

**To: General Director
of the CJSC ACF "Kyrgyzaudit"
Mrs. Ledneva N.**

NOTICE OF THE MANAGEMENT ON RESPONSIBILITY FOR PREPARING AND APPROVAL OF FINANCIAL STATEMENT FOR THE YEAR ENDED AS OF 31.12.2012

This letter of notice is forwarded you due to audit of financial statement of the Institution "Development Policy Institute" for the year ended as of 31.12.2012 to express opinion whether financial statement truly represents in all significant aspects financial status of the Institution "Development Policy Institute" as of 31.12.2012, financial results of the activity and cash flow for the year ended at the specified date according to ISFS.

We realize that due to nature of audit related with testing and other specific audit limitations along with limitations specific to any accounting system and internal control, there is inevitable risk that even significant distortions may be left as unfound.

We acknowledge that the management of the Institution is responsible for preparing financial statement including disclosure of appropriate information. Such responsibility includes maintaining of appropriate accounting records and internal control, selection and applying of accounting policy and safety of assets of the Institution "Development Policy Institute".

We acknowledge our responsibility that financial statement of the Institution "Development Policy Institute" is presented objectively according to International Standards of Financial Statement. Based on our best knowledge and understanding these issues we have confirmed the following statement:

- No violations were made by the management or employees who play an important role in accounting system and internal control to be functioned; no violations were made which might have impact on financial statement of the Institution.
- We have provided you with all accounting records and supporting documents related to the Institution's activity during the period from January 01, 2012 till December 31, 2012.
- Financial statement does not contain any signification distortions or omissions.

The Institution "Development Policy Institute" has performed all contractual commitments which might have a significant impact on the financial statement in case of their failure. In addition no violations of the requirements of the regulating authorities were found by us that might have a significant impact on the financial statement in case of their failure.

We do not have any plans and intentions which may significantly change the balance cost or classification of assets and liabilities reflected in the financial statement. We do not have also any plans for discontinuation of the activity.

The Institution "Development Policy Institute" has ownership rights for all its assets; there are no rules to withhold the assets of the Institution "Development Policy Institute" for the debts. We have reflected all liabilities in the accounting.

No any events took place after the reporting date required adjustments or disclosure in the notes of the financial statement.

Chairwoman of
Institution "Development Policy Institute"
Dobretsova N.
October 25, 2012

Chief Accountant of
Institution "Development Policy Institute"
Chotkaraeva Ch.
October 25, 2012

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To the management of
Institution
"Development Policy Institute"

CONCLUSION OPINION OF INDEPENDENT AUDITORS

We, auditors of Audit-Consulting Firm "Kyrgyzaudit" (license # 0030 serium GK dated 16.02.2005) issued by State Commission under the Government of the Kyrgyz Republic on financial statement standard and audit) have completed audit of the financial statement of the Institution "Development Policy Institute" including statement on financial status, statement of cumulative income, cash flow, statement of own capital change and notes to financial statement ended as of 31.12.2012.

Management responsibility for preparing financial statement

The management of Institution takes responsibility for preparing financial statement and its conformity with International Standards of Financial Statement. Such responsibility includes establishing, introducing and maintaining of internal control system related to preparing and presenting a true financial statement that do not contain significant distortions neither as an effect of financial abuse nor errors, selection and using of proper accounting policy and applying of justified circumstances of accounting assessment.

Responsibility of auditors

Our responsibility is to express our opinion on the above financial statement based on the audit completed by our auditors. We have completed audit according to International Audit Standards. These standards make us bound to satisfying ethic requirements and planning and implementing the audit in such a way that would provide a sufficient confidence in the fact that presented financial statement does not contain significant distortions.

Audit includes procedures required to get audit evidences in terms of figures and notes to financial statement. Selection of required procedures is based on professional opinion of the auditor including risks assessment of significant distortions as a result of financial abuse or errors. Assessment of such risks includes study of internal control system used for preparing a true financial statement with the aim to develop audit procedures applied in such circumstances and not for the purpose to express opinion whether internal control system is efficient. Audit also includes assessment of accounting policy and justification of assumptions made by the management, and assessment of general presentation of financial statement.

We believe that audit evidences received provide us with sufficient basis to express our opinion on presented financial statement.

Conclusion

In our conclusion presented financial statement in all significant aspects represent financial status of Institution "Development Policy Institute" as of December 31, 2012, and financial results of the activity and cash flow for the year ended at the specified date according to ISFS.

