

## INDEPENDENT AUDITOR'S REPORT

to Management of JSC "KIMEP"

we have conducted audit of the attached financial statements of Joint Stock Company "Kazakhstan institute of Management, Economy and Prediction", consisting of the balance sheet as of December 31, 2007, income and loss statement, report of equity changes, cash flow statement for the year expired as of specified date, as well as review of significant articles of accounting policy and other explanatory notes.

### *Management Responsibility for Financial Statements*

The management shall be responsible for preparation and fair representation of these financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility shall include: development, implementation and maintenance of internal control connected with preparation and fair representation of the financial statements, ensuring that it does not contain any material misstatements resulting from fraud or errors; selection and application of the appropriate accounting policy; and reasonableness of accounting estimations.

### *Auditor's Responsibility*

We are responsible for expression of the opinion on such financial statements on the basis of conducted audit. We have carried out audit in accordance with the International Audit Standards. These standards oblige us to meet ethic requirements, as well as to conduct audit in the manner to acquire reasonable confidence that such financial statements contain no material distortions.

Audit comprises the procedures required for obtaining of audit evidences with respect to the amounts and disclosures provided in the financial statements. The selected procedures depend on the auditor's opinion, including assessment of risks of material distortions in these financial statements caused by fraud or mistake. Upon assessment of such risks the auditor examines the internal control, connected with preparation and fair representation of financial statements of the subject, in order to develop audit procedures corresponding to circumstances, but not for expression of the opinion on efficiency of the subject internal control. Audit also includes assessment of correspondence of used accounting policy and reasonableness of accounting estimations, made by management, and assessment of general representation of financial statements.



We consider the audit evidences obtained by us sufficient and appropriate to become the basis for expression of our opinion.

**Opinion**

In our opinion the financial statements provide fair and reliable reflection of financial condition of Joint Stock Company “Kazakh Institute if Management, Economy and Prediction”, as of December 31, 2007 and its financial results and cash flows for the year expired as of the date specified, in accordance with International Financial reporting Standards.

**Auditor**  
Qualification certificate № 380  
25.04.98



**K.B. Bazarbekova**

**Director of “Sapa-Audit” LLP**  
License of the Legal Entity № 0000237  
28.08.02



K.B. Bazarbekova

02.04.2008  
Almaty

**Balance sheet**  
As of «31» December 2007  
(Form 1)

Name of Organization KIMEP JSC  
Type of activity EDUCATION  
Corporate form non-profit, JSC  
Legal address 2 Abay ave., Almaty

Thousand tenge

Assets	Page code	End of accounting period	Beginning of accounting period
<b>I. Short term assets</b>			
Cash funds and their equivalents	010	257 901	358 313
Short term financial investments	011		
Short-term accounts receivable	012	23 953	73 957
Reserves	013	75 855	50 343
Current tax assets	014	46 535	39 592
Long term saleable assets	015		
Other short-term assets	016	91 266	146 527
<b>Total short-term assets</b>	<b>100</b>	<b>495 510</b>	<b>668 732</b>
<b>II. Long-term assets</b>			
Long-term financial investments	020	68 370	
Long terms accounts receivable	021	55 361	
Investments accounted using equity method	022		
Investment real estate	023		
Fixed assets	024	9 477 941	8 812 960
Biological assets	025		
Exploration and estimation assets	026		
Intangible assets	027	5 901	3 099
Deferred tax assets	028		
Other long term assets	029		
<b>Total long term assets</b>	<b>200</b>	<b>9 607 573</b>	<b>8 816 059</b>
<b>Balance (p. 100 + p. 200)</b>		<b>10 103 082</b>	<b>9 484 791</b>

Liabilities	Page code	End of accounting period	Beginning of accounting period
<b>III. Short-term liabilities</b>	<b>030</b>		
Short term financial liabilities	031	26 790	63 675
Tax liabilities	032	20 987	16 610
Other statutory and voluntary liabilities	033	7 414	35 873
Short-term accounts payable	034	17 263	554 293
Short-term estimation liabilities	035	0.7	35 956
Other short-term liabilities	036	21 928	88 835
<b>Total short-term liabilities</b>	<b>300</b>	<b>94 383</b>	<b>795 242</b>
<b>IV. Long-term liabilities</b>			
Long-term financial liabilities	040	62 417	
Long-term accounts payable	041	749 096	
Long-term estimation liabilities	042	113 733	
Deferred tax liabilities	043		
Other long term liabilities	044	85 311	
<b>Total long term liabilities</b>	<b>400</b>	<b>1 010 558</b>	<b>0</b>
<b>V. Capital</b>			
Issued capital	050	537 146	537 146
Paid-in capital	051		
Repurchased own equity instruments	052		
Reserves	053	7 608 225	7 343 364





**Statement of Income and Expenses**  
As of « 31 » December \_\_\_\_\_ 2007\_\_\_\_\_  
(Form 2)

Name of Organization KIMEP JSC  
Type of activity EDUCATION  
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Legal address 2 Abay ave., Almaty

