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**«KIMEP University»**

**Joint-Stock Company**

**Financial Statements**

*For the year ended 31 December 2016*

*Prepared in accordance with  
International Financial Reporting Standards*

Member of Russell Bedford International, with affiliated offices worldwide  
Registered Office: 202, Al-farabi Avenue, Almaty, Republic of kazakhstan



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**MANAGEMENT'S RESPONSIBILITY CONFIRMATION OF FINANCIAL STATEMENTS PREPARATION AND APPROVAL FOR THE YEAR ENDED 31 DECEMBER 2016**


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The following statement was made with the view of distinguishing auditor's and management's responsibility concerning financial statements of KIMEP University JSC (hereafter - Company) which should be considered together with auditor duties description provided in the independent auditor's report.

The Company's management is responsible for preparation of financial statements forms that give a true and fair view of financial position of the Company in all material aspects, results of its activity, cash flows and equity changes as of December 31, 2016 in accordance with International Financial Reporting Standards (IFRS).

During financial statements preparation the management is responsible for:

- selection of proper concepts of accounting and its consecutive application;
- application of reasonable estimates and calculations;
- compliance with laws of RK and International Financial Reporting Standards;
- financial statements preparation, proceeding from an assumption that the Company will continue its activity in the near future, except when such assumption is illegal.

Management is also responsible for:

- development, implementation and provision of an effective and reliable internal control system in the Company;
- financial accounting system maintenance, preparation of information on a financial position of the Company with adequate accuracy and ensuring financial statements compliance to requirements of the legislation of RK and International Financial Reporting Standards;
- taking action within the competence for protection of the Company's assets and identification and prevention of the facts of fraud and other abusive activities.

These financial statements for the year ended 31 December 2016 were approved for release on:

March 25, 2017

Provost and General Deputy to the President



Timothy Lewis Barnett

Acting Chief accountant

Serikkul Serimova

Almaty  
Republic of Kazakhstan





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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of KIMEP University JSC

### *Introduction*

We have audited the enclosed financial statements of KIMEP University JSC (hereinafter – the Company) which comprise the statement of financial position as of December 31, 2016 and the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity for the year then ended, and also information on material aspects of accounting policy and other explanatory notes.

### *Management's responsibility for financial statements preparation*

The Company's management is responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (hereinafter - IFRS). This responsibility includes: development, implementation and maintenance of the internal control connected with preparation and fair presentation of financial statements free from material misstatements whether due to fraud or error; selection and application of proper accounting policy; preparation of accounting estimates acceptable in these circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on the conducted audit. We have conducted audit in accordance with the International Auditing Standards. These standards require that we comply with ethical standards and plan and perform the audit to obtain reasonable assurance that the enclosed financial statements are free from material misstatements.


An audit includes performing procedures to obtain audit evidence concerning the amounts and information presented in financial statements. Selection of procedures is based on the auditor's judgment, including the risk assessment of material misstatement of financial statements due to fraud or error. Upon risk assessment the auditor considers the organization of an internal control system including financial statements preparation and fair presentation in order to define audit procedures, necessary in specific circumstances, but not to give an opinion on the effectiveness of the entity's internal control system. Audit also includes evaluating the appropriateness of the used accounting policy and reasonableness of accounting estimates made by the management, as well as evaluating the overall financial statements.

We believe that the audit evidences obtained by us are sufficient and reasonable for providing a basis for expressing auditor's opinion.

Financial statements of the Company as of December 31, 2015 were confirmed by BDO Kazakhstan LLP in accordance with IFRS.

**Conclusion**

In our opinion, the financial statements of KIMEP University JSC present fairly the financial position of the Company as of December 31, 2016. It discloses information on expenses incurred, cash flows and equity changes in the period from January 01, 2016 to the date of preparation of the given financial statements in accordance with International Financial Reporting Standards.



Tuimiebay Gauhar Omiraliqyzy  
Auditor / CEO  
IAC Russell Bedford A + Partners LLP  
State license for auditor's activity occupation  
in the territory of Republic of Kazakhstan  
No. 16013894,  
issued by the Committee of Financial Control  
of Ministry of Finance of Republic of Kazakhstan  
on September 05, 2016



Auditor's Competence Certificate  
No. 000048 from 12.10.1999

March 25, 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
For the year ended December 31, 2016

<i>In thousands of tenge</i>	Notes	2016	2015	2015 (Restated)
Revenue	7	3,934,018	3,602,806	3,618,929
Cost of goods and services	8	(1,903,075)	(1,877,275)	(1,877,275)
<b>Gross profit</b>		<b>2,030,943</b>	<b>1,725,531</b>	<b>1,741,654</b>
General and administrative expenses	9	(1,327,842)	(907,506)	(899,685)
Selling expenses	10	(238,300)	(194,272)	(194,272)
Other income/(expenses)	11	124,251	1,870,023	1,874,711
<b>Operating profit</b>		<b>589,052</b>	<b>2,493,776</b>	<b>2,522,408</b>
Finance income	12	450,232	61,434	61,434
<b>Profit before taxation</b>		<b>1,039,284</b>	<b>2,555,210</b>	<b>2,583,842</b>
Income tax expense	13	-	(631,361)	(631,361)
<b>Profit for the period</b>		<b>1,039,284</b>	<b>1,923,849</b>	<b>1,952,481</b>
Other comprehensive income		-	-	-
<b>Total comprehensive income for the year</b>		<b>1,039,284</b>	<b>1,923,849</b>	<b>1,952,481</b>

*Explanatory notes are an integral part  
of these financial statements*

Provost and General Deputy to the President



Timothy Lewis Barnett

Acting Chief accountant



Serikkul Serimova



STATEMENT OF FINANCIAL POSITION  
As of December 31, 2016

<i>In thousands of tenge</i>	Notes	2016	2015	2015 (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	2,057,577	1,959,594	1,957,134
Intangible assets	15	7,030	7,804	7,804
Non-current financial assets	23	18,574	18,945	18,945
Non-current receivables	16	24,457	10,818	10,808
<b>Total non-current assets</b>		<b>2,107,638</b>	<b>1,997,161</b>	<b>1,994,691</b>
<b>Current assets</b>				
Cash and cash equivalents	17	115,420	199,751	199,751
Restricted cash	18	-	350	350
Trade receivables	19	77,770	69,899	69,673
Other receivables	20	92,935	51,251	52,121
Inventory	21	80,533	69,287	69,287
Current tax assets	22	14,635	27,712	27,712
Current financial assets	23	3,419	3,419	3,419
Other financial investments	24	5,094,143	4,509,313	4,509,313
<b>Total current assets</b>		<b>5,478,855</b>	<b>4,930,982</b>	<b>4,931,626</b>
<b>Total assets</b>		<b>7,586,493</b>	<b>6,928,143</b>	<b>6,926,317</b>
<b>Equity and liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	25	1,303,136	1,236,850	1,217,712
Current provisions	26	249,760	282,359	251,373
Current tax liabilities	27	46,101	700,111	649,865
Liabilities on other mandatory and voluntary payments	28	14,744	18,170	18,170
Current reserves	29	58,287	-	-
<b>Total current liabilities</b>		<b>1,672,028</b>	<b>2,237,490</b>	<b>2,137,120</b>
<b>Non-current liabilities</b>				
Non-current trade and other payables	30	85,984	-	-
<b>Total non-current liabilities</b>		<b>85,984</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>1,758,012</b>	<b>2,237,490</b>	<b>2,137,120</b>
<b>Equity</b>				
Share capital	31	537,146	537,146	537,146
Retained earnings	31	5,291,335	4,153,507	4,252,051
<b>Total equity</b>		<b>5,828,481</b>	<b>4,690,653</b>	<b>4,789,197</b>
<b>Total equity and liabilities</b>		<b>7,586,493</b>	<b>6,928,143</b>	<b>6,926,317</b>

*Explanatory notes are an integral part  
of these financial statements*

Provost and General Deputy to the President



Timothy Lewis Barnett

Acting Chief Accountant

*Serikkul Serimova*

Serikkul Serimova



**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2016

<i>In thousands of tenge</i>	Share capital	Retained earnings	Total
Balance as of January 1 of the reporting year	537,146	4,252,051	4,789,197
Profit/(loss) for the period	-	1,039,284	1,039,284
Balance as of December 31 of the reporting year	537,146	5,291,335	5,828,481
Balance as of January 1 of the previous year	537,146	2,229,658	2,766,804
Profit/(loss) for the last period (restated)	-	1,952,481	1,952,481
Profit/(loss) for the previous periods (restated)	-	69,912	69,912
Balance as of December 31 of the previous year	537,146	4,252,051	4,789,197

*Explanatory notes are an integral part  
of these financial statements*

Provost and General Deputy to the President



Timothy Lewis Barnett

Acting Chief Accountant

Serikkul Serimova





## NOTES TO FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS (indirect method)  
For the year ended December 31, 2016

