cash and cash equivalents include current bank accounts.

For the purpose of the statement of cash flows, cash paid to suppliers is presented at gross amount, including value added tax (20%).

2.9. Trade and other payables

Payables to suppliers and other current amounts payable are carried at original invoice amount (cost), being the fair value of the consideration to be paid in the future for goods and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value and subsequently – at amortised cost, after deducting the interest incorporated in their nominal value and determined following the effective interest rate method (Note 2.13).

2.10. Pensions and other payables to personnel under the social security and labour legislation

The employment and social security relations with the employees of Trust for Social Achievement Foundation are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

The major duty of the Foundation in its capacity of an employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of the social security and health insurance contributions are defined under the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year.

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC).

The social security and pension plans, applied by the Foundation in its capacity as employer, are based on the Bulgarian legislation and are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund, as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security scheme at the Foundation.

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or has met the required terms and requirements) are recognised as an expense in the statement of activity (within profit or loss for the year) in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount. The Foundation payables for social security and health insurance are recognised as a current expense and liability at their undiscounted amount together with the respective benefits they relate to and within the period of their accrual.

At the end of each reporting period, the Foundation measures and recognises the expected costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

In accordance with the requirements of the Labour Code, the Foundation is obliged to pay to its personnel upon retirement an indemnity, which depending on the length of service with the Foundation, varies between two and six gross monthly salaries as at the termination date of the employment. In their nature these are defined benefit schemes.

At the end of the reporting period, the management assesses the estimated potential expenses on all employees and a liability is recognised if they are material.

Termination benefits

In accordance with the provisions of the Labour Code, the Foundation in its capacity as employer is obliged, upon termination of the employment contracts prior to retirement, to pay certain types of indemnities.

The Foundation recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due after more than 12 months from the end of the reporting period are discounted and presented in the statement of financial position at their present value.

2.11. Financial Instruments

Financial assets

The financial assets of the Foundation include other receivables from counterparts and third parties, cash and cash equivalents. They are measured in the statement of financial position at their amortised cost using the effective interest method less any allowance for impairment. These assets are included in the group of current assets when having maturity within 12 months or within a common operating cycle of the Foundation while the remaining ones are carried as non-current assets.

At the end of each reporting period, the Foundation assesses whether events and circumstances have occurred that indicate the existence of objective evidence necessitating receivables to be impaired.

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

Financial liabilities

The financial liabilities of the Foundation include payables to suppliers and other counterparts. They are initially recognised on the statement of financial position at fair value net of the directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method except when they are past due, re-negotiated and under the condition for pre-term payment.

3. INCOME FROM FINANCING

The income of Trust for Social Achievement Foundation is result of gratuitous financing that can be summarised as follows:

	03.08 – 31.12.2012
	BGN '000
Income from contingent financing, including:	4
<i>* financing for acquisition of non-current assets up to the amount of depreciation charge (Notes 10 and 11)</i>	4
Income from unconditional financing, including:	603
<i>* financing the performance of regulated activities</i>	550
<i>* financing in kind for performed services</i>	52
<i>* donation for establishment of the Foundation</i>	1
Total	607

4. FINANCING EXPENSES

For the purpose of attaining its objectives, the Trust for Social Achievement Foundation is entitled to co-finance and support with resources activities, initiatives and projects by awarding financing (grants). Only physical persons or legal representatives of juridical persons, which are non-profit associations, public institutions registered as juridical persons or trade entities performing non-profit activities, have the right to apply for and obtain project funding from the Foundation.

In 2012 the Foundation approved and concluded a grant contract with Hemus OOD whereas the expenses on the awarding of this grant amounted to BGN 22 thousand (Note 18).

5. MATERIALS AND CONSUMABLES USED

03.08 – 31.12.2012
BGN '000

Non-current assets below value threshold	13
Fuels and lubricating materials	2
Spare parts and accessories for motor vehicles	2
Office materials and consumables	1
Total	18

6. HIRED SERVICES EXPENSE

03.08 – 31.12.2012
BGN '000

Marketing research	35
Legal services	13
Training	6
Accounting and payroll services	4
Civil contracts	3
IT services	2
Audit services	1
Repair and maintenance of motor vehicles	1
Insurance	1
Courier and postal services	1
Other	4
Total	71

7. EMPLOYEE BENEFITS EXPENSE

03.08 – 31.12.2012
BGN '000

Current wages and salaries	59
Social security contributions	6
Accruals for unused paid leaves	3
Total	68

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

8. OTHER EXPENSES

	<i>03.08 – 31.12.2012</i>
	<i>BGN '000</i>
Business trips	3
Donations	2
Entertainment costs	1
Total	6

9. FINANCE INCOME

In 2012 the Foundation earned finance income from interest on deposits at the amount of BGN 2 thousand.

10. PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Office</i>	<i>Computer hardware</i>	<i>Motor vehicles</i>	<i>Office equipment and furniture</i>	<i>Construction of assets in progress</i>	<i>Total</i>
	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>	<i>2012</i>
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Book value							
Balance at 3 August	-	-	-	-	-	-	-
Additions	7	458	21	47	9	61	603
Balance at 31 December	7	458	21	47	9	61	603
Accumulated depreciation							
Balance at 3 August	-	-	-	-	-	-	-
Depreciation charge for the period	-	3	-	-	-	-	3
Balance at 31 December	-	3	-	-	-	-	3
Carrying amount at 31 December	7	455	21	47	9	61	600

The land, two-level office and the car were acquired through gratuitous selective financing obtained on the basis of a grant contract with America for Bulgaria Foundation.

