

KIMEP University NJSC

Financial statements

for the year ended 31 December 2021
prepared in accordance with IFRSs

Almaty 2022

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INDEPENDENT AUDITORS' REPORT

To: Owners of KIMEP University NJSC

Opinion

We have audited the accompanying financial statements of KIMEP University NJSC (hereinafter – the “Company”), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – “ISAs”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (hereinafter – “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



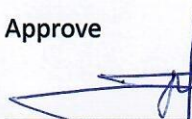
Auditors' Responsibilities for the Audit of the Financial Statements, continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Approve


Vasily Nikitin
Auditor, audit certificate №0000507
dated 8 February 2021 0507
Managing partner
Moore Kazakhstan LLP
28 March 2022


Aidar Aitov
Audit partner

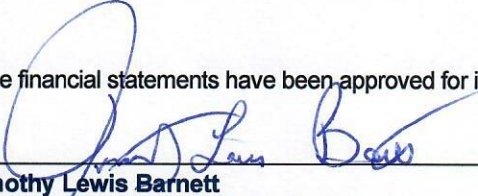


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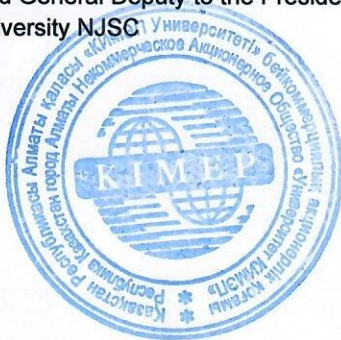
KIMEP University NJSC
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

KZT'000	Note	2021	2020
Revenues	3	4,673,909	4,577,002
Cost of sales	4	(2,760,884)	(2,910,567)
Gross profit		1,913,025	1,666,435
Selling and distribution costs	5	(125,826)	(82,006)
Administrative expenses	6	(980,014)	(1,135,563)
Other operating income, net	7	115,436	50,697
(Impairment) reversal of impairment losses	8	(4,163)	30,335
Operating profit		918,458	529,898
Finance income	9	195,057	78,941
Foreign exchange gain		79,564	263,119
Profit before taxation		1,193,079	871,958
Income tax expense	10	-	-
Profit for the year		1,193,079	871,958
Other comprehensive income		-	-
Total comprehensive income for the year		1,193,079	871,958

These financial statements have been approved for issue on 28 March 2022 and signed on behalf of the Company's management by:


Timothy Lewis Barnett
 Provost and General Deputy to the President
 KIMEP University NJSC


Ardak Kiyabayeva
 Chief Accountant
 KIMEP University NJSC



TRANSLATED

KIMEP University NJSC
Statement of financial position
as at 31 December 2021

KZT'000

ASSETS

Non-current assets

Property, plant and equipment

Intangible assets

Advances paid and other assets

Other financial assets

Trade and other receivables

Current assets

Inventories

Advances paid and other assets

Other financial assets

Trade and other receivables

Bank deposits

Cash

TOTAL ASSETS

EQUITY AND LIABILITIES

Equity

Share capital

Retained earnings

Non-current liabilities

Payments received in advance

Current liabilities

Vacations accrued

Payments received in advance

Other taxes payable

Trade and other payables

TOTAL LIABILITIES

TOTAL EQUITY AND LIABILITIES

Note	2021	2020
11	4,559,515	4,064,705
	5,794	4,930
12	86,582	129,193
	6,814	9,575
13	3,899	10,074
	4,662,604	4,218,477
14	99,756	97,715
12	111,518	66,612
	3,419	3,419
13	14,523	18,710
15	6,981,868	6,155,392
16	186,530	194,617
	7,397,614	6,536,465
	12,060,218	10,754,942
17(a)	537,146	537,146
	9,470,371	8,277,292
	10,007,517	8,814,438
18	138,785	98,039
	138,785	98,039
	380,220	320,623
18	1,345,280	1,314,342
19	77,781	65,588
20	110,635	141,912
	1,913,916	1,842,465
	2,052,701	1,940,504
	12,060,218	10,754,942

