



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

**KAS Financial Statements
31 December 2004**

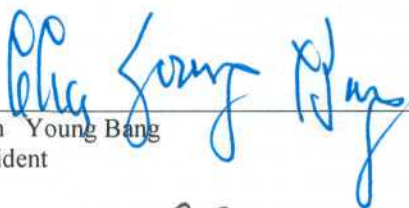
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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

25 March 2005

The accompanying financial statements were prepared by management of the Joint Stock Company Kazakhstan Institute of Management, Economics and Strategic Research under President of the Republic of Kazakhstan ("KIMEP"), which is responsible for their integrity and objectivity. The management of KIMEP believes the financial statements, which require the use of certain estimates and judgements, fairly and accurately reflect the financial position, results of operations, and cash flows of KIMEP in accordance with Kazakhstani Accounting Standards.

Management maintains appropriate policies, procedures and systems of internal control to ensure it's reporting practices and accounting and administrative procedures are appropriate, consistent, and undertaken at reasonable cost. These policies and procedures are designed to provide reasonable assurance that transactions are properly recorded and summarised so that reliable financial records and reports can be prepared and assets safeguarded.



Chan Young Bang
President



Altynay Saparova
Finance Director



Elena Danilova
Chief Accountant

PricewaterhouseCoopers

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Hyatt Office Tower, 3rd floor
Almaty 480070, Kazakhstan
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AUDITORS' REPORT

25 March 2005

To the Management of the JSC Kazakhstan Institute of Management, Economics and Strategic Research

1. We have audited the accompanying balance sheet of the JSC Kazakhstan Institute of Management, Economics and Strategic Research ("KIMEP") as of 31 December 2004 and the related statements of operations, and of cash flows and changes in shareholders equity for the year then ended. These financial statements are the responsibility of KIMEP's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Except as discussed in paragraph 3, we conducted our audit in accordance with Kazakhstani Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As discussed in Note 1 to the financial statements, pursuant to the Foundation agreement dated 4 June 2004 KIMEP state institution was re-organised into a joint stock company with the share capital of KZT 500,750 thousand. A major portion of the share capital of KZT 403,800 thousand was paid by way of transfer to the joint stock company of the property complex of the re-organised KIMEP state institution, the value of which was determined by an independent professional appraiser Firma Vita LLP at request of the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. However, in the appraiser's report, the value of the property complex was calculated using three different methods with the final value assessed at KZT 726,500 thousand based on the method of comparative analysis, while actually for purposes of valuation of capital contribution by property complex was used a different amount of KZT 403,800 thousand, being the result of valuation using one of two alternative methods (yield method). Besides, the value of property complex was determined as at 15 December 2003, but not as of the date of transformation into a joint stock company (7 July 2004), which might affect the valuation of property complex. We were unable to obtain sufficient audit evidences in regard of adequacy of the assessed value of property complex contributed to the share capital. The assessed value of KIMEP property complex affects the amount of capital contribution by the Government as well as the value of fixed assets as of 31 December 2004 and amortisation expenses for the year then ended.
4. In our opinion, except for the effect of adjustments, if any, in respect of to the assessed value of KIMEP property complex used to determine the amount of contribution to the stock capital, as described in paragraph 3, the financial statements present fairly, in all material respects, the financial position of JSC Kazakhstan Institute of Management, Economics and Strategic Research as of 31 December 2004, and the results of its operations, and its cash flows for the year then ended in accordance with Kazakhstani Accounting Standards.

Approved by:

Zhanbota T. Bekenov

General Director

PricewaterhouseCoopers LLP (Kazakhstan)

(General state license of the Ministry of Finance of the Republic of Kazakhstan #0000005 dated 21 October 1999)

Certified auditor (certificate of competency № 0000047 as of 28 February 1994)

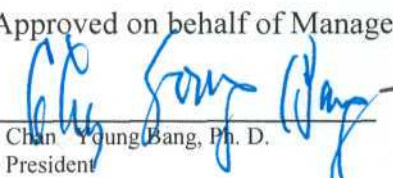
JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Balance Sheet

(In thousands of Kazakhstani Tenge)

