Russell Bedford

International Auditing Company LLC

GROUP OF COMPANIES
Russell Bedford

International Consulting Firm LLC

AUDITOR'S REPORT

Member of Russell Bedford International, with affiliated offices worldwide
Registered Office: 44a, 2, Luganskogo Street, Almaty, Republic of Kazakhstan

Quality Management ISO 9001:2008

DEKRA certified

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«KIMEP University»

Joint-Stock Company

Financial Statements

For the year ended December 31, 2017

Prepared in accordance with
International Financial Reporting Standards

CONTENTS

STATEMENT OF MANAGEMENT'S REPONSIBILITIES FOR THE PREPATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The Company's management is responsible for the preparation of the financial statements that present fairly the financial position of KIMEP University JSC (further – the Company or KIMEP) as of December 31, 2017, the results of its operations, cash flows and changes in equity for the year 2017, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying 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 IFRS 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 financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Kazakhstan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements for the year ended December 31, 2017 were authorised for issue on **March 25, 2018**.

Provost and General Deputy to the President **Timothy Lewis Barnett**

Chief accountant **Ardak Kiyabayeva**

Almaty,
Republic of Kazakhstan

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INDEPENDENT AUDITOR'S REPORT

Authorised by
General Director
Russell Bedford A+ Partners IAC LLP
Kudaybergenova S.E.

To the Shareholders and Management of KIMEP University

We have audited the accompanying financial statements of KIMEP University JSC, which comprise the statement of financial position as of December 31, 2017, the statement of profit or loss and other comprehensive income, cash flow statement, statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the KIMEP University JSC (further - the Company or KIMEP) as of December 31, 2017, and its financial performance and its cash flows and changes in equity for the period from 1 January 2017 and ending on the date of these financial statements, in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance the statement that we have complied with all relevant ethical requirements for independence and have informed these individuals of all relationships and other matters that can reasonably be considered influencing the independence of the auditor and, where necessary, on appropriate precautions.
Those issues that we brought to the attention of those charged with governance, we identify the issues that were the most significant for auditing financial statements for the current period and, therefore, the key audit issues.
We disclose these issues in our audit opinion, except the cases where public information disclosure about these issues is prohibited by law or regulation; or when in rare cases, we come to the conclusion that information about a matter should not be reported in our conclusion, as it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefit from its communication.

Sholpanay Kudaibergenova
Auditor / General Director
Russell Bedford A+ Partners IAC LLP
State License to conduct audit #16013894,
issued by the Committee of Financial Control
of Ministry of Finance of the Republic of Kazakhstan
on September 05, 2016

АУДИТОР
Біліктілік куәлігі
№МФ-0000541

Auditor's Qualification Certificate
№ МФ-0000541 dd 01.02.2018

March 25, 2018

Almaty,
Republic of Kazakhstan

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2017

(In thousands of tenge)	Notes	2017	2016
Revenue	6	4,523,850	3,934,018
Cost of goods and services	7	(2,494,168)	(1,903,075)
Gross profit		**2,029,682**	**2,030,943**
Administrative expenses	8	(1,234,011)	(1,327,842)
Selling expenses	9	(194,659)	(238,300)
Other income/(expenses)	10	45,890	124,251
Operating profit		**646,902**	**589,052**
Finance income	11	449,992	450,232
Profit before tax		**1,096,894**	**1,039,284**
Income tax expense	12	-	-
Profit for the period		**1,096,894**	**1,039,284**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,096,894**	**1,039,284**

Explanatory notes are an integral part of these financial statements

Provost and General Deputy to the President **Timothy Lewis Barnett**

Chief accountant **Ardak Kiyabayeva**

STATEMENT OF FINANCIAL POSITION
As of December 31, 2017

(In thousands of tenge)	Notes	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	13	2,556,215	2,057,577
Intangible assets	14	6,146	7,030
Non-current financial assets	21	18,131	18,574
Non-current receivables	15	18,504	24,457
Total non-current assets		**2,598,996**	**2,107,638**
Current assets			
Cash and cash equivalents	16	191,990	115,420
Trade receivables	17	75,241	77,770
Other receivables	18	358,937	92,935
Inventories	19	100,118	80,533
Current tax assets	20	8,350	14,635
Current financial assets	21	3,419	3,419
Other financial investments	22	5,419,442	5,094,143
Total current assets		**6,157,497**	**5,478,855**
Total assets		**8,756,493**	**7,586,493**
Equity and liabilities			
Current liabilities			
Trade and other payables	23	1,247,128	1,303,136
Current provisions	24	350,790	249,760
Current tax liabilities	25	48,502	46,101
Liabilities on other mandatory and voluntary payments	26	18,539	14,744
Current reserves	27	58,868	58,287
Total current liabilities		**1,723,827**	**1,672,028**
Non-current liabilities			
Non-current trade and other payables	28	107,291	85,984
Total non-current liabilities		**107,291**	**85,984**
Total liabilities		**1,831,118**	**1,758,012**
Equity			
Share capital	29	537,146	537,146
Retained earnings	29	6,388,229,	5,291,335
Total equity		**6,925,375**	**5,828,481**
Total equity and liabilities		**8,756,493**	**7,586,493**

Explanatory notes are an integral part of these financial statements

Provost and General Deputy to the President ______ **Timothy Lewis Barnett**

Chief accountant ______ **Ardak Kiyabayeva**

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017

(In thousands of tenge)	Share capital	Retained earnings	Total equity
At 1 January 2017	**537,146**	**5,291,335**	**5,828,481**
Profit for the reporting period	-	1,096,894	1,096,894
At 31 December 2017	**537,146**	**6,388,229**	**6,925,375**
At 1 January 2016	**537,146**	**4,252,051**	**4,789,197**
Profit for the previous period	-	1,039,284	1,039,284
At 31 December 2016	**537,146**	**5,291,335**	**5,828,481**

