



KIMEP University Joint Stock Company

Financial statements  
For the year ended December 31, 2014

and Independent Auditor's Report



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Translated from original Russian version of the report.

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of KIMEP University JSC

We have audited the accompanying financial statements of **KIMEP UNIVERSITY JSC** (hereinafter, the "Company"), which comprise the statement of financial position as at December 31, 2014 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 Company'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.

Товарищество с ограниченной ответственностью "BDO Kazakhstan", зарегистрированное в соответствии с законодательством Республики Казахстан, является участником международного объединения BDO International Limited, британского общества с ответственностью, ограниченной гарантией его участников, и является частью международной сети независимых компаний BDO.

BDO Kazakhstan, a limited liability partnership, registered under the laws of the Republic of Kazakhstan, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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, which 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, 2014 and 2013 and the depreciation expense for the years ended December 31, 2014 and 2013.

#### Qualified opinion

In our opinion, except for the above, the accompanying financial statements present fairly, in all material respects, 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.

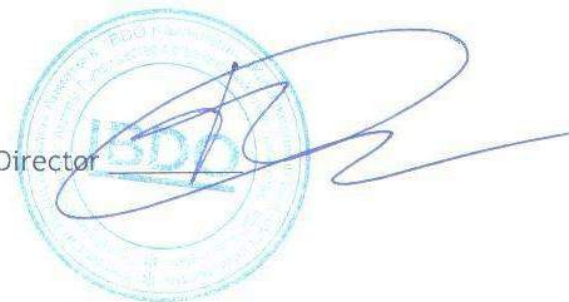
BDO KAZAKHSTAN LLP

State license No.15003448 Series MFU-2 for auditing activities as issued by the Ministry of Finance of the Republic of Kazakhstan dated February 19, 2015

March 31, 2015

Almaty

T.A. Omarov, Director



E. Yusupova, Auditor



Auditor qualifying certificate No. 0000488

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

**KIMEP UNIVERSITY JSC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended December 31, 2014  
*(In thousands of Kazakhstani Tenge)*

	Notes	2014	2013	2013 (recalculated)
Revenue	9	3,322,880	3,128,634	3,128,634
Cost of goods and services	10	(1,855,282)	(2,020,596)	(2,020,596)
<b>Gross profit</b>		<b>1,467,598</b>	<b>1,108,038</b>	<b>1,108,038</b>
General and administrative expenses	11	(842,602)	(1,179,426)	(1,179,426)
Selling expenses	12	(180,638)	(219,023)	(219,023)
Other income/(expenses)	13	116,305	67,780	78,772
<b>Operating profit</b>		<b>560,663</b>	<b>(222,631)</b>	<b>(211,639)</b>
Finance income	14	76,553	37,563	37,563
<b>Income from continuing operations before tax</b>		<b>637,216</b>	<b>(185,068)</b>	<b>(174,076)</b>
Income tax expenses		-	-	-
<b>Loss for the reporting year</b>		<b>637,216</b>	<b>(185,068)</b>	<b>(174,076)</b>

*Accounting policies and explanatory information on pages 11 to 38 form an integral part of these financial statements*

Dr. William Gerard Glissy

Vice President for Strategic Planning, Development and Research

March 31, 2015

Almaty



Zh.Nurpeis

Chief Accountant

March 31, 2015

Almaty

## KIMEP UNIVERSITY JSC

### STATEMENT OF FINANCIAL POSITION


as at December 31, 2014

<i>(In thousands of Kazakhstani Tenge)</i>	Notes	2014	2013
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	1,931,024	1,863,936
Intangible assets	16	5,080	865
Financial assets, non-current	24	19,080	18,636
Other non-current assets		-	43,503
Non-current advances	17	44,270	1,664
<b>Total non-current assets</b>		<b>1,999,454</b>	<b>1,928,604</b>
<b>Current assets</b>			
Cash and cash equivalents	18	155,734	262,685
Restricted cash	19	1,180	1,795
Trade accounts receivable	20	125,131	138,575
Other accounts receivable	21	79,278	46,952
Inventory	22	60,378	25,340
Current tax assets	23	54,551	49,226
Financial assets, current	24	3,419	3,419
Other financial investments	25	1,876,084	1,186,300
<b>Total current assets</b>		<b>2,355,755</b>	<b>1,714,292</b>
<b>Total assets</b>		<b>4,355,209</b>	<b>3,642,896</b>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	26	1,263,454	1,145,493
Current provisions	27	251,908	319,750
Current tax liabilities	28	61,248	36,721
Liabilities on other statutory and voluntary payments	29	11,795	11,344
<b>Total current liabilities</b>		<b>1,588,405</b>	<b>1,513,308</b>
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		<b>1,588,405</b>	<b>1,513,308</b>

Equity			
Share capital	30	537,146	537,146
Retained earnings	30	2,229,658	1,592,442
<b>Total equity</b>		<b>2,766,804</b>	<b>2,129,588</b>
<b>Total equity and liabilities</b>		<b>4,355,209</b>	<b>3,642,896</b>

*Accounting policies and explanatory information on pages 11 to 38 form an integral part of these financial statements.*

Dr. William Gerard Gissy



Vice President for Strategic Planning, Development and Research

March 31, 2015

Almaty



Zh.Nurpeis



Chief Accountant

March 31, 2015

Almaty

**KIMEP UNIVERSITY JSC**  
**STATEMENT OF CHANGES IN EQUITY**  
for the year ended December 31, 2014

<i>(In thousands of Kazakhstani Tenge)</i>	Share capital	Retained earnings	Total
Balance as at January 1 of the reporting year	537,146	1,592,442	2,129,588
Profit/(loss) for the period	-	637,216	637,216
<b>Balance as at December 31 of the reporting year</b>	<b>537,146</b>	<b>2,229,658</b>	<b>2,766,804</b>
Balance as at January 1 of the previous year	537,146	1,766,518	2,303,664
Profit/(loss) for the period (recalculated)	-	(174,076)	(174,076)
<b>Balance as at December 31 of the previous year</b>	<b>537,146</b>	<b>1,592,442</b>	<b>2,129,588</b>

*Accounting policies and explanatory information on pages 11 to 38 form an integral part of these financial statements.*

