



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

**Financial Statements**

For the year ended December 31, 2010

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

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**STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR  
THE PREPARATION OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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Management is responsible for the preparation of the financial statements that present fairly the financial position of Joint Stock Company Kazakhstan Institute of Economics, Management and Strategic Research (hereinafter “KIMEP” or “Company”) as of December 31, 2010, and the financial results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (“IFRS”).

In preparing the financial statements, management is responsible for:

- properly selecting and applying suitable accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company’s financial position and financial performance; and
- making an assessment of the Company’s ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose, with reasonable accuracy at any time, the Company’s financial position, and which enable them to ensure that the Company’s financial statements comply with IFRS;
- maintaining statutory accounting records in compliance with statutory legislation and IFRS;
- taking such steps as are reasonably available to them to safeguard the Company’s assets; and
- preventing and detecting fraud and other irregularities.

Management also notifies that control over Accounting and Finance Department activities is implemented by current management since the 4th quarter of 2010. During the period from January 1 to October 10, 2010 control over Accounting and Finance Department activities was performed by:

- Chief Accountant - Danilova Yelena Ivanovna;
- Assistant Vice-president of Finance – Saparova Altynai Armanzhanovna;
- Executive Vice-president – Habibur Rahman.

These financial statements for the year ended December 31, 2010 were prepared by management of the Company on July 15, 2011.

**On behalf of the Company’s management:**

**Ewan Simpson, PhD**  
Vice-President of Planning and Development

July 15, 2011

**Davlatbek Abduvaliyev**  
Associate Vice President, Finance and Accounting

July 15, 2011

**Zhamilya Nurpeis**  
Chief Accountant

July 15, 2011



## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of Joint Stock Company Kazakhstan Institute of Economics, Management and Strategic Research:

We were engaged to audit the accompanying financial statements of Joint Stock Company Kazakhstan Institute of Management, Economics and Strategic Research (the – "Company", "KIMEP"), which comprise the statement of financial position as of December 31, 2010, 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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### *Basis for Disclaimer of Opinion*

As discussed in Notes 4, 5 and 20 to the accompanying financial statements, a significant part of the share capital of KIMEP was contributed by the transfer to 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 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 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". 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. Chang Yang Bang) determined the value of the property complex at 403,800 thousand tenge (which makes up 10% of total assets and 75% of share capital) based on the yield method. The valuation was performed in accordance with 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, the property, plant and equipment, and the accumulated depreciation as of December 31, 2010, and the depreciation for the year ended December 31, 2010.

In addition, inadequate controls over appropriate bookkeeping process observed during 2009 and 2010 resulted in numerous errors in trade accounts receivable, advances received and paid, expenses and other income. As of the date of our audit report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means: a) trade accounts receivable, advances paid and advances received included in the statement of financial position of 105,499 thousand tenge (2% of total assets), 53,154 thousand tenge (1% of total assets) and 957,739 thousand tenge (77% of total liabilities), respectively, as of December 31, 2010; and b) expenses and other income included in the statement of comprehensive income of 850,198 thousand tenge (26% of expenses) and 15,464 thousand tenge (100% of other income), respectively, for the year ended December 31, 2010. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded trade accounts receivable, advances received and paid advances, expenses and other income, and the elements making up the statement of comprehensive income, statement of changes in equity and cash flows statement.

As discussed in Note 4 to the accompanying financial statements, the comparative information for the preceding year have been restated. The Company has not provided an additional statement of financial position and respective notes as of the beginning of the earliest comparative period, i.e. as of January 1, 2009, as required by International Accounting Standard 1 "Presentation of Financial Statements".

### **Disclaimer of Opinion**

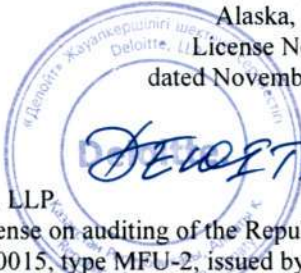
Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

The financial statements of the Company for the year ended December 31, 2009 were audited by another auditor who expressed a qualified opinion, with respect to non-disclosure of fair value of property, plant and equipment, on those statements on April 12, 2010. As stated in Note 4, the financial statements of the Company for the year ended December 31, 2009 were restated. As part of our audit of the 2010 financial statements, we were provided with the adjustments described in Note 4 that were applied to amend the 2009 financial statements. These adjustments mostly relate to the matter described in the Basis for Disclaimer of Opinion paragraph above and as such, we were unable to obtain sufficient, appropriate audit evidence to support these adjustments and were unable to confirm or verify these adjustments by alternative means. As such we do not express an opinion on the appropriateness of the adjustments and whether they have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2009 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2009 financial statements taken as a whole.



Dulat Taituleyev  
Engagement Partner  
Certified Public Account  
Alaska, USA  
License No. 2155  
dated November 14, 2005



Deloitte, LLP  
State license on auditing of the Republic of Kazakhstan  
No. 0000015, type MFU-2, issued by the Ministry of Finance of the  
Republic of Kazakhstan dated September 13, 2006



Daulet Kuatbekov  
Audit Partner  
Certified auditor  
Certificate No. 0000523  
Republic of Kazakhstan  
dated February 15, 2002



Nurlan Bekenov  
General Director  
Deloitte, LLP

July 15, 2011

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2010**

*(in thousands of tenge)*

	Notes	2010	2009 Restated*
REVENUE	6	3,604,843	3,639,402
COST OF SERVICES	7	<u>(1,830,199)</u>	<u>(1,718,433)</u>
GROSS PROFIT		1,774,644	1,920,969
General and administrative expenses	8	(1,272,954)	(1,045,578)
Selling expenses	9	(195,255)	(101,874)
Finance income	10	83,047	27,912
Foreign exchange (loss)/gain		(5,186)	40,818
Other income	11	<u>15,464</u>	<u>20,256</u>
PROFIT BEFORE TAXATION		399,760	862,503
INCOME TAX	12	<u>-</u>	<u>-</u>
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>399,760</u></u>	<u><u>862,503</u></u>

\* Restated as described in Note 4

On behalf of the Company's management:

Ewan Simpson, PhD  
Vice-President of Planning and Development

July 15, 2011

Davlatbek Abduvaliyev  
Associate Vice President, Finance and Accounting

July 15, 2011

Zhamilya Nurpeis  
Chief Accountant

July 15, 2011



The notes on pages 8 to 28 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2 to 3.