Thousand tenge

Index	Page code	Accounting period	Preceding period
Income from realization of products and services	010	2 400 238	1 833 438
Cost of products sold and services provided	020	1 554 639	1 107 323
Gross profit (p. 010 - p. 020)	030	845 599	726 115
Financing incomes	040		
Other incomes	050	300 324	226 890
Cost of selling products and services	060	30 597	78 068
Administration costs	070	872 625	482 765
Financing costs	080		
Other costs	090	79 685	35 002
Share of organization's profit/loss accounted using equity method	100		
Profit (loss) during the period from continued activities (p. 030 + p. 040 + p. 050 - p. 060 - p. 070 - p. 080 - p. 090 +/- p. 100)	110	163 016	357 170
Profit (loss) from discontinued activities	120		
Profit (loss) before tax (p. 110 +/- p. 120)	130	163 016	357 170
Corporate income tax expenses	140	0	0
Total profit (loss) for the period (p. 130 - p. 140) prior to deduction of minority interest	150	163 016	357 170
Minority interest	160		
Total profit (loss) for the period (p. 150 - p. 160)	170	163 016	357 170
Profit per share	180		

Head \_\_\_\_\_  
(name) (signature)

Chief Accountant \_\_\_\_\_  
(name) (signature)

Stamp



**Cash Flow Statement**  
**As of « 31» December \_\_\_\_\_ 2007**  
**(direct method)**  
**(Form 3)**

Name of Organization  KIMEP JSC  
 Type of activity  EDUCATION  
 Corporate form  non-profit, JSC  
 Legal address  2 Abay ave., Almaty

Index	Page code	Accounting period	Preceding period
tenge			
<b>I. Operating cash flow</b>			
1. Total cash receipts	010	3 019 347	2 812 425
including:			
Realization of goods	011		
Provision of services	012	2 073 695	1 836 734
Advance payments received	013	746 225	330 907
Dividends	014		
Other receipts	015	199 426	644 784
2. Total cash outflows	020	2 816 083	2 122 057
including:			
Payments to suppliers for goods and services	021	1 078 639	641 229
Advance payments paid	022	68 370	
Payroll payments	023	1 183 904	847 389
Loan premium payments	024		
Corporate income tax	025		51 525
Other budget payments	026	383 736	309 773
Other payments	027	101 434	272 141
3. Net operating cash (p. 010 - p. 020)	030	203 264	690 368
<b>II. Movement of investing funds</b>			
1. Total cash receipts	040		0
including:			
Realization of fixed assets	041		
Realization of intangible assets	042		
Realization of other long-term assets	043		
Realization of financial assets	044		
Repayment of loans extended to other organizations	045		
Futures, forwards, options and swaps	046		
Other receipts	047		
2. Total cash outflows	050	193 004	320 086
including:			
Acquisition of basic assets	051	192 848	319 251
Acquisition of intangible assets	052	156	835
Acquisition of other long-term assets	053		
Acquisition of financial assets	054		
Loans extended to other organizations	055		
Futures, forwards, options and swaps	056		
Other outflows	057		
3. Net investment cash деятельности (p. 040 - p. 050)	060	-193 004	-320 086
<b>III. Movement of financing cash</b>			
1. Total cash receipts	070		35 956
including:			
Issue of shares and other securities	071		
Loans received	072		35 956
Premium received for financed rent	073		



Other receipts	074		
2. Cash outflows, total	080	36 000	
including:			
Repayment of loans	081	36 000	
Acquisition of own shares	082		
Dividend payment	083		
Other	084		
3. Net financial cash (p. 070 - p. 080)	090	-36 000	35 956
Total: Increase +/- reduction in cash funds (p. 030 +/- p. 060 +/- p. 090)		-25 739	16 166
Cash funds and their equivalents as of the beginning of accounting period		358 313	350 484
Cash funds and their equivalents as of the end of accounting period		257 901	358 313

Head \_\_\_\_\_  
(name) (signature)

Chief Accountant \_\_\_\_\_  
(name) (signature)

Stamp



**Statement of Changes in Equity Capital**  
**As of «\_31\_» December \_\_\_\_\_ 2007**  
**(Form 4)**

Name of Organization KIMEP JSC  
 Type of activity EDUCATION  
 Corporate form non-profit, JSC  
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Thousand tenge

	Page code	Parent organization's capital				Minority interest	Total capital
		Issued capital	Reserve capital	Retained profit	Total		
Balance as of 1 January of accounting year	010	537 146	7 343 364	809 039	8 689 549		8 689 549
Changes in accounting policy	020		264 861		264 861		264 861
Recalculated balance (p. 010 +/- p. 020)	030	537 146	7 608 225	809 039	8 417 264		8 417 264
Asset revaluation profit/loss	031						
Cash flow hedging	032						
Exchange differences related to foreign operations	033						
Profit/loss directly recognized in the capital proper (p. 031 +/- p. 032 +/- p. 033)	040						
Profit/loss for the period	050						
Total profit/loss for the period (p.040 +/- p. 050)	060						
Dividends	070						
Issue of shares	080						
Repurchased own interest instruments	090						
Balance as of 31 December of accounting year (p. 060 - p. 070 + p. 080 - p. 090)	100	537 146	7 608 225	852 770	8 998 141		8 998 141







JOINT STOCK COMPANY KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS  
AND STRATEGIC RESEARCH

NOTES TO PRELIMINARY FINANCIAL REPORTING FOR YEAR ENDED ON DECEMBER  
31, 2007

## 1. THE NATURE OF ACTIVITY

Joint Stock Company The Kazakhstan Institute of Management, Economic and Strategic Research (hereinafter referred to as the "Company" or "KIMEP") was established as the public higher (postgraduate) educational institution by Resolution of the President of the Republic of Kazakhstan No.580 "On Establishment of the Kazakhstan Institute of Management, Economic and Strategic Research" dated January 14, 1992 (hereinafter referred to as "Resolution No.580").

