BAKER TILLY
ELTAL KAZAKHSTAN

KIMEP UNIVERSITY
JOINT STOCK COMPANY

Financial statements
For the year ended December 31, 2013,

and Independent Auditor's Report

an independent member of
BAKER TILLY
ELTAL KAZAKHSTAN

Table of contents

БЕЙКЕР ТИЛЛИ
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Joint Stock Company KIMEP University

We have audited the accompanying financial statements of Joint Stock Company KIMEP University (the - "Company"), which comprise the statement of financial position as at December 31, 2013 and the statement of comprehensive income, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical principles and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

A significant portion of the share capital of the Company was contributed in the form of a property complex based on the valuation performed by an independent appraiser. The shareholders (the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan and Dr. Chan Young Bang) approved the valuation results of the property complex, and determines the value of the property complex at 403,800 thousand tenge. The valuation was performed in accordance with the legislation of the Republic of Kazakhstan on privatization and valuation activity. As the valuation of the property complex was not performed in accordance with International Financial Reporting Standards, we were unable to obtain sufficient audit evidence regarding the fair value of this property complex. Thus, we were unable to confirm the valuation of the share capital for the amount of 403,800 thousand tenge, the related property, plant and equipment, and the related accumulated depreciation as at December 31, 2013 and 2012m and the depreciation expense for the years ended December 31, 2013 and 2012.

Qualified opinion

In our opinion, the accompanying financial statements present fairly and authentically the financial position of the Company as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the Company has recurring losses from operations. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

BAKER TILLY ELTAL KAZAKHSTAN LLP

State license No.0000047 Series MFU-2 for auditing activities as issued by the Ministry of Finance of the Republic of Kazakhstan d/d November 05, 2009

T.A.Omarov Director

April 15, 2014

Almaty

E.Yussupova Auditor

Auditor qualifying certificate No.0000488

issued by the Qualification Commission for Auditors Certification d/d 12.10.1999

KIMEP UNIVERSITY JOINT STOCK COMPANY
STATEMENT OF FINANCIAL POSITION
as at December 31, 2013

(in thousands of Kazakhstani Tenge)	Notes	2013	2012 recalculated
Assets			
Current assets			
Cash and cash equivalents	7	262,685	306,570
Restricted cash	8	1,795	2,815
Trade accounts receivable	9	138,575	118,962
Other accounts receivable	9	46,952	66,785
Inventory	10	25,340	20,851
Current tax assets	11	49,225	12,483
Financial assets, current	12	3,419	3,420
Other financial investments	13	1,186,300	901,258
		1,714,292	**1,433,144**
Non-current assets			
Property, plant and equipment	14	1,863,936	1,988,059
Intangible assets	15	865	1,656
Financial assets, non-current	12	18,636	19,539
Other non-current assets	16	43,503	44,920
Non-current accounts receivable	17	1,664	-
		1,928,604	**2,054,174**
Total assets		**3,642,896**	**3,487,317**

Equity and liabilities			
Current liabilities			
Trade and other accounts payable	18	1,145,493	1,034,905
Current estimated liabilities	19	319,750	110,115
Current tax liabilities	20	36,721	25,043
Liabilities on other statutory and voluntary payments	21	11,344	13,590
		1,513,308	**1,183,653**
Non-current liabilities			
Total liabilities		**1,513,308**	**1,183,653**

Equity			
Share capital	22	537,146	537,146
Retained earnings	22	1,592,442	1,766,518
Total equity		**2,129,588**	**2,303,664**
Total equity and liabilities		**3,642,896**	**3,487,317**

Accounting policies and explanatory information on pages 11 to 41 form an integral part of these financial statements

Dr. William Gerard Gissy

Vice President of Strategic Planning, Development and Research

April 15, 2014

Almaty

Zh.Nurpeis

Chief Accountant

April 15, 2014

Almaty

KIMEP UNIVERSITY JOINT STOCK COMPANY

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013

(in thousands of Kazakhstani Tenge)

	Notes	2013	2012
REVENUE	23	3,128,634	3,007,334
Cost of goods and services	24	(2,020,596)	(2,312,518)
Gross profit		**1,108,038**	**694,816**
General and administrative expenses	25	(1,179,426)	(852,916)
Selling expenses	26	(219,023)	(258,733)
Other income/(expenses)	27	67,780	22,097
Operating profit		**(222,631)**	**(394,736)**
Finance income	28	37,563	67,817
Income from continuing operations before tax		**(185,068)**	**(326,919)**
Income tax expenses		-	-
Loss for the year		**(185,068)**	**(326,919)**

Accounting policies and explanatory information on pages 11 to 41 form an integral part of these financial statements

Dr. William Gerard, Gissy

Vice President of Strategic Planning, Development and Research

April 15, 2014

Almaty

Zh.Nurpeis

Chief Accountant

April 15, 2014

Almaty

KIMEP UNIVERSITY JOINT STOCK COMPANY
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2013

(In thousands of Kazakhstani Tenge)	**Share capital**	**Retained earnings**	**Total**
Balance as at 01 January of the reporting year	537,146	**1,766,518**	**2,303,664**
Profit (loss) for the period	-	(185,068)	**(185,068)**
Adjustments (Note 22)	-	10,992	**10,992**
Balance as at 31 December of the reporting year	**537,146**	**1,592,442**	**2,129,588**
Balance as at 01 January of the previous year	537,146	2,127,777	**2,664,923**
Profit (loss) for the period	-	(326,919)	**(326,919)**
Adjustments (Note 22)	-	(34,340)	**(34,340)**
Balance as at 31 December of the previous year	**537,146**	**1,766,518**	**2,303,664**

Accounting policies and explanatory information on pages 11 to 41 form an integral part of these financial statements

Dr. William Gerard Gissy

Vice President of Strategic Planning, Development and Research

April 15, 2014

Almaty

Zh.Nurpeis

Chief Accountant

April 15, 2014

Almaty

KIMEP UNIVERSITY JOINT STOCK COMPANY
STATEMENT OF CASH FLOWS
for the year ended December 31, 2013
(in thousands of Kazakhstani Tenge)

Operating activities:

	2013	2012
Loss before taxation	**(185,068)**	**(326,919)**
Adjustments for:		
Depreciation and Amortization	137,401	154,538
Reversal accrual of allowance for doubtful debts	18,690	(48,312)
Reversal accrual of provision for unused vacations	11,758	(18,651)
Translation loss	581	1,341
Finance income	(37,563)	(67,817)
Loss from disposal of property, plant and equipment and intangible assets	1,075	3,923
Reversal of provision for obsolete inventory	(376)	(6,623)
Operating loss before working capital changes	**(53,502)**	**(308,520)**
Increase/(decrease) in inventory	(4,488)	4,213
Increase/(decrease) in trade accounts receivable	(1,446)	52,284
Increase/(decrease) in current tax assets	(36,742)	9,608
Increase/(decrease) in) taxes payable	9,432	865
Increase/(decrease) in trade and other accounts payable	133,183	120,178
Increase/(decrease) in accrued liabilities	187,041	(19,221)
Net cash inflow(outflow) from operating activities	**233,478**	**(140,593)**
Investing activities:		
Placement of financial investments	(1,186,300)	(900,000)
Proceeds from financial investments	901,258	1,325,988
Sale of property, plant and equipment	18,867	-
Interest received	-	63,402
Change in restricted cash	1,020	(63)
Proceeds from financial assets	3,703	3,419
Purchase of property, plant and equipment	(15,867)	(149,248)
Purchase of intangible assets	(44)	-
Net cash inflow(outflow) from investing activities	**(277,363)**	**343,498**
NET CHANGE IN CASH	**(43,885)**	**202,905**
Effect of changes in foreign exchange rates related to cash balances	-	92

Cash at the beginning of the year	**306,570**	**103,573**
Cash at the end of the year	**262,685**	**306,570**

Accounting policies and explanatory information on pages 11 to 41 form an integral part of these financial statements

Mr. William Gerard Gissy

Vice President of Strategic Planning, Development and Research

April 15, 2014

Almaty

Zh.Nurpeis

Chief Accountant

April 15, 2014

Almaty

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1. General information

A non-profit joint stock company Kazakhstan Institute of Management, Economics and Strategic Research (hereinafter, the "Company") founded in accordance with the Decree of the President of the Republic of Kazakhstan dated August 28, 2003 No.1178 and the Resolution of the Government of the Republic of Kazakhstan dated November 14, 2003 No.1148 through reorganization of a state establishment Kazakhstan Institute of Management, Economics and Strategic Research under the aegis of the President of the Republic of Kazakhstan by decision of general meeting of shareholders of the Company dated December 23, 2011 (Minutes of the meeting No.14 dated December 23, 2011)was renamed as a Joint Stock Company KIMEP University on January 26, 2012.Legal Entity State Reregistration Certificate No. 64250-1910-AO(IU) issued by the Almaty Justice Department of the Ministry of Justice of the Republic of Kazakhstan.