<i>In thousands of tenge</i>	2016	2015	2015 (Restated)
Profit/(Loss) before taxation	1,039,284	2,555,210	2,583,842
<b>Operating activities</b>			
Adjustments for:			
Depreciation and amortization	188,511	113,249	113,249
Reversal/(accrual) of provision for doubtful debts	(9,750)	(1,196)	(7,733)
Reversal/(accrual) of provision for unused vacations	12,658	8,798	8,798
Income/(loss) from exchange rate differences	(54,693)	(1,856,166)	(1,856,166)
Finance income/(loss)	(450,232)	(61,434)	(61,434)
Income/(loss) from disposal of fixed and intangible assets	158	-	-
Reversal/(accrual) of provision for slow moving inventory	10,661	7,312	7,312
Other income/(loss)	176	(8,478)	(8,478)
<b>Cash disposals from operating activities before changes in working capital</b>	<b>736,773</b>	<b>757,295</b>	<b>779,390</b>
<b>(Increase)/decrease in operating assets</b>			
Inventory	(11,246)	1,597	1,597
Trade and other receivables	(48,911)	84,455	81,364
Current tax assets	13,077	26,839	26,839
Other non-current financial assets	371	(135)	(135)
Non-current trade payables	(24,457)	-	-
<b>(Increase)/decrease in operating liabilities</b>			
Taxes payable	(607,190)	7,502	7,502
Trade and other payables	143,711	(26,604)	(45,608)
Non-current liabilities	85,984	-	-
Accrued liabilities	(14,717)	21,652	21,652
<b>Net cash flows from operating activities</b>	<b>273,395</b>	<b>872,601</b>	<b>872,601</b>
<b>Investing activities:</b>			
Placement of financial investments	(5,464,320)	(5,546,886)	(5,546,886)
Proceeds from financial investments	4,930,551	4,787,559	4,787,559
(Increase)/decrease in non-current advances	10,808	33,452	33,452
Interest received	447,185	41,909	41,909
Change in restricted cash	350	830	830
Proceeds from financial assets	3,419	3,419	3,419
Acquisition of property, plant and equipment	(284,774)	(144,139)	(144,139)
Acquisition of intangible assets	(946)	(4,728)	(4,728)
<b>Net cash from investing activities</b>	<b>(357,726)</b>	<b>(828,584)</b>	<b>(828,584)</b>
<b>NET CHANGE IN CASH</b>	<b>(84,331)</b>	<b>44,017</b>	<b>44,017</b>
CASH at the beginning of the year	199,751	155,734	155,734
CASH at the end of the year	115,420	199,751	199,751

Explanatory notes are an integral part  
of these financial statements

Provost and General Deputy to the President



Timothy Lewis Barnett

Acting Chief Accountant

Serikkul Serimova



## NOTES TO FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

KIMEP University Joint-Stock Company (hereinafter - Company, KIMEP) was established according to the decision of the General shareholders meeting by renaming the Kazakhstan Institute of Management, Economics and Forecasting into JSC "KIMEP University". The certificate on the state re-registration of the legal entity No. 64250-1910-AO (IU) issued by the Department of Justice of Almaty of the Ministry of Justice of the Republic of Kazakhstan.

The Company was founded in 1992 and is the first educational institution providing a western style higher education, using English as the language of instruction.

The Company is a not-for-profit organization and it does not set profit making as its primary target, and does not pay dividends on its shares. The Company uses its earned income in line with the constitutional objectives.

Sources of KIMEP's property formation are:

- shareholders' contributions;
- income earned from the educational and accompanying services, and other types of business activities;
- property received free of charge, sponsorships, charitable contributions, donations from Kazakhstani and foreign legal entities and individuals;

The Company operates in the field of higher, postgraduate and additional education under the legislation of the Republic of Kazakhstan. As a higher educational institution, KIMEP also operates on the basis of the KIMEP University Catalogue and other documents providing working training programs, working curricula and regulations.

The shareholders of the Company exercise joint control:

	Number of common shares	Percentage ratio
Legal Entity - State Enterprise, the State Property and Privatization Committee of the Ministry of Finance	234,012	40
Individual - Chan Young Bang	350,988	60
	<b>585,000</b>	<b>100</b>

Governing bodies of KIMEP University are:

- the supreme body - General Meeting of Shareholders;
- governing body - Board of Directors/Board of Trustees and Academic Council;
- executive body - President's Office;
- Academic Council of KIMEP University;
- other bodies of joint management created according to the executive decision.

KIMEP University's mission is to develop well-educated citizens and to improve the quality of life in Kazakhstan and the Central Asian region through teaching, learning, community service and the advancement of knowledge in the fields of business administration and social sciences.

KIMEP renders educational services in more than twenty programs, including programs of a bachelor degree in the field of business administration, economics, political science, public administration and journalism; Master programs in the field of business administration, economics, law and English teaching, and the doctorate program in the field of business administration. Besides, KIMEP University offers the MBA program for executives and a wide range of the certified programs and short-term courses.

The academic staff of KIMEP University consist of professors from Kazakhstan and foreign countries, the majority of them received Master's and PhD degrees in European and North American universities. KIMEP University has the greatest number of professors with terminal degrees obtained in Western-style universities, among all CIS countries.

The annual enrollment of students to all programs is about 1000 people, about 80% of enrolled students study at Bachelor Programs and 20% - at Master's and Doctorate Programs. Students of KIMEP University represent 29 different countries, including Russia, Kyrgyzstan, Uzbekistan, Tajikistan, USA, Great Britain, Germany, China and Korea.

The company has no branch offices or representative offices at the territory of the Republic of Kazakhstan and abroad. KIMEP is a taxpayer of the Republic of Kazakhstan No. 0094952 (number is changed due to the re-registration of JSC KIMEP) series 60, issued on January 27, 2012.

As of December 31, 2016 and 2015, the number of employees in the Company amounted to 482 people and 513 people respectively, including both full-time and part-time employees.

Location of the legal entity: 4 Abay ave., Almaty, 050010, Republic of Kazakhstan.

Official web site: [www.kimep.kz](http://www.kimep.kz)



## NOTES TO FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION

*Statement of compliance with IFRS* – these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

*Main assumptions* – the preparation of the these financial statements in conformity with IFRS requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment and determination of the fair value of financial instruments.

*Functional currency* - the functional currency of these financial statements is Kazakhstani tenge.

The following official exchange rates are used for revaluation of foreign currency account balances in tenge in financial statements:

Currency	December 31, 2016	December 31, 2015
1 US dollar	333,29	339,47
1 Euro	352,42	371,31
1 GBP	409,78	503,3

These financial statements are presented in thousands of Kazakhstani tenge (KZT), which is the Company's functional currency and presentation currency for these financial statements.

*Basis of measurement* - These financial statements have been prepared on accrual basis under the historical cost, except for the measurement at fair value of certain financial instruments.

*Going concern* – these financial statements were prepared based on the assumption that the Company will continue as a going concern. That implies the realization of assets and settlement of liabilities in the normal course of the business. In 2016 the net profit of the Company was 1 039 284 thousand tenge, the current assets exceeded the current liabilities for 3 806 827 thousand tenge as of December 31, 2016, and the operating profit for the accounting period was 589 052 thousand tenge. The Company operates, and will continue to operate in near future, and has no intention to be liquidated or reduce scales of the activity, at least, during the time frame necessary for accomplishment of all of its liabilities.

*Accrual basis* – these financial statements, except for the cash flow information, have been prepared on the accruals basis: transactions and events are recognized when they occur, rather than upon receipt or payment of cash or cash equivalents are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Expenses are recognized in the Statement of profit or loss, other comprehensive income based on direct comparison between the costs incurred, and specific items of income earned (the concept of correlation). Revenue is recognized when the economic benefits associated with the transaction are probable, and the amount of income can be reliably estimated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

*Classification of assets and liabilities into current/short-term and non-current/long-term*

The statement of financial position of the Company presents assets and liabilities based on their classification into current/short-term and non-current/long-term. The asset is current if:

- ✓ it is either held for sale or expected to be realized or utilized within the normal operating cycle;
- ✓ it is held mainly for trading;
- ✓ it is expected to be realized within twelve months after the reporting period; or
- ✓ it represents cash or cash equivalents, unless there are restriction on its exchange or use to settle a liability within at least twelve months after the reporting period.

All other assets are classified as non-current. The liability is short-term if:

- ✓ it is expected to be settled within a normal operating cycle;
- ✓ it is held generally for the trade purposes;
- ✓ it is subject to repayment within twelve months after the reporting period; or
- ✓ the Company has no unconditional right to delay repayment of the liability within at least twelve months after the reporting period.



## NOTES TO FINANCIAL STATEMENTS

The Company classifies all other liabilities as long-term. Deferred tax assets and liabilities are classified as non-current/long-term assets and obligations.

**Property, plant and equipment**

Property, plant and equipment are reflected in financial statements at actual costs net of accumulated depreciation and impairment losses.

If an item of property plant and equipment consists of several components with different useful life, such components are reflected as separate items of property, plant and equipment.

Depreciation is accrued for all types of property, plant and equipment, except for land, using a straight-line basis over the estimated useful lives of assets. The residual value (the estimated cost of spare parts, scrap and waste generated at the end of its useful life less the estimated costs of disposal) is considered to be zero due to its immateriality and insignificance at accrual of depreciation.

The company applies the following useful lives for property, plant and equipment:

Group	Term
Buildings and constructions	25-50 years
Machinery and equipment	4-5 years
Vehicles	5-7 years
Other	4-10 years

Residual values, useful lives and methods of depreciation of fixed assets are reviewed and adjusted at the end of each financial year, if appropriate.

Property, plant and equipment or their major component formerly recognized, are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income or expenses.

Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the loss in the period when such costs are incurred. The expenditures that have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets beyond its originally assessed standard performance are capitalized as an additional cost of fixed assets.

**Intangible assets**

Separately acquired intangible assets are stated at cost during their initial recognition. If an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date. After initial recognition, intangible assets shall be carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized except for capitalizing development costs and the related costs are stated in the profit or loss for the period when they are incurred.

Intangible assets have either a finite useful life or an indefinite useful life.

For the purposes of financial statements preparation, the Company uses the following useful lives for various categories of intangible assets:

Category	Use term
Licenses	Depending on validity period of the legal right
Software	7 years
Intangible assets created in the Company	7 years
Other intangible assets	7 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life of an intangible asset is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of income when the asset is derecognized.