Dr. William Gerard Gissy



Vice President for Strategic Planning, Development and Research

March 31, 2015

Almaty



Zh.Nurpeis



Chief Accountant

March 31, 2015

Almaty



# KIMEP UNIVERSITY JSC

## STATEMENT OF CASH FLOWS for the year ended December 31, 2014

(In thousands of Kazakhstani Tenge)

### Operating activities:

	2014	2013
Profit/(Loss) before taxation	637,216	(174,076)
Adjustments for:		
Depreciation and amortization	125,416	138,746
(Reversal)/accrual of allowance for doubtful debts	4,411	39,743
(Reversal)/accrual of allowance for unused vacations	(49,488)	187,041
Translation loss/(income)	(16,063)	457
Finance income	(76,553)	(37,563)
Loss/(income) from disposal of property, plant and equipment and intangible assets	942	2,089
(Reversal)/accrual of provision for slow moving inventory	9,282	(376)
Other (income)/expenses	13,651	(2,763)
<b>Operating loss before working capital changes</b>	<b>648,814</b>	<b>153,298</b>
(Increase)/decrease in inventory	(44,320)	(4,113)
(Increase)/decrease in trade receivables	(23,293)	(39,523)
(Increase)/decrease in current tax assets	(5,326)	(36,742)
(Increase)/decrease in other non-current assets	43,059	2,321
Increase/(decrease) in taxes payable	24,978	9,432
Increase/(decrease) in trade and other payables	117,961	110,588
Increase/(decrease) in accrued liabilities	(18,355)	22,594
<b>Net cash flow from operating activities</b>	<b>743,518</b>	<b>217,855</b>
<b>Investing activities:</b>		
Placement of financial investments	(1,876,084)	(1,186,300)
Proceeds from financial investments	1,186,300	901,258
(Increase)/decrease in non-current advances	(42,606)	(1,664)
Interest received	75,548	36,163
Change in restricted cash	615	1,020
Proceeds from financial assets	3,419	3,703
Purchase of property, plant and equipment	(192,728)	(15,876)
Purchase of intangible assets	(4,933)	(44)
<b>Net cash flow from investing activities</b>	<b>(850,469)</b>	<b>(261,740)</b>
<b>NET CHANGE IN CASH</b>	<b>(106,951)</b>	<b>(43,885)</b>

Effect of changes in foreign exchange rates related to cash balances

CASH at the beginning of the year	262,685	306,570
CASH at the end of the year	155,734	262,685

*Accounting policies and explanatory information on pages 11 to 38 form an integral part of these financial statements.*

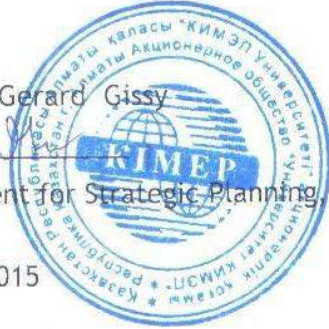
Dr. William Gerard Gissy



Vice President for Strategic Planning, Development and Research

March 31, 2015

Almaty



Zh.Nurpeis



Chief Accountant

March 31, 2015

Almaty

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

### 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): 600900063381.

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

Official website: [www.kimep.kz](http://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, 2014 and 2013, the Company had 534 and 589 employees respectively, including full-time and part-time employees.

According to the Article 135-1 of the Tax Code of the Republic of Kazakhstan "KIMEP University" JSC is exempted from paying corporate income tax.

### Economic environment of the Company

The economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency.

Additionally, the banking sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in the Republic. The prospects for future economic stability in Kazakhstan in 2015-2016 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Company's operations.

The National Bank of Kazakhstan announced its decision not to maintain the exchange rate of tenge at the existing level from February 11, 2014, reduce the volumes of foreign currency interventions and reduce its interference in the process of setting up the exchange rate of tenge. Tenge has been devalued to KZT185/USD whereas the previous exchange rate was KZT155.5/USD. The National Bank indicated capital overflow to the developed countries, weakening Russian rouble and the need to support exporters as the reasons for the devaluation.

Kazakhstan's tax, currency and customs legislation and regulations are subject to ongoing changes and varying interpretations. The future economic development of the Republic of Kazakhstan is largely dependent on the efficiency of economic, financial and currency measures undertaken by the Government as well as the development of tax, legal, regulatory and political systems.

Management is unable to predict all developments which could have an impact on Kazakhstan's economy and consequently what effect they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

### 2. Basis of preparation

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

The financial statements are presented in the Kazakhstan Tenge (hereinafter -"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.

These financial statements do not include any adjustments that might be necessary 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. Summary of significant accounting policies

#### a) Classification of assets and liabilities into current/short-term and non-current/long-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 realized or utilized within the normal operating cycle;
- ✓ it is held mainly for trading;
- ✓ it is expected to be realized within twelve months after the reporting period; or
- ✓ it represents cash 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.

#### b) Fair value measurement

The Company measures financial instruments such as derivatives and such non-financial assets as investment properties at fair value at each balance sheet date. The information on fair values of financial instruments measured at amortized 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 presumption 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 Company must have access to the principal or the most advantageous market.

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 best economic interests.

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, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 categorization (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 real property and available-for-sale 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 analyzes 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.

The valuation committee and the Company's external appraisers regularly 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.

### *c) Recognition of revenue*

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

#### *Provision of services*

Revenue from services is recognized in the period when the services were actually provided. The revenue is recorded less VAT and discounts.

#### *Interest income*

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

*Rental income*

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

*d) Foreign currency translation*

The financial statements are presented in tenge, which is the Company's functional currency.

✓ *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Company in the functional currency at relevant spot rate of exchange at the date when the transaction first meets the recognition criteria.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at spot rates of exchange at each reporting date.

Exchange differences arising on the settlement of monetary items or on the translation of monetary assets are recognized 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. Gains or losses resulting from the translation of non-monetary items that are measured at fair value are recognized according to the principles for recognizing profit or loss from the changes in the fair value of the item (i.e. foreign exchange differences from the currency translation by items, gains or losses from revaluation at fair value that are recognized in other cumulative income or in profit or loss are also recognized either in other cumulative income or in profit or loss, accordingly).

As at December 31, 2014, the official exchange rate used for revaluation of balances on accounts in foreign currency into tenge was 182.35 tenge per one US dollar. As at December 31, 2013, the rate used was 153.61 tenge per on US dollar.