JSC KIMEP University provides graduate and undergraduate degree programs in English at the highest level of international educational standards, conducts research in the relevant fields, and carries out its activities in further education.

State Reregistration Certificate of a Joint Stock Company KIMEP University under registration number 64250-1910-AO (IU)Series V No.0584457 issued by the Almaty Justice Department of the Ministry of Justice of the Republic of Kazakhstan dated January 26, 2012. The Certificate entitles the Company to do business in accordance with the foundation documents within the limits of the Republic of Kazakhstan laws.

Taxpayer Certificate of the Republic of Kazakhstan Series 60 No.0094952 (the number was changed due to reregistration of JSC KIMEP University) issued on January 27, 2012, tax registration number (TRN): [illegible]00063381.

The legal entity is situated at the following address: 4 Abai Avenue, Almaty, Republic of Kazakhstan.

Official website: *www.kimep.kz*

The mission of KIMEP 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 fields of administration and social sciences.

Subject, key goals and objectives of operations of KIMEP University are as follows:

- ✓ Facilitation of development of education and science and knowledge dissemination;
- ✓ Training of highly qualified specialists in undergraduate, graduate and post-graduate programs;
- ✓ Professional development of civil servants and specialists on different fields of the Kazakhstani economy;
- ✓ Training and professional development of faculty members, administration and support;
- ✓ Organization and conducting of fundamental and applied scientific researches aimed at solving national and international problems;
- ✓ Utilization of up-to-date educational technologies using Internet access, including of credit-based system for organization and accounting of academic processes; provision of an access to global information resources and development of modern university management tools;
- ✓ Provision of financial assistance to talented students from low-income families through scholarships and tuition waivers;
- ✓ Expansion of relations with international educational institutions and scientific organizations, hiring foreign scholars, instructors and professionals to train and re-train Kazakhstani staff, implementation of joint researches, establishment of exchange programs for students and specialists;

- Elaboration and publishing of educational, methodological, scientific and specialized literature;
- Organization and conducting of research symposiums, seminars and conferences with participation of students and faculty;
- Performance of other activities and services relevant to its specialization to comply with the legislation of the Republic of Kazakhstan.

As at 31 December 31, 2013 and 2012, the Company had 589 and 989 employees respectively, including full-time and part-time employees.

Economic environment in which the Company operates

The economy of the Republic of Kazakhstan still manifests features that are common for emerging markets. In particular, there is no national currency that is freely convertible outside the national territory, the liquidity of state and private securities markets is low, and there is no market compliance and transparency.

The economy of Kazakhstan, which significantly declined due to financial crisis of 2008 and 2009, steadily recovered its economic growth rate in 2012 and 2013. The recovery was accompanied by graduate population income growth, refinancing rates decrease, stabilization of an exchange rate of Kazakhstani tenge to main currencies, and currency market liquidity increase.

Besides, the banking sector of Kazakhstan is influenced by political, legislative, financial and regulatory changes in the country. Prospects for economic stability in Kazakhstan in 2013-2014 are largely dependent on the effectiveness of economic measures undertaken by the Government. There is a possibility of unpredictable changes in financial and economic environment that may have an adverse effect on the Company operations.

On the February 11, 2014 the National Bank of the Republic of Kazakhstan announced termination of tenge currency support, decrease of currency interventions, and decrease of intervention to exchange rate formation. Tenge was devalued on February 11. U. S. dollar appreciated to 185 tenge for U. S. 1 dollar, while the former exchange rate was 155.5 tenge for U. S. 1 dollar. The capital outflow from the developing markets, devaluation of Russian ruble, and support of national exporters were named as devaluation reasons by the National Bank.

The tax, currency and customs legislation of the Republic of Kazakhstan are subject to varying interpretations and frequent changes. Prospects for economic development of the Republic of Kazakhstan are largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, as well as upon tax, legal, regulatory, and political system.

Management is unable to predict all developments in the economic environment of Kazakhstan, and consequently what effect, if any, they could have on the future financial position of the Company. Management of the Company believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

2. Principles of financial statements preparation.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in the edit published by IFRS Council.

The financial statements have been prepared on the historical cost basis unless otherwise specified in the accounting policies and Notes to the financial statements.

The Financial Statements are presented in the Kazakhstan Tenge (here in after -"tenge") and unless otherwise specified the figures are rounded to the closest one thousand tenge.

Going concern

These financial statements have been prepared on a going concern basis, which assumes the realization of the Company's assets and discharge of its liabilities in the normal course of business within the foreseeable future.

For the year ended December 31, 2013, the Company incurred a net loss of 185,068 thousand tenge (in 2012: net loss of 326,919 thousand tenge, in 2011: 381,503 thousand tenge).

Management believes that the Company will be able to continue as a going concern for the foreseeable, as management has developed measures to increase the Company's profitability and the increase the level of student enrolments through including:

- delivering quality assured and accredited programs through attaining international accreditation for each program;
- ensuring a committed core faculty of international quality;
- revitalizing student recruitment both domestically and internationally;
- building a capital fundraising campaign through engagement of corporations active in Central Asia.

These financial statements do not include any adjustments should the Company be unable to continue as a going concern.

Accrual basis

These financial statements except for 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 comprehensive income on the basis of 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. Adoption of new and revised standards and interpretations

Below are the standards that have been issued but are not yet effective and have not been applied on the issue date of these financial statements. Management believes that the amendments to these standards and interpretations will have no material impact on the accounting policies, financial position or performance of the Company.

- IFRS 10 "Consolidated Financial Statements" and IAS 27 "Separate Financial Statements"
- IFRS 11 "Joint Arrangements" and IAS 28 "Investments in Associates and Joint Ventures"
- IFRS 12 "Disclosure of Interest in Other Entities"
- IFRS 13 "Fair value measurement"

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 defines the fair value as an exit price.As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for value measurement of liabilities. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company.Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- Amendments to IAS 1 "Presentation of Financial Statements"–"Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings).The amendments affect presentation only and have no impact on the Company's financial position or performance.

- Amendments to IAS 1 "Presentation of Financial Statements"–"Clarification of Requirements for Comparative Information"

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at1 January 2012 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- Amendments to IAS 36 "Impairment of assets"– "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments remove unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or any CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014, with earlier application permitted, provided IFRS 13 is also applied. The Company has early adopted these amendments to IAS 36 in the current period since the amended/additional disclosures provide useful information as intended by the IASB. These amendments would continue to be considered for future disclosures.

- Amendments to IAS12"Income Taxes" –"Deferred tax: Recovery of Underlying Assets"

The amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after January 1, 2012. The amendment had no impact on the financial position, financial results or information disclosed by the Company.

- Amendments to IAS 24 "Related Party Disclosure"

The IASB issued the amendment to IAS 24 that clarifies the definition of a related party. The new definition emphasizes a symmetrical view of related party relationships. The amendment also clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the basic disclosure requirements in relation to related party disclosures for transactions with the government or entities that are controlled, jointly controlled or significantly influenced by the government. The amendment had no impact on the financial position or performance of the Company.

- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. It is assumed that these amendments will have no impact on financial position or performance of the Company. The amendments are effective for annual periods beginning on or after January 1, 2014.

- Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"

The amendments require an entity to disclose information about rights of offset and related arrangements (such as collateral posting requirements). Due to these requirements, users will have information that is useful to assess the impact of netting agreements on the financial position of the company. New requirements for disclosure apply to all recognized financial instruments, which are offset in accordance with IAS 32 *"Financial Instruments: Presentation"*. Disclosure requirements also apply to recognized financial instruments under an enforceable master netting agreement or similar arrangement, regardless of whether they are subject to offset under IAS 32. The amendments will have no impact on the financial position or performance of the Company. The amendments are effective for annual periods beginning on or after 1 January 2013.