TRUST FOR SOCIAL ACHIEVEMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 3 AUGUST – 31 DECEMBER 2012

As at 31 December 2012 the Foundation had formed cost for assets in progress for: construction works on the office – BGN 57 thousand, blinds – BGN 3 thousand and office furniture – BGN 1 thousand.

11. INTANGIBLE ASSETS

	<i>Software</i>	<i>Licences</i>	<i>Total</i>
	2012	2012	2012
	<i>BGN '000</i>	<i>BGN '000</i>	<i>BGN '000</i>
Book value			
Balance at 3 August	-	-	-
Additions	1	42	43
Balance at 31 December	1	42	43
Accumulated amortisation			
Balance at 3 August	-	-	-
Amortisation charge for the period	-	1	1
Balance at 31 December	-	1	1
Carrying amount at 31 December	1	41	42

The licences were acquired through gratuitous selective financing obtained under contracts for donation with Microsoft.

12. RECEIVABLES AND PREPAYMENTS

	<i>31.12.2012</i>
	<i>BGN '000</i>
Receivables from advances to suppliers	7
Prepaid deferred expenses	7
Receivables from accountable persons	1
Total	15

The receivables from advances to suppliers represent advance payments for wiring, SOT (signal and security equipment) and office furniture and blinds – all activities and supply of assets were completed in the beginning of 2013.

Prepaid deferred expenses include insurance and subscriptions.

13. CASH AND CASH EQUIVALENTS

	<i>31.12.2012</i>
	<i>BGN '000</i>
Cash at a current bank account in BGN	11
Cash at deposit accounts	312
Total	323

The cash existing as at 31 December are at current accounts of the Foundation with the Bulgarian-American Credit Bank (BACB).

The deposits of the Foundation as at 31 December 2012 are denominated in BGN and placed at deposit accounts with BACB. One of them is a demand deposit with annual interest rate of 2% while the other two are agreed for 1-month term at annual interest rate of 3% and maturity on 21 January 2013.

14. LONG-TERM FINANCING FOR NON-CURRENT ASSETS

The long-term financing for non-current assets are recognised as current income for financing up to the amount of the depreciation charge for the period (Notes 10, 11).

As at 31 December 2012, the long-term financing of the Foundation for non-current assets represents a selective funding for the acquisition of:

	<i>31.12.2012</i>
	<i>BGN '000</i>
Two-level office	455
Motor vehicle (car)	47
Licences	41
Land	7
Total	550

15. TRADE PAYABLES

The trade payables amounting to BGN 6 thousand are composed of accruals for:

- accounting services - BGN 3 thousand;
- audit services – BGN 1 thousand;
- office consumables – BGN 1 thousand and
- trade payables on invoices for office consumables amounting to BGN 1 thousand.

The trade payables are denominated in BGN and settled in the beginning of the following reporting period.

16. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security at 31 December include:

	31.12.2012
	BGN '000
Accruals for payments on unused paid leaves	3
Accruals for social security contributions on unused paid leaves	1
Total	4

17. RELATED PARTY TRANSACTIONS

In 2012 the Foundation has not executed deals with related parties.

18. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2012 the Foundation had contingent receivables resulting from the terms and conditions of the grant contract concluded with America for Bulgaria Foundation and were as follows:

Contract term:	5 years Financing of the <i>Trust for Social Achievement</i> project
Purpose:	1 September 2017
Maturity:	

Total grant amount, including: BGN 18,504 thousand

- drawn *unconditional* amount for regulated activities and performed services (*Note 3*) BGN 602 thousand
- *contingent* financing for the acquisition of non-current assets BGN 512 thousand
 - including unused amount (Note 14)* BGN 509 thousand
 - including currently drawn amounts up to the amount of the depreciation charge for the period (Note 10)* BGN 3 thousand

Contingent receivables as at 31 December 2012 BGN 17,390 thousand

Currency risk

The Foundation is not exposed to currency risk since its transactions are performed in BGN.

Price risk

The Foundation is not exposed to price risk, performing only non-profit activities.

Credit risk

The Foundation is not exposed to credit risk, performing only non-profit activities.

Cash transactions are limited to several reputable banks with liquid stability.

Liquidity risk

Liquidity risk is the adverse situation when the Foundation encounters difficulty in meeting unconditionally its obligations within their maturity.

The table below presents the financial non-derivative assets and liabilities of the Foundation, grouped by remaining term to maturity, determined against the contractual maturity at the date of the statement of financial position. The table is prepared on the basis of undiscounted cash flows and the earliest date on which the receivable and respectively, the payable becomes due for payment.

Maturity analysis

31 December 2012	At sight and up to 1 month	Total
	BGN'000	BGN'000
Financial assets		
Cash and cash equivalents	323	323
Total	323	323
Financial liabilities		
Payables to suppliers	6	6
Total	6	6

Risk of interest-bearing cash flows

The Foundation does not have a significant portion of interest-bearing assets except for cash. In general, the Foundation is not exposed to interest risk of its liabilities because they are usually trade ones.

Interest analysis

31 December 2012	<i>With fixed interest % BGN'000</i>	<i>Interest- free BGN'000</i>	<i>Total BGN'000</i>
Financial assets			
Cash and cash equivalents	323	-	323
Total	323	-	323
Financial liabilities			
Payables to suppliers	-	6	6
Total	-	6	6

20. EVENTS AFTER THE REPORTING PERIOD

There are no significant events occurred after the reporting date that would require adjustments or disclosures in the financial statements of the Foundation.

Trust for Social Achievement Foundation
1000 Sofia, Bulgaria
64 Patriarh Evtimiy Blvd
Tel: +359 2 424 6680
Fax: +359 2 348 9251
e-mail: info@tsa-bulgaria.org
www.socialachievement.org