	Notes	31 December 2004	31 December 2003
ASSETS			
Property and equipment, net	3	561,367	403,751
Intangible assets, net		18,068	15,593
Long-term deferred income tax asset	11	14,206	37,294
Total non-current assets		593,641	456,638
Inventories, net	4	17,653	11,693
Short-term deferred income tax asset	11	2,335	10,893
Accounts receivable, net	5	27,133	34,067
Other current assets, net	6	92,546	35,710
Cash	7	239,216	86,315
Total current assets		378,883	178,678
TOTAL ASSETS		972,524	635,316
OWNERS' EQUITY AND LIABILITIES			
Charter capital	1	500,750	-
Funds in assets	1	-	151,219
Retained earnings		127,729	56,068
Total owners' equity		628,479	207,287
Payables to investor	8	-	169,788
Total non-current liabilities		-	169,788
Grants received		17,597	36,808
Short-term loans		-	659
Advances received	9	300,494	209,733
Accounts payable and accrued liabilities	10	25,954	11,041
Total current liabilities		344,045	258,241
TOTAL OWNERS' EQUITY AND LIABILITIES		972,524	635,316

Approved on behalf of Management:


Chan Young Bang, Ph. D.
President


Altynay Saparova
Finance Director


Elena Danilova
Chief Accountant

The accompanying notes are an integral part of these financial statements
Translated from Russian original

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Statement of Operations

(In thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2004	Year ended 31 December 2003
Revenues	12	1,102,406	914,315
Utilisation of grants	13	40,079	34,971
Cost of services	14	(696,579)	(713,910)
Gross profit		445,906	235,376
Period expenses			
General and administrative expenses	15	(254,038)	(265,197)
Selling, marketing and advertising expenses		(13,574)	(14,612)
Operating income/(loss)		178,294	(44,433)
Non-operating income/(loss), net	16	25,082	3,644
Income/(loss) before tax		203,376	(40,789)
Income tax expense/ (benefit)	11	(68,946)	11,490
Net income/(loss)		134,430	(29,299)

The accompanying notes are an integral part of these financial statements
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JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Statement of Cash Flows

(In thousands of Kazakhstani Tenge)

	Year ended 31 December 2004	Year ended 31 December 2003
Operating activities		
Net income/(loss)	134,430	(29,299)
Adjustments for:		
Income tax expense/(benefit)	68,946	(11,490)
Depreciation and amortization	53,242	40,957
Utilisation of grants	(40,079)	(34,971)
Allowance for doubtful accounts	13,589	11,660
Property and equipment received free of charge	(61)	(588)
Exchange rate differences related to non-operating accounts	(750)	(9,921)
Loss on disposal of fixed assets	1,634	3,997
Changes in operational working capital:		
Decrease/(increase) in inventories	(5,960)	1,487
Increase in accounts receivable	(7,993)	(5,402)
Decrease in other current assets	(133,848)	26,230
Increase in advances received	90,761	112,495
Increase/(decrease) in accounts payable and accrued liabilities	21,654	807
Changes in student tuition grants received	(7,461)	13,691
Income tax paid	(34,076)	(43,180)
Net cash used for operating activities	154,028	76,473
Investing activities		
Purchase of property and equipment	(120,433)	(121,471)
Purchase of intangible assets	(6,064)	(6,461)
Net cash used for investing activities	(126,497)	(127,932)
Financing activities		
Grants received	29,079	47,117
Loans received	-	100,974
Loans repaid	(659)	(99,764)
Manager's investments	-	339
Capital contribution in cash	96,950	-
Net cash provided by financing activities	125,370	48,666
Net increase/(decrease) in cash	152,901	(2,793)
Cash at beginning of year	86,315	89,108
Cash at end of year	239,216	86,315

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JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Statement of Changes in Owners' Equity

(In thousands of Kazakhstani Tenge)

	Charter capital	Funds in assets	Retained earnings	Total owners' equity
Balance at 31 December 2002	-	151,219	85,367	236,586
Net income	-	-	(29,299)	(29,299)
Balance at 31 December 2003	-	151,219	56,068	207,287
Share capital formation	500,750	(151,219)	(62,769)	286,762
Net loss	-	-	134,430	134,430
Balance at 31 December 2004	500,750	-	127,729	628,479

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Translated from Russian original

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 1: The Organisation

Kazakhstan Institute of Management, Economics and Strategic Research under the President of the Republic of Kazakhstan state institution ("KIMEP") was founded as a state establishment of higher (post-graduate) education in accordance with Presidential Resolution # 580 "On the Establishment of Kazakhstan Institute of Management, Economics and Strategic Research" ("Resolution # 580") dated 14 January 1992.