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

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2010**

*(in thousands of tenge)*

	Notes	2010	2009 Restated*
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	13	2,129,931	2,135,544
Intangible assets		4,438	3,850
Other financial investments	14	790,641	750,000
Other non-current assets	15	86,214	57,567
		<u>3,011,224</u>	<u>2,946,961</u>
<b>CURRENT ASSETS:</b>			
Inventory	16	38,975	58,746
Trade accounts receivable	17	105,499	38,821
Taxes recoverable and prepaid taxes		6,409	9,330
Other accounts receivable and prepayments	18	87,278	99,974
Restricted cash	19	5,967	2,626
Other financial investments, current	14	641,933	-
Cash	19	325,818	614,369
		<u>1,211,879</u>	<u>823,866</u>
<b>TOTAL ASSETS</b>		<u><u>4,223,103</u></u>	<u><u>3,770,827</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY:</b>			
Share capital	20	537,146	537,146
Retained earnings		2,448,508	2,048,748
		<u>2,985,654</u>	<u>2,585,894</u>
<b>CURRENT LIABILITIES:</b>			
Advances received	21	957,739	938,052
Taxes payable	22	36,584	21,481
Accounts payable and accrued liabilities	23	243,126	225,400
		<u>1,237,449</u>	<u>1,184,933</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>4,223,103</u></u>	<u><u>3,770,827</u></u>

\* Restated as described in Note 4

On behalf of the Company's management

Ewan Simpson, PhD  
Vice-President of Planning and Development

July 15, 2011

Davlatbek Abduvaliyev  
Associate Vice President, Finance and Accounting

July 15, 2011

Zhamilya Nurpeis  
Chief Accountant

July 15, 2011

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2010**

*(in thousands of tenge)*

	Share capital	Retained earnings	Total equity
As of January 1, 2009, restated*	537,146	1,186,245	1,723,391
Net profit and total comprehensive income for the year	<u>-</u>	<u>862,503</u>	<u>862,503</u>
As of December 31, 2009, restated*	537,146	2,048,748	2,585,894
Net profit and total comprehensive income for the year	<u>-</u>	<u>399,760</u>	<u>399,760</u>
As of December 31, 2010	<u>537,146</u>	<u>2,448,508</u>	<u>2,985,654</u>

\* Restated as described in Note 4

On behalf of the Company's management:

Ewan Simpson, PhD  
Vice-President of Planning and Development

July 15, 2011

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Associate Vice President, Finance and Accounting

July 15, 2011

Zhamilya Nurpeis  
Chief Accountant

July 15, 2011



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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**  
*(in thousands of tenge)*

	Notes	2010	2009 Restated*
<b>OPERATING ACTIVITIES:</b>			
Profit before taxation		399,760	862,503
Adjustments for:			
Depreciation and amortization expense		195,993	218,114
Allowance for doubtful debts	17,18	47,984	(2,460)
Foreign exchange loss/(gain)		5,186	(40,818)
Finance income	10	(83,047)	(27,912)
Loss from disposal of property, plant and equipment and intangible assets	11	2,930	5,107
Provision for obsolete inventory	16	11,675	2,627
Operating profit before working capital changes		<u>580,481</u>	<u>1,017,161</u>
Decrease in inventory		8,096	59,184
Increase in trade accounts receivable		(97,280)	(21,274)
Decrease in taxes recoverable and prepaid taxes		2,921	13,705
Increase in other accounts receivable and prepayments		(4,686)	(49,981)
Increase in advances received		19,687	160,030
Increase/(decrease) in taxes payable		15,103	(11,130)
Increase/(decrease) in accounts payable and accrued liabilities		<u>17,726</u>	<u>(19,738)</u>
Net cash provided by operating activities		<u>542,048</u>	<u>1,147,957</u>
<b>INVESTING ACTIVITIES:</b>			
Change in restricted cash		3,341	-
Purchase of property, plant and equipment		(202,643)	(70,312)
Proceeds from disposal of property, plant and equipment		8,745	11,034
Advances paid for non current assets		<u>(25,577)</u>	<u>(42,327)</u>
Net cash used in investing activities		<u>(222,816)</u>	<u>(101,605)</u>
<b>FINANCING ACTIVITIES:</b>			
Placement of financial investments		(872,020)	(724,768)
Proceeds from financial investments		<u>269,423</u>	<u>-</u>
Net cash used in financing activities		<u>(602,597)</u>	<u>(724,768)</u>
NET CHANGE IN CASH		<u>(283,365)</u>	<u>321,584</u>
Effect of changes in foreign exchange rates related to cash balances CASH, at the beginning of the year	19	<u>614,369</u>	<u>251,967</u>
CASH, at the end of the year	19	<u>325,818</u>	<u>614,369</u>

\* Restated as described in Note 4

On behalf of the Company's management:

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Vice-President of Planning and Development

July 15, 2011

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July 15, 2011



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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

(In thousands of tenge)

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### 1. NATURE OF THE BUSINESS

Joint Stock Company Kazakhstan Institute of Management, Economics and Strategic Research (hereinafter, the “Company” or “KIMEP”) was founded as a state establishment of higher (post-graduate) education in accordance with Presidential Resolution # 580 “On the Establishment of the Kazakhstan Institute of Management, Economics and Strategic Research” (“Resolution # 580”) dated January 14, 1992.