In February of 2000 the Public Property and Privatization Committee of the Ministry of Finances of the Republic of Kazakhstan in the name of the Republic of Kazakhstan placed the Company in management of the President, Mr. Chan Young Bang (hereinafter referred to as the "President" or "Majority Shareholder") on the basis of the trust management agreement for three years. In compliance with the terms and conditions of the trust management agreement later on the President had the right to buy out the KIMEP shares on condition that the activity profile would be remain the same and 40% of the shares of the Company's joint capital would be held by another shareholder. Pursuant to the Decree of the President of the Republic of Kazakhstan "On Reorganization of the Kazakhstan Institute of Management, Economic and Strategic Research under the President of the Republic of Kazakhstan" dated August 28, 2003 and Resolution of the Government of the Republic of Kazakhstan dated November 14, 2003 the KIMEP was reorganized into a joint stock company with the stock in the amount of 500,750 ths. KZT (500,750 ordinary shares at par value of 1,000 KZT). On July 7, 2004 the Company was re-registered in the Ministry of Justice of the Republic of Kazakhstan.

The shareholder's shares in the authorized capital as of 31.12.07:

- The Government of the Republic of Kazakhstan represented by the Public Property and Privatization Committee of the Ministry of Finances of the Republic of Kazakhstan - 40% which corresponds to 234,012 ordinary shares at par value of 1000 KZT each;
- Doctor Ch. Bang - 60 %, which corresponds to 350,988 ordinary shares including 266,738 ordinary shares at par value of 1000 KZT each and 84,250 ordinary shares at par value of 432 KZT each.

The Company's address is as follows: 4 Abay St., 050010, the Republic of Kazakhstan.

The Company is a non-profit institution providing paid services in the field of higher education on the basis of State License No. 0000221. Besides, the Company earns income from the services provided by the computer center, library, career services, coffee bar, hotel, publishing center and student center.

As of December 31, 2007 and 2006 the number of the Company's employees was 718 and 646 people correspondingly.

## 2. SUBMISSION OF THE PRELIMINARY FINANCIAL REPORTING

The Company provided the preliminary financial reporting in compliance with the IFRS as of December 31, 2007. The Company reviewed its Accounting Policy in 2006 and revaluated fixed assets.

The Company keeps its books in Kazakhstani Tenge (hereinafter referred to as the "KZT") in compliance with the generally adopted principles of the IFRS.

This preliminary financial reporting of the Company is prepared on the basis of the historical cost principle:



- Evaluation of fixed assets according to IFRS 16 “Fixed Assets” (IFRS 16) (you can find detailed data in the Information for the Management);
- Evaluation of the financial instruments in compliance with IFRS 39 “Financial Instruments: Recognition and Measurement” (IFRS 39).

*Use of Assessments and Assumptions.* Preparation of the preliminary financial reporting in compliance with the IFRS contemplates use of assessment and assumptions by the Company’s management which influence the amounts of assets and liabilities, loss and profit and disclosure of contingent assets and liabilities given in the reporting.

By virtue of uncertainty inherent in such assessments, actual results reflected in future reporting periods may be based on the amounts which are different from these assessments.

*The Functional Currency and Presentation Currency.* The functional currency of the financial reporting attached and presentation currency of this preliminary financial reporting is Kazakhstani Tenge.

### 3. MAIN PRINCIPLES OF THE ACCOUNTING POLICY

*Fixed Assets.* Fixed assets contributed to the authorized capital are recognized at the revaluated cost less further accumulated depreciation and impairment losses. Other fixed assets are recorded at the initial cost less further accumulated depreciation and impairment losses.

Capitalized expenses include expenses for improvement and replacement extending the useful life of assets or increasing their capacity to bring economic benefits at the time of their use. Expenses for repair and maintenance which do not correspond to the above mentioned capitalization criteria shall be represented in the preliminary profit and loss statement as they appear.

Depreciation shall be accrued using the straight-line depreciation method using the following approximate periods:

Buildings	14-50 years
Equipment and Machinery	4-10 years
Vehicles	5 years
Other	4 - 10 years

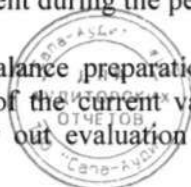
Construction in progress consists of expenses connected directly with construction of new fixed assets including corresponding allocation of direct variable overhead costs incurred in the course of construction.

By analogy with fixed assets such assets are depreciated from the time of commissioning. The current cost of the construction in progress is reviewed regularly as for its fair representation and necessity to recognize impairment losses.

Income or loss from sale or retirement are determined as the difference between sales proceeds and current value of the assets and are recognized in the preliminary profit and loss statement.

*Intangible Assets.* Intangible assets are recorded at the initial cost less accrued depreciation. Depreciation is accrued using straight-line method during the supposed period of useful life of these assets. Depreciation costs are recognized in the profit and loss statement during the period.