*e) Property, plant and equipment*

Property, plant and equipment are recorded at actual cost less accumulated depreciation and accumulated impairment losses.

Where an item of property, plant and equipment comprises several components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged 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	от 4-5 years
Vehicles	от 5-7 years
Other	от 4 до 10 years

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

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

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

*f) Leases*

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

*Company as a lessor*

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

*g) Intangible assets*

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

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

Intangible assets with finite lives are amortized over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the statement of income in the expense category that is consistent with the function of the intangible assets.

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

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

*h) Impairment of non-financial assets*

At each reporting date, the Company assesses whether there is any indication that the assets may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset or cash-generating unit's fair value less costs of disposal and its value in use. The recoverable amount is assessed for an individual asset, except when such asset generates financial flows that are not largely independent from those generated by 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 transactions can be identified, an appropriate valuation model is used. Such calculations are supported by valuation multipliers, free-floating stock quotes for subsidiaries and other available indicators of fair value.

Impairment losses from continuing operations (including impairment of inventories) are recognized in the statement of income within cost items consistent with the function of the impaired asset.

Previously recognized impairment losses can be restored only if there have been changes in the assumptions that were used to calculate the recoverable amount of an asset after recognition of the last impairment. The recovery is restricted in such a manner that the carrying amount of an asset cannot exceed its recoverable amount and also it cannot exceed the carrying amount net of amortization that would have been assessed if no impairment had been recognized in previous years. This cost recovery is recognized in the statement of income except for the cases when an asset is recognized at its revalued cost. In this case, the recovery is treated as a revaluation surplus.

#### *i) Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *j) Financial assets*

##### *Initial recognition and measurement*

Financial assets within 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 determines the classification of its financial assets at initial recognition.

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

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

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification, as described below:

##### *Loans and receivables*

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

##### *Receivables*

Receivables are measured at amortized cost using the effective interest rate less provision for impairment, except for advances and other non-financial debt.

### *De-recognition*

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

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

### *Impairment of financial assets*

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

Amortization commences once the facility is ready for commissioning, an asset is recognized (a loss event) that had an impact on the future cash flows from a financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment can result from indications that a debtor or a group of debtors face financial difficulties, unable to pay or delay in the payment of interest or of principal amount of a loan, it becoming probable that the debtor will enter bankruptcy or other financial reorganization. In addition, such evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a financial instrument, in particular, such as the change in the amount of delayed payments or changes in economic context or conditions that correlate with debt defaults.

### *Financial assets carried at amortized cost*

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

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

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

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

*k) Financial liabilities*

*Initial recognition and measurement*

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

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

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as described below:

*De-recognition*

A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

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

*Accounts payable*

Accounts payable are accrued when a contractor fulfills its contractual obligations. The Company recognizes accounts payable at fair value, except for advances received and tax liabilities. Subsequently, accounts payable are recognized at amortized value using the effective interest rate method. Advances received are measured at actual amounts of proceeds from third parties.

*Loans and borrowings*

After initial recognition, interest bearing loans borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

The amortized cost is calculated by taking into account any purchase discount, premium, fees or costs that are integral part of the effective interest rate. The effective interest rate amortization is included as financial charges in the income statement.

*De-recognition*

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

*Offsetting financial instruments*

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

*l) Prepayment*

Prepayment is recognized at cost less any impairment. Prepayment is classified as long-term if the estimated term of goods and services receipt exceeds one year or if the prepayment relate to non-an asset, which is recorded as non-current asset at initial recognition. The amount of prepayment

for the purchase of the asset is included into its carrying amount upon obtaining control over this asset by the Company and when future economic benefits derived by the Company from this asset will be received by the Company. Other prepayment will be charged to profit or loss when related goods or services are received. If there are indicators that assets, goods or services related to the prepayment would not be received, the carrying amount of the prepayment must be written off and the related impairment loss is recognized in profit or loss for the year.

*m) Inventories*

Inventories are stated at the lower of cost and net realizable value. The cost of inventory is determined using the weighted average cost method. The cost of inventory includes the cost of acquisition and other direct costs. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. The Company has some inventories stated as long-term inventory. It was decided to transfer these inventories to the short-term inventories in the audited period and accrue the annual provision on the obsolete inventory in the amount of 20 per cent of the cost of inventory.

*n) Cash and cash equivalents*

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

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

*o) Provisions*

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Restructuring provisions are recognized only when the Company has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline and the employees affected have been notified of the plan's main features.

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

*p) Employee benefits*

The Company records social tax in accordance with current legislation of the Republic of Kazakhstan and charges to expenses as incurred.

### *Pension obligations*

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

#### *q) Contingent assets and liabilities*

Contingent assets are not recognized in the financial statements. However, when the realization of revenue is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognized in the financial statements. They are disclosed only when the possibility of an outflow of resources embodying economic benefits is probable.

#### *r) Related parties*

Related parties are relationships in which one party has the ability to control or significantly influence the economic and operating decisions of another as defined in IFRS 24 "Related party disclosures"

### *4. New and revised standards and interpretations*

The below are the standards that have been issued but are not in effect yet and their requirements have not been taken into account as at the date of issue of these financial statements. The management believes that the interpretations to these standards will not have a significant impact on the accounting policies, financial position or the operating results of the Company.

#### *➤ Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of the phrase "currently has a legally enforceable right to set-off" and the offsetting criteria to settlement systems, which apply gross settlement mechanisms that are not simultaneous and is applied retrospectively. The amendments had no effect on the Company's financial statements since the Company has no offsetting agreements.

#### *➤ IFRIC 21 Leases*

IFRIC 21 clarifies that that an entity recognizes a liability for a levy at the time when the activity that triggers payment by the relevant legislation occurs. The interpretation also clarifies that for a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. IFRIC 21 is applied retrospectively. This interpretation had no effect on the Company's financial statements since it has applied recognition principles according to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in accordance with the requirements of IFRIC 21 for previous periods.

#### *➤ Annual Improvements to IFRS: 2010-2012 cycle*

IFRS Board has issued seven amendments to six standards including the Amendment to IFRS 13 "Fair Value Measurement" as part of annual improvements to IFRS for the period from 2010 to 2012. The Amendment to IFRS 13 is effective immediately and applies to periods starting from January 1, 2014. It clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest can be held at invoice amounts when the effect of discounting is immaterial.