TRANSLATED

KZT'000	Note	2021	2020
OPERATING ACTIVITIES			
Profit before taxation		1,193,079	871,958
Adjustments for:			
Depreciation and amortisation	4,5,6	209,655	295,657
Impairment losses (reversal of impairment)	8	4,163	(30,335)
Loss (gain) on disposal of property, plant and equipment		399	(223)
Finance income	9	(195,057)	(78,941)
Unrealised foreign exchange gain		(79,933)	(427,256)
Operating cash flows before changes in working capital		1,132,306	630,860
(Increase) decrease in advances paid and other assets		(44,931)	18,940
Decrease in trade receivables		7,030	18,780
(Increase) decrease in inventories		(2,982)	15,529
Increase (decrease) in advances received		71,684	(3,616)
Increase (decrease) in vacations accrued		59,597	(60,734)
Increase (decrease) in other taxes payable		12,193	(16,082)
Decrease in trade and other payables		(31,277)	(8,505)
Cash flows from operations before income tax paid		1,203,620	595,172
Income tax paid		-	-
Net cash from operating activities		1,203,620	595,172
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(658,982)	(374,323)
Purchases of intangible assets		(4,135)	(1,009)
Proceeds from sale of property, plant and equipment		-	420
Repayment of other financial assets		3,418	3,419
Investments in short-term bank deposits		(9,535,372)	(10,225,195)
Proceeds from deposits		8,951,594	9,734,045
Interest received		33,947	69,777
Net cash used in investing activities		(1,209,530)	(792,866)
Net decrease in cash		(5,910)	(197,694)
Effect of exchange rate changes on cash		(2,177)	263,349
Cash at the beginning of the year		194,617	128,962
Cash at the end of the year	16	186,530	194,617

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KIMEP University NJSC
Statement of changes in equity
for the year ended 31 December 2021

KZT'000

At 1 January 2020
 Profit for the year
At 31 December 2020
 Profit for the year
At 31 December 2021

	Share capital	Retained earnings	Total
At 1 January 2020	537,146	7,405,334	7,942,480
Profit for the year	–	871,958	871,958
At 31 December 2020	537,146	8,277,292	8,814,438
Profit for the year	–	1,193,079	1,193,079
At 31 December 2021	537,146	9,470,371	10,007,517

TRANSLATED

1. General information

(a) Organisation and operation

KIMEP University NJSC (hereinafter – the “Company”) is a non-profit joint-stock company incorporated in Kazakhstan. The Company was established in 1992, the date of the last re-registration of the Company is 1 July 2019.

Shareholders of the Company with joint control: State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan with a 40% ownership interest, an individual Chan Young Bang with a 60% ownership interest.

The Company’s registered office and principal place of business is 4 Abay avenue, Almaty, 050010, Kazakhstan.

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

As at 31 December 2021, the Company had 311 employees (2020: 320 employees).

(b) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, imposition or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The financial statements include management’s estimates of Kazakhstan economic conditions and their impact on the results and financial position of the Company. Future economic conditions can differ from those estimates.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”) as issued by the International Accounting Standards Board (hereinafter – “IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter – “IFRIC”) of the IASB.

(b) Going concern

These financial statements have been prepared on a going concern basis.

Management believes the Company’s stable profitability, positive cash flows from operating activities and adequate working capital are sufficient to meet the Company’s anticipated cash flow requirements. After making appropriate enquiries, management has reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. After making appropriate enquiries, and having considered the outlook of tuition fees, sales, as well as assessing possible adverse impacts, such as lower tuition fees, increased operational costs, management has reasonable expectation that the Company has sufficient resources to continue operating foreseeable future activities. Accordingly, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

(c) Basis of accounting

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

(d) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan tenge (hereinafter – “tenge” or “KZT”), which is the functional currency of the Company and the currency in which these financial statements are presented. All financial information presented in tenge has been rounded to the nearest thousand (hereinafter – “KZT’000” or “KZT thousand”).

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2. Basis of preparation, continued

(e) Adoption of standards and interpretations

In preparing the financial statements, the Company has applied the following standards and amendments effective from 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID-19 Rent Related Concessions (Amendments to IFRS 16).