**Inventories**

Inventories measured at the lower of cost and net realizable value. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the



**NOTES TO FINANCIAL STATEMENTS**

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estimated costs necessary to make the sale. The same formula of cost calculation is applied to all inventory reserves of similar character and appointment. The cost of inventory is determined using the weighted average cost method.

***Deferred income***

The grants awarded for the purpose of acquisition, creation of long-term assets or for undertaking the current expenditures are recognized as deferred income.

Awarded income in the form of grants, endowment, donation and other target financings of educational activity are defined as deferred revenues. For recognition of the income of a current period is tested for the performance-related conditions and availability of expenses of a current period within this target financing provided by the budget of the specific program. In case under the terms of the agreement of target financing return or the requirement about return is provided, an unused part of deferred revenue is recognized as a payback debt.

The deferred income, which are subject to recognition in the long-term period, are reflected in the statement of financial position separately as part of long-term liability, or in case of insignificance is reflected as a part of other long-term liabilities.

***Financial assets******Initial recognition and assessment***

Financial assets within IAS 39 are classified as financial assets by fair value through a profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at the fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The purchase or sale of financial assets that must be delivered within a time frame set by the legislation or market convention (the so-called standardized or regular way trade) is recognized at the trade date, defined as the date at which the Company acquires the obligation to buy or sell the asset.

***Subsequent assessment***

The subsequent assessment of financial assets depends on their classification as follows:

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. After the initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate less provision for impairment. The amortized cost is calculated by taking into account any purchase discount, premium, fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the statement of income. Impairment losses are recognized in the income statement as financial charges.

***Receivables***

Receivables are measured at amortized cost using the effective interest rate less provision for impairment, except for advances and other non-financial debt. The Company makes provisions for doubtful accounts receivable. The Company estimates the bad debt as follows: provision of 50% is made for receivables past due by 185 to 365 days, provision of 100% is made for receivables past due by more than 365 days.

***Derecognition***

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when

- ✓ the rights to the cash flows from the financial asset expire;
- ✓ the Company transfers to a third party the right to receive the cash flows of the asset or assumes a contractual obligation to pay them out to a third party, fully and without delay, and (a) transfers substantially all the risks and rewards of the ownership of the financial asset, or (b) neither transfers nor retains substantially all the risks and rewards of the financial asset, but transfers control over it.

***Impairment of financial assets***

At each reporting date, the Company assesses whether there is an objective indication that a financial asset or a group of financial assets are impaired. A financial assets or a group of financial assets must be considered impaired if there is an objective evidence of impairment resulting from one or more events occurred after the initial recognition.

Amortization commences once the facility is ready for commissioning, an asset is recognized (a loss event) that had an impact on the future cash flows from a financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment can result from indications that a debtor or a group of debtors face financial difficulties, unable to pay or delay in the payment of interest or of principal amount of a loan, it becoming probable that the debtor will enter bankruptcy or other



## NOTES TO FINANCIAL STATEMENTS

financial reorganization. In addition, such evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a financial instrument, in particular, such as the change in the amount of delayed payments or changes in economic context or conditions that correlate with debt defaults.

**Financial assets carried at amortized cost**

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and then collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between carrying amount of the asset and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of income. Loans together with the associated allowance are written off when there is no realistic prospect for future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized or, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If in previous write-off is later recovered, the recovery is credited to finance costs in the statement of income.

The Company recalculated the discount on long-term financial assets taking into account monthly repayment in the period under audit. Therefore, the adjustments to the discount and discount amortization were made.

**Financial liabilities**

Financial liabilities that are within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings. The Company classifies its financial liabilities at the time of their initial recognition.

All financial liabilities are recognized initially at fair value; for loans and borrowings, directly attributable transaction costs are added.

**Derecognition**

A financial liability is derecognized in the statement of financial position when the obligation is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

**Account payables**

Account payables are accrued when a contractor fulfills its contractual obligations. The Company initially recognizes account payables at fair value, except for advances received and tax liabilities. Subsequently, account payables are recognized at amortized cost using the effective interest rate method.

**Derecognition**

A financial liability is derecognized in the statement of financial position when the obligation is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such replacement or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit and loss.

**Offset of financial instruments**

A financial asset and financial liability can be offset and the net balance reported in the statement of financial position, only if there is a legal right to offset the amounts recognized and there is the intention either to settle on a net basis, or to realize the asset and simultaneously settle the liability.

**Prepayments**

Prepayments are recognized in the financial statements at original cost less provision for impairment. Prepayment is classified as long-term, if the expected time period of obtaining respective goods or services exceeds one year, or if the



**NOTES TO FINANCIAL STATEMENTS**

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prepayment relates to the asset, which will be accounted for as a long-term asset on initial recognition. Prepayment for the acquisition of an asset is included into its carrying amount where the Company obtains control over the asset and it is probable that the Company will obtain future economic benefits associated with the asset. Other prepayments are charged to profit or loss account upon the receipt of goods or services relating thereto. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying amount of the prepayment is written-off, and a respective impairment loss is recognized in profit or loss for the year.

Prepayments received are recorded at the actual amounts received from third parties.

***Estimated liabilities***

Estimated liabilities are recognized when the Company has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of its estimated liabilities to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to an estimated liability is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, estimated liabilities are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the estimated liability with the passage of time is recognized as financing costs.

Estimated liabilities for restructuring are recognized only provided that the Company has a constructive obligation, and a detailed formal plan specifies the business or part of the business concerned, the location and number of employees affected, detailed estimate of the associated costs and appropriate timeline and the employees affected have been notified of the plan's main features.

***Cash and cash equivalents***

In the statement of financial position, cash and cash equivalents include cash in bank, cash on hand and short-term deposits with remaining maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and short-term deposits as defined above net of outstanding bank overdrafts since they are considered to be an integral part of the Company's cash management.

***Lease***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset as a result of this arrangement from one party to another, even of that right is not explicitly specified in the arrangement.

***Company as a lessor***

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income. Contingent rent shall be charged as revenues in the periods in which it is received.

***Employee benefits***

In determining the amount of commitments for short-term employee benefits, discounting does not apply, and the related expenses are recognized as the services are provided by the employees. In respect of amounts expected to be paid under short-term cash bonuses or profit-sharing schemes, a liability is recognized where the Company has a legal or constructive obligation to pay the relevant amount resulting from the provision of services by employees in the past, and the amount of the obligation can be reliably estimated.

***Pension obligations***

The Company has no additional pension plans other than participation in the public pension system of the Republic of Kazakhstan that requires contributions from an employee calculated as a percentage of the total salary. According to the laws of the Republic of Kazakhstan, pension contributions are the responsibility of employees and the Company has neither current nor future obligations to pay such payments to its employees upon their retirement.

***Revenue recognition***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received taking into account contractual terms of payment less discounts and other sales taxes and charges. The Company has reviewed all revenue arrangements in accordance with specific recognition criteria to define whether it acts as the principal or in the capacity of an agent. The Company has concluded that it is the principal in all of its revenue arrangements. Revenue recognition should be based on the following criteria:



## NOTES TO FINANCIAL STATEMENTS

*Rendering of services*

Revenue recognition for services rendered is performed under the percentage-of-completion method, according to which, revenue is recognized in the accounting periods in which the services are rendered. Under this method, revenue should be recognized by reference to the stage of completion of the transaction at the reporting date, provided that the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. Revenue is recognized net of VAT and discounts.

*Interest income*

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or, a shorter period, where appropriate, to the net carrying amount of the financial asset or the financial liability.

*Rental income*

Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature.

*Income tax*

Income tax expenses comprise current income tax and are recognized in profit or loss for the period except for the portion that relates to a business combination transaction or transactions recognized in equity or in other comprehensive income. Deferred tax is recognized in respect of temporary differences arising between the carrying amounts of assets and liabilities, determined for financial reporting purposes, and their tax base. The Company management does not recognize deferred tax, since under the existing tax laws, in case of educational activities, in determining the taxable base, the amount of the corporate income tax payable to the budget is reduced by 100%, provided that revenues from educational activities, including income in the form of donated property received and interests earned on deposits, account for at least 90% of the total annual income.

Current income tax comprises tax amount which is expected to be paid or refunded in respect of the taxable profit or tax loss for the year, and which is calculated on the basis of tax rates effective at the balance sheet date.

In determining the amount of current income tax, the Company takes into account the influence of uncertain tax positions and the possibility of imposing fines and penalties for late payment of the tax. Based on the results of its assessment of a number of factors, as well as interpretation of the Kazakhstan tax laws, the management of the Company believes that the tax liabilities for the tax period, which may be inspected by the tax authorities, were reported in full. This assessment is based on estimates and assumptions and can involve a number of professional judgments regarding the impact of future events. In the course of time, the Company can get new information, which can make the Company to change its judgments regarding the adequacy of existing tax liabilities. Such changes in the amount of tax liabilities will affect the tax amount for the period in which such judgments were changed.

*Contingent assets and liabilities*

Contingent assets are not recognized in financial statements. If it is virtually possible to obtain revenue, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the probability of an outflow of resources embodying economic benefits is low.

*Related parties*

Related parties are the relationships in which one party has the ability to control or significantly influence the financial and operating decisions of the other party as defined in IFRS 24 Related Party Disclosures.

**4. NEW AND REVISED STANDARDS AND INTERPRETATIONS**

Below are the standards that came into effect at the balance sheet date, and were taken into account at the date of release of these financial statements. Management believes that the interpretations and amendments to those standards have not had a significant impact on the accounting policies, financial position or performance of the Company.