Bishkek

25.01.2013

General Director
CJSC ACF "Kyrgyzaudit"

N. LEDNEVA

**Financial status statement
as of 31.12.2012**

(Amounts are expressed in Kyrgyz soms)

Name of item	Note	2012	2011 not audited
Assets			
1. Current assets			
Monetary funds		14 020 916,00	16 232 929,00
<i>including:</i>			
Cash	4	421 335,00	79 646,00
Bank	4	13 599 581,00	16 153 283,00
Debtor indebtedness under other transactions		723 241,00	1 461 269,00
<i>Including:</i>			
Debtor indebtedness of staff and directors	5	0,00	14 450,00
Other debtor indebtedness	5	723 239,00	1 423 780,00
Taxes paid in advance	5	2,00	23 039,00
Advances paid		1 184 193,00	112 087,00
<i>including:</i>			
Rent paid advance	6	1 184 193,00	0,00
Goods paid advance	6	0,00	112 087,00
Total turn-over assets:		15 928 350,00	17 806 285,00
2. Non turn-over assets			
Balance cost of fixed assets	7	2 019 177,00	1 171 009,00
Balance cost of intangible assets	7	398 550,00	304 863,00
Total non turn-over assets:		2 417 727,00	1 475 872,00
Total assets:		18 346 077,00	19 282 157,00
Liabilities			
3. Short-term liabilities			
Accounts payable		1,00	0,00
<i>including:</i>			
Accounts payable for goods and services	8	1,00	0,00
Advances received		639 767,00	672 977,00
<i>including:</i>			
Advances received from buyers	8	639 767,00	672 977,00
Short-term debt liability		822 166,00	17 365 473,00
<i>including:</i>			
Short-term loans	8	822 166,00	0,00
Other credits, loans	8	0,00	17 365 473,00
Taxes to be paid		35 286,00	8 315,00
<i>including:</i>			
Profit tax to be paid	8	3 669,00	0,00
Income tax	8	31 617,00	0,00
Other taxes to be paid	8	0,00	8 315,00
Short-term accrued liabilities:		96 292,00	136 401,00
<i>including:</i>			
Accrued liabilities for goods and services	8	0,00	61 387,00
Accrued salary	8	72,00	0,00
Accrued dues to social insurance	8	96 220,00	75 014,00
Other short-term liabilities		7 999,00	1 118 961,00
<i>including:</i>			
Accounts payable to staff and directors	8	7 999,00	1 118 961,00
Total short-term liabilities:		1 601 511,00	19 302 127,00
4. Long-term liabilities			
Deferred income (grants from donors)	9	16 743 230,00	0,00
Total long-term liabilities:		16 743 230,00	0,00

Institution "Development Policy Institute"

Financial statement for 2012

Total liabilities:		18 344 741,00	19 302 127,00
5. Capital			
including:			
Capital to be advanced by the owner	10	1 000,00	1 000,00
Undistributed profit	10	336,00	- 20 970,00
Total capital		1 336,00	- 19 970,00
Total liabilities:		18 346 077,00	19 282 157,00

Chairwoman of
Institution "Development Policy Institute"
Dobretsova N.

Chief Accountant of
Institution "Development Policy Institute"
Chotkaraeva Ch.

**Cumulative income statement
for the year ended as of December 31, 2012**

(Amounts are expressed in Kyrgyz soms)

Name of indicator	Note	2012
Income (expenditures) of operating activity		
Proceeds – Income of economic activity	11	907 559,00
Cost of sales	11	695 949,00
Gross profit		211 610,00
Income (expenditures) of other operating activity		
Income of other operating (grant) activity	11	57 505 179,00
Expenditure of other operating (grant) activity	11	57 505 179,00
Total income (expenditures) of other operating activity		0,00
Operational costs of the period		
General and administration costs	11	363 345,00
Total operational costs		363 345,00
Profit (loss) of operating activity		(151 735,00)
Income (expenditures) of non-operating activity		
Income (loss) of rate variations under the foreign currency transactions	11	(5 606,00)
Other non-operating income and expenditures	11	182 316,00
Total income (expenditures) of non-operating activity		176 710,00
Profit (loss) before deduction of taxes		24 975,00
Expenditures on profit tax	11	3 669,00
Income (loss) of usual activity		21 306,00
Extreme articles behind a minus of the profit tax		0,00
Net profit (loss) of period under review		21 306,00

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**Cash flow statement
for the year ended as of December 31, 2012**

(Amounts are expressed in Kyrgyz soms)

Direct method

Cash flow by type of activity	2012
1. Operating activity	
Gross receipts of operating activity	
Funds received from realization of production, works, services	907 559,00
Other receipts of operating activity	52 292 936,00
Total gross receipts of operating activity	53 200 495,00
Gross payments of operating activity	
Paid operating costs	1 059 616,00
Other payments of operating activity	52 819 078,00
Total gross payments of operating activity	53 878 694,00
Net cash flow of operating activity	- 678 199,00
2. Investment activity	
Gross payments of investment activity	
Funds paid in purchasing of fixed assets	1 422 758,00
Funds paid in purchasing of intangible assets	105 450,00
Total gross payments of investment activity	1 528 208,00
Net cash flow of investment activity	- 1 528 208,00
Unsold income and loss of rate variation	- 5 606,00
Net funds changing	-2 212 013,00
Funds at the end of period under review under the balance	14 020 916,00
Funds at the beginning of period under review under the balance	16 232 929,00

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Flow of means of financing received by Institution "Development Policy Institute" during the period from 01.01.2012 to 31.12.2012 within the donor is shown in national currency as follows:

Donor	# / name of the Project	Reporting period	Balance at the beginning of the period According to Institution	Revaluation of the grant as of 01.01.12	Receipts		Expenditures		Transferred to other Projects	Repayment to the donor	Received less than ought to and allowed as loss	Transferred to DPI and allowed as income	Course rate difference (+ / -) for 2012	Balance at the end of the period	
					According to Institution	According to audit	According to Institution	According to audit						According to Institution	According to audit
SDC	Voice and Accountability: Citizens' participation and oversight of budget processes in the Kyrgyz Republic	from 01.01.12 to 31.12.12	17 139 272,61	+ 13 019,32	41 801 098,00	41 801 098,00	41 851 942,65	41 851 942,65	0,00	0,00	0,00	0,00	- 367 817,63	16 733 629,65	16 733 629,65
SDC	Conference as of January 31, 2012	from 31.01.12 to 05.03.12	0,00	0,00	134 634,00	134 634,00	134 634,00	134 634,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
SDC	Conference as of December 01, 2012	from 01.12.12 to 31.12.12	0,00	0,00	0,00	0,00	53 260,00	53 260,00	0,00	0,00	0,00	0,00	0,00	- 53 260,00	- 53 260,00
"Soros-Kyrgyzstan" Foundation	# 10658 Civil budget	from 01.01.12 to 21.07.12	226 201,63	+ 41 998,19	1 139 718,58	1 139 718,58	1 390 490,84	1 390 490,84	0,00	16 987,18	0,00	440,38	0,00	0,00	0,00
"Soros-Kyrgyzstan" Foundation	Mass media – the mechanism of a transparency of the budget	from 01.12.12 to 31.12.12	0,00	0,00	326 662,40	326 662,40	90 092,53	90 092,53	0,00	0,00	0,00	0,00	0,00	236 569,87	236 569,87
"Soros-Kyrgyzstan" Foundation	# 10536 Youth 2 stage	from 30.03.12 to 25.07.12	14 997,38	0,00	900 645,17	900 645,17	888 681,31	888 681,31	0,00	22 205,68	0,00	4 755,56	0,00	0,00	0,00
"Soros-Kyrgyzstan" Foundation	# 10536 Youth 1 stage	from 20.01.12 to 31.03.12	0,00	0,00	127 981,38	127 981,38	69 260,03	69 260,03	14 997,38	43 723,97	0,00	0,00	0,00	0,00	0,00
"Soros-Kyrgyzstan" Foundation	# 10479	from 10.01.12 to 11.05.12	0,00	0,00	467 465,59	467 465,59	454 654,59	454 654,59	0,00	12 811,00	0,00	0,00	0,00	0,00	0,00
OSCE	Strengthening of potential of bodies of local government of Batken, Djalal-Abad regions with a view of decrease in disputed potential due to efficient control resources	from 01.01.12 to 31.03.12	- 349 695,40	0,00	226 548,14	226 548,14	0,00	0,00	0,00	0,00	123 147,26	0,00	0,00	0,00	0,00
OSCE	# 5300424	from 01.01.12 to 30.11.12	0,00	0,00	2 662 135,37	2 662 135,37	2 952 134,32	2 952 134,32	0,00	0,00	0,00	0,00	- 6 003,97	- 296 002,92	- 296 002,92

Institution "Development Policy Institute"

Financial statement for 2012

CIPE	Conference "Economic journalism"	August - November 2012	0,00	0,00	2 158 410,15	2 158 410,15	2 508 325,63	2 508 325,63	0,00	0,00	0,00	0,00	- 4 945,59	- 354 861,07	- 354 861,07
CIPE	Forum "Economic and Financial competence"	from 01.01.12 to 07.02.12	- 1 055 366,00	0,00	983 010,16	983 010,16	0,00	0,00	0,00	0,00	72 355,84	0,00	0,00	0,00	0,00
CIPE	"Strengthening understanding of economic issues in Kyrgyzstan"	from 01.11.12 to 31.12.12	0,00	0,00	802 233,11	802 233,11	381 388,60	381 388,60	0,00	0,00	0,00	0,00	- 1 695,39	419 149,12	419 149,12
ACTED	Use Social and economic mapping in local government	from 13.02.12 to 15.04.12	0,00	0,00	280 955,00	280 955,00	280 955,00	280 955,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Habitat	"Habitat"	from 01.01.12 to 31.12.12	0,00	0,00	121 081,60	121 081,60	115 455,00	115 455,00	0,00	0,00	0,00	0,00	- 881,60	4 745,00	4 745,00
Aga-Khan	-	from 01.01.12 to 31.01.12	- 4 286,06	0,00	0,00	0,00	0,00	0,00	0,00	0,00	4 286,06	0,00	0,00	0,00	0,00
Integration	-	from 01.01.12 to 31.01.12	- 14 432,95	0,00	0,00	0,00	0,00	0,00	0,00	0,00	14 432,95	0,00	0,00	0,00	0,00
TOTAL:	-		15 956 691,21	55 017,51	52 132 578,65	52 132 578,65	51 171 274,50	51 171 274,50	14 997,38	95 727,83	214 222,11	5 195,94	- 381 344,18	16 689 969,65	16 689 969,65