In February 2000, the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan transferred KIMEP to the President of KIMEP, Mr. Chang Young Bang (“The President” or “Major Shareholder”), under the trust management agreement for the period of three years. The agreement provided for the President’s right to subsequently purchase shares of KIMEP under condition that the Company’s activity is maintained; and as long as State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan maintains 40 per cent stake of total share capital of the Company. In accordance with the Decree of the President of the Republic of Kazakhstan “On KIMEP Reorganization” dated August 28, 2003 and the Resolution of the Government of the Republic of Kazakhstan dated November 14, 2003, KIMEP has been reorganized as a Joint Stock Company with a share capital of 500,750 thousand tenge (500,750 common stocks with a par value of 1,000 tenge each) (Note 20). The Company was registered at the Ministry of Justice of the Republic of Kazakhstan on July 7, 2004.

The operating office of the Company is situated at the following address: 2 Abai Avenue, Almaty, 050010, Republic of Kazakhstan.

The Company is a not-for-profit organization, which provides educational services on a fee basis in the field of higher education on the basis of state license # 0000221. In addition, the Company generates revenue from services provided by the computer centre, the library, the recruiting centre, the canteen, the hotel, the publishing center and the student center.

As of December 31, 2010 and 2009, the Company had 911 and 864 (including full-time and part-time) employees, respectively.

### 2. ADOPTION OF NEW AND REVISED STANDARDS

#### **Standards and Interpretations effective in the current period**

*Standards and Interpretations effective in the current period* – The following Standards and Interpretations are effective for the current period:

- Amendments to IAS 1 “Presentation of Financial Statements” - the amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent;
- Amendments to IAS 7 “Statement of Cash Flows (as part of Improvements to IFRS)” - the amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
- Amendments to IFRS 7 “Financial Instruments: Disclosures” - the amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans;
- Amendments to IAS 1 “Presentation of Financial Statements” - the amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other

comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” related to eligible hedged items (effective for accounting periods beginning on or after July 1, 2009);
- IFRIC 18 “Transfers of Assets from Customers” (effective for accounting periods beginning on or after July 1, 2009);
- Improvements to 12 existing standards and interpretations dated April 16, 2009 issued by IFRS Committee within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. The majority of these amendments are effective from January 1, 2010.

The adoption of these Standards and amendments to them and Interpretations has not led to any changes in the Company’s accounting policies.

***Standards and Interpretations in issue not yet effective*** – As at the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IAS 24 “Related Party Disclosures” – Revised definition of related parties (effective for accounting periods beginning on or after January 1, 2011);
- Amendments to IAS 32 “Financial Instruments: Presentation” – Amendments relating to classification of rights issues (effective for the periods beginning on or after February 1, 2010);
- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Amendments enhancing disclosures about transfers of financial assets (effective for accounting periods beginning on or after July 1, 2011);
- IFRS 9 “Financial Instruments” (effective for accounting periods beginning on or after January 1, 2013);
- IFRS 10 “Consolidated Financial Statements” (effective for accounting periods beginning on or after January 1, 2013);
- IFRS 11 “Joint Arrangements” (effective for accounting periods beginning on or after January 1, 2013);
- IFRS 12 “Disclosure of Interests in Other Entities” (effective for accounting periods beginning on or after January 1, 2013);
- IFRS 13 “Fair Value Measurement” (effective for accounting periods beginning on or after January 1, 2013);
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for reporting periods beginning on or after July 1, 2010).

On May 6, 2010, within an annual initiative aimed at the general improvement of the effective International Financial Reporting Standards, the IFRS Committee issued amendments to some existing standards. These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal. The majority of these amendments are effective from January 1, 2011.

Management of the Company anticipates that all of the above Standards, amendments to them and Interpretations, if applicable, in future periods will have no material financial impact on the Company’s financial statements in the period of initial application.

### **3. PRESENTATION OF FINANCIAL STATEMENTS**

#### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

## **Basis of preparation**

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out in Note 4 below.

## **Going concern**

The financial statements have been prepared on the basis that the Company will continue as a going concern and there is no evidence that the Company intends or has to be liquidated or significantly decrease its activity in the near future. The Company's primary objective is to provide high quality educational services to the country's population. Management believes the Company will continue as a going concern for the foreseeable future.

## **Functional and presentation currency**

The functional currency is the currency of general economic environment in which the Company operates. The financial statements are presented in Kazakhstani Tenge (hereinafter, "tenge"), which is the Company's functional currency and the presentation currency of the financial statements.

# **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## **Revenue recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction, which can be measured reliably, will flow to the Company. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue generated from rental activity is recognized on an accruals basis in accordance with the substance of the relevant agreement.

## **Expense recognition**

Expense is recognized in profit or loss in the period in which it is incurred.

## **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

## **Payroll expenses and payroll related deductions**

Payroll expenses, pension fund and social insurance deductions, annual paid vacations and sick leaves, bonuses non-monetary benefits are accrued as related services are provided by employees of the Company. The Company makes pension and retirement benefit payments specified by legislature of the Republic of Kazakhstan on behalf of its employee. Such expenses are recognized in profit or loss in the period in which they are incurred. As soon as employees are retired the Company ceases to incur any expenses and related liabilities as all subsequent payments to the retired employees are made by state or private accumulated pension funds.

In accordance with the legislative requirements of the Republic of Kazakhstan, in 2010 the Company paid 10% from each employee's wage, but no more than 112,140 tenge per month (2009: 102,877 tenge) into an employee pension fund. The Company has no other retirement benefit obligations.

## **Taxation**

The Company provides educational services and, accordingly, is exempt from income tax, as provided by the Tax Code of the Republic of Kazakhstan. The Company is also exempt from the value added tax (“VAT”) for carrying out educational activities.