- IFRS 9 "Financial Instruments: Classification and Measurements"

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standards were initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an impact on classification and measurement of the Company's financial asset, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

***Annual improvements to IFRS* (May 2012)**

- IAS 1 "Presentation of Financial Statements"

This improvement clarifies the difference between additional comparative information to be provided on a voluntary basis, and the minimum required comparative information. Usually, the minimum required comparative information is information for the previous reporting period.

- IAS 16 "Property, Plant and Equipment"

This improvement clarifies that the main parts and accessories that meet the definition of property, are not supplies.

- IAS 32 "Financial Instruments: Presentation of Information"

This improvement clarifies, that the income tax in favor of shareholders is recorded in accordance with IAS 12 "Income tax".

4. Summary of significant accounting policies

a) *Classification of assets and liabilities into current/short-term and non-current/log-term assets and liabilities*

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 assets and liabilities. An asset is classified as current, if:

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

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

- it is expected to be settled within the normal operating cycle;
- it is held mainly for trading;
- it is repayable within twelve months after the reporting period; or

- the company has no unconditional right to suspend payment at least within twelve months after the reporting period.

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

Fair value measurements

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in the relevant notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or transfer a liability taking place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an assets or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 –Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External appraisers are involved for valuation of significant assets, such as properties and AFS financial assets, and significant liabilities, such as contingent consideration. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Appraisers are normally rotated every three years. The valuation committee decides, after discussions with the Company's external appraisers, which valuation techniques and inputs to use for each case.

At each reporting date the valuation committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the valuation committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation committee, in conjunction with the Company's external appraisers, also compares changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation committee and the Company's external appraisers present the valuation results to the audit committee and the Company's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All exchange differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Weighted average exchange rate established by the Kazakhstan Stock Exchange (KASE) is used as the official exchange rate in the Republic of Kazakhstan.

Any goodwill or any fair value adjustments arising on the acquisition of a foreign company are treated asan asset or a liability of the foreign entity and translated at the exchange rate at the end of the reporting period.

As at 31 December 2012, the principal rate of exchange used for translating foreign currency balances was [illegible] tenge per 1 U.S. dollar. At 31 December 2011: 148.4 tenge per 1 U.S. dollar.At 31 December [illegible]: [illegible] tenge per 1 U.S. dollar.At 31 December 2009: 148.36 tenge per 1 U.S. dollar. At 31 December [illegible]: [illegible] tenge per 1 U.S. dollar.

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. 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:

Rendering of services

Revenue from rendering of services is recognized in the period in which services were actually rendered. Revenue is recognized net of VAT and discounts.

Interest income

For all financial instruments measured at amortised cost, interest income or expense is recognized using the effective interest rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Taxes

Current income tax

Current income tax assets and liabilities for the currentperiod are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and or taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, that at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction of goodwill (as long as it does not exceed the goodwill) if it was incurred before the completion of the initial accounting of a business combination, in other cases it is recognized in profit or loss.

ff) *Cash dividend and non-cash distribution to equity holders of parent company*

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent company when the distribution is authorized and is no longer subject at the discretion of the Company. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets is recognised in the statement of profit or loss.

Property, plant and equipment

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

If parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is calculated for all types of property, plant and equipment, except land, on 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.

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

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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.

Costs incurred after the assets are put into operation, such as repair and maintenance costs are recognised in profit or loss as incurred. Expenses incurred that result in increase of expected future economic benefits from the use of the asset in excess of the originally assessed standard performance of the asset are capitalised as an additional cost of property, plant and equipment.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate.

Lease

Determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for 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 or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised directly in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognized as an expense in the income statement evenly over the lease term.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The initial cost of intangible comprises its purchase price, including import duties and non-refundable taxes, and any costs directly attributable to bringing the asset to its working condition and location for its intended use.

Intangible assets are amortised on a straight-line basis over their useful lives (3 years). The amortization expense on intangible assets is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets are derecognised upon disposal or no future economic benefits are expected from its use or disposal. Any gains or losses arising from de-recognition of an intangible asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in the statement of profit or loss in the year the asset is derecognised.

The Company assesses, at each reporting date, whether there is an indication that an intangible assets may be impaired. Whenever there is an indication that the intangible asset may be impaired, the carrying amount of any intangible asset is assessed, and if impaired it is reduced to the recoverable amount.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs of disposal, recent market transactions are taken into account (if any). If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss recognised for the asset in prior years. Such reversal is recognized in the statement of profit or loss, unless the asset is carried at a revalued amount.

Financial assets

Initial recognition and measurement

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

Financial assets are initially recognised at fair value plus, in the case of investments not recorded at fair value through profit or loss, transaction costs that are directly attributable to the investments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

Subsequent measurement of financial assets depends on their classification:

Loans, accounts receivable and payable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Depreciation based on the use of the effective interest rate is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

Receivables

Receivables, except for prepayments and other non-financial debt are carried at amortized cost, calculated using the effective interest method, less impairment.

Prepayment

Prepayments are carried at cost less impairment. Prepayment is classified as long-term if the expected date of receipt of goods or services relating thereto, exceeds one year, or when the prepayment relates to an asset which will be classified as non-current upon initial recognition. The amount of prepayment for acquisition of the asset is included in its carrying amount in case the Company obtains control over this asset and expects to receive economic benefits in the future. Other prepayments are written off to profit and loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to the prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Derecognition

Financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the statement of financial position if:

the rights to receive cash flows from the asset have expired;

the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay a third party received cash flows in full without material delay to a "pass-through" arrangement; either (a) the Company has transferred substantially all risks and benefits from the asset, or (b) the Company has neither transferred nor retained substantially all the risks and benefits from the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred since the initial recognition.

An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually 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 collectively assesses them for impairment. Assets that are individually for impairment and for which an impairment loss is, or continues to be, recognised are not included in collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the carrying amount and the present value of expected future cash flows (excluding future expected credit losses that have not been yet incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If the interest rate on the loan is variable, 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 loss is recognised in the statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

Financial Liabilities

Initial Recognition and Estimation

Financial liabilities being in the scope of application of IAS 39 are classified accordingly as the financial liabilities reassessed at fair value through profit or loss, credits or loans. The Company classifies its financial liabilities at their initial recognition.

All financial liabilities are initially recognized at fair value with credits' and loans' costs associated with direct expenses on a transaction added.

Following Estimation

Estimation of financial liabilities depends on their classification as follows:

Derecognition

Recognition of a financial liability in a statement of financial position is derecognised, if the liability has been fulfilled, annulled or its validity term has expired.

If present financial liability is replaced by other liability to the same creditor on the terms and conditions essentially different or if the terms and conditions of present liability change significantly, such replacement or change shall be recognised as derecognition of initial liability and the beginning of recognition of new liability, and the difference of their balance cost is recognised in a profit and loss statement.

Accounts Payable

Accounts payable is calculated on on actual execution of contractor's obligations. The Company recognises initially the accounts payable apart from received advances and tax liabilities at fair value. Afterwards the accounts payable are recognised at depreciable value using the effective interest method. Advances received are shown at actual amounts received from third parties.

Loans

After initial recognition the interest-bearing credits and loans are appreciated at amortised cost using the effective interest method. Profits and expenses on such financial liabilities are recognised as a part of profit or loss when they are derecognised and also so far as amortization is charged using the effective interest method.

Amortised cost is calculated taking into account discounts or bonuses at acquisition as well as commission fees and expenses which are an integral part of the effective interest rate. Amortisation of the effective interest rate is included in the structure of expenses on financing in a profit and loss statement.

Financial Assurances Contracts

Financial assurances are irrevocable contracts demanding the Company to make specific payments to recover losses to an assurance holder incurred in case when any of debtor has not made payment in due time under terms and conditions of debt instrument. Financial assurances are shown initially at fair value which is usually equal to an amount of received commission fee. This amount is amortised on the straight-line basis during the term of assurance. As of each reporting date the assurances are assessed at the largest of two amounts: ...rtised sum recorded at initial recognition; and (b) the most exact estimation of the sum of expenses ... for settlement of the liability as of the end of reporting period.