The standards and amendments listed above did not have a material impact on these financial statements.

(f) New standards and interpretations not yet adopted

The Company has not early adopted new standards, interpretations or amendments that were issued but are not yet entered into force, and their requirements have not been considered when preparing the financial statements. These standards and interpretations are not expected to have a material impact on these financial statements.

(g) Use of estimates and judgments

The Company's management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Judgements are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments made by management for preparation of these financial statements is described in the notes below. However, management does not expect a significant risk of a material change to the Company's carrying value of the assets and liabilities affected by these factors in the next 12 months, within a reasonably possible range, unless described otherwise.

- Note 11 – Property, plant and equipment. Estimates were made in relation to the useful lives of assets;
- Note 12 – Advances paid and other assets. Management made estimates in relation to the allowance for doubtful assets;
- Note 13 – Trade and other receivables. Management made estimates in relation to the allowance for expected credit losses;
- Note 14 – Inventories. Estimates were made in relation to the allowance for obsolete inventories;
- Note 21 – Financial risk management objectives and policies. Fair value analysis is based on estimated future cash flows and discount rates;
- Note 22 – Commitments and contingencies. These require management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future.

3. Revenues

KZT'000	2021	2020
Tuition revenue	5,197,559	5,262,179
Scholarships and educational grants:	(657,979)	(834,694)
Dormitory	75,556	82,356
Additional courses	58,182	64,729
Library	591	2,432
	4,673,909	4,577,002

Revenues are recognised by the Company over time.

4. Cost of sales

KZT'000	2021	2020
Salaries and payroll taxes	2,333,983	2,496,169
Depreciation and amortisation	180,143	179,872
Energy and utilities	85,872	90,177
Supplies	78,412	89,834
Repair and services	31,624	19,963
Recruitment service	27,801	16,390
Business travel and representative expenses	9,091	5,977
Communication	5,001	5,232
Other	8,957	6,953
	2,760,884	2,910,567

5. Selling and distribution costs

KZT'000	2021	2020
Salaries and payroll taxes	110,504	73,383
Advertisement	7,693	4,532
Business travel and representative expenses	1,429	1,982
Depreciation and amortisation	3,007	814
Other	3,193	1,295
	125,826	82,006

6. Administrative expenses

KZT'000	2021	2020
Salaries and payroll taxes	852,252	873,107
Depreciation and amortisation	26,505	114,971
Other taxes	27,741	78,743
Accreditation expenses	20,385	6,745
Supplies	11,360	20,300
Consulting services	12,718	15,301
Repair and service	6,266	10,727
Insurance	3,302	2,540
Business travel and representative expenses	3,214	409
Bank charges	2,152	2,393
Other	14,119	10,327
	980,014	1,135,563

TRANSLATED

7. Other operating income, net

KZT'000	2021	2020
Other operating income		
Penalties	87,912	–
Income from operating lease	39,326	38,897
Grants received	35,833	37,598
Other proceeds from students	7,570	23,231
Gain on disposal of assets	6,985	223
Other income	9,580	17,232
	187,206	117,181
Other operating expenses		
Special-purpose program expense	47,129	51,574
Event organisation expenses	15,926	6,138
Other expense	8,715	8,772
	71,770	66,484
Other operating income, net	115,436	50,697

8. Impairment (reversal of impairment) losses

KZT'000	2021	2020
Provisions raised (released) against trade and other receivables	3,197	(1,662)
Provisions against prepayments and other assets	25	2,283
Provisions raised (released) against inventories	941	(1,821)
Provisions released against bank deposits	–	(29,135)
	4,163	(30,335)

9. Finance income

KZT'000	2021	2020
Interest income	194,402	77,250
Unwinding of discount under the contract for additional electric capacity	655	1,691
	195,057	78,941

10. Income tax expense

The Company belongs to organisations operating in social sphere. According to the tax legislation of the Republic of Kazakhstan, the Company has the right to reduce the amount of calculated corporate income tax by 100% if the income from basic (educational) activities, including income in the form of gratuitously received property, remuneration for deposits, as well as the excess of the amount of positive exchange rate difference over the amount of negative exchange rate difference arising from such income, is at least 90% of the total income of the Company.