This Amendment to IFRS 13 had no effect on the Company's financial statements.

#### *➤ Annual Improvements to IFRS: 2011-2013 cycle*

IFRS Board has issued four amendments to four standards including the Amendment to IFRS 1 "First time adoption of International Financial Reporting Standards" as part of annual improvements to IFRS for the period from 2011 to 2013. The Amendment to IFRS 1 is effective immediately and

applies to periods starting from January 1, 2014. It clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This Amendment to IFRS 1 had no effect on the Company's financial statements since the Company has already been preparing its financial statements in accordance with IFRS.

#### *B. Standards issued but not yet effective*

The below are standards and interpretation that have been issued but not yet effective as at the date of issuance of the Company's financial statements. The Company intends to adopt these standards when they become effective.

##### *➤ IFRS 9 "Financial Instruments"*

IFRS Board issued the final version of IFRS 9 "Financial Instruments" on July 2014, which reflects the results of all phases of the financial instruments project and replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The standard introduces new requirements to classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Early application of this standard is permitted. The standard is applied retrospectively but it is not required to present comparative information. Previous versions of IFRS 9 (2009, 2010 and 2013) will be available for early adoption if the date of first-time adoption is before February 1, 2015. Application of IFRS 9 will have an impact on classification and measurement of the Company's financial assets but will not affect the classification and measurement of the Company's financial liabilities.

##### *➤ Annual Improvements to IFRS: 2010-2012 cycle*

These amendments will become effective on July 1, 2014 and might not have a material impact on the Company's financial statements. The document includes the following amendments:

##### *➤ Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets*

The amendments are applied retrospectively and clarify in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, it is clarified that the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

##### *➤ Amendment to IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

##### *➤ Annual Improvements to IFRS: 2011-2013 cycle*

These amendments will become effective on July 1, 2014 and might not have a material impact on the Company's financial statements. The document includes the following amendments:

##### *➤ Amendment to IFRS 13 Fair Value Measurement*

This amendment is applied retrospectively and clarifies that the portfolio exception in IFRS 13 may be applied not only in respect of financial assets and financial liabilities but also includes all contracts that are within the scope of IFRS 9 (or IAS 39 if applicable).

##### *➤ IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that

reflects the consideration to which an entity expects to be enlisted in exchange for transferring goods or services to a customer. Principles of IFRS 15 provide for more structured approach to revenue estimation and recognition.

This new standard on revenue is applied to all entities and will supersede all existing revenue recognition requirements under IFRS. The standard is effective retrospectively for annual reporting periods beginning on or after 1 January 2017 using full retrospective or modified retrospective transition method. Early application is permitted. The Company is currently assessing the impact of IFRS 15 and plans to apply new standard on its respective effective date.

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

These amendments clarify the principles of IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are applied prospectively and are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. It is expected that the amendments will have no effect on the Company's financial statements because the Company did not use revenue-based method to amortize its non-current assets.

6. *Significant accounting judgments, estimates and assumptions*

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following are the key assumptions concerning the future events and other key sources of uncertain estimations at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next reporting year.

*Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Operating lease commitments - the Company as a lessor*

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

*Impairment of non-financial assets*

Impairment exists when the carrying value of a cash-generating asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales

transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

#### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships of the Company and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

#### Fair value of financial instruments

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

#### 7. Capital management

The Company's policy is to maintain strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments in light of changes in economic condition.

The Company monitors capital using a leverage ratio, which is net debt divided by total capital plus net debt. Net debt includes loans, trade and other payables less cash and cash equivalents excluding discontinued operations. The Company's policy is to keep the leverage ratio between 20% and 40%.

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Trade and other payables	1,263,454	1,145,493
Cash and cash equivalents	(155,734)	(262,685)
Net debt	1,107,720	882,808
Equity	2,766,804	2,129,588
Total equity and net debt	3,874,524	3,012,396
Leverage ratio	28.6	29.3

#### 8. Recalculation of financial results for the year 2013

<i>(in thousands of Kazakhstani Tenge)</i>	Balance as at 31.12.2013	Adjustment (Retrospective restatement in accordance with IAS 8)	Recalculated balance as at 31.12.2013
Income/(loss) for the period	(185,068)	10,992	(174,076)

This adjustment had no effect on the statement of financial position as at December 31, 2013 and 2014.



## 9. Revenue

<i>(in thousands of Kazakhstani Tenge)</i>	2014 r.	2013 r.
Tuition revenue	3,167,745	3,007,432
Additional courses	144,001	108,308
Library	11,134	12,894
<b>Total</b>	<b>3,322,880</b>	<b>3,128,634</b>

## 10. Cost of sales

Cost of works and services sold:

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Payroll and related taxes	(1,438,357)	(1,588,615)
Depreciation and amortization	(96,328)	(103,057)
Materials and stationery	(46,572)	(34,057)
Business trip expenses	(21,415)	(20,765)
Trainings	(503)	(614)
Other expenses	(252,107)	(273,488)
<b>Total</b>	<b>(1,855,282)</b>	<b>(2,020,596)</b>

## 11. General and administrative expenses

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Payroll and related taxes	(643,167)	(990,258)
Taxes	(73,825)	(13,088)
Depreciation and amortization	(27,494)	(33,969)
Materials	(13,832)	(15,848)
Travel and business trip expenses	(10,043)	(10,072)
Consulting services	(9,952)	(15,986)
(Reversal)/accrual of provision for inventory	(9,282)	376
Bank services	(9,202)	(9,133)
Repair and maintenance	(5,404)	(9,548)
Provision for doubtful debts	(4,411)	(39,743)
Fines and penalties	(185)	(1,004)
Other expenses	(35,805)	(41,153)
<b>Total</b>	<b>(842,602)</b>	<b>(1,179,426)</b>

## 12. Selling expenses

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Payroll and related taxes	(100,410)	(119,424)
Advertising and advertising materials	(25,777)	(39,202)
Arrangement of social events	(15,215)	(6,531)
Travel and business trip expenses	(12,897)	(15,778)
Materials	(8,956)	(14,680)
Depreciation and amortization	(1,594)	(1,720)
Other expenses	(15,789)	(21,688)
<b>Total</b>	<b>(180,638)</b>	<b>(219,023)</b>