...ecognition

...ognition of a financial liability in a statement of financial position is derecognised, if the liability has been ..., annulled or its validity term has expired. If present financial liability is replaced by other liability to ... same creditor on the terms and conditions essentially different or if the terms and conditions of present ...ility change significantly, such replacement or change shall be recognised as derecognition of initial ...ility and beginning of recognition of new liability, and the difference of their balance cost is recognised in a ...fit and loss statement.

Offsetting Financial Instruments

...ting financial assets and liabilities with disclosure of net balance only in a statement of financial position ... only in case of availability of legal right to offset mutual liabilities and there is an intention to recover ... basis of net amount or sale an asset simultaneously with liabilities settlement.

Fair Value of Financial Instruments

...air value of financial instruments, trade of which is made at active markets as of each reporting date, is ...ermined on the basis of market quotations or quotations of dealers (quotations for purchase for long positions ... quotations for sale of short positions) without deduction of expenses for the transaction.

...air value of financial instruments, trade of which is not made at active market, is determined using ...esponding estimation procedures. Such procedures may include the use of prices of recent commercial- ... transactions, use of current fair value of similar instruments, analysis of discounted cash flows or other ...mation models.

Inventories

...ories are disclosed on the smallest of values of prime cost and net realisable value. Inventories prime cost ...ermined using the average weighted method. Inventory prime cost includes expenses for purchase and ... direct expenses. Net realisable value is the estimating selling price in the ordinary course of business less ...penses on completion and expenses on realisation.

Impairment of Non-financial Assets

... each reporting date the Company determines if there are signs of possible impairment of an asset. If there ... such signs or if annual check of asset is required concerning impairment, the Company shall estimate the ...overable cost of asset. Recoverable cost of asset or subdivision generating cash flows (SGCF) is the largest ... the following values: fair cost of asset (SGCF) less expenses for sale and value from the use of asset (SGCF). ...overable cost is defined for a certain asset except in cases where the asset does not generate cash inflows ... are mainly independent of inflows generating by other assets or assets groups. If balance value of asset or ...division generating cash flows exceeds its recoverable amount, the asset is considered to be impaired and is ...ten off before recoverable cost.

... estimating the value from the use the future cash flows are discounted at the discount rate before tax ... reflects the current market-value appraisal of time value of money and risks appropriate to the asset. ... defining the fair value less the selling expenses the recent market transactions are accounted. If they are ... then an appropriate estimation model is used. These calculations are confirmed by valuation multiples, ... quotations of freely negotiable shares at market or other available indicators of fair value.

...Company determines the impairment amount based on detailed plans and prediction calculations which are ...ared separately for each SGCF of the Company, which certain assets are belonged to. These plans and ...diction calculations are executed for five years as a rule. The long-term rates of growth are calculated for ...er periods, which are used in regard to predictable future cash flows after the fifth year.

...ses from impairment on continuing activity (including impairment of reserves) are recognised in a profit and ... statement as a part of those categories of expenses which correspond to the function of impaired asset real estate items re-estimated earlier, when re-estimation had been recognised as a part of other income. In such case the loss from impairment is also recognised as a part of other consolidated within the limits of amount of previous re-estimation.

each reporting date the Company determines if there are signs that the losses from asset impairment previously except for goodwill do not more exist or are decreased. If there is such sign the Company the cost of asset or SGCF. Losses from impairment previously recognised are recovered only in the change in estimation used to determine the recoverable cost of asset has had a place from the time of last of impairment loss. Recovery is limited so as the balance value of asset does not exceed its cost as well as may not exceed the balance cost less amortisation, on which this asset would be if impairment loss had not been recognised in previous years. Such recovery of cost is recognised in and loss statement except for the cases when the asset is recognised at revalued cost. In the last case the of cost is considered as the increase in value from re-estimation.

Cash and Cash Equivalents

and cash equivalents in a statement of financial position include cash in banks, cash in hands and short-deposits with initial maturity date 3 months or less.

Reserves

are recognised if the Company has current liability (legal or come out of practice) resulted from event. Outflow of economic benefits which is necessary to settle such liability is probable and estimation of the amount of such liability may be received. Expense relating to the reserve is shown in a and loss statement less redemption. If influence of time value of money is significant, reserves are at current rate of taxation which shows when it is applicable, risks peculiar to a certain liability. If is applied, then the increase of reserve with the course of time is recognised as expenses for

Employees Benefit

Company accounts social tax in accordance with current legislation of the Republic of Kazakhstan and to expenses at the moment of origin.

to Pension Insurance

Company does not have additional schemes of pension insurance except for participation in the state system of the Republic of Kazakhstan which requires making current payments from the part of calculated as a percent of total salary. In accordance with the legislation of the Republic of the employees bear independent responsibility for own pension payments and the Company does current nor future commitments on pension payment to its employees after their retirement.

Contingent Assets and Liabilities

assets are not recognised in financial statement. When income realization is possible in fact then asset is not contingent and its recognition is appropriate.

liabilities are not recognised in financial statement. They are disclosed provided that possibility of of resources associated with receipt of economic benefits is not hardly probable.

Related parties

parties are the parties one of which has possibility to control or affect significantly to operation and decisions of the other party as defined in IFRS 24 "Related party disclosures".

5. Critical accounting judgments and estimates

preparation of financial statements requires management to make judgments, estimates and assumptions affect the reported amounts of incomes, expenses, assets and liabilities as well as information disclosure of assets and liabilities as of reporting date. However the uncertainty of assumptions and estimates may necessity to cause a material adjustment to the balance value of assets and deferred liabilities.

Basic assumptions concerning future events as well as other sources of uncertain estimates as of reporting date which have a significant risk of necessity to cause a material adjustment to the balance value of assets and liabilities during next reporting period are given below.

Estimated Values and Assumptions

Basic assumptions concerning future and other basic sources of uncertainty in estimations on reporting date that can be a reason of material adjustment of balance cost of assets and liabilities during the following financial year are considered below. Assumptions and estimated values of the Company are based on initial data which have been available at the moment in the financial statement preparation. However the current liabilities and assumptions referred to future can change due to market changes and circumstances beyond control of the Company. Such changes are shown in the assumptions as they appear.

Impairment of Non-financial Assets

Impairment takes place if balance value of assets and subdivision generating cash flows exceeds its recoverable amount that is the largest amount of the following values: fair value excluding selling expenses and value in use. Calculation of fair value excluding selling expenses is based on the available information on binding commercial transactions of sale of similar assets or on observable market prices excluding additional expenses connected with retirement of asset. Calculation of value in use is based on the discounted cash flow model. Cash flows are excluded from the budget for the following five years and do not include activity on restructuring for which the Company has not have liabilities yet or material investments in the further that will improve the results of assets of subdivision generating cash flows to be inspected concerning impairment. Recoverable cost is the most sensitive to the discount rate used in the discounted cash flows model as well as to expected cash inflows and rates of growth used for the purpose of extrapolation.

Taxes

There is uncertainty related to interpretation of complicated tax legislation, amendments in tax legislation as well as amounts and terms of receipt of further taxable income. Taking into account variety of international operations the Company as well as long term and complexity of the existing contractual relations, difference between actual results and accepted assumptions or further changes of such assumptions can lead to further adjustment of expenses and incomes on income tax that have already been disclosed in statement.

Deferred tax assets are recognized based on unused tax losses to the extent of possibility to receive the taxable income against which tax losses can be accounted. In order to define the amount of deferred tax assets that can be recognized in financial statement on the basis of possible terms of receipt and value of the further taxable income as well as strategy of tax planning it is required to have an essential opinion of the management.

Fair Value of Financial Instruments

In cases when fair value of financial instruments and financial liabilities recognised in a statement of financial position cannot be defined on the basis of available active markets, it shall be defined by estimation methods including the discounted cash flow model. As initial data for such models information from observable markets is used if possible, however in such cases when it is impracticable, a definite opinion is required to determine fair value. Opinions include accounting of such initial data as liquidity risk, credit risk and volatility. Change in assumptions in reference to such factors can influence on fair value of financial instruments shown in financial statement.

Management Financial Review of Company's activity

IFRS does not require to disclose such information, however p. 13 of IAS 1 represents short description of information that can be included in annual report of the management. In December 2010 IAS Council published practical guide according to ISO Comments provided by the management where a general concept of preparation and submission of comments provided by the management adding financial statement prepared in accordance with IAS is offered. If the company decides to apply recommendations included in the practical guide the explanation how far the management uses these instructions is appreciated. Declaration of conformity to the practical guide is made only in the case when they are performed in full scope. In addition to this content of financial review provided by the management of the Company is often defined by requirements specified at the internal market or requirements of certain jurisdictions. Management financial review of Company's activity has not been included in financial statement.