KIMEP is a state non-for-profit organisation, which provides educational services on pay basis in the field of higher education on the basis of the state license.

In February 2000, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred KIMEP, as a property complex, to the President of KIMEP, Mr. Chang Young Bang ("Manager"), under a trust management agreement for a period of three years. The agreement provides for the Manager's right to subsequently purchase KIMEP on the understanding that the nature of its principal activities is preserved. Pursuant to the provisions of the trust management agreement, the Government may decide to convert KIMEP into a joint stock company on the expiry of trust management period or on an earlier date. In accordance with the Decree issued by the President of the Republic of Kazakhstan to re-organize the Kazakhstan Institute of Management, Economics and Strategic Research under the President of the Republic of Kazakhstan as of 28 August 2003, and the Resolution passed by the Government of the Republic of Kazakhstan as of 14 November 2003, and pursuant to the Foundation agreement dated 4 June 2004, KIMEP was re-organized into a joint stock company with a share capital of KZT 500,750 thousand divided into 500,750 ordinary shares with par value of KZT 1,000 each. On 7 July 2004, JSC KIMEP was officially registered with the Ministry of Justice of the Republic of Kazakhstan.

The charter (share) capital of KIMEP was formed through shares paid up by founding shareholders at par as follows:

- 1) 403,800 shares were paid by way of assigning JSC KIMEP the ownership of property complex of re-organized state institution KIMEP, the value of KIMEP property complex was determined at KZT 403,800 thousand using yield method based on the Report # KGIP-1/295-2003, *Evaluation of property complex of KIMEP state institution*, prepared by Firm Vita Ltd. at request of the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan ("State Property Committee").

Ordinary shares of KIMEP paid up by means of the property complex were distributed as follows:

- Ownership of 234,012 ordinary shares was granted to the Government of the Republic of Kazakhstan acting through the State Property Committee;
- Ownership of 169,788 ordinary shares was granted to Mr. Chang Young Bang pro rata investments of KZT 169,788,325 made by him from 2000 through 2003 pursuant to the agreement # 05/04-2000 dated 21 February 2000 under which KIMEP was to be transferred to trust management.

As a result of valuation, the portion of shares held by the Government was estimated at KZT 234,012 thousand; while, the carrying value of KIMEP net assets as of the date of transformation into a joint stock company was KZT 213,988 thousand. The difference of KZT 20,024 thousand between the contribution by the Government to the share capital and the carrying value of net assets on the corporatization date increased the value of KIMEP's buildings.

- 1) 96,950 shares were paid up by Mr. Chang Young Bang in cash in the amount of KZT 96,950,000.

As at 31 December 2004, among shareholders of KIMEP were the Government of the Republic of Kazakhstan represented by the State Property Committee and Mr. Chang Young Bang whose holdings were 46.73% and 53.27%, respectively.

As at 31 December 2004 and 31 December 2003, KIMEP had 556 and 499 employees, respectively.

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 2: Basis of Presentation and Summary of Significant Accounting Policies

KIMEP maintains its books of accounts on an accrual basis and prepares its financial statements in accordance with the Kazakhstani Chart of Accounts and Kazakhstani Accounting Standards ("KAS") promulgated in the Republic of Kazakhstan.

The preparation of the financial statements in conformity with KAS requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates and assumptions.

Revenue recognition. Revenues are recognised on the accrual basis as services are provided.

Grants. Specific purpose grants are received from different funds and organisations to finance operating activity and to provide grants to students for tuition fee. Grants received to finance KIMEP operating activities are recorded as current liabilities and recognised as revenue as utilized. Grants provided to students for tuition fee are recorded as current liabilities and netted off against accounts receivable from students as utilized.

Accounts receivable. Accounts receivable balances are stated at the principal amounts outstanding, net of provision for bad and doubtful debts. Provision for bad and doubtful debts is based on the evaluation by management of the collection performance and the overdue history of accounts receivable. The aggregate provisions made during the period are charged to the statement of operations.

Cash. For the purposes of these financial statements, cash comprise cash on hand and due from banks, including special grant accounts.