## 13. Other income and expenses

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Income from operating lease	36,804	41,079
Foreign exchange gain	30,649	2,998
Other income	125,754	124,264
<b>Total income</b>	<b>193,207</b>	<b>168,341</b>
Loss from disposal of assets	(942)	(2,089)
Foreign exchange loss	(14,586)	(3,455)
Other expenses	(61,374)	(84,025)
<b>Total expenses</b>	<b>(76,902)</b>	<b>(89,569)</b>
<b>Total, net</b>	<b>116,305</b>	<b>78,772</b>

## 14. Finance income

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Income from other financial investments (Note 25)	75,548	36,163
Amortization of discount from contract on additional electricity capacity (Note 24)	1,005	1,400
<b>Total</b>	<b>76,553</b>	<b>37,563</b>

## 15. Property, plant and equipment

Changes in the book value of property, plant and equipment is presented below:

<i>(In thousands of Kazakhstani Tenge)</i>	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Constructi on-in-progress	Total
<b>Cost</b>							
As at January 1, 2013	98,443	1,953,721	519,404	36,289	616,273	-	3,224,130
Additions	-	-	6,627	-	9,249	-	15,876
Disposals	-	-	(12,884)	(1,006)	(4,977)	-	(18,867)
На 31 декабря 2013 г.	98,443	1,953,721	513,147	35,283	620,545	-	3,221,139
Additions	-	-	29,026	-	16,030	147,672	192,728
Transfers	-	21,056	29,447	(607)	(28,840)	(21,056)	-
Disposals	-	(14,130)	(16,331)	-	(4,731)	-	(35,191)
На 31 декабря 2014 г.	98,443	1,960,647	555,290	34,676	603,004	126,616	3,378,676
<b>Accumulated depreciation</b>							
As at January 1, 2013 г.	-	378,655	420,231	22,802	414,382	-	1,236,070
Accrued for the year	-	38,874	34,756	3,367	61,168	-	138,165
Disposals	-	-	(12,638)	(715)	(3,679)	-	(17,032)
As at December 31, 2013	-	417,529	442,349	25,454	471,871	-	1,357,203
Accrued for the year	-	38,935	31,633	2,189	51,942	-	124,698
Reclassification	-	-	(23,440)	562	22,878	-	-
Disposals	-	(14,034)	(16,059)	-	(4,157)	-	(34,250)
As at December 31, 2014	-	442,430	434,483	28,205	542,534	-	1,447,652
<b>Book value</b>							
As at December 31, 2014	98,443	1,518,217	120,807	6,471	60,470	126,616	1,931,024
As at December 31, 2013	98,443	1,536,192	70,798	9,829	148,674	-	1,863,936

During the period audited, depreciation of property, plant and equipment was charged on the following expense:

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Cost of sales	96,322	102,960
General and administrative expenses	26,784	33,487
Selling expenses	1,592	1,718
<b>Total</b>	<b>124,698</b>	<b>138,165</b>

## 16. Intangible assets

As at December 31, intangible assets were as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	Licenses	Software	Other	Total
<b>Initial cost</b>				
Balance as at January 1, 2013	676	4,493	44	5,213
Additions	-	44	-	44
Disposals	(676)	(1,815)	-	(2,491)
<b>Balance as at January 1, 2014</b>	-	<b>2,722</b>	44	<b>2,766</b>
Additions	-	4,933	-	4,933
Disposals	-	-	-	-
<b>As at December 31, 2014</b>	-	<b>7,655</b>	44	<b>7,699</b>
<b>Amortization and impairment</b>				
As at January 1, 2013	441	3,096	20	3,557
Amortization	68	507	6	581
Disposals	(509)	(1,728)	-	(2,237)
<b>Balance as at January 1, 2014</b>	-	<b>1,875</b>	26	<b>1,901</b>
Amortization	-	712	6	718
Disposals	-	-	-	-
<b>As at December 31, 2014</b>	-	<b>2,587</b>	32	<b>2,619</b>
<b>Net book value</b>				
Balance as at December 31, 2014	-	5,068	12	5,080
Balance as at December 31, 2013	-	847	18	865

During the period audited, amortization of intangible assets was charged on the following expense:

<i>(in thousands of Kazakhstani Tenge)</i>	2014	2013
Cost of sales	6	97
General and administrative expenses	710	482
Selling expenses	2	2
<b>Total</b>	<b>718</b>	<b>581</b>

## 17. Non-current advances

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Advances for purchase of property, plant and equipment	44,270	1,664
<b>Total</b>	<b>44,270</b>	<b>1,664</b>

The Company entered into contract dated June 4m 2014 with Nur ZholStroy LLP to perform capital repair of a dormitory building.

## 18. Cash and cash equivalents

Cash and cash equivalents include:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Cash on hand	739	1,529
Cash in current bank accounts	154,995	261,156
<b>Total</b>	<b>155,734</b>	<b>262,685</b>

Cash and cash equivalents are denominated in the following currencies:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Tenge	138,549	233,953
US Dollar	15,940	26,545
Euro	1,240	2,187
British Pound	5	-
<b>Total</b>	<b>155,734</b>	<b>262,685</b>

## 19. Restricted cash

<i>(In thousands of Kazakhstani Tenge)</i>		2014	2013
Restricted deposits at Kazkommertsbank JSC	Moody's Investors Service: B2/Stable/NP (28.02.14) Standard & Poor's: B/Stable/C, kzBB (13.10.14) Fitch Ratings: B/Stable/B (15.08.14)	475	885
Restricted deposits at Bank CenterCredit JSC	Moody's Investors Service: B2/Stable/NP, B1.kz (29.09.14) Standard & Poor's: B+/Stable/B, kzBBB (03.11.14). Fitch Ratings: B/Stable/B, BB+ (kaz) (02.03.15)	705	910
<b>Total</b>		<b>1,180</b>	<b>1,795</b>

The Company has entered into escrow account agreements with Kazkommerzbank JSC and BankCenterCredit JSC. The deposits represent guarantee deposits for the hired expatriate employees placed in order to comply with legal requirements of the Republic of Kazakhstan related to the placing procedure and terms of guarantee and security deposits for foreign labour brought to the Republic of Kazakhstan. The Bank shall return the deposit in part or in full only upon written permission of an authorized governmental body.