[illegible] management

[illegible]'s Policy consists in maintaining the strong basis for the capital in order to keep confidence of [illegible] creditors and the market, and ensure future business development. The Company manages the [illegible] and alters it in accordance with changes of economic environment.

[illegible] controls the capital using the leverage calculated by dividing net debt sum by the amount of [illegible] debt. Net debt includes loans, trade and other accounts payable less monetary funds and their [illegible], except for the sums pertaining to discontinued operations. Subsequently, the Company's policy [illegible] supporting the value of this ratio within 20-40%.

[illegible] (Kazakhstani Tenge)	2013	2012
[illegible] other accounts payable	1,145,493	1,034,905
[illegible] Equivalents	(262,685)	(306,570)
[illegible]	**882,808**	**728,335**
[illegible]	**2,129,588**	**2,303,664**
[illegible] and net debt	**3,012,396**	**3,031,999**
[illegible]	**29.3**	**24.02**

[illegible] ning balance adjustment

[illegible] of Kazakhstan [illegible]	**Balance as of 31.12.2012**	**Adjusted balance as of 31.12.2012**	**Difference**	**Comments**
[illegible] assets				
[illegible]	118,932	118,962	(30)	Other adjustments
[illegible] Receivable	73,713	66,785	6,928	Recovery of unconfirmed reclassification. Offsetting with accounts payable. Reclassification into long-term accounts receivable
[illegible]	20,904	20,851	53	Other adjustments
[illegible] assets	3,882	12,483	(8,601)	Adjustments in accordance with business accounts
[illegible] assets				
[illegible]	1,996,369	1,988,059	8,310	Allocation of project operations wrongly included into fixed assets value
[illegible] assets	66,694	44,920	21,774	Recovery of unconfirmed auditors' reclassification.
[illegible] Liabilities				
[illegible] liabilities	20,020	25,043	(5,023)	Adjustments in accordance with business accounts from the Tax Committee
[illegible] on other obligatory [illegible] payments	12,768	13,590	(822)	
[illegible]				
[illegible] earnings	1,800,858	1,766,518	34,340	Due to adjustments in items of the Statement of Financial Position and the Profit and Loss Statement

[illegible] Cash and cash equivalents

[illegible] cash equivalents include:

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible]	1,529	1,950
[illegible] bank account	261,156	304,620
[illegible]	**262,685**	**306,570**

[illegible] cash equivalents are in the currencies as follows:

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible]	233,953	271,505
[illegible]	26,545	35,039
[illegible]	2,187	26
[illegible]	**262,685**	**306,570**

[illegible] Restricted cash

[illegible] of Kazakhstani Tenge)		2013	2012
[illegible] deposits with [illegible] bank JSC	Moody's Investors Service: B2/ stable (02.10.13) Standard & Poor's: B/stable/ C, kzBB+ (23.09.13) Fitch Ratings: B/ stable / B (16.04.13)	885	-
[illegible] deposits with [illegible] Bank JSC	Moody's Investors Service: B2/ stable /NP (02.10.13). Standard & Poor's: B+/ stable /B, kzBBB (29.12.11). Expert RA Kazakhstan: withdrawn (22.05.13). Fitch Ratings: B+/ stable /B, BBB (kaz) (16.04.13)	910	2,815
[illegible]		**1,795**	**2,815**

[illegible] Company concluded contracts with Kazkommertsbank JSC and Sberbank JSC DB for bank deposits in [illegible]. Deposits are the security deposits for attracted expatriate experts in order to comply with the [illegible] of laws of the Republic of Kazakhstan related to the placing procedure and terms of guarantee and [illegible] deposits made for expatriate workforce brought to the Republic of Kazakhstan. The Bank shall refund [illegible] of the deposit or its part only based on written approval of the competent government agency.

[illegible] Trade and other accounts receivable

[illegible] December 31 the trade accounts receivable included:

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible] debtforeducation	222,876	167,640
[illegible] AccountsReceivable	6,979	3,415
	229,855	171,055
[illegible] provision	(91,280)	(52,093)
[illegible]	**138,575**	**118,962**

[illegible] analysis of trade receivables is given below:

	Total	Overdue, but not impaired <180 days	180 - 365 days	>365 days
[illegible] of Kazakhstani Tenge)				
[illegible]	**229,855**	138,575	7,783	83,497
[illegible]	**171,055**	118,962	8,370	43,723

[illegible] of trade credit provided to the clients of the Company is 365 days. The Company discloses bad [illegible] as 100% of total accounts receivable with the term more than 1 year and size of 50% with the [illegible] 1 year (but not more than six months).

[illegible] conditions related to accounts receivable of related parties please refer to Note 30.

[illegible] procedures applied by the Company for credit risk management please refer to Note 32.

[illegible]ber 31 the other accounts receivable included:

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible]	49,440	36,400
[illegible] receivable	13,180	19,998
[illegible] expenses	2,848	16,014
[illegible] Account Receivables	1,253	2,686
[illegible]ables	29,460	40,360
	96,181	115,458
[illegible] provision	(49,229)	(48,673)
[illegible]	**46,952**	**66,785**

[illegible] Inventory

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible]	26,600	24,092
[illegible]	1,624	19
	28,224	**24,111**
[illegible] obsolete inventories	(2,884)	(3,260)
[illegible]	**25,340**	**20,851**

[illegible] the reserves for obsolete inventories is as follows:

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible] as of January 1	3,260	9,883
[illegible] inventories		
[illegible] for the period	(376)	(6,623)
[illegible] as of December 31	2,884	3,260

[illegible] Current tax assets

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible] set-off	28,256	-
[illegible]	20,969	12,483
[illegible]	49,225	12,483

[illegible] [illegible]ancial assets

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible]able for extra electricity, long-term part	54,125	57,828
[illegible]able for extra electricity, current part	3,419	3,420
[illegible] amortization	1,400	-
[illegible]able discount for extra electricity	(36,889)	(38,289)
[illegible]	**22,055**	**22,959**

[illegible] with the Order of the Chairman of Republic of Kazakhstan Agency on Regulation of Natural [illegible] dated 21.02.2007 "On Approval of the Rules for Reimbursement of Reverse Costs of the Power [illegible] Organization for Extension and Reconstruction of Public Power Transportation Network", Almaty [illegible] Company JSC and KIMEP UNIVERSITY JSC have entered into the contract for attachment of extra [illegible] dated 10.10.2007 for the amount of 68,370 thousand tenge. This amount is to be cleared by monthly [illegible]ments of 284,875 tenge, beginning from 01.11.2010 and up to 01.10.2030. The Company recognized [illegible] at amortised cost. In 2012 to disclose the fair cost of the loan the effective interest rate 14.9% was [illegible] 2013 following the principle of reasonable financial caution, the management revised the discounting [illegible] recommended discounting rate was 7.5%. Consequently the Company recognized the discount in the [illegible] 36,889 thousand tenge. As of December 31, 2013, financial assets were 22,055 thousand tenge, long- [illegible] current parts were 18,636 thousand tenge and 3,419 thousand tenge accordingly.

[illegible] Other financial investment

[illegible] of Kazakhstani Tenge)	2013	2012
[illegible]-term financial investment	1,186,300	901,258
[illegible]	**1,186,300**	**901,258**

[illegible]ber 20, 2012, the deposit contract for 12 months with 5% annual rate of remuneration was concluded [illegible] Credit Bank JSC. Accrual of remuneration is made on a monthly basis subject to keeping the [illegible] balance on the account by the Depositor. Amount of accrued remuneration is added every month to [illegible] in the bank deposit account in the first calendar day of next month. Additional fees and partial [illegible] are allowed in the deposit subject to keeping the minimum balance. The income tax at source is [illegible] from the remuneration. Remuneration is accrued based on 365 days per year/actual calendar days of [illegible]. For the years ended on December 31, 2013 and 2012, financial income from deposits was 36,163 [illegible] and 64,660 thousand tenge accordingly (Note 27).