Inventories. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the specific identification method. Provisions for slow-moving or obsolete inventory are charged to the statement of operations.

Property and equipment. Property and equipment except for certain part of property, and equipment as described in the following paragraph, are stated at historical cost less accumulated depreciation. Historical cost consists of any construction cost or purchase price including import duties and non-refundable taxes as well as any costs directly attributable to bringing the asset to its intended use.

Certain part of property and equipment had been regularly re-valued during the period from 1 January 1993 to 1 January 1997 using the special revaluation rates issued by the State Statistics Committee of the Republic of Kazakhstan. The related increase in carrying value of property and equipment is credited to revaluation surplus. Revaluation surplus is evenly transferred to retained earnings over the remaining useful life of the re-valued property and equipment.

The cost of property and equipment is depreciated on a straight-line basis in accordance with the norms established for state entities by Resolution # 1308 dated 3 September 1999. Annual depreciation rates are shown below:

Class of assets	Annual depreciation rates, %	Useful lives, years
Buildings	2-7	14-50
Machinery and equipment	10-25	4-10
Vehicles	20	5
Other	10-25	4-10

Significant renovations and improvements are capitalized if these extend the life of the asset or significantly increase its revenue generating capacity. Repairs and maintenance costs are charged to the statement of operations as incurred. Gains or losses on the disposal of property and equipment assets are credited or charged to the statement of operations.

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 2: Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Deferred income tax. Deferred income taxes are calculated using the liability method on timing differences, which arise between revenue and expenses reported under accounting principles and taxable revenue and deductible expenses for tax purposes. The results of timing differences are reflected in the statement of operations as incurred and/or reversed. Deferred income tax assets are recognized when there is a probability of taxable income obtaining in the foreseeable future sufficient for such assets utilisation.

Pension obligation. KIMEP does not incur any expenses in relation to the provision of pensions to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, KIMEP withholds pension contributions from employee salaries and transfers them into state or private pension funds. Upon retirement of employees, all pension payments are administered by the above pension funds.

Foreign currency transactions and translation. Monetary assets and liabilities denominated in foreign currencies are translated into Tenge at the market exchange rate prevailing at balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are recorded at the exchange rates prevailing at the transaction date. Resulting gains and losses are reported on a net basis in the statement of operations. The official rates of exchange of the Tenge at 31 December 2004 and 31 December 2003 are Tenge 130 and Tenge 144.22 to US\$ 1, respectively.

Comparative information. Insignificant reclassifications have been made in respect of comparative information of to comply with current year presentation.

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 3: Property and Equipment, Net

	Land	Buildings	Machinery and equipment	Vehicle	Other	Construction in progress	Total
COST							
At 31 December 2002	77	248,055	114,033	9,004	114,902	9,335	495,406
Additions	-	1,443	37,626	-	43,267	34,473	116,809
Transfers	-	33,956	131	-	(131)	(33,956)	-
Disposals	-	-	(5,867)	-	(4,177)	-	(10,044)
At 31 December 2003	77	283,454	145,923	9,004	153,861	9,852	602,171
Additions	-	20,212	59,240	5,080	31,083	93,739	209,354
Transfers	-	65,372	3,865	-	5,649	(74,886)	-
Disposals	-	-	(3,479)	(1,553)	(2,710)	-	(7,742)
At 31 December 2004	77	369,038	205,549	12,531	187,883	28,705	803,783
ACCUMULATED DEPRECIATION							
At 31 December 2002	-	(84,200)	(55,385)	(8,948)	(16,714)	-	(165,247)
Charge for the year	-	(10,879)	(18,287)	(27)	(9,814)	-	(39,007)
Disposals	-	-	5,547	-	287	-	5,834
At 31 December 2003	-	(95,079)	(68,125)	(8,975)	(26,241)	-	(198,420)
Charge for the year	-	(14,201)	(23,520)	(282)	(11,650)	-	(49,653)
Disposals	-	-	3,338	1,553	766	-	5,657
At 31 December 2004	-	(109,280)	(88,307)	(7,704)	(37,125)	-	(242,416)
NET BOOK VALUE							
At 31 December 2003	77	188,375	77,798	29	127,620	9,852	403,751
At 31 December 2004	77	259,758	117,242	4,827	150,758	28,705	561,367

In accordance with the Decree # 58 dated 11 February 1992 issued by the State Committee of the Republic of Kazakhstan for Managing the State Property, the property and equipment and construction in progress owned by Almaty Institute of Political Science and Management were transferred to KIMEP. Under this Decree audit department of Ministry of Finance of the Republic of Kazakhstan should have performed physical count of these property and equipment. However, neither records of this count nor act of property and equipment transfer were found in the KIMEP archive.