## 20. Trade and other accounts receivable

As at December 31, trade receivables was as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Tuition fee receivable from students	234,985	222,876
Other accounts receivable	13,819	6,979
	248,804	229,855
Provision for doubtful debts	(123,673)	(91,280)
<b>Total</b>	<b>125,131</b>	<b>138,575</b>

Credit quality analysis of trade receivables is given below:

<i>(In thousands of Kazakhstani Tenge)</i>	Total	Overdue but not impaired		
		<180 days	180 - 365 days	>365 days
2014	125,131	118,360	3,581	3,190
2013	138,575	138,575	-	-

The Company records provision for doubtful debt as 100% of the total accounts receivable with the term of over one year and as 50% with the term of up to one year (but more than six months). No interest is charged to trade accounts receivable and usually it is repaid within 30 to 90 days.

The conditions related to accounts receivable from related parties are set out in Note 31. Credit risks management procedures used by the Company are described in Note 33.

The change in provision for doubtful debts, trade and other receivables for the years ended December 31, 2014 and December 31, 2013 is presented as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
As at the beginning of the year	(91,280)	(52,093)
Accrued for the year	(32,676)	(54,541)
Reversed for the year	283	15,354
As at the end of the year	(123,673)	(91,280)

## 21. Other accounts receivable

As at December 31, other accounts receivable included the following:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Advances paid	42,943	49,440
Rent receivable	24,029	13,180
Prepaid expenses	3,040	2,848
Receivable from employees	6,366	1,253
Other receivables	24,147	29,460
	100,525	96,181
Provision for doubtful debts	(21,247)	(49,229)
<b>Total</b>	<b>79,278</b>	<b>46,952</b>

The change in provision for doubtful debts for the years ended December 31, 2014 and December 31, 2013 is presented as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
As at the beginning of the year	(49,229)	(48,673)
Accrued for the year	-	(556)
Reversed for the year	27,982	-
As at the end of the year	(21,247)	(49,229)

## 22. Inventory

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Raw and other materials	70,276	26,600
Goods	2,268	1,624
	72,544	28,224
Provision for inventory	(12,166)	(2,884)
<b>Total</b>	<b>60,378</b>	<b>25,340</b>

For the purposes of the financial statements, the management decided to transfer long-term inventory from other long-term inventory to the inventory in the period audited.

The change in provision for inventory is presented as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Balance as at January 1	2,884	3,260
Accrued for the period	10,752	-
Reversed for the period	(1,470)	(376)
<b>Balance as at December 31</b>	<b>12,166</b>	<b>2,884</b>

## 23. Current tax assets

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
VAT offset	15,968	28,256
Other taxes	38,583	20,970
<b>Total</b>	<b>54,551</b>	<b>49,225</b>

## 24. Financial assets

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Accounts receivable for additional electricity capacity, non-current portion	50,708	54,125
Accounts receivable for additional electricity capacity, current portion	3,419	3,419
Discount from contract on additional electricity capacity	(34,484)	(35,489)
Adjustment of the discount as per restatement	2,856	-
<b>Total</b>	<b>22,499</b>	<b>22,055</b>

In that amount:

<i>(In thousands of Kazakhstani Tenge)</i>	2014 r.	2013 r.
Financial assets, current	3,419	3,419
Financial assets, non-current	19,080	18,636
<b>Total</b>	<b>22,499</b>	<b>22,055</b>

Pursuant to the Order of the Chairman of the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan dated February 21, 2007 "On the approval of the Rules for compensating a transmission entity for the cost of expansion and upgrade of the public energy transportation network on a repayable basis", an agreement on connecting additional electricity capacity dated October 10, 2007 for the amount of 68,370 thousand tenge was concluded between Almaty Zharyk Company JSC and KIMEP UNIVERSITY JSC. This amount must be repaid by monthly equal installments of 284,875 tenge starting November 1, 2010 until October 10, 2030. The Company recognized the loan at amortized cost. In 2012, the effective interest rate of 14.9% was used to record fair value of the loan. In 2013, the management revised the discounting rate based on 'financial prudence' principle and the recommended discount rate amounted to 7.5%. As a result, the Company recognized discount in the amount of 36,889 thousand tenge. As at December 31, 2014, financial assets amounted to 22,499 thousand tenge; non-current and current portions amounted to 19,080 thousand tenge and 3,419 thousand tenge, respectively.

#### 25. Other financial investments

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Other current financial investments	1,876,084	1,186,300
<b>Total</b>	<b>1,876,084</b>	<b>1,186,300</b>

Deposit agreement was concluded on December 9, 2013 with Bank CenterCredit JSC in tenge for 12 months with an annual effective interest rate of 5.6%. In accordance with Supplementary Agreement dated April 22, 2014 to the Agreement, the interest rate was raised to 6.7%. Deposit agreement was concluded on December 9, 2014 with Bank CenterCredit JSC in tenge for 12 months with an annual effective interest rate of 6.7%. On October 24, 2014, deposit agreement was concluded with Bank CenterCredit JSC in foreign currency for 12 months with an annual effective interest rate of 1%.

For all mentioned deposit accounts, the interest is accrued monthly provided that the Depositor maintains the minimum required balance. The amount of accrued interest is added monthly to the amount on the deposit account on the first calendar day of the following month. Additional funds can be deposited and withdrawn from the deposit account provided that the minimum required balance is kept. Withholding tax at source applies to the interest. Interest is accrued 365 days per year and based on actual number of calendar days of a month. For the years ended December 31, 2014 and December 31, 2013, finance income on deposits amounted to 75,548 and 36,163 thousand tenge, accordingly (Note 13).

#### 26. Trade and other accounts payable

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Payables to suppliers and contractors	35,009	15,786
Advances received	1,227,241	1,127,622
Other current accounts payable	1,204	2,085
<b>Total</b>	<b>1,263,454</b>	<b>1,145,493</b>

#### Accounts payable by currencies:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
In tenge	34,992	15,608
In US dollars	17	2
In Euro	-	176

<b>Total</b>	<b>35,009</b>	<b>15,786</b>
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The conditions related to accounts payable to related parties are set out in Note 31. Credit risks management procedures used by the Company are described in Note 33.