*Impairment of Fixed Assets and Intangible Assets.* On each date of the balance preparation, the Company evaluates existence of any signs indicating possible impairment of the current value of fixed assets and intangible assets. If any such sign is detected, they carry out evaluation as for



possible decline in cost of compensation of the assets (if any). If it is impossible to evaluate the recoverable amount for a separate asset, the Company determines the recoverable amount of the generating unit to which the asset belongs.

If the recoverable amount of the asset (or generating unit) is less than its current value, then the current value of the asset (or generating unit) shall be reduced to the recoverable amount of the asset. The impairment loss shall be immediately recognized as the expense except for the cases when a corresponding asset (land, buildings, except for investment property, or equipment) has been evaluated at revaluated cost. In this case, the impairment loss shall be recognized as reduction of the corresponding revaluation fund.

*The Inventory.* The inventory is recognized at the lower of cost or net realizable value. The prime cost includes expenses for the materials purchase, processing and expenses for delivery to the destination place and storage conditions. The prime cost also includes direct costs for materials, customs duties, transportation costs and handling costs. The prime cost of inventory is determined on the basis of the specific identification method. Sale value is based on a possible liquidation value less all estimated costs connected with completion, marketing, sale and delivery of the product.

*Financial Instruments.* Financial assets and financial liabilities are represented in the preliminary balance sheet of the Company when the Company becomes a party to contractual liabilities under this instrument.

*Accounts Receivable.* Accounts receivable is recognized at the sale value less reserves for doubtful accounts.

*Other Accounts Receivable.* Other accounts receivable includes assets with the expected maturity date up to one year recorded at the par value.

*Cash and cash Equivalents.* Cash includes petty cash and cash on bank settlement accounts. Cash equivalents are short-term liquid investments which are ready to be converted in the known amount of cash and which are connected with a minor risk of changes in the cost.

*Trade and Other Accounts Receivable.* Trade and other accounts receivable is recognized at par value.

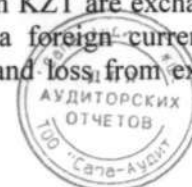
*Reserves.* Reserves are recognized if the Company has the current liability (legal or constructive) in the result of the events in the past, if there is a major probability that the outflow of economic benefits will be required to cancel the liability and the amount of such liability may be measured reliably.

*Pension Contributions.* Pension fund contributions are deducted from the salary of employees and are included in general payroll costs in the preliminary profit and loss statement.

*Grants.* The Company receives special purpose grants for financing of the operating activity and assistance to students in payment for education from different funds and organizations. The grants received for financing of the Company's activity are recorded in the accounting as current liabilities and are recognized as income as they are utilized. The grants given to students with the purpose of payment for education are recorded as current liabilities and are counted towards students' accounts receivable as they are utilized.

*Recognition of Income.* Income from operating activity is recognized in the reporting period when corresponding services are provided. Income from rent is recognized the accrual method pursuant to the terms and conditions of the corresponding lease agreement.

*Foreign Currency Transactions.* Transactions in the currency different from KZT are exchanges at the rate on the date of the transaction. Cash assets and liabilities in a foreign currency are recognized on the date of preparation of the financial reporting. Income and loss from exchange difference are given in the preliminary profit and loss statement.



**Income Tax.** The Company's activity in 2007 corresponds to Article 121 of the Revenue Code of the Republic of Kazakhstan pursuant to which the companies carrying the activity in the field of education is not subject to corporate income tax on condition that at least 90 per cent of the income is earned from the educational activity and income specified in Clause 3 Article 121 of the Revenue Code and use of the earned income for development of this activity.

The balance as of January 1, 2007 does not correspond to the balance as of December 31, 2006. One of the major reasons is revaluation of the property complex as of 31.12.06. which results have influenced the cost of fixed assets, depreciation, property tax, retained income and financial performance of the company.

Besides, the reason of the balance change was also wrong recognition of value added tax. The balance of the VAT account *credit* was 422,626.00 KZT. in the result of corrections the balance of the VAT account *debit* became 6,035,417.00 KZT.

Account 671 "Settlements with Suppliers and Contractors", etc. was corrected.

Co de	Item	Debit Balance as of the beginning of the Period			Credit Balance as of the beginning of the Period		
		2007, Debit, New Data	2006, Debit, Data of the Previous Audit	Difference	2007 Credit, New Data	2006, Credit, Data of the Previous Audit	Difference
101	License agreements	3276303	3294564	- 18261			
102	Software	10 125 194	14 158 933	4 033 739			
112	Depreciation of intangible assets				4 910 795	11011447	6 100 652
122	Buildings and constructions	1975928 720	196195314 6	-13 975 574			
123	Machinery and equipment	310 426 515	408 917 007	98 490 492			
124	Vehicles	17 198 358	17 065 408	-132 950			
125	Other fixed assets	323 540 262	371 058 050	47 517 788			
131	Depreciation buildings and constructions				160 326 318	259 294 110	98 967 792
132	Depreciation of machinery and equipment before construction				58 415 694	158 800 212	100 384 518
133	Vehicle depreciation, aver.				1 502 743	9 036 050	7 533 307
134	Other depreciation				34 357 832	70 394 068	36 036 236
201	Materials and supplies	11 950 491	11 953 010	2 519			
206	Other materials	36 830 712	36 848 067	17 355			
208	Construction materials	2 175 341	2 200 185	24 844			
301	Accounts receivable				479280934	479347278	66344