Due to inadequate execution of the Decree # 58, on 6 July 2000 amendments were made to the Decree # 58 by Order # 153 issued by the Committee on State Property and Privatisation. Under the above Order, property and equipment, specified in the Decree # 58, are to be transferred to KIMEP on the right of operational management.

Under the Trust Management Agreement, KIMEP was transferred to the Manager in the form of a compound property in accordance with the Act of Transfer # 05/06-2000 dated 21 March, 2000 where book value of the transferred property and equipment was determined as Tenge 126,488 thousand and was derived from the fixed assets sub-ledgers of the Almaty Institute of Political Science and Management.

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 3: Property and Equipment, Net (Continued)

Additions to buildings in 2004 include revaluation of KZT 20,024 thousand resulting from the appraisal of KIMEP property complex for the purpose of forming the share capital (Note 1).

Property, plant and equipment as at 31 December 2004 include fixed assets passed on lease in the amount of Tenge 9,082 thousand.

Cost of property and equipment fully depreciated at 31 December 2004 and 2003, was Tenge 62,353 thousand and Tenge 57,599 thousand, respectively.

Note 4: Inventories

	31 December 2004	31 December 2003
Stationary and household inventories	14,529	8,691
Construction materials	-	642
Other	7,035	6,978
Provision for slow moving and obsolete goods	(3,911)	(4,618)
Total inventories	17,653	11,693

Stationary and household inventories as at 31 December 2004 and 2003 include materials passed on lease in the amount of Tenge 2,411 thousand and Tenge 2,980 thousand, respectively.

Note 5: Accounts Receivable, Net

	31 December 2004	31 December 2003
Tuition fee receivable	48,177	55,453
Rent receivable from tenants	5,538	3,482
Allowance for doubtful accounts	(26,582)	(24,868)
Total accounts receivable, net	27,133	34,067

During 2004 and 2003 part of accounts receivable from students was settled by use of funds granted by sponsors in the amounts of Tenge 32,265 thousand and Tenge 53,249 thousand respectively.

Note 6: Other Current Assets, Net

	31 December 2004	31 December 2003
Prepayments for goods and services	87,525	15,839
Taxes prepaid and taxes recoverable (Note 11)	7,711	22,249
Receivable from employees	356	1,022
Allowance for doubtful accounts	(3,046)	(3,400)
Total other current assets, net	92,546	35,710

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 7: Cash

	31 December 2004	31 December 2003
Cash in local currency accounts (Tenge)	206,883	60,315
Cash in foreign currency accounts (USD)	19,355	20,748
Restricted cash (Tenge)	4,303	3,152
Cash on hand	8,675	2,100
Total cash	239,216	86,315

Restricted cash balance represents the special bank account balance.

According to the Kazakhstani regulations, certain cash amounts are deposited in the special bank account, as required in order to receive permission for expatriate personnel to work in Kazakhstan for KIMEP. These deposits will be available upon KIMEP ceasing to use expatriate personnel in Kazakhstan.

Note 8: Payables to Investor

In accordance with the Trust Management Agreement the Manager had to invest in KIMEP US dollar 1,140 thousand in equal annual installments during three years as described in the business plan. In the case of reorganization of KIMEP into a closed joint stock company, the funds contributed by the Manager would determine his share in the share capital of this company. These funds could be contributed by all kinds of proprietary and intellectual values including cash, movable and real estate, property rights including the right of demand and other, except goods imported and subject for sale without any kind of processing, demanding cash amounts, goods and services. As discussed in Note 1, in 2004 KIMEP was re-organized from a state institution into a joint stock company, and therefore investments made by the Manager as at 31 December 2003 in the amount of KZT 169,788 thousand were used to pay up the Manager's share in the stock capital.