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory rate to income tax expense at the effective tax rate is as follows:

KZT'000	2021	2020
Profit before taxation	1,193,079	871,958
Income tax rate	20.0%	20.0%
At statutory income tax rate	238,616	174,392
Tax reduction according to tax law	(238,616)	(174,392)
Income tax expense	–	–
Effective income tax rate	0.0%	0.0%

11. Property, plant and equipment

KZT'000	Land and buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost						
At 1 January 2020	3,265,676	1,576,728	74,002	453,809	280,690	5,650,905
Additions	–	33,641	–	1,698	920,651	955,990
Transfers	–	75	–	–	(75)	–
Disposals	–	(28,686)	(230)	(973)	–	(29,889)
At 31 December 2020	3,265,676	1,581,758	73,772	454,534	1,201,266	6,577,006
Additions	1,450	425,705	–	7,567	266,871	701,593
Transfers	1,455,987	–	–	–	(1,455,987)	–
Disposals	–	(1,216)	(12,989)	(432)	–	(14,637)
At 31 December 2021	4,723,113	2,006,247	60,783	461,669	12,150	7,263,962
Depreciation						
At 1 January 2020	944,303	923,363	26,166	355,066	–	2,248,898
Depreciation charge	119,287	139,833	8,632	25,343	–	293,095
Disposals	–	(28,571)	(154)	(967)	–	(29,692)
At 31 December 2020	1,063,590	1,034,625	34,644	379,442	–	2,512,301
Depreciation charge	74,668	105,400	4,867	21,449	–	206,384
Disposals	–	(999)	(12,989)	(250)	–	(14,238)
At 31 December 2021	1,138,258	1,139,026	26,522	400,641	–	2,704,447
Net book value						
At 31 December 2020	2,202,086	547,133	39,128	75,092	1,201,266	4,064,705
At 31 December 2021	3,584,855	867,221	34,261	61,028	12,150	4,559,515

Fully depreciated assets

As at 31 December 2021, the cost of fully depreciated property, plant and equipment in use was KZT 1,052,655 thousand (2020: KZT 902,424 thousand).

12. Advances paid and other assets

KZT'000	2021	2020
Advances paid for goods and services	115,964	143,283
Deferred expenses	56,897	32,315
Other taxes prepaid	25,349	20,145
Other	2,212	2,454
	200,422	198,197
Allowance for impairment of advances paid	(2,322)	(2,392)
	198,100	195,805
Non-current	86,582	129,193
Current	111,518	66,612
	198,100	195,805

13. Trade and other receivables

KZT'000	2021	2020
Receivables from students for tuition	60,652	60,268
Receivables from employees for tuition	4,727	13,199
Receivables from students for accommodation	2,779	2,779
Other receivables	10,359	9,436
	78,517	85,682
Allowance for expected credit losses	(60,095)	(56,898)
	18,422	28,784
Non-current	3,899	10,074
Current	14,523	18,710
	18,422	28,784

Movement in the allowance for expected credit losses is as follows:

KZT'000	2021	2020
At 1 January	56,898	58,620
Accrued (recovered)	3,197	(1,662)
Written off	-	(60)
At 31 December	60,095	56,898

14. Inventories

KZT'000	2021	2020
Raw and materials	114,880	112,459
Wares	768	207
	115,648	112,666
Allowance for obsolete inventories	(15,892)	(14,951)
	99,756	97,715

15. Bank deposits

KZT'000	Maturity	Interest rate	Currency	Total
At 31 December 2021				
Halyk Bank JSC	Sep-22	0.70%	USD	2,931,243
Halyk Bank JSC	Mar-22	6.90%	KZT	1,932,177
Shinhan Bank Kazakhstan JSC	Mar-22	7.00%	KZT	1,531,791
Shinhan Bank Kazakhstan JSC	Mar-22	0.50%	USD	423,384
Bank CenterCredit JSC	Mar-22	7.25%	KZT	52,300
				6,870,895
Interest receivable				110,973
				6,981,868
At 31 December 2020				
Halyk Bank JSC	Sep-21	0.70%	USD	2,839,792
Halyk Bank JSC	Mar-21	5.50%	KZT	1,373,255
Shinhan Bank Kazakhstan JSC	Mar-21	0.50%	USD	1,881,730
Bank CenterCredit JSC	Mar-21	8.25%	KZT	54,576
				6,149,353
Interest receivable				6,039
				6,155,392