[illegible] Property, plant and equipment

[illegible] in balance cost of property, plant and equipment are given below:

[illegible] of [illegible] Tenge)	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Construction-in-progress	Total
[illegible] of January [illegible]	98,519	1,924,101	433,322	23,269	664,713	3,363	3,147,287
[illegible]	-	20,768	65,497	13,020	27,138	375	126,798
[illegible]	-	4,940	-	-	-	-	4,940
[illegible]	(76)		(14,293)	-	(31,850)	(561)	(46,780)
[illegible] of January [illegible]	98,443	1,949,809	484,526	36,289	660,001	3,177	3,232,245
[illegible]ification	-	670	14,539	-	(15,209)	-	-
[illegible]	-	3,242	20,339	-	(28,519)	(3,177)	(8,115)
[illegible] of January [illegible]	98,443	1,953,721	519,404	36,289	616,273	-	3,224,130

...	-	-	6,627	-	9,249	-	15,876
...ments	-	-	(12,884)	(1,006)	(4,977)	-	(18,867)
... as of ... 31, 2013	98,443	1,953,721	513,147	35,283	620,545	-	3,221,139
Accumulated depreciation							
... as of January ...	-	(363,125)	(378,839)	(18,722)	(368,360)	-	(1,129,046)
... for the year		(16,625)	(35,338)	(3,809)	(96,276)	-	(152,048)
...ments	-	-	14,142	-	31,076	-	45,218
... as of January ...	-	(379,750)	(400,035)	(22,531)	(433,560)	-	(1,235,876)
...fication	-	1,032	(15,050)	(471)	14,489	-	-
...ments	-	63	(5,146)	200	4,688	-	(194)
...ed ... as of January ...	-	(378,655)	(420,231)	(22,802)	(414,382)	-	(1,236,070)
...ments	-	-	12,638	715	3,679	-	17,032
... for the year	-	(38,874)	(34,756)	(3,367)	(61,168)	-	(138,165)
... as of ... 31, 2013	-	(417,529)	(442,349)	(25,454)	(471,871)	-	(1,357,203)
... as of ... 31, 2013	98,443	1,536,192	70,798	9,829	148,674	-	1,863,936
... as of ... 31, 2012	98,443	1,570,059	84,491	13,758	226,441	3,177	1,996,369
...ed balance ... December 31, ...	98,443	1,575,066	99,173	13,487	201,890	-	1,988,059

... Intangible assets

... December 31 the intangible assets included:

(...ds of Kazakhstani Tenge)	**Licenses**	**Software**	**Other**	**Total**
... cost				
... as of January 01, 2012	1,514	13,256	45	**14,815**
...	-	12	-	**12**
...ments	(838)	(8,775)	-	**(9,614)**
... as of January 1, 2013	676	4,493	44	**5,213**
...	-	44	-	**44**
...ments	(676)	(1,815)	-	**(2,491)**
... as of December 31, 2013	-	2,722	44	**2,766**
...tisation and impairment				
... as of January 01, 2012	1,214	9,434	9	**10,657**
...tisation	91	2,298	11	**2,400**
...ment	(863)	(8,636)	-	**(9,499)**
... as of January 01, 2013	**441**	**3,096**	**20**	**3,557**
...tisation	68	507	6	**581**
...ment	(508)	(1,729)	-	**(2,237)**
... as of December 31, 2013	-	**1,874**	**26**	**1,901**
...ance value				

Balance as of December 31, 2013	-	847	18	865
Balance as of December 31, 2012	235	1,397	24	1,656

17. Other long-term assets

Other long-term assets of the Company consist of inventories with useful life more than 1 year. As of December 31, 2013 and 2012, amount of the other long-term assets was 43,503 thousand tenge and 44,920 thousand tenge accordingly.

18. Long – term accounts receivable

(In thousands of Kazakhstani Tenge)	2013	2012
Advances made against fixed asset acquisition	1,664	-
Total	**1,664**	**-**

19. Trade and other accounts payable

(In thousands of Kazakhstani Tenge)	2013	2012
Trade liabilities	15,786	41,419
Advances received	1,127,622	981,819
Other short-term accounts payable	2,085	11,667
Total	**1,145,493**	**1,034,905**

Accounts payable in terms of the following currencies:

(In thousands of Kazakhstani Tenge)	2013	2012
Tenge	869,756	879,422
US Dollars	261,141	147,931
Others	14,596	7,552
Total	**1,145,493**	**1,034,905**

For details of procedures applied by the Company for credit risk management please refer to Note 32.

20. Short – termestimatedliabilities

(In thousands of Kazakhstani Tenge)	2013	2012
Unused leaves reserves	274,693	87,652
Other reserves	45,057	22,463
Total liabilities	**319,750**	**110,115**

21. Current tax liabilities

(In thousands of Kazakhstani Tenge)	2013	2012
Individual Income Tax	15,676	1,936
CIT	-	270
VAT	6,168	9,670
Social tax	14,646	13,154
Other taxes	231	13
Total current tax liabilities	**36,721**	**25,043**

Liabilities on other statutory and voluntary payments

...ds of Kazakhstani Tenge)	2013	2012
...y Pension Payments	8,738	10,452
...ocial expenditures	2,606	3,138
...ities	**11,344**	**13,590**

Shareholders' Equity

...ds of Kazakhstani Tenge)	2013	2012
...capital	537,146	537,146
...stered capital	**537,146**	**537,146**
...ofit	1,592,442	1,766,518
... equity	**2,129,588**	**2,303,664**

...pany was re-registered as the joint-stock company with the registered capital in the amount of 500,750 ... Tenge (original share denomination of 500,750 ordinary shares is 1,000 KZT). Company's registered ... formed through transfer of reorganized state non-profit organization KIMEP of property complex of ...stan Institute of Management, Economics and Strategic Research of the President of the Republic of ... State Institution during privatization process on the basis of Decree of the President of the Republic ...stan No.1178 dated August 28, 2003, "On Reorganization of the Kazakhstan Institute of ...ent, Economics and Strategic Research of the President of the Republic of Kazakhstan" and ... Order of the Republic of Kazakhstan No. 1148 dated November 14, 200, "On Reorganization of ...stan Institute of Management, Economics and Strategic Research of the President of the Republic of ...". The assessment was made in accordance with privatization and valuation activities laws of the ... of Kazakhstan, but not in accordance with the International Accounting Standards in order to define ... assets fair value (notional amount) as of the date of conversion to IAS. Value of the property complex ...shed in the amount of 403,800 thousand Tenge based on DFC method. The remaining portion of the ... capital of the Company was formed by monetary funds.

... to the shareholders agreement, from June 04, 2004, to January 01, 2006, additional 84,250 shares ... issued. The principal shareholder was granted the sole right of acquisition of additional share issue. If ... 01, 2006, there are any plans for issue of additional shares in order to maintain financial stability ...pany, the principal shareholder will have a priority in acquisition of those shares, whereas the other ..., the Committee of State Property and Privatization Ministry of Finance of the Republic of ..., owns 40 per cents of the registered capital of the Company. In 2005, there was registered additional ... 84,250 ordinary shares with denomination 432 tenge. As a result, the registered capital was increased ... thousand tenge. Additionally issued shares were paid by funds of the Principal Shareholder.

...nce of laws of the Republic of Kazakhstan, non-profit organizations may not distribute dividends.