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard, which permits rate-regulated entities to continue recognizing regulatory deferral account balances in accordance with their previous generally accepted accounting policies, upon their first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items in the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of information about the nature of rate regulation and associated risks, as well as about the impact of such regulation on the financial statements of an entity. IFRS 14 is effective for annual reporting periods beginning on or after 1 January 2016. As the Company already prepares statements in accordance with the IFRS, this standard is not applicable to its financial statements.





## NOTES TO FINANCIAL STATEMENTS

***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

***Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

***Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants***

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Company as it does not have any bearer plants.

***Amendments to IAS 27: Equity Method in Separate Financial Statements***

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Company's financial statements.

***Annual Improvements 2012-2014 Cycle***

These improvements include:

***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

***IFRS 7 Financial Instruments: Disclosures******(i) Servicing contracts***

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

***(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements***

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

***IAS 19 Employee Benefits***

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.



## NOTES TO FINANCIAL STATEMENTS

**IAS 34 Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively. These amendments do not have any impact on the Company.

**Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss
- Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Financial statements*. The amendments to IFRS 10 clarify that the exemption from presenting financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are applied retrospectively and do not have any impact on the Company as the Company does not apply the consolidation exception.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

Preparation of the financial statements requires management to make judgments, estimates and assumptions that can affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in material adjustments to the carrying amounts of assets or liabilities in future periods.

Below are the basic assumptions regarding future events, as well as other sources of uncertain estimates at the balance sheet date, that bear a significant risk of substantial adjustments to the carrying amounts of assets and liabilities during the next reporting year.

**Estimates and assumptions**

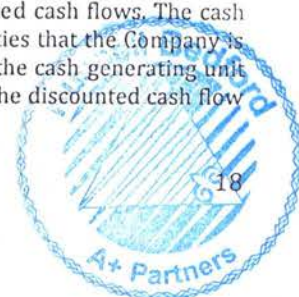
Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that can cause material adjustments to the carrying amounts of assets and liabilities within the next fiscal year, are described below. The Company based its assumptions and estimates on inputs that were available at the time of preparation of the financial statements. However, current circumstances and assumptions about the future can change due to market changes or circumstances that are beyond the Company's control. These changes are reflected in the assumptions as they occur.

**Contractual obligations under operating lease - the Company as the lessor**

The Company has entered into commercial lease contracts. The Company has determined, based on an evaluation of the terms and conditions of the arrangements (for instance, that the lease term is not for a major part of the remaining economic life of the commercial property), and the fair value of the respective asset that it retains all the significant risks and rewards of ownership of this property and so accounts for the contracts as operating leases.

**Impairment of non-financial assets**

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. The fair value less costs to sell is calculated based on the available information regarding binding commercial sales transactions of similar assets or observable market prices less additional costs incurred for the asset disposal. The calculation of value in use is based on discounted cash flows. The cash flows are withdrawn from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow



## NOTES TO FINANCIAL STATEMENTS

model, as well as the expected inflows of cash and growth rates used for extrapolation purposes. The Company believes that there is no indication of impairment at the balance sheet date.

*Taxes*

Uncertainties exist with respect to the interpretation of complex tax laws and regulations, changes thereto, and the amount and timing of future taxable income. Given the wide range of international business transactions of the Company and the long-term nature and complexity of existing contractual agreements, the differences arising between the actual results and the assumptions made, or future changes to such assumptions could cause future adjustments to income tax gains or losses reported in the financial statements.

In order to benefit from tax exemptions the Company management decided to hedge its risks against currency fluctuations by placing its other financial investment (deposit) in national currency, tenge. So, it will allow applying tax concessions in respect to the corporate income tax in future tax periods as provided for in the tax laws of Kazakhstan. Accordingly, the Company management, based on its assessments and judgments, does not recognise deferred income tax assets and liabilities.

*Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in measuring fair value. Judgments consider such inputs as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair values of financial instruments reported in the financial statements.

*Capital management*

The Company's policy is to maintain a strong capital base to maintain the confidence of shareholders, creditors and the market, and to ensure the future development of the business. The Company manages its capital structure and makes adjustments in light of changes in economic conditions.

The Company monitors its capital using a leverage ratio, which is a net debt, divided by total capital plus net debt. Net debt includes loans, trade and other payables less cash and cash equivalents excluding discontinued operations. The Company's policy is to keep the leverage ratio lower than 40%.

For the reporting period, this ratio amounted to 16,9% due to strengthened position of equity.

<i>In thousands of tenge</i>	2016	2015	2015 (Restated)
Trade and other payables	1,303,136	1,236,850	1,217,712
Cash and cash equivalents	(115,420)	(199,751)	(199,751)
<b>Net debt</b>	<b>1,187,716</b>	<b>1,037,099</b>	<b>1,017,961</b>
Equity	5,828,481	4,690,653	4,789,197
<b>Total equity and net debt</b>	<b>7,016,197</b>	<b>5,727,752</b>	<b>5,807,158</b>
<b>Financial leverage ratio</b>	<b>16.9%</b>	<b>18.1%</b>	<b>17.5%</b>

## 6. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Restating the beginning balance was made due to incorrect classification of financial statements elements for previous periods. According to IFRS 8 the Company corrected prior period errors retrospectively by restating the remaining balance at the beginning of the period.

<i>In thousands of tenge</i>	December 31, 2015	December 31, 2015 (Restated)	Adjustments
<b>Assets</b>			
<b>Current assets</b>			
Trade receivables	69,899	69,673	226
Other receivables	51,251	52,121	(870)
	<b>121,150</b>	<b>121,794</b>	<b>(644)</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,959,594	1,957,134	2,460
Non-current receivables	10,818	10,808	10
<b>Total assets</b>	<b>2,091,562</b>	<b>2,089,736</b>	<b>1,826</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	1,236,850	1,217,712	19,138
Current provisions	282,359	251,373	30,986
Current tax liabilities	700,111	649,865	50,246
	<b>2,219,320</b>	<b>2,118,950</b>	<b>100,370</b>



## NOTES TO FINANCIAL STATEMENTS

Equity			
Retained earnings	4,153,507	4,252,051	(98,544)
<b>Total equity and liabilities</b>	<b>6,372,827</b>	<b>6,371,001</b>	<b>1,826</b>

Nature of errors of previous periods as below:

<i>(In thousands of tenge)</i>	2015	2014	2013 and earlier periods	Total
<b>Trade receivables</b>	-	-	-	226
Reverse of receivables provisions	(6,537)	(486)	(119)	(7,141)
Recovery earlier written off as bad debts, the amounts to receiving, transaction is closed in 2017 by repayment	-	-	(235)	(235)
Twice recognized income	-	72	41	113
Not reflected income	(111)	-	-	(111)
Cancellation of unreasonably created reserve	-	-	7,421	7,421
Last years revenue reduction because of error	179	-	-	179
<b>Other receivables</b>	-	-	-	(870)
Recovery of incorrect record, the recognition of loss by checks paid to suppliers with a corporate card	(3,160)	-	-	(3,160)
Twice recognized income	-	20	1,005	1,025
Last periods expenses reflected in receivables	167	748	350	1,265
<b>Property, plant and equipment</b>	-	-	-	2,460
Expense reclassification which is earlier considered as a part of incomplete construction	-	2,460	-	2,460
<b>Non-current receivables</b>	-	-	-	10
Last periods expenses considered in receivables	-	-	10	10
<b>Total assets adjustment</b>	-	-	-	1,826
<b>Trade and other payables</b>	-	-	-	(19,138)
Expenses recovery, charged by University, but had to be spent by Sponsors	(3,263)	(1,579)	(5,377)	(10,219)
Last periods expenses reflected in Balance accounts	-	-	(7)	(7)
Not recognized income	(934)	(12)	(64)	(1,010)
Recognized expenses unrelated to KIMEP	(10)	-	-	(10)
Reverse of payable accounts	-	-	171	171
Sponsorship unrecognized as the income	(1,425)	(2,136)	(4,372)	(7,933)
Reversal of accounting error's 2009-2012	-	-	(130)	(130)
<b>Current provisions</b>	-	-	-	(30,986)
Expenses recovery, charged by University, but had to be spent by Dr. Bang's Fund	(15,258)	(9,866)	(5,862)	(30,986)
<b>Current tax liabilities</b>	-	-	-	(50,246)
CIT paid for the non-resident is not reflected in accounting	1,719	-	-	1,719
Cancellation of adjustment of 2012 the advance payment on CIT is not reasonably written off, it is recovered according to verification on a personal account	-	-	(51,965)	(51,965)
<b>Total liabilities adjustment</b>	-	-	-	(100,370)
<b>Total equity adjustment</b>	-	(98,544)	-	(98,544)



## NOTES TO FINANCIAL STATEMENTS

## 7. REVENUE

For the period from 01 January to 31 December 2016, revenues were as follows:

<i>In thousands of tenge</i>	2016	2015	2015 (Restated)
Tuition revenue	4,259,748	4,020,048	4,020,913
Scholarships and educational grants	(515,221)	(598,297)	(583,039)
Dormitory	114,337	98,071	98,071
Additional courses	66,826	74,476	74,476
Library	8,329	8,508	8,508
	<b>3,934,018</b>	<b>3,602,806</b>	<b>3,618,929</b>

Revenue from the core business arises in the ordinary course of business of the Company and includes: (1) revenue from rendering the services for graduate and postgraduate education provided under the relevant licenses for the right to conduct educational activities less to scholarships and educational grants, (2) additional education, (3) revenue from accommodation in dormitory, (4) income from library.