15. Bank deposits, continued

Movement in the allowance for expected credit losses is as follows:

KZT'000	2021	2020
At 1 January	–	29,135
Recovered	–	(29,135)
At 31 December	–	–

16. Cash

KZT'000	2021	2020
Cash at bank	184,566	189,150
Cash on card accounts	1,260	970
Petty cash	704	4,497
	186,530	194,617

17. Equity

(a) Share capital

	2021			2020		
	ratio in %	number of shares	KZT'000	ratio in %	number of shares	KZT'000
State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	40	234,012	214,869	40	234,012	214,869
Chan Young Bang	60	350,988	322,277	60	350,988	322,277
	100	585,000	537,146	100	585,000	537,146

As at 31 December 2021 and 2020:

- the number of ordinary shares with a par value of KZT 1,000 was 500,750;
- the number of ordinary shares with a par value of KZT 432 was 84,250.

By the decree of the government of Kazakhstan of 3 December 2019, it was decided to make a direct targeted sale of the state stake in the Company in the quantity of 40% of the share capital to the public Fund "Bang Educational Fund" (hereinafter – the "Strategic investor"). At the same time, certain obligations related to the Company's activities were imposed on Strategic investor. As of the date of approval of the financial statements, the block of shares has not been sold.

(b) Dividends

In accordance with the legislation of Kazakhstan, non-profit organisations do not have the right to distribute dividends.

18. Payments received in advance

KZT'000	2021	2020
Payments received for tuition	1,386,275	1,331,907
Payments received for accommodation	39,293	16,087
Payments received for library	34,038	36,483
Payments received for courses	22,733	26,336
Other	1,726	1,568
	1,484,065	1,412,381
Non-current	138,785	98,039
Current	1,345,280	1,314,342
	1,484,065	1,412,381

19. Other taxes payable

KZT'000	2021	2020
Personal income tax	27,124	22,518
Social tax	21,069	19,604
Pension payments	19,601	16,282
Value added tax	2,622	736
Social insurance	2,150	1,928
Medical insurance	1,383	1,443
Other taxes	3,832	3,077
	77,781	65,588

20. Trade and other payables

KZT'000	2021	2020
Guaranteed deposits for housing and library	50,291	47,385
Trade payables	12,050	17,009
Other payables	271	178
Financial instruments within trade payables	62,612	64,572
Sponsorship and other trust funds	48,023	77,340
	110,635	141,912

21. Financial risk management objectives and policies

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management oversees compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

(b) Categories and fair values of financial assets and financial liabilities

Categories of financial assets and financial liabilities

KZT'000	Note	2021	2020
Financial assets at amortised costs			
Other financial assets		10,233	12,994
Trade and other receivables	13	18,422	28,784
Bank deposits	15	6,981,868	6,155,392
Cash	16	186,530	194,617
		7,197,053	6,391,787
Financial liabilities at amortised cost			
Vacations accrued		(380,220)	(320,623)
Trade and other payables	20	(62,612)	(64,572)
		(442,832)	(385,195)

21. Financial risk management objectives and policies, continued

Fair values

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from the Company's other financial assets, trade receivables, bank deposits and cash.

The carrying value of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at 31 December was:

KZT'000	2021	2020
Other financial assets	10,233	12,994
Trade and other receivables	18,422	28,784
Bank deposits	6,981,868	6,155,392
Cash (less petty cash)	185,826	190,120
	7,196,349	6,387,290

Other financial assets

Other financial assets are represented by loans issued for additional electrical power. The Company performs an analysis to ensure that the overall credit exposure on these loans does not exceed the distributable reserves of the Company.