## **Foreign currencies**

In preparing the financial statements, transactions in currencies other than the Company’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## **Property, plant and equipment**

Property, plant and equipment are stated at deemed/historical cost less accumulated depreciation and accumulated impairment losses.

The Company did not perform an independent revaluation of its property, plant and equipment in accordance with International Financial Reporting Standards for the purpose of determination of their fair values (deemed cost) at the date of transition to IFRS (Note 13).

Depreciation is recognized so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is charged using the following useful lives:

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

An item of property, plant and equipment is 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## **Intangible assets**

Intangible assets comprise the software and are stated at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method during the expected useful life of assets which is 7 years.

## **Impairment of tangible and intangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

## **Inventories**

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted-average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

## **Financial instruments**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

*Financial assets* – Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to-maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets of the Company include trade and other receivables, cash and financial investments.

*Impairment of financial assets* – Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities – Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities of the Company include trade and other payables.

Derecognition of financial assets and liabilities – The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### **Trade and other accounts receivable**

Accounts receivable are initially measured at fair value. Subsequently accounts receivable are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term accounts receivable when the recognition of interest would be immaterial.

Accounts receivable are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of accounts receivable, the estimated future cash flows of the investment have been affected.

The amount of the impairment loss recognized is the difference between the carrying amount of accounts receivable and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of accounts receivable is reduced through the use of an allowance account and the impairment is recognized in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

### **Prepaid expenses and advances paid**

Prepaid expenses and advances paid to suppliers are measured at the amounts of consideration paid, less any impairment.

Prepaid expenses and advances paid are classified as long-term, if the estimated term of goods and services receipt exceeds one year or if prepaid expenses and advances paid relate to a non-current asset. The amounts of prepaid expenses and advances paid related to the purchased asset are included into the carrying amount of such an asset upon obtaining control over this asset by the Company and when future economic benefits derived by the Company from this asset are probable. If there are indicators exist that assets, goods or services will not be received, the carrying amount of prepaid expenses and advances paid is decreased and related impairment loss is recognized in profit or loss.

### **Cash**

Cash include petty cash and cash in bank accounts.

### **Other financial investments**

Other financial investments include short-term deposits and long-term deposits. Short-term deposits are easily converted into identifiable cash amounts, with original maturity of more than three months or less than a year and are subject to an insignificant risk of a change in value. Long-term deposits with an original maturity date of more than a year are recorded in the statement of financial position as other non-current financial assets.

### **Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are accrued when a contractor fulfills its contractual obligations. Accounts payable and accrued liabilities, except for advances received, are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Advances received are measured at the amounts of proceeds from third parties.

### **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 the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **Restatement**

During preparation of the Company's financial statements for the year ended December 31, 2010, the management restated certain comparative information for the previous year to correct prior year errors in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

During the audit of 2010 financial statements management of the Company identified that it had previously inconsistently applied the requirements of IAS 16 “Property, Plant and Equipment” (“IAS 16”). As a result, management of the Company decided to correct the prior years’ error to comply with IAS 16.

Company also identified other errors affecting other account balances in the prior year financial statements.

The cumulative effect on every financial statement line restated as of December 31, 2009 is presented in the table below:

	Amounts (before restatement)	Restatements	Amounts (as restated)	
<b>Statement of financial position as of December 31, 2009</b>				
<b>NON-CURRENT ASSETS :</b>				
Property, plant and equipment	4,732,424	(2,596,880)	2,135,544	
Other financial investments	-	750,000	750,000	
Other non-current assets	20,309	37,258	57,567	
<b>CURRENT ASSETS :</b>				
Inventory	121,563	(62,817)	58,746	
Trade accounts receivable	25,234	13,587	38,821	
Taxes recoverable and prepaid taxes	11,439	(2,109)	9,330	
Other accounts receivable and prepayments	70,030	29,944	99,974	
Restricted cash	-	2,626	2,626	
Cash	1,366,127	(751,758)	614,369	
<b>TOTAL ASSETS</b>	<b>6,350,976</b>	<b>(2,580,149)</b>	<b>3,770,827</b>	
<b>EQUITY:</b>				
Retained earnings	1,940,681	108,067	2,048,748	
Revaluation reserve	2,729,451	(2,729,451)	-	
<b>CURRENT LIABILITIES:</b>				
Advances received	924,512	13,540	938,052	
Accounts payable and accrued liabilities	195,596	29,804	225,400	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,350,976</b>	<b>(2,580,149)</b>	<b>3,770,827</b>	
	<b>Share capital</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Total equity as of December 31, 2009</b>				
Amounts (before restatement)	537,146	2,729,451	1,940,681	5,207,278
Restatements – elimination of revaluation reserve	-	(2,729,451)	93,401	(2,636,050)
Restatements – other adjustments	-	-	14,666	14,666
Amounts (as restated)	537,146	-	2,048,748	2,585,894

The effect on every financial statement line restated for the year ended December 31, 2009 is presented in the table below:

	Amounts (before restatement)	Restatements	Amounts (as restated)
<b>Statement of comprehensive income for the year ended December 31, 2009</b>			
REVENUE	3,327,921	311,481	3,639,402
COST OF SERVICES	(1,941,628)	223,195	(1,718,433)
GROSS PROFIT	1,386,293	534,676	1,920,969
General and administrative expenses	(961,725)	(83,853)	(1,045,578)
Selling expenses	(13,635)	(88,239)	(101,874)
Finance income	-	27,912	27,912
Other income	396,086	(375,830)	20,256
PROFIT BEFORE TAXATION	847,837	14,666	862,503
	Amounts (before restatement)	Restatements	Amounts (as restated)
<b>Statement of cash flows for the year ended December 31, 2009</b>			
Net cash provided by operating activities	1,053,441	94,516	1,147,957
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	(39,649)	(30,663)	(70,312)
Proceeds from disposal of property, plant and equipment	-	11,034	11,034
Advances paid for non current assets	-	(42,327)	(42,327)
Net cash used in investing activities	(39,649)	(61,956)	(101,605)
<b>FINANCING ACTIVITIES:</b>			
Placement of financial investments	-	(724,768)	(724,768)
Repayment of loan	(24,000)	(24,000)	-
Net cash used in financing activities	(24,000)	(700,768)	(724,768)
NET CHANGE IN CASH	989,792	(668,208)	321,584
Effect of changes in foreign exchange rates related to cash balances	-	40,818	40,818
CASH, at the beginning of the year	376,335	(124,368)	251,967
CASH, at the end of the year	1,366,127	(751,758)	614,369