## 8. COST OF GOODS AND SERVICES

<i>In thousands of tenge</i>	2016	2015
Payroll and related taxes	(1,512,996)	(1,586,322)
Depreciation	(162,085)	(87,336)
Organization of the conference	(20,028)	(3,797)
Goods and materials	(80,521)	(61,066)
Travel expenses	(10,390)	(31,558)
Utility expenses	(77,484)	(75,880)
Repair and maintenance	(24,832)	(17,151)
Communication services	(7,028)	(10,145)
Advertising	(1,558)	(705)
Other expenses	(6,153)	(3,315)
	<b>(1,903,075)</b>	<b>(1,877,275)</b>

Payroll and related taxes comprise accrued salary and honorarium of faculty and other categories of instructors working under employment and outsourcing contracts, as well as all taxes related to salary.

Increase of item "Depreciation" is caused by capitalization of dormitory building due to capital repairs.

Significant part of other expenses consist of membership fees to associations such as AACSB (Advancing Quality Management Education Worldwide), EFMD (The European Foundation for Management Development), as well as professional third-party services for students (professional medical examination and others).

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	2016	2015	2015 (Restated)
Payroll and related taxes	(954,725)	(732,637)	(734,591)
Taxes	(74,404)	(66,547)	(67,949)
Depreciation	(24,894)	(24,456)	(24,527)
Materials	(95,199)	(13,728)	(13,728)
Travel and entertainment expenses	(29,043)	(27,069)	(24,145)
Consultancy and auditor services	(16,632)	(11,746)	(11,746)
Recovery /(accrual) of inventory reserve	(10,661)	7,312	7,312
Bank services	(5,100)	(7,926)	(7,926)
Repairs and maintenance	(93,311)	(14,048)	(14,048)
Provision for doubtful debts	9,750	1,195	7,732
Fines and penalties	(62)	(4)	(321)
Utility expenses	(535)	(1,954)	(538)
Communication services	(5,821)	(1,703)	(1,703)
Advertising services	(19,119)	(5,757)	(5,757)
Vehicle rent	(1,765)	(1,407)	(1,407)
Insurance	(4,315)	(1,702)	(1,702)
Other expenses	(2,006)	(5,329)	(4,641)
	<b>(1,327,842)</b>	<b>(907,506)</b>	<b>(899,685)</b>



## NOTES TO FINANCIAL STATEMENTS

## 10. SELLING EXPENSES

<i>In thousands of tenge</i>	2016	2015
Payroll and related taxes	(140,194)	(135,187)
Advertising expenses	(24,223)	(16,278)
Arrangement of social events	(28,003)	(6,890)
Transportation and travel expenses	(12,611)	(14,629)
Materials	(10,926)	(7,056)
Taxes	(1,450)	(55)
Recruitment of students	(17,476)	(5,943)
Rent	(1,135)	(717)
Communication services	(88)	(20)
Repair and maintenance	(145)	(60)
Utility expenses	-	(5,121)
Depreciation and amortization	(1,532)	(1,386)
Other expenses	(516)	(930)
	<b>(238,300)</b>	<b>(194,272)</b>

## 11. OTHER INCOME/ (EXPENSES)

<i>In thousands of tenge</i>	2016	2015	2015 (Restated)
Income from operating lease	44,554	46,251	46,251
Foreign exchange gains	341,465	1,887,191	1,887,191
Income from the assets donated	559	1,046	1,046
Income from currency exchange	154	30	30
Income from disposal of assets	275	133	133
Grants received	73,442	115,512	97,615
Other income from students	29,549	-	22,585
Other income	9,132	8,396	8,396
<b>Total income</b>	<b>499,129</b>	<b>2,058,559</b>	<b>2,063,247</b>
Costs of assets disposal	(433)	(217)	(217)
Foreign exchange losses	(286,772)	(31,025)	(31,025)
Expenses on currency exchange	(15,536)	(58,164)	(58,164)
Expenses under the special-purpose program	(64,675)	(98,987)	(98,987)
Other expenses	(7,462)	(143)	(143)
<b>Total expenses</b>	<b>(374,878)</b>	<b>(188,536)</b>	<b>(188,536)</b>
<b>Net total</b>	<b>124,251</b>	<b>1,870,023</b>	<b>1,874,711</b>

Other income/ (expenses) are other items that meet the definition of income/expense; they can occur or not occur in the ordinary course of business of the Company.

The item "other income from students" consists various kinds of refunds administrative fees for late registration, for late payment of student fees and for transcript.

The grants received include special-purpose grants received from sponsors. Spending of special-purpose grants is reflected in the line of Expenses under the special-purpose program (scholarships granted to students, travel and other expenses).

## 12. FINANCE INCOME

<i>In thousands of tenge</i>	2016	2015
Income from other financial investments	447,185	58,150
Amortization of discount under the contract for additional electric capacity	3,047	3,284
	<b>450,232</b>	<b>61,434</b>

According to the tax legislation of the Republic of Kazakhstan, the amount of the corporate income tax (CIT) payable to the budget is reduced by the amount of CIT withheld at the source of payment from income in the form of interest, however this not applicable to the organization, performing activity in the social sphere (item 2 of Art. 139 of Tax Code of RK). Accordingly the Company recognizes the income from financial investments in gross.

## 13. INCOME TAX EXPENSE

According to Article 135-1 of the Tax Code of the Republic of Kazakhstan, the Company in its educational business activities has the right to reduce the amount of corporate income tax assessed by 100%, if income from the core activity accounts for no less than 90% of the total income.

For the reporting period, the Company has no obligation for payment of the corporate income tax.



## NOTES TO FINANCIAL STATEMENTS

<i>In thousands of tenge</i>	2016	2015
Expenses for (savings from) deferred tax	-	-
Current tax expenses	-	631,361
	-	631,361

Below is the reconciliation of income tax expense in respect to before-tax income, calculated using the statutory tax rate of 20%, with the expenses for the current corporate income tax for 2016:

<i>In thousands of tenge</i>	2016	2015
Profit/(loss) before tax	1,039,284	2,555,210
Officially established income tax rate	20%	20%
Contingent income tax expense	207,857	511,042
Decrease according to Art. 135 of Tax Code of RK	(207,857)	-
Tax effect of expenses that are not included in the taxable base	-	34,781
Tax effect of income that is included in the taxable base	-	85,538
<b>Expenses for income tax</b>	<b>-</b>	<b>631,361</b>

## 14. PROPERTY, PLANT AND EQUIPMENT

Below are the changes in carrying amounts of fixed assets:

<i>In thousands of tenge</i>	Land	Buildings and constructions	Machines and equipment	Vehicles	Other	Construction-in-progress	Total
<b>Carrying amount</b>							
January 01, 2015	98,443	1,960,647	555,290	34,676	603,004	126,616	3,378,676
Acquired	-	-	24,790	-	15,575	103,774	144,139
Disposed	-	-	(22,590)	-	(2,880)	-	(25,470)
December 31, 2015	98,443	1,960,647	557,490	34,676	615,699	230,390	3,497,345
Restated	-	-	-	-	-	(2,460)	(2,460)
December 31, 2015 (Restated)	98,443	1,960,647	557,490	34,676	615,699	227,930	3,494,885
Acquired	-	149,566	33,005	7,531	25,914	71,789	287,805
Transferred	-	297,433	1,867	-	(1,372)	(297,928)	-
Disposed	-	-	(43,038)	-	(2,525)	-	(45,563)
December 31, 2016	98,443	2,407,646	549,324	42,207	637,716	1,791	3,737,127
<b>Accumulated depreciation</b>							
January 01, 2015	-	442,430	434,483	28,205	542,534	-	1,447,652
Accrued for the year	-	39,244	27,202	1,860	44,163	-	112,469
Reclassified	-	-	46,880	(1,124)	(45,756)	-	-
Disposed	-	-	(19,628)	-	(2,742)	-	(22,370)
December 31, 2015	-	481,674	488,937	28,941	538,199	-	1,537,751
Accrued for the year	-	125,196	27,847	1,860	32,028	-	186,931
Reclassified	-	-	1,256	-	(1,256)	-	-
Disposed	-	-	(42,706)	-	(2,426)	-	(45,132)
December 31, 2015	-	606,870	475,335	30,801	566,545	-	1,679,550
<b>Book value</b>							
December 31, 2016	98,443	1,800,776	73,990	11,406	71,171	1,791	2,057,577
December 31, 2015	98,443	1,478,973	68,553	5,735	77,499	230,390	1,959,594
Restated	-	-	-	-	-	(2,460)	(2,460)
December 31, 2015 (Restated)	98,443	1,478,973	68,553	5,735	77,499	227,930	1,957,134

During the reporting period, fixed assets depreciation was accrued on the following items of expenditure:

<i>In thousands of tenge</i>	2016	2015
Cost of goods and services	162,085	87,336
General and administrative expenses	23,314	23,747
Selling expenses	1,532	1,386
	186,931	112,469



## NOTES TO FINANCIAL STATEMENTS

## 15. INTANGIBLE ASSETS

On December 31 intangible assets included the following:

<i>In thousands of tenge</i>	Software	Other	Total
<b>Initial cost</b>			
January 01, 2015	7,655	44	7,699
Acquired	4,728	-	4,728
Disposed	(1,220)	(44)	(1,264)
<b>December 31, 2015</b>	<b>11,163</b>	<b>-</b>	<b>11,163</b>
Acquired	946	-	946
Disposed	(140)	-	(140)
<b>December 31, 2016</b>	<b>11,969</b>	<b>-</b>	<b>11,969</b>
<b>Amortization and impairment</b>			
January 01, 2015	2,587	32	2,619
Amortization	772	7	779
Disposals	-	(39)	(39)
<b>December 31, 2015</b>	<b>3,359</b>	<b>-</b>	<b>3,359</b>
Amortization	1,580	-	1,580
Disposals	-	-	-
<b>December 31, 2016</b>	<b>4,939</b>	<b>-</b>	<b>4,939</b>
<b>Net book value</b>			
Balance on December 31, 2016	7,030	-	7,030
Balance on December 31, 2015	7,804	-	7,804