302	Preparatory class accounts				10 428 038	10 566 995	138 957
315	Alumni association account	279 850	290 950	11 100			
316	Other accounts				29 724	454 689	424 965
333	Receivables from employees	1 986 523	2 551 303	564 780			
441	Cash on the settlement account	278 141 936	278 313 883	171 947			
451	Cash on hand, KZT	2 457 742	2 456 442	-1 300			
541	Additional unpaid capital from revaluation of fixed assets				7 608 225 452	7 635 730 166	27 504 714
561	Retained income (uncovered loss) of the reporting year				509 637 934	395 489 399	-114 148 535
562	Retained income (uncovered loss) of previous years				180 115 505	124 448 066	-55 667 439
631	Corporate tax	19 824 999		-19 824 999			
633	VAT	6 035 417		-6 035 417		422 626	422 626
634	Individual income tax				3 024 639	3 065 418	40 779
652	Pension fund 10%				3 884 345	3 314 083	- 570 262
653	Social tax	4 590 899	4 748 535	157 636			
654	Trade union settlements	46 653	40 265	-6 388			
656	Social insurance				713 265	615 288	- 97 977
658	Property tax	7 022 713	4 163 371	-2 859 342			
659	Vehicle tax	13 082	18 522	5 440			
671	Settlements with suppliers	133 149 464	132 109 888	-1 039 576			
681	Settlements with personnel, labor remuneration				10 515 025	10 530 015	- 14 990
	Total	3 145 001 174	3 252 141 529	107 140 355	906 536 824 3	917 251 991 0	107 140 355

#### I. FIXED ASSETS, NET

As of 31 December, 2007 fixed assets are represented as follows:



	<b>Buildings</b>	<b>Machinery and Equipment</b>	<b>Vehicles</b>	<b>Other</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Cost</b>						
As of January 1, 2007	1 975 929	310 427	17 198	323 540	92 415	2 719 509
Acquisition	65 857	134 957	3 728	143 241	516 042	863 825
Transfer in fixed assets					65 857	65 857
<b>Retirement</b>		<u>(56 162)</u>		<u>(31 406)</u>		<u>(87 568)</u>
As of December 31, 2007	<u>2 041 786</u>	<u>389 222</u>	<u>20 926</u>	<u>435 375</u>	<u>542 600</u>	<u>3 429 909</u>
<b>Accumulated depreciation</b>						
As of January 1, 2007	(160 326)	(58 416)	(1 503)	(34 358)		(254 603)
Accrued for the year	(95 530)	(56 759)	(3 666)	(30 476)		(186 431)
<b>Retirement</b>		<u>316</u>		<u>986</u>		<u>1 302</u>
As of December 31, 2007	<u>(255 856)</u>	<u>(114 859)</u>	<u>(5 169)</u>	<u>(63 848)</u>		<u>(439 732)</u>
<b>Book cost:</b>						
As of December 31, 2007	<u>1 785 930</u>	<u>274 363</u>	<u>15 757</u>	<u>371 527</u>	<u>542 600</u>	<u>2 990 177</u>
As of December 31, 2006	<u>1 702 659</u>	<u>250 117</u>	<u>8 029</u>	<u>300 664</u>	<u>92 415</u>	<u>2 353 884</u>

As of December 31, 2007 the land taking into account the revaluation (2006) was 6,487,764.00 ths. KZT.

## 5. THE INVENTORY, NET

As of December 31, 2007 and 2006 the inventory, net is as follows:

	<b>2007</b>	<b>2006</b>
Materials and supplies	10 902	11 953
Fuel	273	238,9
Spare parts	102	33,4
Other materials	58 295	36 848
Materials transferred to reprocessing		(886)
Construction materials and others	6 283	2 200
Purchased goods		
<b>Total</b>	<u>75 855</u>	<u>50 388</u>

## 6. TRADE ACCOUNTS RECEIVABLE, NET

As of December 31, 2007 and 2006 trade accounts receivable, net is as follows:



		<i>In ths. KZT</i>	
	2007	2006	
Students' receivables for education	79 897	5 946	
Receivables for rent	8 058.	-	
Other accounts receivables	13 530.	=	
Reserves for doubtful debts	-	(378)	
Total	<u>101 485</u>	<u>5 568</u>	

## 7. TAXES PAYABLE AND TAX PREPAYMENT

As of December 31, 2007 and 2006 taxes payable and tax prepayment are as follows:

	<i>In ths. KZT</i>	
	2007	2006
Value added tax (VAT) payable	16,786	-
Social tax	4,749	-
Prepayment of individual income tax	-	-
Prepayment to pension fund	-	-
Other taxes (property, land, transport taxes, social insurance)	9,924	4,194
Corporate income tax	19,825	0
Total:	<u>46,535</u>	<u>8,943</u>

## 8. OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2007 and 2006 other accounts receivable, net, is as follows:

	<i>In ths. KZT</i>	
	2007	2006
Advances paid for goods and services to related parties	8 443.	109 883
Advances paid for goods and services to third parties	148 400.	22 227
Accounts receivables from employees	3 188.	2 551
Deferred expenses	-	-
Other accounts receivable	8 338	-
Reserves for doubtful debts	-	-
Total	<u>168 369</u>	<u>134 661</u>

## 9. CASH AND CASH EQUIVALENT

As of December 31, 2007 and 2006 cash and cash equivalents are as follows:

	2007	2006
Cash on accounts with banks, KZT	225 079	270 009
Cash on accounts with banks, USD	23 158	8 444
Cash limited for use	-150 000	8 305





Cash on hand	9 664	2 456
Total	<u>257 901</u>	<u>289 214</u>

The KIMEP library has a separate account with ACB JSC Bank CenterCredit. The account balance is 113,733,064.17 KZT.