### 27. Current provisions

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Provision for unused vacations	225,206	274,694
Other provisions	26,702	45,056
<b>Total provisions</b>	<b>251,908</b>	<b>319,750</b>

The changes in the provision for vacations for the years ended December 31, 2014 and December 31, 2013 were as follows:

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
As at the beginning of year	(274,694)	(87,653)
Accrued for the year	(191,415)	(435,038)
Reversed for the year	240,903	247,997
As at the end of the year	(225,206)	(274,694)

### 28. Current tax liabilities

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Personal income tax	37,799	15,676
Corporate income tax	-	-
VAT	7,232	6,168
Social tax	16,217	14,646
Other taxes	-	231
<b>Total current tax liabilities</b>	<b>61,248</b>	<b>36,721</b>

### 29. Liabilities on other mandatory and voluntary payments

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Mandatory pension contributions	9,199	8,738
Mandatory social contributions	2,596	2,606
<b>Total liabilities</b>	<b>11,795</b>	<b>11,344</b>

### 30. Shareholders' equity

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Share capital	537,146	537,146
Retained earnings	2,229,658	1,592,442
<b>Total equity</b>	<b>2,766,804</b>	<b>2,129,588</b>

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

14, 2003 "On Reorganization of Kazakhstan Institute of Management, Economics and Planning under the President of the Republic of Kazakhstan". The valuation of the property complex contributed to the share capital of the Company was conducted in accordance with legislation of the Republic of Kazakhstan on privatization and valuation activity but not in accordance with International Financial Reporting Standards for the purposes of determination of fair value of fixed assets (notional value) at the date of transition to IFRS. The value of the property complex was determined to be 403,800 thousand tenge based on profitability method. The remaining part of the share capital of the Company was contributed in the form of cash.

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

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

### 31. Related party transactions

The below tables details transactions with related parties as well as related balances for 2014.

Related party	Opening accounts receivable	Opening accounts payable	Total debits	Total credits	Closing accounts receivable	Closing accounts payable
<b>USKO International LLP</b>						
Sponsorship and grants	-	-	419	419	-	-
Advances paid	77	-	-	-	77	-
Advances received	-	613	419	-	-	194
Payment for services	-	-	56	56	-	-
<b>Closing debt</b>	-	<b>536</b>	-	-	-	<b>117</b>
<b>USKO Logistic International JSC</b>						
Advances received	-	144	-	-	-	144
<b>Closing debt</b>	-	<b>144</b>	-	-	-	<b>144</b>
<b>USKO Mebel LLP</b>						
Advances paid	-	-	649	-	-	-
Payment for services	-	-	-	649	-	-
<b>Closing debt</b>	-	-	-	-	-	-
<b>Kazakh Education and Science Ministry</b>						
Advances paid	-	4,117	2,118	1,965	-	3,964
<b>Closing debt</b>	-	<b>4,117</b>	-	-	-	<b>3,964</b>
<b>Buran Boiler LLP</b>						
Advances received	-	439	-	604	-	1,043
<b>Closing debt</b>	-	<b>439</b>	-	-	-	<b>1,043</b>



The below tables contains information on the total transaction amounts with related parties in 2013.

Related party	Opening accounts receivable	Opening accounts payable	Total debits	Total credits	Closing accounts receivable	Closing accounts payable
<b>USKO International LLP</b>						
Advances paid	77	-	-	-	77	-
Advances received	-	781	168	-	-	613
Closing debt		704				536
<b>USKO Logistic International JSC</b>						
Advances paid	-	144	-	-	-	144
Payment for services	-	-	-	-	-	-
Closing debt		144				144
<b>USKO Mebel LLP</b>						
Advances received						
Payment for services						
Closing debt						
<b>Kazakh Education and Science Ministry</b>						
Advances paid	-	3,660	7,827	8,284	-	4,117
Closing debt		3,660				4,117
<b>Buran Boiler LLP</b>						
Advances received	-	681	-	-	-	681
Payment for services	-	-	-	-	-	-
Closing debt		681				681

In 2014, remuneration paid to the Company's President and the Vice-Presidents amounted to 73 million tenge. In 2013, it was 87 million tenge. These amounts represent the amounts recorded as expenses for the reporting period in relation to key management staff.

Closing balances are not secured, interest-free and paid by cash. No guarantee was provided or received with regard to accounts payable or receivable. The Company recorded impairment of receivables from related parties.

## 32. Commitments and Contingencies

### Operating environment

The Republic of Kazakhstan continues economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependant on these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

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

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

### Operating lease commitments - the Company as a lessor

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

<i>(In thousands of Kazakhstani Tenge)</i>	2014	2013
Within one year	6,298	11,038
Over one year but no longer than five years	4,708	15,804
<b>Total</b>	<b>11,006</b>	<b>26,842</b>

### Environmental protection

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

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

### Certificate of insurance

The Company insures its risks in the following directions:

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

### Legal proceedings

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

### 33. Financial instruments, financial risk management objectives and policies

The Company's main financial liabilities include trade and other payables. 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 trade and other receivables, cash and short-term deposits, which arise directly in the course of 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 activities related to financial risks are conducted in accordance with relevant policies and procedures. Financial risks are identified, evaluated and managed in accordance with the Company's risk management policy and objectives.

#### Market risk

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

**Currency risk**

The National Bank of Kazakhstan announced its decision not to maintain the exchange rate of tenge at the existing level from February 11, 2014, reduce the volumes of foreign currency interventions and reduce its interference in the process of setting up the exchange rate of tenge. Tenge has been devalued to KZT185/USD whereas the previous exchange rate was KZT155.5/USD. The National Bank indicated capital overflow to the developed countries, weakening Russian rouble and the need to support exporters as the reasons for the devaluation.

The Company's exposure to foreign currency risk mainly relates to its operating activities since some of its expenses are in US dollars while all revenues are in tenge. The essential part advances received from sponsors for educational purposes is in foreign currency, which is then charged to revenues.

Monetary assets and liabilities denominated in foreign currency give rise to the foreign currency risk. Foreign currency risk sensitivity shown below is based on the change of the risk factor whereas all other variables remain unchanged. It is unlikely to happen in practice and the changes in some other factors can be correlated, for instance, changes in interest rates.

	Increase/(decrease) in the exchange rate of tenge to US dollar	Effect on profit before taxation
<b>2014</b>		
US dollar	+10%	3,065
US dollar	-10%	(1,459)
<b>2013</b>		
US dollar	+10%	300
US dollar	-10%	(346)

**Credit risk**

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

**Trade receivables**

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

Receivables are grouped into homogeneous groups and are constantly and collectively evaluated for impairment. As a result, the Company's risk of bad debts is insignificant.