The Company's exposure to credit risk relates entirely to Kazakhstan debtor.

The Company estimates expected credit losses for other financial assets. Potential allowance for impairment of other financial assets at the reporting dates was immaterial.

Trade receivables

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. These trade receivables relate to customers that make payment in instalments. The Company regularly monitors its exposure to bad debts in order to minimise this exposure.

The Company's exposure to credit risk relates entirely to Kazakhstan customers.

The Company creates an allowance for impairment of trade receivables, which represents its estimate of expected credit losses. At the same time, the possible provision for impairment of accounts receivable that were overdue for up to 9 months was insignificant. The ageing of trade receivables at 31 December was:

KZT'000	Gross	Expected loss rate	Impairment
2021			
Not past due	8,020	0.0%	–
Past due 0-90 days	5,065	0.0%	–
Past due 91-180 days	47	0.0%	–
Past due 181-270 days	534	0.0%	–
More than 270 days	64,851	92.7%	60,095
	78,517	76.5%	60,095
2020			
Not past due	7,549	0.0%	–
Past due 0-90 days	4,852	0.0%	–
Past due 91-180 days	413	0.0%	–
Past due 181-270 days	180	0.0%	–
More than 270 days	72,688	78.0%	56,898
	85,682	66.4%	56,898

21. Financial risk management objectives and policies, continued

Cash and bank deposits

Credit risk related to cash and bank deposits is monitored by management in accordance with the policies of the Company. Free funds are held with banks in Kazakhstan with ratings of Moody's from "B1" to "Aa3". The purpose of this policy is to reduce concentration of credit risk and minimise possible financial loss due to banks' failure to meet their contractual obligations.

KZT'000	2021	2020
Ratings from Aa1 to Aa3	1,962,299	1,883,015
Ratings from Baa1 to Baa3	5,033,477	4,233,195
Ratings from B1 to B3	171,918	229,302
	7,167,694	6,345,512

The Company estimates expected credit losses for bank deposits. Potential allowance for impairment of bank deposits at the reporting dates was immaterial.

(d) Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring continuity of funding and flexibility through the use of purchases on credit.

Maturity of financial liabilities

The table below provides an analysis of the Company's financial liabilities to be settled on a gross basis by relevant maturity groups from the balance sheet date to the contractual settlement date:

KZT'000	Less than 3 months	3 to 12 months	Total
2021			
Vacations accrued	14,224	365,996	380,220
Trade and other payables	12,050	50,562	62,612
	26,274	416,558	442,832
2020			
Vacations accrued	25,955	294,668	320,623
Trade and other payables	17,009	47,563	64,572
	42,964	342,231	385,195

(e) Price risk

The Company is not exposed to market risk as it concludes contracts without price change adjustment for services after their sale.

(f) Interest rate risk

At the reporting dates the Company is not exposed to interest rate risk as there are no financial instruments with floating interest rates.

(g) Currency risk

The Company is subject to currency risk exposure when performing transactions in currencies other than its functional currency.

21. Financial risk management objectives and policies, continued

The Company's exposure to foreign currency risk was as follows:

KZT'000	USD	EUR	Total
2021			
Bank deposits	3,360,425	–	3,360,425
Cash	125,218	10	125,228
Trade and other payables	(116)	(24)	(140)
	3,485,527	(14)	3,485,513
2020			
Bank deposits	4,727,500	–	4,727,500
Cash	69,074	22	69,096
Trade and other payables	(34)	(25)	(59)
	4,796,540	(3)	4,796,537

Sensitivity analysis

A 20% weakening of tenge against the following currencies as at 31 December would have increased net profit by the amounts shown below. This analysis assumes that all other variables remain constant.

KZT'000	2021	2020
USD	697,105	959,308
EUR	(3)	(1)

A 20% strengthening of tenge against the above currencies as at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(h) Capital management

The overriding objectives of the Company's capital management policy are to safeguard and support the business as a going concern and to maintain an optimal capital structure to maintain trust of shareholders and other interested parties.

The Company controls its capital using a leverage ratio that is maintained at a maximum of 40%.