As of 31 December 2004 and 2003 the Manager made the following contributions:

	Year ended 31 December 2004		Year ended 31 December 2003	
	USD	KZT'000	USD	KZT'000
Payables to the Manager at beginning of year	1,150,664	169,788	1,148,482	178,704
Capital repair of KIMEP building	-	-	2,182	339
Salary of the Manager	-	-	-	-
Revaluation of liabilities	-	-	-	(9,255)
Transfer to charter capital	(1,150,664)	(169,788)	-	-
Payables to the Manager at end of year	-	-	1,150,664	169,788

Note 9: Advances Received

Advances received represent amounts prepaid by students for tuition.

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 10: Accounts Payable and Accrued Liabilities

	31 December 2004	31 December 2003
Accounts payable and accrued liabilities	5,848	5,451
Accrued wages	11,068	3,683
Taxes payable (Note 11)	9,038	1,907
Total accounts payable and accrued liabilities	25,954	11,041

Note 11: Taxes

In accordance with Kazakhstani legislation KIMEP is exempt from payment of value added tax for revenue from education.

Income tax expenses are as follows:

	Year ended 31 December 2004	Year ended 31 December 2003
Current income tax expense	37,300	24,982
Deferred income tax expense/(benefit)	31,646	(36,472)
Total income tax expense/(benefit)	68,946	(11,490)

Reconciliation of income tax. Presented below is reconciliation between the income tax benefit/(expense) reflected in these financial statements and theoretical tax determined by applying the statutory tax rate to income before income tax expense:

	Year ended 31 December 2004	Year ended 31 December 2003
Income/(loss) before income tax	203,376	(40,789)
Theoretical income tax benefit/(expense) at statutory rate of 30 percent	(61,013)	12,237
Increase/(decrease) in income tax expense due to:		
Foreign exchange loss /(gain)	-	2,072
Tax exempt income from grants	12,024	10,490
Tax exempt expense covered by grants	(9,437)	(9,169)
Non-deductible bad debt expenses	(11,042)	-
Other non-deductible expenses	522	(4,140)
Income tax benefit/(expense)	(68,946)	11,490

JOINT STOCK COMPANY "KAZAKHSTAN INSTITUTE OF MANAGEMENT, ECONOMICS AND STRATEGIC RESEARCH UNDER THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN"

Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 11: Taxes (Continued)

Deferred income tax. Presented below are deferred income tax assets:

	31 December 2004	31 December 2003
<i>Short-term deferred income tax asset</i>		
Allowance for doubtful accounts	1,466	8,480
Provision for obsolete and slow moving goods	-	1,386
Taxes accrued but not paid	869	1,027
Total short-term deferred income tax asset	2,335	10,893
<i>Long-term income deferred tax asset</i>		
Property and equipment and intangible assets	14,206	37,294
Total long-term deferred income tax asset	14,206	37,294
Total deferred income tax asset	16,541	48,187

Taxes prepaid and taxes recoverable. Taxes overpaid and receivable are as follows:

	31 December 2004	31 December 2003
Social tax prepaid	5,769	16,269
Pension Fund prepayments	1,735	2,620
Individual income tax prepaid	-	2,579
Value added tax	-	781
Other taxes	207	-
Total taxes overpaid and receivable	7,711	22,249

Taxes payable. Taxes payable are as follows:

	31 December 2004	31 December 2003
Value added tax	4,334	-
Withholding tax	1,698	1,094
Corporate income tax	1,583	638
Individual income tax	565	-
Other taxes	858	175
Total taxes payable	9,038	1,907

Tax expenses Taxes other than corporate income tax and social tax on salary fund charged to the statement of operations are as follows:

	Year ended 31 December 2004	Year ended 31 December 2003
Non-refundable value-added tax	37,932	42,892
Other taxes	5,646	5,096
Total taxes other than corporate income tax and social tax	43,578	47,988

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Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 12: Revenues

	31 December 2004	31 December 2003
Tuition revenue	977,846	811,075
Access course revenue	61,765	47,441
Other revenue	62,795	55,799
Total revenues	1,102,406	914,315

Tuition revenue is presented net of discounts given by KIMEP to students in the amount of Tenge 25,959 thousand and Tenge 30,695 thousand for 2004 and 2003 respectively.

Other revenue represents revenue from services provided by computer centre, recruiting centre, canteen, hotel, publishing centre and the fan club.