**Financial instruments and cash deposits**

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

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

Name	Rating	Debt /balance as at December 31, 2014 (KZT, in thous.)
Accounts receivable:	No	125,131
Trade and other receivables		
Other current assets	No	33,295
<b>Total</b>		<b>158,426</b>
Cash		
Kazkommerzbank JSC (Kazakhstan)	Moody's Investors Service: B2/Stable/NP (28.02.14) Standard & Poor's: B/Stable/C, kzBB (13.10.14) Fitch Ratings: B/Stable/ B (15.08.14)	91,233
BankCenterCredit JSC	Moody's Investors Service: B2/Stable/NP, B1.kz (29.09.14) Standard & Poor's: B+/Stable/B, kzBBB (03.11.14)). Fitch Ratings: B/Stable/B, BB+ (kaz) (02.03.15)	63,762
Restricted deposits at Kazkommerzbank JSC	Moody's Investors Service: B2/Stable (Moody's Investors Service: B2/Stable/NP (28.02.14) Standard & Poor's: B/Stable/C, kzBB (13.10.14) Fitch Ratings: B/Stable/ B (15.08.14)	475
Restricted deposits at Bank CenterCredit JSC	Moody's Investors Service: B2/Stable/NP, B1.kz (29.09.14) Standard & Poor's: B+/Stable/B, kzBBB (03.11.14)). Fitch Ratings: B/Stable/B, BB+ (kaz) (02.03.15)	705
Cash on hand	No	739
Deposits at Bank CenterCredit JSC (for 12 months)	Moody's Investors Service: B2/Stable/NP, B1.kz (29.09.14) Standard & Poor's: B+/Stable/B, kzBBB (03.11.14)). Fitch Ratings: B/Stable/B, BB+ (kaz) (02.03.15)	1,876,084
<b>Total cash</b>		<b>2,032,998</b>
<b>Total maximum exposure to credit risk</b>		<b>2,190,685</b>

### Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. The Company regularly monitors liquidity requirements and the management assures that there are sufficient funds to cover any commitments as they arise.

As at the end of the reporting period, the liquidity figures of the Company are as follows:

	The optimum value	2014	2013
Quick liquidity ratio	от 0,7 до 0,8	1.45	0.30
Current liquidity ratio	от 0,2 до 0,5	1.48	1.13

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

$$L_{\text{absolute solvency}} = DS/K$$

	2014	2013
Cash and cash equivalents	155,734	262,685
Trade and other payables	1,263,454	1,145,493
<b>Factor</b>	<b>0.12</b>	<b>0.23</b>

## NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 2014

In the reporting year 2014 the factor is slightly below the recommended value, which indicates the change in the Company's liquidity in comparison with 2013. The absolute solvency lower factor usually cited in literature on financial management is 0.25.

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

(In thousands of Kazakhstani Tenge)	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<b>Financial assets:</b>						
Cash and cash equivalents	155,734	-	-	-	-	155,734
Restricted cash	1,180	-	-	-	-	1,180
Trade accounts receivable	-	125,131	-	-	-	125,131
Other accounts receivable	-	79,278	-	-	-	79,278
Current tax assets	54,551	-	-	-	-	54,551
Financial assets	-	855	855	1,709	19,080	22,499
Other financial investments	-	-	-	1,876,084	-	1,876,084
Non-current receivables	-	-	-	-	44,270	44,270
	<b>211,465</b>	<b>205,264</b>	<b>855</b>	<b>1,877,793</b>	<b>63,350</b>	<b>2,358,727</b>
<b>Trade and other payables</b>	-	36,213	1,227,241	-	-	1,263,454
Taxes and non-budget fees payable	61,248	-	-	-	-	61,248
Provisions	-	-	-	-	251,908	251,908
Liabilities on other mandatory and voluntary payments	11,795	-	-	-	-	11,795
	<b>73,043</b>	<b>36,213</b>	<b>1,227,241</b>	<b>-</b>	<b>251,908</b>	<b>1,588,405</b>
<b>Net position as at December 31, 2013</b>	<b>138,422</b>	<b>169,051</b>	<b>(1,226,386)</b>	<b>1,877,793</b>	<b>(188,558)</b>	<b>770,322</b>

## Fair value

Fair value of financial assets and financial liabilities included in the financial statements is the amount the instrument could be exchanged for as a result of the current transaction between willing parties to make such transaction different from forced sale or liquidation.

The following methods and assumptions were used to determine the fair value:

✓ The fair value of cash, trade receivables and payables, as well as other current liabilities is approximately equal to their book value largely due to the fact that these instruments will be paid off in the near future.

✓ The Company evaluates long-term loans on the basis of such parameters as interest rates, risk characteristics of the financed project. Based on this assessment the reserves were used to account for losses in respect of this indebtedness. As at December 31, 2011 the book value of the loans excluding the reserves (discounting) was approximately equal to its fair value.

The below is the comparative analysis of the book and fair values of all financial instruments of the Company with a breakdown by categories:

	Book value		Fair value	
	2014	2013	2014	2013
<b>Financial assets</b>				
Other accounts receivable	79,278	46,952	79,278	46,952
Current portion of financial assets	3,419	3,419	3,419	3,419
Other current assets	1,876,084	1,186,300	1,876,084	1,186,300

34. Subsequent events

*Land plot*

A meeting was held in the President's Office of KIMEP University JSC on April 2, 2014 to discuss the issue of a land plot owned by the University in Baiserke village. This land plot is in danger of being confiscated by the local administration due to the owner's failure to use the land plot according to its designated purpose (the designated purpose in the title document is the construction and maintenance of an educational facility). Office of the President of KIMEP University JSC recommended to consider the issue of selling this land plot at a meeting of the Board of Trustees. The Company has sent the letters to the city administration informing about temporary financial difficulties of "KIMEP University" JSC and postponement of any construction for an indefinite period. The representatives of the Company had a meeting with akim of Almaty during which he showed his understanding about the situation. Since that, the Company has not received any notices or claims but that fact does not exclude the risk of confiscation of the land.

35. Date of approval of financial statements

These financial statements were approved on March 31, 2015.



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