22. Commitments and contingencies

(a) Kazakhstan's taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Company is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively.

Management interpretations of such legislation in applying it to business transactions of the Company may be challenged by the relevant tax authorities and, as a result, the Company may be claimed for additional tax payments, including fines, penalties and interest charges that could have a material adverse effect on the Company's financial position and results of operations.

Period for additional tax assessments

Tax authorities in Kazakhstan have the right to raise additional tax assessments for three or five years after the end of the relevant tax period, depending on the taxpayer category or tax period. In certain cases, as determined by the tax legislation, the terms could be extended for three years.

Possible additional tax liabilities

Management believes that the Company is in compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

22. Commitments and contingencies, continued

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be liable.

(b) Insurance

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. Available insurance programs may not provide full coverage in the event of a major loss.

(c) Legal commitments

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Company. As at 31 December 2021, the Company was not involved in any significant legal proceedings.

23. Related party disclosures

Related parties include the following:

- Key executives;
- Shareholders;
- Companies under common control;
- Other. Others include settlements with the Committee of the Ministry of Education and Science of the Republic of Kazakhstan and members of the Company's Board of Directors.

(a) Management remuneration

Rewards received by key executives are included in personnel costs of administrative expenses (see note 6) amounted to KZT 441,275 thousand (2020: KZT 429,212 thousand).

The remuneration paid to the members of the Company's Board of Directors amounted to KZT 2,562 thousand (2020: KZT 2,700 thousand).

(b) Transactions with related parties

KZT'000	Shareholders	Companies under common control	Other	Total
2021				
Grants, scholarships and other proceeds	7,776	15,647	15,418	38,841
Other sales to related parties	–	–	1,533	1,533
Purchases from related parties	–	(61,701)	–	(61,701)
Due from related parties	–	77	–	77
Due to related parties	(48)	(40,702)	(1,505)	(42,255)
2020				
Grants, scholarships and other proceeds	16,057	2,320	6,285	24,662
Purchases from related parties	–	(15,291)	–	(15,291)
Due from related parties	–	77	–	77
Due to related parties	(7,824)	(60,568)	(60)	(68,452)

No allowance is held against the amounts owed by related parties at 31 December 2021 and 2020. The impairment losses in relation to amounts owed by related parties was nil for the year (2020: nil).

(c) Terms and conditions of transaction with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

24. Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange ruling rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date when their fair value was determined. Foreign currency differences arising on retranslation at the exchange rate on the date of the transaction as well as those from retranslation of monetary assets and liabilities at the reporting date are recognised in profit or loss.

The following exchange rates were used in preparing the financial statements:

	2021		2020	
	Year-end	Average	Year-end	Average
US dollar	431.67	426.03	420.91	412.95
Euro	487.79	503.88	516.79	471.44
UK pounds sterling	580.90	586.25	574.88	529.91

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain (loss) on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income (other expenses) in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of the individual asset to its estimated residual value. The expected remaining useful lives as follows:

- buildings and constructions 25-50 years;
- machinery and equipment 5-15 years;
- vehicles 7-10 years;
- other 4-17 years.

Useful lives and residual values of property, plant and equipment are analysed at each reporting date.

(c) Intangible assets

Intangible assets relate largely to software purchases, which are acquired by the Company and which have finite useful lives, are stated at cost (which comprises purchase price plus any directly attributable costs of preparing the asset for intended use) less accumulated amortisation and impairment losses.

Amortisation

Amortisation of intangible assets, which have expected useful lives of 2 to 10 years, is computed under the straight-line method over the estimated useful lives of the assets.

24. Significant accounting policies, continued

(d) Impairment

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Company's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The actual cost of inventories is based the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Accounts receivable

Accounts receivable are normally recognised at their nominal value less any expected credit loss and do not generally carry any interest. Expected credit losses are recognised in an allowance account if recoverable. Otherwise, the carrying amount of accounts receivable is written off.

Accounting policies for accounts receivable are provided in the *Financial instruments* section.

(g) Cash

Cash comprise cash at bank which is available on demand and subject to insignificant risk of changes in value and petty cash.