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that

period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Useful lives of property, plant and equipment**

As described in Note 4, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The estimate of the useful life of an asset is dependent upon economic use, repair and maintenance programs, technological advancements and other business conditions. Management's estimate of the useful lives of property, plant and equipment reflects information available as at the date of these financial statements.

### **Impairment of tangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

The assessment of whether there is an indication of impairment is based on a number of factors, such as: change in the service potential of the assets as a result of a change in the demand for the services provided by the assets, technological obsolescence or physical damage of the assets, deviation of actual operating cash flows versus originally budgeted, future availability of financing from the shareholder for the operating needs and assets renewal and other changes in circumstances that indicate any impairment exists.

If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. If the carrying amount exceeds the recoverable amount an impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount could result in an impairment, or reversal of impairment, in future periods.

As of December 31, 2010 the management of the Company did not identify any indications of impairment of its assets. Accordingly, no impairment test is required.

At the date of transition to IFRS the Company involved an independent appraiser for valuation of the property complex contributed into the share capital of the Company. The valuation was performed 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 purpose of determination of their fair values (deemed cost) at the date of transition to IFRS.

### **Allowance for impairment of receivables and advances paid, and provision for obsolete inventories**

As discussed in Note 4 management's assessment of the allowance for impairment of receivables and advances paid, in addition to management's estimation of provision for obsolete inventories, requires management to use assumptions based on the best estimates of the Company's ability to collect receivables, receive the assets or services and sell the inventories. As a result of changes to general economic environment or other circumstances after the reporting date, management may draw conclusions which could be different to those made in preparing these financial statements.

## 6. REVENUE

	2010	2009
Tuition revenue	3,335,468	3,309,694
Additional courses	170,956	156,456
Access course revenue	55,420	40,519
Utilization of grants	21,954	112,369
Library	21,045	20,364
Total	<u>3,604,843</u>	<u>3,639,402</u>

Tuition revenue is presented net of discounts given by the Company to students of 263,970 thousand tenge and 250,194 thousand tenge for the years 2010 and 2009, respectively.

## 7. COST OF SERVICES

	2010	2009
Payroll and related taxes	1,615,271	1,498,542
Depreciation and amortization	94,773	102,405
Business trip expenses	29,456	16,327
Materials and stationery	21,813	13,070
Trainings	5,793	31,471
Other costs	63,093	56,618
Total	<u>1,830,199</u>	<u>1,718,433</u>

## 8. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
Payroll and related taxes	775,431	718,907
Depreciation and amortization	93,561	110,145
Taxes other than corporate income tax	80,846	38,587
Utilities	48,491	42,385
Allowance for doubtful debts (Notes 17,18)	47,984	(2,460)
Fines and penalties	38,570	-
Materials	36,765	19,342
Repairs and maintenance	23,077	12,190
Communication expenses	19,510	14,208
Consulting services	16,863	278
Provision for obsolete and slow moving inventory (Note 16)	11,675	2,627
Bank services	7,803	11,496
Travel and business trips	4,302	2,692
Other expenses	68,076	75,181
Total	<u>1,272,954</u>	<u>1,045,578</u>

## 9. SELLING EXPENSES

	2010	2009
Advertising and advertising materials	73,704	19,961
Payroll and related taxes	73,357	52,767
Arrangement of social activities	24,485	7,087
Travel and business trips	7,799	5,347
Materials	4,799	5,425
Depreciation and amortization	3,357	1,262
Other expenses	7,754	10,025
Total	<u>195,255</u>	<u>101,874</u>

## 10. FINANCE INCOME

	2010	2009
Income from other financial investments (Note 14)	79,977	25,232
Amortization of discount from contract on additional electricity capacity (Note 15)	<u>3,070</u>	<u>2,680</u>
Total	<u><u>83,047</u></u>	<u><u>27,912</u></u>

## 11. OTHER INCOME

	2010	2009
Rent income	21,302	21,198
Loss from disposal of property, plant and equipment	(2,930)	(5,107)
Other (loss)/income	<u>(2,908)</u>	<u>4,165</u>
Total	<u><u>15,464</u></u>	<u><u>20,256</u></u>

## 12. INCOME TAX

The Company is not a corporate income tax ("CIT") payer under Article 121 of the Tax Code of the Republic of Kazakhstan. Under Article 232 of the Tax Code of the Republic of Kazakhstan educational services are also exempt from value added tax "VAT".