During the reporting period, amortization of intangible assets was distributed as follows:

<i>In thousands of tenge</i>	2016	2015
Cost of goods and services	-	-
General and administrative expenses	1,580	779
Selling expenses	-	-
	<b>1,580</b>	<b>779</b>

## 16. NON-CURRENT RECEIVABLES

<i>In thousands of tenge</i>	2016	2015	2015 (Restated)
Advance payments issued for purchase of fixed assets	-	10,818	10,808
Tuition fee receivable from students	39,472	-	-
Accommodation fee receivable from students	3,605	-	-
Tuition fee receivable from employees	20,025	-	-
	<b>63,102</b>	<b>10,818</b>	<b>10,808</b>
Provision for doubtful debts	(38,645)	-	-
	<b>24,457</b>	<b>10,818</b>	<b>10,808</b>

## 17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

<i>In thousands of tenge</i>	2016	2015
Cash on hand	518	1,355
Cash on current bank accounts	109,902	198,396
Cash on card accounts	5,000	-
	<b>115,420</b>	<b>199,751</b>

Cash and cash equivalents are denominated in the following currencies:

<i>In thousands of tenge</i>	2016	2015
Tenge	99,398	184,815
USA dollar	13,455	1,539
EURO	2,464	13,397
British Pound	103	-
	<b>115,420</b>	<b>199,751</b>





## NOTES TO FINANCIAL STATEMENTS

Cash on current bank accounts and card accounts is presented as follows:

<i>In thousands of tenge</i>	2016	2015
Kazkommertsbank JSC	58,802	93,476
Bank CenterCredit JSC	56,100	104,920
	<b>114,902</b>	<b>198,396</b>

**18. RESTRICTED CASH**

<i>(In thousands of tenge)</i>	2016	2015
Deposits at Kazkommertsbank JSC	-	175
Deposits at Bank CenterCredit JSC	-	175
	-	<b>350</b>

**19. TRADE RECEIVABLES**

On December 31, the trade receivables included the following:

<i>(In thousands of tenge)</i>	2016	2015	2015 (Restated)
Tuition fee receivable from students	28,035	173,208	172,982
Other receivables	51,597	20,091	20,091
	<b>79,632</b>	<b>193,299</b>	<b>193,073</b>
Provision for doubtful debts	(1,862)	(123,400)	(123,400)
	<b>77,770</b>	<b>69,899</b>	<b>69,673</b>

Other receivables include students' debts for using library, accommodation and other services.

The change in provision for doubtful debts is presented as follows:

<i>(In thousands of tenge)</i>	2016	2015
As at the beginning of the year	(123,400)	(123,673)
Accrued for the year	(451)	(43,041)
Reversed for the year	121,989	43,314
As at the end of the year	<b>(1,862)</b>	<b>(123,400)</b>

**20. OTHER RECEIVABLES**

On December 31, other receivables included the following:

<i>(In thousands of tenge)</i>	2016	2015	2015 (Restated)
Advances paid	46,351	33,405	32,116
Rent receivable	5,122	7,669	7,693
Deferred expenses	40,209	4,367	4,367
Receivable from employees	349	3,660	6,820
Other receivables	1,457	22,474	21,449
	<b>93,488</b>	<b>71,575</b>	<b>72,445</b>
Provision for doubtful debts	(553)	(20,324)	(20,324)
	<b>92,935</b>	<b>51,251</b>	<b>52,121</b>

The advance payments include an advance payment to suppliers of goods and services, such as Gulser Computers LLP for supply of the computer equipment and B.I.G. Engineering LLP for rendering services in design project of the Great hall.

Deferred expenses are expenses that according to the principle of matching and accruals will be included in financial result in the forthcoming periods. All available deferred expenses of the Company are current as will be carried on costs within the next 12 months. Deferred expenses consist of medical insurance of employees, car insurance and subscription. Other receivables include debt on claims.

The change in provision for doubtful debts is presented as follows:

<i>(In thousands of tenge)</i>	2016	2015
As at the beginning of the year	(20,324)	(21,247)
Accrued for the year	-	(4,390)
Reversed for the year	19,771	5,313
As at the end of the year	<b>(553)</b>	<b>(20,324)</b>



## NOTES TO FINANCIAL STATEMENTS

## 21. INVENTORY

<i>(In thousands of tenge)</i>	2016	2015
Raw and other materials	87,022	72,015
Goods	9,026	2,126
	<b>96,048</b>	<b>74,141</b>
Provision for inventory	(15,515)	(4,854)
	<b>80,533</b>	<b>69,287</b>

During the reporting period, the movement of inventory was as follows:

<i>(In thousands of tenge)</i>	2016	2015
As at the beginning of the year	74,141	72,544
Purchased for the period	92,948	83,447
Written off for the period	(71,041)	(81,850)
As at the end of the year	<b>96,048</b>	<b>74,141</b>

The movement in provision for inventory is presented as follows:

<i>(In thousands of tenge)</i>	2016	2015
As at the beginning of the year	(4,854)	(12,166)
Accrued for the period	(10,661)	-
Recovered in a period	-	7,312
As at the end of the year	<b>15,515</b>	<b>(4,854)</b>

## 22. CURRENT TAX ASSETS

<i>(In thousands of tenge)</i>	2016	2015
VAT for non-resident	7,799	10,902
Other taxes	6,836	16,810
	<b>14,635</b>	<b>27,712</b>

Other taxes include advance CIT payments for non-residents, CIT of the interest amount withheld at source, property tax, vehicle tax, and other obligatory payments as per the tax law of Kazakhstan.

## 23. FINANCIAL ASSETS

<i>(In thousands of tenge)</i>	2016	2015
<i>Receivables for additional electric capacity:</i>		
Non-current portion	43,871	47,289
Current portion	3,419	3,419
Discount	(25,297)	(28,344)
	<b>21,993</b>	<b>22,364</b>

Including:

<i>(In thousands of tenge)</i>	2016	2015
Financial assets, current	3,419	3,419
Financial assets, non-current	18,574	18,945
	<b>21,993</b>	<b>22,364</b>

Pursuant to the Order of the Chairman of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan dated February 21, 2007 "On the approval of the Rules for compensating a transmission entity for the cost of expansion and upgrade of the public energy transportation network on a repayable basis", an agreement on connecting additional electricity capacity dated October 10, 2007 for the amount of 68,370 thousand tenge was concluded between Almaty Zharyk Company JSC and the Company. This amount must be repaid by monthly equal installments of 284,875 tenge starting November 1, 2010 until October 10, 2030. The Company recognized the loan at amortized cost. In 2012, the effective interest rate of 14.9% was used to record fair value of the loan. In 2013, the management revised the discounting rate based on 'financial prudence' principle at 7.5%.

As of December 31, 2016 financial assets amounted to 21,993 thousand tenge, non-current and current portions amounted to 18,574 thousand tenge and 3,419 thousand tenge, respectively.



## NOTES TO FINANCIAL STATEMENTS

## 24. OTHER FINANCIAL INVESTMENTS

<i>(In thousands of tenge)</i>	2016	2015
Other current financial investments	5,094,143	4,509,313
	<b>5,094,143</b>	<b>4,509,313</b>

Other current financial investments include:

<i>(In thousands of tenge)</i>	2016	2015
Bank deposits	5,038,528	4,497,708
Interest for receipt	55,615	11,605
	<b>5,094,143</b>	<b>4,509,313</b>

For all mentioned deposit accounts, the interest is accrued monthly provided that the Depositor maintains the minimum required balance. Additional funds can be deposited and withdrawn from the deposit account on condition that the minimum required balance is kept. As per the Kazak tax law, withholding tax of 15% at source applies to the interest. Interest is accrued 365 days per year and based on actual number of calendar days of a month.

Profitability of other financial investments for 2016 is provided in the following table:

Deposits	Amount	Interest accrued		Total
		Tax at a payment source	Including retained tax for 2016	
Deposit BankCenterCredit (Cumulative plus) from 11/03/16	476,742	71,511	63,169	405,231
Deposit BankCenterCredit (Cumulative plus) from 11/03/16	27,672	4,151	4,151	23,521
Deposit BankCenterCredit (Cumulative plus) from 30/07/15	8,193	1,229	1,229	6,964
Security deposit from 20/02/12 for foreign employees	2	-	-	2
Interest accrual on bank account for 1-st quarter of 2016	3,649	547	547	3,102
Security deposit from 15/02/13 for foreign employees	27	4	4	23
	<b>516,285</b>	<b>77,442</b>	<b>69,100</b>	<b>438,843</b>

## 25. TRADE AND OTHER PAYABLES

<i>(In thousands of tenge)</i>	2016	2015	2015 (Restated)
Payables to suppliers and contractors	12,914	18,471	18,329
Advances received	1,288,710	1,216,728	1,197,561
Salary payable	1,512	1,651	1,822
	<b>1,303,136</b>	<b>1,236,850</b>	<b>1,217,712</b>

The advances received are presented by advance payments from students for education, training courses and other services of the University.