As of December 31, 2007 and 2006 cash limited in use with the ABN AMRO Bank to the amount of 150,000.00 ths. KZT are deposited and 8,305.00 ths. KZT, correspondingly, are deposited on an interest-free basis pursuant to the labor laws of the Republic of Kazakhstan.

## 10. THE AUTHORIZED CAPITAL

	2007		2006	
	Contribution	Share in Capital (%)	Contribution	Share in Capital (%)
Mr. Chang Young Bang	303 146	60	303 146	60
The Public Property and Privatization Committee of the Ministry of Finances of the Republic of Kazakhstan	234 000	40	234 000	40
Total	<u>537 146</u>	<u>100</u>	<u>537 146</u>	<u>100</u>

As of 31.12.04. the amount of the share issue was 500,750,000.00 KZT divided into 500,750 shares at par value of 1000 KZT each which were registered in the State Securities Register under No.A5170 on 14.02.05.

The shareholder's shares in the authorized capital:

- The Government of the Republic of Kazakhstan represented by the Public Property and Privatization Committee of the Ministry of Finances of the Republic of Kazakhstan - 46.73% which corresponds to 234,012 ordinary shares at par value of 1000 KZT each;
- Doctor Ch. Bang – 53.27 %, which corresponds to 266,738 ordinary shares at par value of 1000 KZT each.

The amount of the share issue is re-registered on 12.10.05. and was 537,146,000.00 tenge divided into 585,000 shares which were registered in the State Securities Register under No.A5170 and assigned the national identification number KZ1C51700017 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations.

## 11. GRANTS RECEIVED

As of December 31, 2007 and 2006 the grants received are as follows:

	December 31, 2007	December 31, 2006
Kus Zholy Charitable Foundation	6 053	
Eurasia USA Foundation	10 451	16 351
KOOK MIN Bank Rorea	28 368	-
Ministry of Education and Healthcare of the Republic of Kazakhstan	2316	2316
PetroKazakhstan Kumkol Resources	-	4 124
Citybank Kazakhstan	-	1 300
Eurasia Foundation USA	1731	-
Other		5756
The Yerzhan Tatishev Foundation	2 622	0
Total	<u>51 541</u>	<u>29847</u>



Besides the grants, the KIMEP received other financial assistance to the amount of 44,315.00 ths. KZT.

In 2007 the Ministry of Education and Healthcare of the Republic of Kazakhstan provided scholarships to the total amount of 2,316.00 ths. KZT.

## 12. ADVANCES RECEIVED

As of December 31, 2007 and 2006 the advances received included prepayment from students for education in the amounts of 746,225.00 и 32,586.00 ths. KZT correspondingly.

## 13. TAXES PAYABLE

As of December 31, 2007 and 2006 the taxes payable are as follows:

	<b>December 31, 2007</b>	Ths. KZT <b>December 31, 2006</b>
Corporate income tax (non-resident)	8440	-
Value added tax	-	450
Property tax	-	4 163
Tax at the source of payment and from natural persons	9 003	3 065
Other taxes	<u>3 544</u>	<u>1 177</u>
Total	<u>20 987</u>	<u>8 855</u>

## 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITY

As of December 31, 2007 and 2006 accounts payable and accrued liability are as follows:

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Trade accounts payable to related parties	6 087	42 707
Trade accounts payable to third parties	11 243	9 573
Accrued liabilities	9 107	16 404
Salary	21 928	10 530
Other accounts payable	-	-
Total	<u>48 365</u>	<u>79 214</u>

## 15. TAXATION

Corporate and deferred income taxes for the year ended on December 31, 2007 are not accrued as the Company considers that the income from operating activities exceeds 90% of the total income.

The Company's activity is referred to the educational field. In compliance with Clause 3 Article 45 of the Education Law of the Republic of Kazakhstan, relations of the educational institution providing paid educational services and student, his/her parents and other legal representatives shall be regulated by the agreement regulating the educational level, term of education, payment amount for education and other conditions.

The Company regulates its relations with student in compliance with the Catalogue which is a legal document guiding legal relations between the Institute and Student in the course of studying in the KIMEP. The Catalogue terms and conditions are accepted in the form of the letter signed by the Chairman of the Admission Commission of the KIMEP, Student Affairs Dean, on the one side, and by

the student, on the other side.

The income of companies carrying the activity in the field of education is not subject to corporate income tax on condition that at least 90 per cent of the income is earned from the educational activity and income indicated in Clause 3 Article 121 of the Revenue Code and received income is used for development of this type of activity.

The income from education is the main income of the Company. The Company has obtained the license to provide services in the field of higher and postgraduate education (Master's degree program and Bachelor's degree program).