Note 13: Utilization of Grants

Grants received from various international organizations and companies to finance KIMEP operating activities were utilized as follows:

	Year ended 31 December 2004	Year ended 31 December 2003
Utilization of grants:		
- professors' salaries (Note 14)	18,190	18,048
- monthly students' stipends (Note 14)	3,557	8,060
- books and equipment	7,984	2,586
- software	640	1,807
- HESP conference	6,587	-
- other operating expenses (Note 14)	3,121	4,470
Total utilization of grants during the year	40,079	34,971

Note 14: Cost of Services

	31 December 2004	31 December 2003
Payroll and related taxes	564,996	481,306
Fixed assets repair	-	128,424
Depreciation and amortization	38,423	30,841
Materials and stationery	24,154	17,437
Utilities	16,535	17,209
Telecommunication services	10,790	12,047
Stipends	3,557	8,060
Other costs	38,124	18,586
Total cost of services	696,579	713,910

During 2004 and 2003 a portion of staff cost, stipends and other costs in the amount of Tenge 31,455 thousand and Tenge 30,578 thousand, respectively, were financed by the proceeds of grants (see Note 13).

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Note 15: General and Administrative Expenses

	31 December 2004	31 December 2003
Payroll and related taxes	114,288	143,630
Taxes other than corporate income tax (Note 11)	43,578	47,988
Materials	18,630	10,815
Depreciation and amortisation	14,819	9,563
Allowance for doubtful accounts	13,589	11,660
Travel and business trips	11,131	8,786
Tax fines and penalties	1,703	6,139
Communication expenses	4,048	5,147
Provision for slow-moving and obsolete good	-	4,618
Other expenses	32,252	16,851
Total general and administrative expenses	254,038	265,197

Note 16: Non-operating Income, Net

	31 December 2004	31 December 2003
Foreign currency exchange income/(loss), net	(1,439)	6,797
Income from sponsorship	324	844
Loss on disposal of property and equipment	(1,634)	(3,997)
Other income	27,831	-
Total non-operating income/(loss), net	25,082	3,644

Other income represents the net effect of realized foreign exchange difference in respect of receivables from students and advances received from students.

Note 17: Related Party Transactions

As defined by KAS 10 "Related Party Disclosures" parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

For the purposes of these financial statements USKO International and the Manager are related parties of KIMEP. In the ordinary course of business, KIMEP undertakes a wide variety of transactions with the related parties.

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Notes to the Financial Statements

(In thousands of Kazakhstani Tenge)

Note 17: Related Party Transactions (Continued)

The most significant of such balances and transactions are described below.

Amounts due from related parties are as follows:

	31 December 2004	31 December 2003
Advances paid to USKO International for construction works	54,086	193
Advances paid to USKO International for furniture	7,904	-
Total current amounts due from related parties	61,990	193

Amounts due to related parties are as follows:

	31 December 2004	31 December 2003
Accounts payable to the Manager on his investments	-	169,788
Accounts payable to USKO International for furniture	1,109	2,458
Other payables to USKO International	71	242
Total amounts due to related parties	1,180	172,488

During the years 2004 and 2003 KIMEP has the following transaction with USKO International:

	Year ended 31 December 2004	Year ended 31 December 2003
<i>USKO International:</i>		
Repair and construction works	93,839	158,012
Telecommunication equipment	50,864	18,902
Acquisition of furniture	9,487	22,234
Acquisition of materials	-	177
Other expenses	-	7,407
<i>The Manager</i>		
Salary of the Manager	21,457	26,758
Interest free loans from the Manager received/(paid)	(659)	659

Also the details of significant transactions with the Manager are presented in Note 8.

Note 18: Commitments and Contingent Liabilities

Political and economic conditions in Kazakhstan. Whilst there have been improvements in the economic situation in the Republic of Kazakhstan in recent years, its economy 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 and a low level of liquidity in the public and private debt and equity markets.

Additionally, the educational sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. The prospects for future economic stability in Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory and political developments, which are beyond KIMEP's control.

The financial condition and future operations of KIMEP may be adversely affected by continued economic difficulties inherent to an emerging market. The management is unable to predict the extent and duration of the economic difficulties, nor quantify the impact, if any, on these financial statements.

Taxation. Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activities of the KIMEP may not coincide with that of management of KIMEP. As a result, transactions may be challenged by tax authorities and KIMEP may be assessed additional taxes, penalties and interest. Tax periods remain open to review by the tax authorities for five years.