## 26. CURRENT PROVISIONS

<i>(In thousands of tenge)</i>	2016	2015	2015 (Restated)
Provision for unused vacations	246,663	234,005	234,005
Accrued expenses	2,652	3,586	3,586
Guarantee deposit for fulfillment of obligation	445	-	-
Other provisions	-	44,768	13,782
	<b>249,760</b>	<b>282,359</b>	<b>251,373</b>

The changes in provision of unused vacation were as follows:

<i>(In thousands of tenge)</i>	2016	2015
As at the beginning of year	234,005	225,206
Accrued for the year	259,847	261,784
Reversed for the year	(247,189)	(252,985)
As at the end of the year	<b>246,663</b>	<b>234,005</b>



## NOTES TO FINANCIAL STATEMENTS

## 27. CURRENT TAX LIABILITIES

<i>(In thousands of tenge)</i>	2016	2015	2015 (Restated)
Individual income tax	21,465	34,560	34,560
Corporate income tax	-	631,361	581,115
Value added tax	6,914	6,669	6,669
Social tax	17,722	27,521	27,521
	<b>46,101</b>	<b>700,111</b>	<b>649,865</b>

## 28. LIABILITIES ON OTHER MANDATORY AND VOLUNTARY PAYMENTS

<i>(In thousands of tenge)</i>	2016	2015
Mandatory pension contributions	11,769	15,246
Mandatory social contributions	2,975	2,924
	<b>14,744</b>	<b>18,170</b>

## 29. CURRENT RESERVES

<i>(In thousands of tenge)</i>	2016	2015
Grants received from sponsors	13,074	-
Donations and sponsorships	21,629	-
Other trust funds	23,584	-
	<b>58,287</b>	<b>-</b>

The received grants from sponsors include the amount of grant relates to more than one accounting period that received from various public institutions dedicated to the performance certain projects. As the project is performed, the expenditure of the utilization budget will be allocated to the revenue of the reporting period.

Donations and sponsorships include target donations and any charitable contributions of individuals and legal entities for benefit of University. This fund will be spent on the target for various purposes (sponsorships and financial support of students, organization of events etc.)

The other trust funds include co-financing of tuition sponsors, financial support and student's accommodation (US-CAEF, Samsung and other funds) for the spring semester of 2017.

In previous reporting periods, the amount was reflected in the composition of current estimated liabilities as other reserves, in the reporting period after reclassification it was allocated to the separate group.

## 30. NON-CURRENT TRADE AND OTHER PAYABLES

<i>(In thousands of tenge)</i>	2016	2015
LT advance payments for tuition	70,687	-
LT advance payments for courses	12,685	-
LT advances received for accommodation	2,345	-
Non-current debt on the deposited salary	267	-
	<b>85,984</b>	<b>-</b>

The long-term trade and other payables are presented by the non-current advance payments received from students for tuition, training courses and other services.

## 31. EQUITY

<i>(In thousands of tenge)</i>	2016	2015	2015 (Restated)
Share capital	537,146	537,146	537,146
Retained earnings	5,291,335	4,153,507	4,252,051
	<b>5,828,481</b>	<b>4,690,653</b>	<b>4,789,197</b>



## NOTES TO FINANCIAL STATEMENTS

As of December 31, 2016 the share capital of the Company was as follows:

<i>(In thousands of tenge)</i>	Number of authorized shares (items)	Authorized share capital approved for issue	Purchased shares in Authorized capital	Issued share capital
Common shares with nominal value of 1,000 tenge	500,750	500,750	500,750	500,750
Common shares with nominal value of 432 tenge	84,250	36,396	36,396	36,396
	<b>585,000</b>	<b>537,146</b>	<b>537,146</b>	<b>537,146</b>

## Shareholders

	Number of common shares	Percentage ratio
Legal Entity - State Enterprise, the State Property and Privatization Committee of the Ministry of Finance	234,012	40
Individual - Chan Young Bang	350,988	60
	<b>585,000</b>	<b>100</b>

The Company has been re-registered as a joint stock company with share capital of 500,750 thousand tenge (par value of each share for the first issue of 500,750 ordinary shares is 1,000 tenge). The share capital of the Company was contributed in the form of a transfer to the reorganized state non-for-profit organization KIMEP of a property complex of the State Institution "Kazakhstan Institute of Management, Economics and Strategic research" under the President of the Republic of Kazakhstan as a result of the privatization based on Decree of the President of the Republic of Kazakhstan No. 1178 dated August 28, 2003 "On Reorganization of Kazakhstan Institute of Management, Economics and Strategic research under the President of the Republic of Kazakhstan" and based on the Decree of the Government of the Republic of Kazakhstan No. 1148 dated November 14, 2003 "On Reorganization of Kazakhstan Institute of Management, Economics and Strategic research under the President of the Republic of Kazakhstan". The valuation of the property complex contributed to the share capital of the Company was conducted in accordance with legislation of the Republic of Kazakhstan on privatization and valuation activity. The value of the property complex was determined to be 403,800 thousand tenge based on profitability method. The remaining part of the share capital of the Company was contributed in the form of cash.

In accordance with the Shareholders' Agreement dated June 4, 2004 an additional 84,250 shares were to be issued by January 1, 2006. The exclusive right to purchase additional share issued was granted to Major Shareholder. If any further additional shares were issued after January 1, 2006 to support the Company's financial stability, priority to purchase these shares would also be given to the Major Shareholder as long as another shareholder, the State Property and Privatization Committee of the Ministry of Finance maintains a 40 per cent stake of total share capital of the Company. In 2005, an additional issue of 84,250 ordinary shares with a par value of 432 tenge was registered. As a result, the share capital has increased by 36,396 thousand tenge. The additional shares issued were purchased by the Major Shareholder for cash consideration.

According to the legislation of the Republic of Kazakhstan, non-profit organizations have no right to distribute dividends.

## 32. RELATED PARTIES DISCLOSURE

A related party is a legal entity related to the Company as well as a physical person or a close relative of the person related to the Company if this person:

- Has significant influence over the Company; or
- Is a member of the key management personnel of the Company.

Close family members of the physical person are those family members who as it is expected may influence or prove to be dependent on such physical person in their relations with the Company.

Key management personnel include those persons who are authorized and bear responsibility for planning, managing and controlling the Company activities, either directly or indirectly, including the Director (CEO) and the persons with position of similar status within the Company.

**a) Transactions involving other related parties (companies related with family members of the key management personnel or the personnel themselves, related parties of shareholders of the Company)**

The following table contains information on total amounts of transactions with related parties in 2016:

Related party	Beginning balance	Turnovers on debit	Turnovers on credit	Ending balance
USKO International LLP (owned by the spouse of the Company's President)				
Advances paid	77	-	-	77
Advances received	(193)	-	-	(193)
Payment for services	-	-	-	-



## NOTES TO FINANCIAL STATEMENTS

Balance	(116)	-	-	(116)
USKO Logistic International JSC (owned by the spouse of the Company's President)				
Advances received	(144)	-	-	(144)
Balance	(144)	-	-	(144)
USKO Mebel LLP (owned by the spouse of the Company's President)				
Fixed assets purchase	-	2,164	2,164	-
Balance	-	2,164	2,164	-
Ministry of Education of the Republic of Kazakhstan (related party of the shareholder – the Republic of Kazakhstan)				
Stipends and grants	(5,493)	7,126	1,633	-
Balance	(5,493)	7,126	1,633	-
Buran Boiler LLP (Member of the Board of Directors of the Company combines jobs)				
Advances received	(1,043)	-	-	(1,043)
Balance	(1,043)	-	-	(1,043)
JT International Korea Inc (related party of the Member of the Board of Directors)				
Sponsorship and grants	(596)	596	-	-
Balance	(596)	596	-	-
	(7,392)	9,885	3,796	(1,303)

The following table contains information on total amounts of transactions with related parties in 2015:

Name of the related parties	Receivables for the beginning of the period	Accounts payable for the beginning of the period	Turnovers ob debit	Turnovers ob credit	Receivables at the end of the period	Accounts payable at the end of the period
USKO International LLP (owned by the spouse of the Company's President)						
Sponsorship and grants	-	-	-	-	-	-
Advances paid	77	-	-	-	77	-
Advances received	-	194	-	-	-	194
Payment for services	-	-	-	-	-	-
Closing balance	-	117	-	-	-	117
USKO Logistic International JSC (owned by the spouse of the Company's President)						
Advances received	-	144	-	-	-	144
Closing balance	-	144	-	-	-	144
USKO Mebel LLP (owned by the spouse of the Company's President)						
Advances paid	-	-	980	980	-	-
Payment for services	-	-	416	416	-	-
Closing balance	-	-	-	-	-	-
Ministry of Education of the Republic of Kazakhstan (related party of the shareholder – the Republic of Kazakhstan)						
Rent income	-	-	18	18	-	-
Advances paid	-	3,964	6,540	8,069	-	5,493
Closing balance	-	3,964	-	-	-	3,964
Buran Boiler LLP (Member of the Board of Directors of the Company combines jobs)						
Advances received	-	1,043	-	-	-	1,043
Closing balance	-	1,043	-	-	-	1,043
JT International Korea Inc (related party of the Member of the Board of Directors)						
Advances received	-	596	-	-	-	596
Closing balance	-	596	-	-	-	596
JTI Kazakhstan (related party of the Member of the Board of Directors)						
Income from training courses	6,608	-	516	7,124	-	-
Advances received	-	7,415	9,214	1,799	-	-
Closing balance	-	807	-	-	-	-

**b) Transactions with key personnel**

The remuneration of key management personnel constituted the amounts as reflected within the personnel expenses:



## NOTES TO FINANCIAL STATEMENTS

<i>In thousands of tenge</i>	2016	2015
Salary	212,662	101,857
Social tax contributions	23,229	16,749
	<b>235,891</b>	<b>118,606</b>

Salary includes all remunerations and compensations payable to employees (IFRS 19 "Employee benefits"). Employee benefits include all forms of compensation, paid or payable or provided by or on behalf of the Company for the services rendered to the Company.