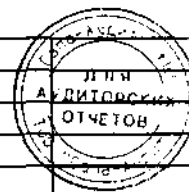
Income from grants for education and scholarships is also referred to the income from education.

In our opinion, basing on the accounting data the income corresponding to the educational activity and included in 90% of the total annual income is **2,422,574.00 ths.tenge** pursuant to Article 121 of the Tax Code.

No.	Programs	Amount		
1	Public Administration Department (PA)	201 293 753		
2	Political Science Department (PS)	350 810 121		
3	Economics Department	346 262 161		
4	The Kazakh language	59 113 348		
5	The Chair of Finances	237 300		
6	The Korean language	3 150 460		
7	The English language	201 685 090		
8	The university life	17 964 185		
9	CCE	8 347 418		
10	CISC	80 282 342		
11	DBA draft	920 407 304		
12	Ex MBA	26 135 000		
13	IJMC	49 986 739		
14	Registrar, Admission Office	14 497 830		
15	Provisional Program (candidate students)	23 661 575		
16	The Language Center (English, University Life)	213 772 767		
17	Educational grants	20 431 549	21 956 089	+1 524 540
18	Scholarship	7 036 962	5 332 781	-1 704 181
19	Discounts	-68 395 460		=179 641
20	Financial aid	-27 737 054		
21	Income of prior years	-6 763 064		
22				
23	Other income from education (corrections)	-19 606 291		
	<b>Total income from educational activity</b>	<b>2 422 574 035</b>	<b>-179641</b>	<b>=2 422 394 394</b>
	<b>Income from commercial activities</b>	<b>262 245 461</b>		
	<b>Total income</b>	<b>2 684 819 496</b>		
	<b>Share</b>	<b>90,24%</b>		<b>90,23%</b>

The following services were excluded from operating activity in the result of the audit:

No.	Programs	Amount	
1	Pre-KIMEP	471 600	
2	Rent of books	2 660 290	
3	Certification program	6 092 925	
4	Gown	627 000	



5	Hairdresser's services	13 900		
6	Other (library, etc.)	377 881		
7	Income of prior years	6 763 064		
	<b>Total</b>	<b>17 006 660</b>		

The Provisional Program is intended for students who has not fulfilled minimum requirements at the KIMEP entrance examinations and offers students entering the bachelor's degree program in the KIMEP to undergo a complete intensive course with the purpose of preparation for the degree program.

The KIMEP makes decision on admission to the Provisional Program basing on the results of the entrance examinations. The students who have not fulfilled the KIMEP requirements for admission to the degree program but comply with the KIMEP requirements to enter the Provisional Program are offered to register.

This program lasts for one term and offers intensive classes of English and/or mathematics. On spite of the fact that provisional students have the opportunity to begin studying for main program of the LIMEP in case of the successful graduation from this program, there is a risk to recognize the income from this program to non-operating activity.

*As for grants, there is a risk connected with violation of the conformity principle, i.e. income from grants utilization is recognized with breach of the periods.*

JSC KIMEP gives discounts for education to different student categories pursuant to established requirements but a part of discounts is a compensated discount which is referred to the primary income. When these discounts are accounted in the Company's income, the amount of the deductible account becomes less.

## 16. SALES

Sales for a year ended on December 31, 2007 are as follows:

	Year Ended on December 31, 2007
Income from education	2 278 325
Income from Preparatory Classes	116 780
Grant utilization	27 469
Total	<u>2 422 574</u>

The income from education is 2,278,325.00 ths. KZT and 1,834,867.00 for 2006 and 2007 correspondingly lees discounts given by the Company to students.

Other income is income from services rendered by computer center, preparatory classes, career center, cafeteria, hotel, publishing center, and student club.

## 17. PRIME COST OF THE SERVICES SOLD

The prime cost of the services sold in the year ended on December 31, 2007 is as follows:

	Year Ended on December 31, 2007
Salary and taxes connected with it	1 220 784
Depreciation and amortization	90 588
Materials and stationary	26 994
Telecommunication services	-
Scholarships	4 994



Maintenance	1 359
Other expenses	70 276
Total	<u>1 414 995</u>

In 2007 a part of expenses for salary, training, scholarships as well as a part of other expenses to the total amount of 9,153.00 ths. KZT were covered by the received grants.

#### 18. SALE EXPENSES, GENERAL AND ADMINISTRATIVE EXPENSES

Sale expenses, general and administrative expenses for the year ended on December 31, 2007 are as follows:

	Year ended on December 31, 2007
Salary and taxes connected with it	321 207
Materials	70 290
Repair and maintenance	16 712
Depreciation and amortization	78 681
Expenses for taxes except for corporate income tax	127 144
Advertising expenses	8 998
Employees' insurance, etc.	6 079
Reserves for doubtful debts	-
Consulting services	8 906
Tax fines and penalties	70
Bank services	4 351
Business trip expenses	5 565
Communication services	15 576
Other income	183 266
Total	<u>846 845</u>

#### 19. OTHER INCOME, NET

Other income, net for the year ended on December 31, 2007 is as follows:

	Year ended on December 31, 2007
Income from rent, net	21738
Income from advertisement	232
Income from hotel	33702
Other	73741
TOTAL	<u>129413</u>

#### 20. RELATED PARTY TRANSACTIONS

Related parties include shareholders and top management, subsidiaries or affiliated companies in common ownership. Within the frames of this preliminary financial reporting, USKO International is also a related party as the majority shareholder is a 100% owner of USKO International. In the normal course of business, the Company performs different transactions with related parties.