(h) Leases

The Company as lessor

The Company enters into lease contracts as a lessor with respect to some of its land and buildings. Whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(i) Retirement employee benefits

The Company does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments.

24. Significant accounting policies, continued

(j) Revenues

At contract inception, the Company assesses the goods or services (assets) promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either an asset that is distinct or series of distinct assets that are substantially the same and that have the same pattern of transfer to the customer.

Sale of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from providing services is recognised over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In other cases, revenue from providing services is recognised at a certain point in time.

Financing components

There are no contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the transaction prices are not adjusted for the time value of money.

(k) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

Management of the Company does not recognise deferred tax because the Company is classified as a social organisation. According to the tax legislation of Kazakhstan, the Company, when determining the amount of corporate income tax payable to the budget, reduces the amount of calculated corporate income tax by 100% if income from the operating in the social sphere, taking into account income in the form of property received free of charge, interest on deposits, as well as the excess of the amount of positive exchange rate difference over the amount of negative exchange rate difference arising from such income, amount to at least 90% of the total annual income of the Company.

(l) Financial instruments

The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets

Classification and initial measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at amortised cost, fair value through profit or loss or fair value through other comprehensive income. The Company determines this classification at initial recognition depending on the business model for managing the financial asset and the contractual terms of the cash flows.

Financial assets are classified and measured at amortised cost or fair value through OCI if the related cash flows are 'solely payments of principal and interest' on the principal amount outstanding. Financial assets with cash flows that are not 'solely payments of principal and interest' are classified and measured at fair value through profit or loss, irrespective of the business model.

At initial recognition financial assets are measured at fair value being the consideration received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in the statement of profit or loss.

24. Significant accounting policies, continued

Subsequent measurement

Financial assets held for the collection of contractual cash flows that are solely payments of principal and interest (and classified as amortised cost) are subsequently measured at amortised cost using the effective interest rate method ("EIR"). Amortised cost is calculated by taking into account any discount or premium and fees or costs on acquisition. Unwinding of the difference between nominal and amortised values is included in finance income in the statement of profit or loss.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses that might arise on financial assets measured at amortised cost. This assessment considers the probability of a default event occurring that could result in the expected cash flows due from a counterparty falling short of those contractually agreed.

Expected credit losses are estimated for default events possible over the lifetime of a financial asset measured at amortised cost. However, where the financial asset is not a trade receivable measured at amortised cost and there have been no significant increases in that financial asset's credit risk since initial recognition, expected credit losses are estimated for default events possible within 12 months of the reporting date.

Financial liabilities

Classification and initial measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost or fair value through profit or loss. The Company determines the classification of its financial liabilities at initial recognition.

At initial recognition financial liabilities are measured at fair value being the consideration given. Financial liabilities at amortised cost additionally include directly attributable transaction costs.

Subsequent measurement

Trade and other payables and other financial liabilities are subsequently measured at amortised cost using the EIR method after initial recognition. Amortised cost is calculated by taking into account any discount or premium and fees or costs on acquisition. Unwinding of the difference between nominal and amortised values is included in finance costs in the statement of profit or loss.

Financial liabilities measured at fair value through profit or loss are carried on the balance sheet at fair value with subsequent changes recognised in finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

At each reporting date, the fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

25. Events after the reporting period

Russia's operation on the territory of Ukraine

Russia's special military operation on the territory of Ukraine, which began on 24 February, caused an unprecedented tightening of economic sanctions against Russia by Western countries. These circumstances led to significant volatility of the Russian rouble and impacted the tenge. Thus, on 16 March, the tenge exchange rate against the US dollar has reached 512.19 tenge/US dollar (an increase 18.7% from the beginning of the year). As at the date of approval of the financial statements, the exchange rate amounted to 494.16 tenge/US dollar.

The continuation of the military operation and the further tightening of economic sanctions against Russia by Western countries may have an impact on the economy of Kazakhstan and the Company's operations.

Opening a metal account

In March 2022, the Company has opened an unallocated metal account in gold in JSC "Halyk Bank of Kazakhstan" for a total amount to KZT 683,100 thousand.