Salary for the reporting period by key management personnel:

<i>(In thousands of tenge)</i>	2016	2015
Associate Vice President of Academic Affairs	22,629	16,046
Dean of the Law School	20,182	13,342
Provost and General Deputy to the President	35,224	16,155
Dean of College of Social Sciences(CSS)	19,189	13,789
Associate Vice President of administration and finance	14,903	9,560
Associative dean (PDP)	22,007	-
Dean of Bang College of Business (BCB)	28,296	20,127
President	50,232	12,838
	<b>212,662</b>	<b>101,857</b>

### 33. COMMITMENTS AND CONTINGENCIES

#### Operating environment

The Company operates in Kazakhstan, therefore the Company's business is affected by the economy and financial markets of Kazakhstan which show emerging market characteristics. The legal, tax and regulatory systems continue to evolve, however, they envisage a risk of varying interpretations of their requirements, which are also subject to frequent changes, which, along with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. These financial statements reflect Management's assessment of the impact of the Kazakh operating environment and the Company's financial position. The future business environment may differ from Management's assessment.

The economy of Kazakhstan is sensitive to global decline in business activities and slowdown in economic growth rates. The continuing global financial crisis has caused capital market volatility, significant deterioration in liquidity in the banking sector and more rigid loan terms in Kazakhstan. Although, Kazakh Government has introduced a number of stabilizing measures aimed at supporting liquidity and refinancing debts of Kazakh banks and companies, there is still uncertainty with regard to the access to capital and the cost of capital for the Company and its counterparties and it may affect the financial position of the Company, results of its operations and economic prospects.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, unpredictable further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

#### Taxation

The Company's operations and financial position may be affected by Kazakhstan political developments, including the application of existing and future legislation and tax regulations. The currently applicable system of fines and penalties for violations identified, in accordance with the effective laws in Kazakhstan, is severe, the penalties include fines themselves, usually in the amount of 50% of the taxes additionally accrued and a penalty 2.5 times the refinancing rate established by the National Bank of Kazakhstan for each day of delay in the amount of the unpaid taxes. As a result, the amount of the penalty may exceed the amount of the basic tax. Fiscal periods remain open for review within five years, preceding the year of the review. Thus, the total amount of taxes, penalties and interest, if any, may be greater than the amount expensed in these statements.

The Company believes that its interpretation of the applicable law is correct and the likelihood that the Company's tax positions will be confirmed is fairly high.

In addition, the Company's management believes that it undertakes all necessary measures to maintain economic sustainability of the University in these conditions.

#### Environmental protection

The Company is a subject of various environmental laws and regulations of the Republic of Kazakhstan. Although the management is confident that the Company complies with all requirements of such laws and regulations, there is no certainty that no contingent liabilities exist.



## NOTES TO FINANCIAL STATEMENTS

The management believes that such liabilities will have no significant effect on the financial position of the Company. Therefore, the accompanying financial statements do not contain provisions for contingent claims or fines from environmental authorities.

**Insurance policies**

The Company insures its risks in the following directions:

- liability insurance against third party bodily harm and third party environmental damage;
- property insurance;
- compulsory insurance of civil liability of vehicle owners;

**Future operating lease commitments - the Company as the lessor**

The Company has entered into commercial lease contracts for residential and educational facilities as well as other premises. The validity of these lease contracts is from 1 to 3 years. As at 31 December, the minimum rental charge receivable in future periods was as follows:

<i>In thousands of tenge</i>	2016	2015
Within one year	4,895	4,895
Over one year, but no longer than five years	7,440	7,440
	<b>12,335</b>	<b>12,335</b>

**Contractual commitments on target use of the land plots before the State**

The Company owns a 50-hectare land plot in Baiserke village of the Ili District and holds a short-term lease for a 1.7-hectare land plot in Algabas microdistrict of the Alatau District. These land plots are under the threat of confiscation by the Akimat as not being used for their designated purpose. According to the land documents, in spite of the ownership rights, the target use of the land plot in Baiserke is construction and maintenance of educational complex. The 1.7 ha land plot in Algabas was provided by the state for using it for construction of sports facilities. Over the reporting period, the Company did not conduct construction works on either of these land plots. No notifications or claims have been received from the State so far, however this does not rule out the risk of confiscation.

**Legal proceedings**

According to the Company management, there are no current legal proceedings or unresolved claims which may considerably affect operating results or financial position, and which were not accrued or expressed in these financial statements.

**34. FINANCIAL INSTRUMENTS, OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT**

The main financial liabilities of the Company include trade and other accounts payable. The main purpose of these financial liabilities is financing of Company's operations and provision of guarantees for maintenance of its activity. The Company's assets are trade and other accounts receivable, cash and short-term deposits, which arise directly during its operating activities.

The Company is exposed to market risk, currency risk, and credit risk. The Company's senior management controls the management of these risks. The Company's activities related to financial risks are conducted in accordance with relevant policies and procedures. Financial risks are identified, evaluated and managed in accordance with the Company's risk management policy and objectives.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices include four types of risk: interest rate risk, exchange rate risk, commodities price risk and other price risks, for example, equity price risk. Financial instruments exposed to market risk include credits and loans, deposits.

**Currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Monetary assets and liabilities denominated in foreign currency give rise to the foreign currency risk. The Company Management believes that assets and liabilities denominated in national currency prevail in the balance sheet and it has sufficient number of instruments for regulating currency fluctuations.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk from its operating activities (primarily from trade receivables).





## NOTES TO FINANCIAL STATEMENTS

## Trade receivables

The Company operates by training individuals and legal entities. The main item group is the students. Payment statements that are maintained in electronic automated database (Intranet) contain information on the number of courses a student has registered to, cost of credits, payable amount, the amount paid and outstanding amount. Therefore, owing to the fact that the database is automated (links together the transactions of the Accounting Department and those of the Registrar's Office), staff of the University Registrar's Office can track students' debts. In the case of delay in payments, students are charged penalties for late payment. To reduce the risk in the case when student fails to repay the debt, the student and his/her guarantor (an individual or a legal entity that guarantees payment of tuition fee) sign debt repayment agreement that gives the university the right to file a lawsuit against the guarantor if the student defaults on payment. Receivables are grouped into homogeneous groups and are constantly and collectively evaluated for impairment. As a result, the Company's risk of bad debts is insignificant.

## Financial instruments and cash deposits

The Company manages its credit risk associated with cash balances in banks and other financial institutions in accordance with its internal policy. Surplus cash is transferred on a deposit account.

The below is the information on the existing trade receivables, balances on bank accounts, cash on hand and ratings availability.

Name	2016	2015
Trade receivables	77,770	69,899
Cash on hand	518	1,355
Cash on current bank accounts and card accounts:	114,902	198,396
JSC "Kazkommertzbank"		
Rating: Standard&Poor's: B-/negative/C, kzB+ (19.10.16)	58,802	93,476
JSC "BankCenterCredit"		
Rating: Standard&Poor's: B/stable/B, kzBB+ (15.09.16)	56,100	104,920
Restricted cash	-	350
JSC "Kazkommertzbank"		
Rating: Standard&Poor's: B-/negative/C, kzB+ (19.10.16)	-	175
JSC "BankCenterCredit"		
Rating: Standard&Poor's: B/stable/B, kzBB+ (15.09.16)	-	175
Deposit at JSC «BankCenterCredit» (for 12 months)		
Rating: Standard&Poor's: B/stable/B, kzBB+ (15.09.16)	5,094,143	4,509,313
<b>Total cash</b>	<b>5,209,563</b>	<b>4,709,415</b>
<b>Total maximum exposure to credit risk</b>	<b>5,209,045</b>	<b>4,708,060</b>

## Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Normally the Company ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table details the Company's contractual maturity for its financial assets and financial liabilities. The table was compiled based on the undiscounted cash flows based on the earliest date that the payment may be demanded from the Company or when the Company expects to receive payment.

(In thousands of tenge)	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial assets:						
Cash and cash equivalents	115,420	-	-	-	-	115,420
Restricted cash	-	-	-	-	-	-
Trade receivables	-	77,770	-	-	-	77,770
Financial assets	-	855	855	1,709	18,574	21,993
Other financial investments	-	5,094,143	-	-	-	5,094,143
	115,420	5,172,768	855	1,709	18,574	5,309,326
Trade and other payables	108,595	325,785	325,785	434,378	108,594	1,303,136
Current provisions	-	-	-	249,760	-	249,760
	108,595	325,785	325,785	684,138	108,594	1,552,896
Net position as at December 31, 2016	6,825	4,846,983	(324,930)	(682,429)	(90,020)	3,756,430



## NOTES TO FINANCIAL STATEMENTS

In the following table contract periods of the Company for 2015 on the current financial assets and obligations are reflected.

<i>(In thousands of tenge)</i>	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Financial assets:						
Cash and its equivalents	199,751	-	-	-	-	199,751
Restricted cash	350	-	-	-	-	350
Trade receivables	-	69,899	-	-	-	69,899
Financial assets	-	855	855	1,709	18,945	22,364
Other financial investments	-	-	-	4,509,313	-	4,509,313
	<b>200,101</b>	<b>70,754</b>	<b>855</b>	<b>4,511,022</b>	<b>18,945</b>	<b>4,801,677</b>
Trade and other payables	103,071	309,213	309,213	412,283	103,070	1,236,850
Current provisions	-	-	-	-	282,359	282,359
	<b>103,071</b>	<b>309,213</b>	<b>309,213</b>	<b>412,283</b>	<b>385,429</b>	<b>1,519,209</b>
Net position as at December 31, 2015	<b>97,030</b>	<b>(238,459)</b>	<b>(308,358)</b>	<b>4,098,739</b>	<b>(366,484)</b>	<b>3,282,460</b>

## 35. EVENTS AFTER THE REPORTING PERIOD

The events that have a significant impact on these financial statements of the Company did not occur.