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles	Other	Construction in progress	Total
<b>Cost</b>							
At January 1, 2009	98,519	1,798,485	439,327	22,647	512,423	-	2,871,401
Additions	-	12,719	8,853	-	25,455	-	47,027
Transfers	-	-	-	-	23,285	-	23,285
Disposals	<u>-</u>	<u>(2,000)</u>	<u>(14,339)</u>	<u>-</u>	<u>(25,153)</u>	<u>-</u>	<u>(41,492)</u>
At December 31, 2009	98,519	1,809,204	433,841	22,647	536,010	-	2,900,221
Additions	-	9,707	15,767	15	67,712	107,555	200,756
Transfers	-	-	-	-	1,887	-	1,887
Disposals	<u>-</u>	<u>(13,533)</u>	<u>(24,552)</u>	<u>-</u>	<u>(2,480)</u>	<u>-</u>	<u>(40,565)</u>
At December 31, 2010	<u>98,519</u>	<u>1,805,378</u>	<u>425,056</u>	<u>22,662</u>	<u>603,129</u>	<u>107,555</u>	<u>3,062,299</u>
<b>Accumulated depreciation</b>							
At January 1, 2009	-	223,929	210,467	12,214	124,656	-	571,266
Charge for the year	-	54,060	83,239	2,368	77,646	-	217,313
Disposals	<u>-</u>	<u>-</u>	<u>(11,375)</u>	<u>-</u>	<u>(12,527)</u>	<u>-</u>	<u>(23,902)</u>
At December 31, 2009	-	277,989	282,331	14,582	189,775	-	764,677
Charge for the year	-	43,716	71,038	2,362	77,956	-	195,072
Disposals	<u>-</u>	<u>(1,985)</u>	<u>(24,607)</u>	<u>-</u>	<u>(789)</u>	<u>-</u>	<u>(27,381)</u>
At December 31, 2010	<u>-</u>	<u>319,720</u>	<u>328,762</u>	<u>16,944</u>	<u>266,942</u>	<u>-</u>	<u>932,368</u>
<b>Net Book Value</b>							
At December 31, 2010	<u>98,519</u>	<u>1,485,658</u>	<u>96,294</u>	<u>5,718</u>	<u>336,187</u>	<u>107,555</u>	<u>2,129,931</u>
At December 31, 2009	<u>98,519</u>	<u>1,531,215</u>	<u>151,510</u>	<u>8,065</u>	<u>346,235</u>	<u>-</u>	<u>2,135,544</u>

As of December 31, 2010 and 2009 property, plant and equipment mainly comprise buildings which have been contributed into the share capital of the Company by the State Property and Privatization

Committee of the Ministry of Finance of the Republic of Kazakhstan in 2004 (Note 20). This property, plant and equipment was valued by an independent appraiser, LLP Vita Firm, which was not a related party of the Company as of the date of transition to IFRS. The valuation was performed in accordance with legislation of the Republic of Kazakhstan on privatization and valuation activity, but not in accordance with International Financial Reporting Standards.

Cost of property, plant and equipment, fully depreciated, as of December 31, 2010 and 2009 was 217,556 thousand tenge and 105,461 thousand tenge, respectively.

#### 14. OTHER FINANCIAL INVESTMENTS

	December 31, 2010	December 31, 2009
Other financial investments, current	641,933	-
Other financial investments, non-current	<u>790,641</u>	<u>750,000</u>
Total	<u>1,432,574</u>	<u>750,000</u>

On January 28, 2010 the Company concluded deposit agreement No. 2270876 with Bank CenterCredit JSC, dated January 28, 2010 in the amount of 2,000 thousand USD and interest rate of 5% per annum. The deposit agreement allows withdrawing and replenishing of funds at any time and matures on January 28, 2011. The interest is not paid but capitalized to principal until matured. As of December 31, 2010 the outstanding balance with accumulated interest amounted to 31,014 thousand tenge.

On December 9, 2009 the Company concluded deposit agreement No. 2248283 with Bank CenterCredit JSC, dated December 9, 2009 for the initial amount of 300,000 thousand tenge and interest rate of 11.2% per annum. The deposit agreement allows withdrawing and replenishing of funds at any time and matures on December 9, 2011. The interest is not paid but capitalized to principal until matured. As of December 31, 2010 and 2009 the outstanding balance with accumulated interest amounted to 610,919 thousand tenge and 300,000 thousand tenge, respectively.

On December 11, 2009 the Company concluded deposit agreement No. 2249381 with Bank CenterCredit JSC, dated December 9, 2009 for the initial amount of 450,000 thousand tenge and interest rate of 6.7% per annum. The deposit agreement allows withdrawing and replenishing of funds at any time and matures on December 11, 2012. The interest is not paid but capitalized to principal until matured. As of December 31, 2010 and 2009 the outstanding balance with accumulated interest amounted to 790,641 thousand tenge and 450,000 thousand tenge, respectively.

As of December 31, 2010 and 2009 the financial investments were denominated in the following currencies:

	December 31, 2010	December 31, 2009
In US Dollars	31,014	-
In Tenge	<u>1,401,560</u>	<u>750,000</u>
	<u>1,432,574</u>	<u>750,000</u>

For the years ended December 31, 2010 and 2009 finance income on deposits amounted to 79,977 thousand tenge and 25,232 thousand tenge, respectively (Note 10).

## 15. OTHER NON-CURRENT ASSETS

	December 31, 2010	December 31, 2009
Receivables for additional electricity capacity	67,800	68,370
Advances for acquisition of non-current assets	23,829	-
Other non current assets	39,213	36,895
	<u>130,842</u>	<u>105,265</u>
Discount of receivables for additional electricity capacity	<u>(44,628)</u>	<u>(47,698)</u>
Total	<u>86,214</u>	<u>57,567</u>

On October 19, 2007 the Company concluded agreement No. 379 with Almaty Zharyk Company JSC. In accordance with agreement terms the Company gave an interest free loan to Almaty Zharyk Company JSC in the amount of 68,370 thousand tenge for additional electricity capacity. This amount is to be repaid by Almaty Zharyk Company JSC in equal installments of 285 thousand tenge starting from November 1, 2010 till October 1, 2030. The Company recognized the loan at amortized cost using effective interest rate of 14.9%. As a result as of December 31, 2009 and 2010 the Company recognized a fair value adjustment in the amount of 44,628 thousand tenge and 47,698 thousand tenge, respectively. The finance income from fair value adjustment for the years ended December 31, 2010 and 2009 amounted to 3,070 thousand tenge and 2,680 thousand tenge, respectively (Note 10).