... in retained profits made by the Company in 2013:

...ds of Kazakhstani Tenge)	Retained earnings
... 1, 2012	**2,127,777**
... total aggregate loss per annum	(326,919)
...ber 31, 2012	**1,800,858**
... adjustments made in 2013 with regard to 2012	(34,340)
... 1, 2013	**1,766,518**
... total aggregate loss per annum	(185,068)
... made by the Company in 2013 with regard to 2012:	
... of accounting errors of 2012	(2,863)
... of debts for judgment fines, penalties and forfeitures	11,115

...ssets provision writing-off	10,325
...-off the balance from advances received (false accounting transaction of 2012)	(10,957)
... amortization adjustment for 2012	1,400
...tion of revenue under net accounts payable (IlonaViktorovnaRymzhanova PE)	1,972
...ments made by the Company in 2013	**10,992**
...ber 31, 2013	**1,592,442**

Revenue

...of Kazakhstani Tenge)	2013	2012
... from education	3,007,432	2,901,458
...tary courses	108,308	92,653
[illegible]	12,894	13,223
[illegible]	**3,128,634**	**3,007,334**

Cost of sales

... of implemented works and services:

...of Kazakhstani Tenge)	2013	2012
... and associated taxes	(1,588,615)	(1,886,686)
...ion and amortisation	(103,142)	(116,394)
... and stationery	(34,057)	(43,993)
...expenses	(20,765)	(42,602)
[illegible]	(614)	-
...llaneous expenditures	(273,403)	(222,843)
[illegible]	**(2,020,596)**	**(2,312,518)**

General and Administrative Costs

...of Kazakhstani Tenge)	2013	2012
... and associated taxes	(778,482)	(705,848)
... provision(Notes ...)	(18,690)	48,312
...ion and amortisation	(32,537)	(37,120)
...ing services	(15,986)	(28,717)
[illegible]	(15,848)	(31,522)
...ing services	(9,133)	(10,434)
... and maintenance	(9,548)	(13,059)
... and travel expenses	(10,072)	(14,751)
..., including corporate income tax	(13,088)	(2,229)
...recovery) of unutilized leaves provisions	(211,776)	18,651
... penalties	(1,004)	-
...ery) accrual of provision for obsolete inventories (Notes...)	376	6,623
...neous expenditures	(63,638)	(82,822)
[illegible]	**(1,179,426)**	**(852,916)**

[illegible] Costs

[illegible] Tenge)	2013	201[illegible]
[illegible]	(119,424)	(148,700
[illegible]	(39,202)	(47,011
[illegible]	(14,680)	(29,721
[illegible]	(15,778)	(7,548
[illegible]	(6,531)	(4,870
[illegible]	(1,722)	(1,024
[illegible]	(21,686)	(19,859
[illegible]	**(219,023)**	**(258,733**

[illegible] and Expenses

[illegible] Tenge)	2013	2012
[illegible]	41,079	43,616
[illegible]	2,998	-
[illegible]	610	-
[illegible]	112,662	-
[illegible]	**157,349**	**43,616**
[illegible]	(1,685)	(3,923)
[illegible]	(3,455)	(1,433)
[illegible]	(84,429)	(16,163)
[illegible]	**(89,569)**	**(21,519)**
[illegible]	**67,780**	**22,097**

[illegible] Income

[illegible] Tenge)	2013	2012
[illegible] investment (Note 13)	36,163	64,660
[illegible] contract on extra electricity (Note 12)	1,400	3,157
[illegible]	**37,563**	**67,817**

[illegible] Disclosure

[illegible]	Opening accounts receivable	Opening accounts payable	Debit turnover	Credit turnover	Closing accounts receivable	Closing accounts payable
[illegible] LLP						
[illegible]	77				77	
[illegible]		781	168			612
[illegible]		**703**				**535**
[illegible]						
[illegible]		144				144
[illegible]						
[illegible]		144				144
[illegible]						
[illegible]						
[illegible]						
[illegible]						

[illegible]cation and			
[illegible]			
[illegible]	3,660	4,117	4,117
[illegible]	**3,660**		**4,117**
[illegible] LLP			
[illegible]ived	681		681
[illegible]vices			
[illegible]	**681**		**681**
[illegible]al Fund			
[illegible]			
[illegible]ived			
[illegible]vices			
[illegible]			

[illegible] contains information on total amount of transactions concluded with related parties in 2012.

[illegible]	Opening accounts receivable	Opening accounts payable	Debit turnover	Credit turnover	Closing accounts receivable	Closing accounts payable
[illegible]al LLP						
[illegible]ble			2,188	2,188		
[illegible]	1,429		22	1,374	77	
[illegible]ble			3,327	3,327		
[illegible]ed		483	2,188	2,485		781
[illegible]	**945**		**7,725**	**9,374**		**703**
[illegible] JSC						
[illegible]ed		144				144
[illegible]		144				144
[illegible]						
[illegible]			873	873		
[illegible]ble			1,714	1,714		
[illegible]			**2,587**	**2,587**		
[illegible]cation and [illegible]blic of [illegible]						
[illegible]ed		3,234	3,230	3,656		3,660
[illegible]		**3,234**	**3,230**	**3,656**		**3,660**
[illegible] LLP						
[illegible]ble	483		1,627	2,110		681
[illegible]ed			2,110	2,791		
[illegible]	**483**		**3,736**	**4,901**		**681**
[illegible]al Fund						
[illegible]						
[illegible]ed			4,461	4,461		
[illegible]ble			4,659	4,659		
[illegible]			**9,120**	**9,120**		

[illegible] made to the Company's President and the Vice-Presidents was 87 million Tenge. In 2012, it [illegible] Tenge.

...chase transactions with related parties are made on the terms equal to commercial transaction ... balances at year end are not secured, interest-free and are paid by means of monetary funds. No ... was provided or received with regard to accounts payable or receivable. The Company did not fix ... on accounts receivable from related parties. Long-term credits are included into financial reporting ...

...ntractual and Contingent Liabilities

...Business

... of Kazakhstan proceeds with economic reforms and development of its legislative, taxation and ... as required by market economic conditions. Future economic stability of Kazakhstan to a great ... on those reforms, developments and efficiency of economic, financial and monetary measures ... the Government.

... is sensitive to global business declines and economic slowdown. Continuing global financial ... capital market volatility, significant reduction in banking sector liquidity and more stringent credit ... Kazakhstan. Notwithstanding, that Kazakhstan Government has implemented a series of stabilization ... directed to liquidity support and provision of debt refunding for Kazakh banks and companies, there is ... of access to capital and cost of capital for the Company and its partners that may affect financial ... the Company, its operating results and economic prospects.

... the management believes that it implement appropriate measures for support of Company business ... existing conditions,unexpected further reduction in the above areas may adversely affect financial ... financial position of the Company by mean which cannot be established currently.

... has entered into contracts of commercial rent of living accommodations, study rooms and other ... These contracts of rent are valid from 1 to 3 years. For December 31, the minimum rental fee ... future periods is as follows:

...(Kazakhstani Tenge)	2013	2012
...	11,038	19,888
... but no longer than five years	15,804	1,421
	26,842	**21,309**

...

... of various tax legislative and regulatory legal acts are explicit, and their interpretation ... of tax inspectors and officials of the Ministry of Finance. There are frequent differences of ... between the local regional and republican tax authorities.

... applicable system of fines and penalties for revealed offences on the basis of Kazakhstan current ... is extremely severe. Punitive sanctions include fines – as a rule, in the amount of 50% of ... accrued taxes, and the penalty estimated at the rate of refinancing of the National Bank of the ... of Kazakhstan multiplied by 2.5. Consequently, the sum of punitive sanctions and the penalty ... exceed the amount of taxes subject to additional assessment.

... uncertainty typical for Kazakh taxation system, potential amount of taxes, punitive sanctions and the ... exceed the sum expensed to the present and charged as of December 31, 2013. Despite possibility ... of such amount and their potential significant character, management of the Company considers them ..., or defying estimate, or a combination of bothsimultaneously.

... and financial position of the Company may be affected by development of political situation in ..., including administration of current and future legislation and regulatory legal acts in taxation. The ... does not consider these potential obligations pertaining to its activity as having more siginifcation ... potential obligations of the similar companies in Kazakhstan.

The management supposes that there is probability of confirmation of Company's taxation position.

Environmental Protection Issues

The Company is a subject of application of various environmental laws and regulations of the Republic of Kazakhstan. Though the Company management is confident in Company's compliance with overall requirements of such laws and regulations, it is not possible to be sure in absence of contingent liabilities.

The management supposes that such liabilities will have no significant effect on financial position of the Company and, consequently, the attached financial reporting fails to reflect provisions on contingent claims or fines from environmental agencies.

Insurance Policies

The Company insures its risks in following directions:

- Liability compulsory insurance for bodily injury and danger to lives of the third parties and environmental harm;
- Property insurance;
- Compulsory auto liability insurance;
- Liability compulsory insurance ofownersoffacilitieswhichoperationimpliesriskofharmtothethirdparties;
- Compulsory environmental insurance.

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 this financial report.

