KPMG

Auditors' report to the General Assembly of Center for the Study of Democracy

Sofia, 30 April 2004

We have audited the accompanying balance sheet of Center for the Study of Democracy as at 31 December 2003 and the related statement of revenues, expenditures and changes in fund balances, changes in unrestricted fund balance and cash flows for the year then ended. These financial statements are the responsibility of the management of the Center for the Study of Democracy. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As at 31 December 2003 Center for the Study of Democracy has reported investments, which are carried at cost for the total of BGN 15 415, net assets as at 31 December 2003 standing at BGN 184 715. The financial statements of the subsidiaries are not consolidated as per the requirements of IAS 27 Consolidated Financial Statements and Accounting for Investment in Subsidiaries.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of the Center for the Study of Democracy as of 31 December 2003, and of the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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