## 16. INVENTORY

	December 31, 2010	December 31, 2009
Stationery and household inventory	51,991	60,107
Other	2,242	2,222
	<u>54,233</u>	<u>62,329</u>
Provision for obsolete inventory	<u>(15,258)</u>	<u>(3,583)</u>
Total	<u>38,975</u>	<u>58,746</u>

The change in provision for obsolete and slow moving inventory for the years ended December 31 are presented below:

	2010	2009
As of the beginning of the year	(3,583)	(956)
Accrued for the year	<u>(11,675)</u>	<u>(2,627)</u>
As of the end of the year	<u>(15,258)</u>	<u>(3,583)</u>

**17. TRADE ACCOUNTS RECEIVABLE**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Tuition fee receivable	143,774	45,870
Rent receivable	230	-
Other receivables	11,724	12,578
	<u>155,728</u>	<u>58,448</u>
Allowance for doubtful debts	<u>(50,229)</u>	<u>(19,627)</u>
Total	<u><u>105,499</u></u>	<u><u>38,821</u></u>

The change in allowance for doubtful debts for the years ended December 31, are presented below:

	<b>2010</b>	<b>2009</b>
As of the beginning of the year	(19,627)	(21,706)
(Accrued)/reversed for the year	<u>(30,602)</u>	<u>2,079</u>
As of the end of the year	<u><u>(50,229)</u></u>	<u><u>(19,627)</u></u>

As of December 31, 2010 and 2009 trade accounts receivable were denominated in tenge.

**18. OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Advances paid	53,154	70,100
Prepaid expenses	25,980	20,666
Rent receivable	9,333	5,356
Receivables from employees	3,533	3,899
Other receivables	12,707	-
	<u>104,707</u>	<u>100,021</u>
Allowance for doubtful debts	<u>(17,429)</u>	<u>(47)</u>
Total	<u><u>87,278</u></u>	<u><u>99,974</u></u>

The change in allowance for doubtful debts for the years ended December 31, are presented below:

	<b>2010</b>	<b>2009</b>
As of the beginning of the year	(47)	(428)
(Accrued)/reversed for the year	<u>(17,382)</u>	<u>381</u>
As of the end of the year	<u><u>(17,429)</u></u>	<u><u>(47)</u></u>

As of December 31, 2010 and 2009 other accounts receivable were denominated in tenge.

## 19. CASH

	December 31, 2010	December 31, 2009
Cash in bank, in tenge	244,586	255,107
Cash in bank, in USD	79,411	351,793
Cash on hand, in tenge	1,750	7,059
Cash in bank, in EUR	71	181
Cash in bank, in CHF	-	229
Total	<u>325,818</u>	<u>614,369</u>

As of December 31, 2010 and 2009 restricted cash represents cash in JSK Bank CenterCredit in the amount of 5,967 thousand tenge and 2,626 thousand tenge, respectively, interest-free deposited for foreign employees in accordance with Kazakhstani labor legislation.

## 20. SHARE CAPITAL

	2010		2009	
	Contribution	Share, %	Contribution	Share, %
Mr. Chang Young Bang	350,988	60%	350,988	60%
State Property and Privatization Committee of the Republic of Kazakhstan	<u>234,012</u>	<u>40%</u>	<u>234,012</u>	<u>40%</u>
Total	<u>585,000</u>	<u>100%</u>	<u>585,000</u>	<u>100%</u>

As disclosed in Note 1, the Company has been re-registered as a Joint Stock Company with share capital of 500,750 thousand tenge (par value of share for first issue of 500,750 ordinary shares is 1,000 tenge). The share capital of the Company was contributed by transfer of a property complex of a reorganized state not-for-profit organization "KIMEP". The cost of the property complex contributed to the share capital of the Company was valued by an independent appraiser 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 purpose of determination of their fair values (deemed cost) at the date of transition to IFRS. The value of the property complex was determined at 403,800 thousand tenge based on the 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 shares issued was granted to the 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. During 2005 an additional issue of 84,250 common 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 the legislation of the Republic of Kazakhstan concerning not-for-profit organizations, distribution of dividends is restricted.

## 21. ADVANCES RECEIVED

As of December 31, 2010 and 2009 advances received in the amount of 957,739 thousand tenge and 938,052 thousand tenge, respectively, consisted of amounts prepaid by students as well as prepayments performed by third parties for tuition, stipendiums, library and dormitory.

## 22. TAXES PAYABLE

	December 31, 2010	December 31, 2009
Social tax	26,571	12,149
Land tax	5,896	-
Personal income tax	3,039	9,323
Other taxes	1,078	9
	<u>36,584</u>	<u>21,481</u>
Total	<u>36,584</u>	<u>21,481</u>

## 23. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2010	December 31, 2009
Provision for unused vacation	101,052	117,877
Library deposits	57,829	69,217
Tax and other penalties	49,431	-
Trade accounts payable to third parties	15,745	23,473
Pension fund payments	11,048	10,043
Accrued wages	1,918	1,643
Other payables	6,103	3,147
	<u>243,126</u>	<u>225,400</u>
Total	<u>243,126</u>	<u>225,400</u>

As of December 31, 2010 library deposits consist of deposits collected from students for use of the fee-based library services. These deposits, net of fees for the library services received, are paid back to students once they clear all the debt to the Company's library.

As of December 31, 2010 and 2009 accounts payable were denominated in tenge.

## 24. RELATED PARTY TRANSACTIONS

Related parties of the Company include shareholders and key management personnel, and affiliates under common ownership. USKO International, within the framework of these preliminary financial statements, is also considered as a related party due to the fact that the wife of the Majority Shareholder is the President of USKO International. In the ordinary course of business, the Company undertakes a number of transactions with related parties.

The most significant balances and transactions with related parties which took place during 2010 and 2009 are described below.