22. Financial instruments, objectives and policy of financial risk management

Company's principal financial liabilities include borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to maintain its activities. The Company has borrowings, trade and other receivables, cash and short-term deposits, which arise directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management controls the management of these risks. The Company's activity, associated with financial risk, is carried out in accordance with the relevant policies and procedures, while identification and assessment of financial risks as well as their management is carried out according to the Company's policy and objectives in risk-management.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices include four types of risk: interest rate change risk, currency risk, commodity price and other price change risk, for example, the risk of changing price in equity instruments. Financial instruments affected by market risk include credits and loans, deposits, investments, financial instruments available for sale and derivative financial instruments.

Currency risk

National Bank of Kazakhstan announced the decision to refuse the maintenance of tenge exchange rate as at the same level from February 11, 2014, to reduce the volume of foreign exchange interventions and reduce interference in the formation of tenge exchange rate. Tenge was devalued and went up to 185 tenge, while it cost 155.5 tenge. As reasons for the devaluation the National Bank called the capital outflow to the developed countries, weakening of ruble and commitment to support exporters.

exposure to the risk of foreign currency exchange rates mainly relates to the Company's operational since part of its expenses is denominated in US Dollars, while all revenues are denominated in tenge. part in the currency is in advances received under training by sponsors, which then refers to income.

assets and liabilities denominated in foreign currency cause exposure to currency risk. Sensitivity to risks included below is based on the factor change, and all other variables remain constant. It is that this can actually happen and changes in some other factors can be correlated, for example, changes rates.

	Increase/(decrease) in the exchange rate of tenge to US Dollar	Effect on profit before taxation
Dollar	+10%	233
Dollar	-10%	(377)
Dollar	+10%	300
Dollar	-10%	(346)

risk

risk—Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and the other party to incur a financial losses. The Company is exposed to credit risk associated with its activities (first of all in trade receivables).

Company operates by training individuals and legal entities, the basic nomenclature group are students. The which is maintained in electronic automated database (Intranet) contains information on the number of subjects of a student, cost of credit, payable amount, the amount paid and information on debt. Thus, due to the fact that the base is automated (combining operations of the accounting department registration department), registry staff track students' debt. In case of delay students are charged penalties payment. To reduce the risk in case of not repaying the debt, the student, as well as his/her guarantor or legal entity guaranteeing tuition fee) signs an agreement on the return the debt authorizing the to sue the guarantor in the case if the student refuse to pay.

are distributed per similar groups and are constantly evaluated for depreciation on an aggregate resulting in the fact that Company's risk of bad debts is not significant.
maximum credit risk is the book value of trade receivables, other short-term assets and fund balances on accounts.

is information on the existing trade receivables, balances on bank accounts and cash desk and rating liability.

	Ratings	Debt/balanceasof 31/12/2013 (ths. tenge)
and other receivables	No	138,575
short-term assets	No	46,952
	Total	**185,527**

assets

...bank JSC (Kazakhstan)	Moody's Investors Service: B2 Stable (02/10/13). Standard & Poor's: B/Stable/C, kzBB − (23/09/13) Fitch Ratings: B/Stable/B (16/04/13)	172,159
...Credit JSC	Moody's Investors Service: B2/Stable/NP (02/10/13). Standard & Poor's: B−/Stable/B, kzBBB (29/12/11). Expert RA Kazakhstan: withdrawn (22/05/13). Fitch Ratings: B−/Stable/B, BBB (kaz) (16/04/13)	88,997
... deposits with ...bank JCS	Moody's Investors Service: B2 Stable (02/10/13). Standard & Poor's: B/Stable/C, kzBB + (23/09/13) Fitch Ratings: B/Stable/B (16/04/13)	885
... deposits with Bank ...Credit JCS	Moody's Investors Service: B2/Stable/NP (02/10/13). Standard & Poor's: B+/Stable/B, kzBBB (29/12/11). Expert RA Kazakhstan: withdrawn (22/05/13). Fitch Ratings: B−/Stable/B, BBB (kaz) (16/04/13)	910
...cash desk	No	1,529
... with Bank CentreCredit JSC (... months)	Moody's Investors Service: B2/Stable/NP (02/10/13). Standard & Poor's: B+/Stable/B, kzBBB (29/12/11). Expert RA Kazakhstan: withdrawn (22/05/13). Fitch Ratings: B−/Stable/B, BBB (kaz) (16/04/13)	1,186,300
...		**1,450,780**
... exposure to credit risk		**1,636,307**

...ity risk

...risk is the risk that an entity will have difficulties in paying its financial liabilities. The Company ... monitors liquidity requirements and the management assures that there are sufficient funds to cover ...ments as they arise.
... of the reporting period, the liquidity figures of the Company are as follows:

	The optimum value	2013	2012
...lity ratio	from 0.7 to 0.8	0.30	0.37
...liquidity ratio	from 0.2 to 0.5	1.13	1.21

...e solvency factor L is the hardest criteria of the company's liquidity showing what part of the short-... liabilities can be repaid immediately from available cash if necessary. The absolute solvency factor ...following form:

...solvency =DS/K

...s of Kazakhstani Tenge)	2013	2012
...cash equivalents	262.685	306.570
...other payables	1.145.493	1.034.905
...	**0.23**	**0.30**

...orting year 2013 the factor is slightly below the recommended value, which indicates the change in the ...y's liquidity in comparison with 2012. The absolute solvency lower factor usually cited in literature on ...management is 0.25.

...e below shows the contractual terms of the Company's financial assets and liabilities. The table was ... the basis of the undiscounted cash flows based on the earliest date on which the Company could be ...to pay.

[illegible] Tenge)	Up to 1 month	from 1 to3 months	from 3 to 6 months	from 6 to 12 months	More than 1 year	Total
[illegible]						
[illegible]	262,685	-	-	-	-	262,685
[illegible]	1,795	-	-	-	-	1,795
[illegible]	-	138,575	-	-	-	138,575
[illegible]	-	46,952	-	-	-	46,952
[illegible]	49,225	-	-	-	-	49,225
[illegible]	-	-	-	-	25,340	25,340
[illegible]	-	855	855	1,709	18,637	22,055
[illegible]	-	-	-	1,186,300		1,186,300
[illegible]	-	-	-	-	1,863,936	1,863,936
[illegible]	-	-	-	-	865	865
[illegible]	-	-	-	-	43,503	43,503
[illegible]	-	-	-	-	1,664	1,664
	313,705	**186,382**	**855**	**1,188,009**	**1,953,945**	**3,642,895**
[illegible] payable	14,362	144	1,130,402	195	390	1,145,493
[illegible] fees payable	36,721	-	-	-	-	36,721
[illegible]	-	-	-	-	319,750	319,750
[illegible] compulsory and [illegible]	11,344	-	-	-	-	11,344
	62,427	**144**	**1,130,402**	**195**	**320,140**	**1,513,308**
[illegible] December 31, 2013	**251,278**	**186,238**	**(1,129,547)**	**1,187,814**	**1,633,805**	**2,129,587**

[illegible]

[illegible] assets and liabilities included in the financial statements is the amount the instrument [illegible] for as a result of the current transaction between willing parties to make such transaction [illegible] sale or liquidation.

[illegible] value the following methods and assumptions were used:

- [illegible] values of cash, trade receivables and payables, as well as other short-term liabilities are [illegible] their book value largely due to the fact that these instruments will be paid off in the near [illegible]

- The Company evaluates the long-term loans on the basis of such parameters as interest rates, [illegible] of financed project. Based on this assessment the reserves were used to account losses in [illegible] indebtedness. As of December 31, 2011 the book value of the loans excluding the reserves [illegible] approximately equal to its fair value.

[illegible] analysis of the book and fair value of all financial instruments of the Companies with categories [illegible] below:

	Balance value		Fair value	
	2013	2012	2013	2012
[illegible]				
[illegible] receivable	138,575	118,962	138,575	118,962
[illegible] equivalents	262,685	306,570	262,685	306,570
[illegible]	1,795	2,815	1,795	2,815
[illegible]	46,952	66,785	46,952	66,785

... of financial assets	3,419	3,420	3,419	3,420
... assets	1,186,300	901,258	1,186,300	901,258
...liabilities				
... payable	1,145,493	1,034,905	1,145,493	1,034,905

...Subsequent events

...of tenge

...February 11, 2014 tenge was devaluated against US Dollar and other major currencies. Exchange rates ... after the devaluation was 155 tenge per US Dollar and 185 tenge per US Dollar, respectively.

...Approval of financial statements

...financial statements were approved an adopted for issue on April 15, 2014.