The information on the most significant operations with related parties and the balance for 2007 and 2006 are as follows:

As of December 31, 2007 and 2006 other accounts receivable of the related parties, net, is as follows:



	December 31, 2007	December 31, 2006
USKO International prepayment for construction works	-	-
USKO International prepayment for furniture	7 943	147 600
USKO telecommunication prepayment	-	-
USKO-IMBD prepayment (advertisement)	499	499
Total	<u>8 442</u>	<u>148099</u>

As of December 31, 2007 and 2006 accounts payable and accrued liabilities are as follows:

	December 31, 2007	December 31, 2006
Trade accounts payable of USKO International for		
Furniture	0	596
cafeteria	72	72
construction works	3 570	38 216
telecommunication	2 389	3 823
Total	<u>6 031</u>	<u>42 707</u>

In 2007 and 2006 the Company performed the following transactions with USKO International:

	As of December 31, 2007	As of December 31, 2006
Repair and construction works	516 241	257 859
Telecommunication equipment	25 332	78 756
Furniture purchase	85 560	47 506
Purchase of materials	56	679

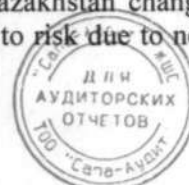
## 21. CONTINGENT LIABILITIES

*Taxation.* The Government of the Republic of Kazakhstan continues reforming the business and commercial infrastructure in the process of transition to market economy. In the result laws and acts regulating the companies' activity change quickly. These changes are characterized by unsatisfactory recital, existence of different interpretations and optional use by authorities.

In particular, taxes are checked by several bodies which may impose fines and penalties pursuant to the law. Though the Company considers that it has taken into account all tax liabilities basing on its understanding of the tax law, the above mentioned facts may be connected with tax risks for the Company.

## 22. BUSINESS RISK CONCENTRATION

The Company performs key transaction in the territory of the Republic of Kazakhstan. Laws and legal acts regulating the entrepreneurship in the Republic of Kazakhstan change quickly. In this connection the Company's assets and transactions may be subject to risk due to negative changes in the political and business environment.



### 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The data on the estimated fair value of financial instruments given below complies with the requirements of IFRS 32 "Financial Instruments: Disclosure and Presentation" and IFRS 39 "Financial Instruments: Recognition and Measurement". The fair value is determined as the cost at which the financial instrument can be purchased when performing a transaction between well informed, independent parties willing to make such a transaction except for the cases of the compulsory or liquidating sale.

As there are no published quotations for the major part of the Company's financial instruments in the active market, in order to determine their fair value, it is necessary to use the evaluation taking into account economic conditions and specific risks connected with a specific instrument. Represented evaluations may not represent the amounts which the Company would be able to receive in case of actual sale of the package or some financial instruments it owns.

As of December 31, 2005 the Company used the following methods of assumptions to determine the fair value of each class of the financial instruments for which it is possible to determine this value:

*Cash.* The book value of the cash balance represents its fair value.

*Trade and Other Accounts Receivable.* The book value of trade and other accounts receivable is considered reasonable assessment of their fair value as the reserves for assessed compensation cost is considered the reasonable assessment of the discount required for reflection of impact of the credit risk.

*Trade and Other Accounts Payable.* The book value of trade and other accounts payable is considered reasonable assessment of their fair value.

### THE RISK MANAGEMENT POLICY

Risk management is a key element of the Company's activity. Main financial risks inherent in the Company's activity include credit and currency risks. The Company's risk management policy is given below.

*The Credit Risk.* The Company's credit risk is connected mainly with payment for goods and services and repayment of the trade accounts payable. The Company minimizes its credit risk connected with payment for students' education by specifying prepayment terms and conditions.

*The Currency Risk.* The currency risk is determined as the risk of possible changes in the cost of the financial instrument due to changes in the exchange rates. The Company does not hedge its currency risk.



Серия МФЮ



№ 0000232

# ГОСУДАРСТВЕННАЯ ЛИЦЕНЗИЯ ТОВАРИЩЕСТВУ С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ

Выдана \_\_\_\_\_  
(полное наименование юридического лица)  
«Сапа-Аудит»

на занятие аудиторской деятельностью.

Генеральная лицензия без ограничения срока действия на всей территории Республики Казахстан.

Орган, выдавший лицензию \_\_\_\_\_  
Министерство финансов  
Республики Казахстан.

Руководитель

М. П.

Дата выдачи лицензии \_\_\_\_\_  
\_\_\_\_\_та 2002 г. Город Астана



Сериясы МФЮ



№ 0000232

# МЕМЛЕКЕТТІК ЛИЦЕНЗИЯ

«Сапа-Аудит»

ЖАУАПКЕРІШІЛІГІ ШЕКТЕУЛІ СЕРІКТЕСТІГІНЕ

(қолдану туралы толық ағы)

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Қаржы министрлігі.

Басшы

М. О.

Лицензия берілген күні \_\_\_\_\_  
\_\_\_\_\_та 28. тамыз 2002 ж. Астана қаласы