Other accounts receivables from related parties, net, as of December 31, 2010 and 2009 consisted of the following:

	December 31, 2010	December 31, 2009
Prepayment to USKO International	<u>1,866</u>	<u>1,205</u>
Total	<u>1,866</u>	<u>1,205</u>

During 2010 and 2009 the Company had the following transaction with USKO International:

	Year ended December 31, 2010	Year ended December 31, 2009
<b>USKO International:</b>		
Repair and construction works	129,031	6,510
Telecommunication equipment	20,673	4,977
Other expenses	7,169	2,638

For the years ended December 31, 2010 and 2009 the compensation to the key personnel of the Company was 79,331 thousand tenge and 76,524 thousand tenge, respectively. The compensation of the key personnel is determined by the Board of Trustees.

## 25. COMMITMENTS AND CONTINGENCIES

### Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and the Kazakhstan economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected Kazakhstan's financial and capital markets in 2008 and 2009 has receded. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Kazakhstani economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended December 31, 2010 and 2009 was 7.8% and 6.2%, respectively).

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstan's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2010 and 2009.

### Legal issues

The Company has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Company. Management believes that the resolution of all business matters will not have a material impact on its financial position or results of operations.

## 26. RISK MANAGEMENT POLICIES

### Capital risk management

The Company manages its capital inadequacy risk to obtain assurance that the Company will be able to continue its operations as a going concern by maximising profit through the optimisation of the equity balance. The Company's overall strategy remains unchanged from 2009.

The capital structure of the Company consists of equity of the Company (comprising share capital as detailed in Note 20 and retained earnings).

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

### Categories of financial instruments

As of December 31, 2010 and 2009 financial instruments included:

	December 31, 2010	December 31, 2009
<b>Financial assets</b>		
Trade accounts receivable (Note 17)	105,499	38,821
Other accounts receivable (Note 18)	22,040	5,356
Restricted cash (Note 19)	5,967	2,626
Other financial investments (Note 14)	1,432,574	750,000
Cash (Note 19)	325,818	614,369
<b>Financial liabilities</b>		
Accounts payable (Note 23)	17,567	23,471

### Financial risk management objectives

The Company's management monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk), credit risk, liquidity risk.

### Market risk

Market risk connected with risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see "Foreign currency risk management" below). The Company does not additionally enter into any derivative financial instrument agreements to manage its exposure to interest rate and foreign currency risk as management believes that existing mitigation measures are efficient for their minimization.

### Currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At the same time the Company has assets and liabilities denominated in foreign currencies.

As of December 31, 2010 and 2009 the carrying amount of the Company's assets denominated in foreign currencies include:

	Assets	
	December 31, 2010	December 31, 2009
USD	110,425	351,810
EUR	71	181
CHF	-	229

*Foreign currency sensitivity analysis* – The Company has exposure mainly to USD exchange rate fluctuations.

The following table details the Company's sensitivity to a 10% increase/decrease in tenge against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of possible changes in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 5% change in foreign currency rates. The sensitivity analysis includes a) cash well as b) other financial investments. The table below details changes in the value of assets when the tenge appreciates by 10% against the relevant currency. A positive value indicates an increase in profit for the period and a negative value indicates a decrease in profit. For a 10% weakening of the tenge against the relevant currency, there would be an equal and opposite impact on the profit.

	USD impact	
	2010	2009
Financial assets	11,043	35,181

### **Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a business policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigations the risk of financial loss from defaults. The Company's exposure and the creditworthiness of its counterparties are controlled constantly.

Credit risk is mainly linked to accounts receivable (Notes 17 and 18). The Company does not expect that any counterparties will be unable to repay their liabilities, except for those counterparties for which the Company has created provision for doubtful debts. Carrying amount of financial assets recognized in financial statements of the Company less impairment allowance reflects the maximal extent of Company's credit risk.

### **Liquidity risk management**

The Company has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages its liquidity risk by monitoring projected and actual cash flows and comparing maturity dates of assets and liabilities.

**Liquidity risk table** – The following table detail the Company's contractual maturity for its non-derivative financial liabilities. The table was compiled on the basis of the undiscounted cash flows of financial assets and liabilities based on the earliest date that a) the Company expects receipt of payment and b) payment may be demanded from the Company.

2010	Weighted average rate	Up to 1 year	1-5 years	Unlimited	Total
<b>Financial assets</b>					
Trade accounts receivable (Note 17)	-	105,499	-	50,229	155,728
Other accounts receivable (Note 18)	-	22,040	-	-	22,040
Restricted cash (Note 19)	-	5,967	-	-	5,967
Other financial investments (Note 14)	5%-11.2%	707,051	895,115	-	1,602,166
Cash (Note 19)	-	325,818	-	-	325,818

**Financial liabilities**

Accounts payable (Note 23)	-	17,567	-	-	17,567
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2009	Weighted average rate	Up to 1 year	1-5 years	Over 5 years	Total
<b>Financial assets</b>					
Trade accounts receivable (Note 17)	-	38,821	-	16,627	58,448
Other accounts receivable (Note 18)	-	5,356	-	-	5,356
Restricted cash (Note 19)	-	2,626	-	-	2,626
Other financial investments (Note 14)	5%-11.2%	300,000	450,000	-	750,000
Cash (Note 19)	-	614,369	-	-	614,369
<b>Financial liabilities</b>					
Accounts payable (Note 23)	-	23,473	-	-	23,473

*Information systems default risk* – the risk that the information systems and databases could malfunction and/or be destroyed both intentionally and unintentionally due to number of reasons. The Company's Computer and Information System Center employs such systems as access control, firewall, backup, virus and hacking attack prevention, and takes other measures to mitigate risks of this type.

Deloitte LLP  
Almaty Financial District  
Building "B"  
36, Al Farabi Ave.  
Almaty, 050059  
Republic of Kazakhstan

Tel: +7 (727) 258 13 40  
Fax: +7 (727) 258 13 41  
almaty@deloitte.kz  
www.deloitte.kz

Member of Deloitte Touche Tohmatsu