Explanatory notes are an integral part of these financial statements

Provost and General Deputy to the President **Timothy Lewis Barnett**

Chief accountant **Ardak Kiyabayeva**

STATEMENT OF CASH FLOWS (indirect method)
For the year ended December 31, 2017

(In thousands of tenge)	2017	2016
Profit before tax	**1,096,894**	**1,039,284**
Operating activities		
Adjustments for:		
Depreciation and amortization	175,957	188,511
(Reversal)/accrual of provision for doubtful debts	9,018	(9,750)
(Reversal)/accrual of provision for unused vacations	62,025	12,658
(Income)/loss from exchange rate differences	-	(54,693)
Finance (income)/loss	(449,992)	(450,232)
(Income)/loss from disposal of fixed and intangible assets	(2,323)	158
(Reversal)/accrual of provision for slow moving inventory	100	10,661
Other (income)/loss	-	176
Cash disposals from operating activities before changes in working capital	**891,679**	**736,773**
(Increase)/decrease in operating assets		
Inventories	(19,685)	(11,246)
Trade and other receivables	(266,831)	(48,911)
Current tax assets	6,285	13,077
Other non-current financial assets	443	371
Non-current trade payables	293	(24,457)
Increase/(decrease) in operating liabilities		
Taxes payable	6,196	(607,190)
Trade and other payables	(55,427)	143,711
Non-current liabilities	21,307	85,984
Accrued liabilities	39,005	(14,717)
Net cash flows from operating activities	**623,265**	**273,395**
Investing activities:		
Placement of financial investments	(7,290,000)	(5,464,320)
Proceeds from financial investments	6,947,881	4,930,551
(Increase)/decrease in non-current advances	-	10,808
Interest received	466,812	447,185
Change in restricted cash	-	350
Proceeds from financial assets	-	3,419
Acquisition of property, plant and equipment	(670,639)	(284,774)
Acquisition of intangible assets	(749)	(946)
Net cash from investing activities	**(546,695)**	**(357,726)**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**76,570**	**(84,331)**
Cash and cash equivalents at 1 January	115,420	199,751
Cash and cash equivalents at 31 December	**191,990**	**115,420**

Explanatory notes are an integral part of these financial statements

Provost and General Deputy to the President Timothy Lewis Barnett

Chief accountant Erdak Kiyabayeva

1. GENERAL INFORMATION

KIMEP University Joint-Stock Company (further – the Company or KIMEP) established according to the decision of the general shareholders meeting by renaming the Kazakhstan Institute of Management, Economics and Strategic research into KIMEP University JSC. The certificate on the state re-registration of the legal entity №64250-1910-AO (ИУ) issued by the Department of Justice of Almaty of the Ministry of Justice of the Republic of Kazakhstan.

The Company was founded in 1992 and is the first educational institution providing a western style higher education, using English as the language of instruction.

The Company is a not-for-profit organization and it does not set profit making as its primary target, and does not pay dividends on its shares. The Company uses its earned income in line with the constitutional objectives.

Sources of KIMEP's property formation are:
- shareholders' contributions;
- income earned from the educational and accompanying services, and other types of business activities;
- property received free of charge, sponsorships, charitable contributions, donations from Kazakhstani and foreign legal entities and individuals;

The Company operates in the field of higher, postgraduate and additional education under the legislation of the Republic of Kazakhstan. As a higher educational institution, KIMEP also operates based on the KIMEP University Catalogue and other documents providing working training programs, working curricula and regulations.

The shareholders of the Company exercise joint control:

	Number of common shares	Ratio in %
Legal Entity - State Enterprise, the State Property and Privatization Committee, Ministry of Finance, Republic of Kazakhstan	234,012	40
Individual - Chan Young Bang	350,988	60
	585,000	**100**

Governing bodies of KIMEP University are:
- the supreme body - General Meeting of Shareholders;
- governing body - Board of Directors/Board of Trustees and Academic Council;
- executive body - President's Office;
- Academic Council of KIMEP University;
- other bodies of joint management created according to the executive decision.

KIMEP University's mission is to develop well-educated citizens and to improve the quality of life in Kazakhstan and the Central Asian region through teaching, learning, community service and the advancement of knowledge in the fields of business administration and social sciences.

KIMEP renders educational services in more than twenty programs, including programs of a bachelor degree in the field of business administration, economics, political science, public administration and journalism; Master programs in the field of business administration, economics, law and English teaching, and the doctorate program in the field of business administration. Besides, KIMEP University offers the MBA program for executives and a wide range of the certified programs and short-term courses.

The academic staff of KIMEP University consist of professors from Kazakhstan and foreign countries, the majority of them received Master's and PhD degrees in European and North American universities. KIMEP University has the greatest number of professors with terminal degrees obtained in Western-style universities, among all CIS countries.

The annual enrollment of students to all programs is about 1000 people, about 80% of enrolled students study at Bachelor Programs and 20% - at Master's and Doctorate Programs. Students of KIMEP University represent 29 different countries, including Russia, Kyrgyzstan, Uzbekistan, Tajikistan, USA, Great Britain, Germany, China and Korea.

The company has no branch offices or representative offices at the territory of the Republic of Kazakhstan and abroad.
KIMEP is a taxpayer of the Republic of Kazakhstan No. 0094952 (number is changed due to the re-registration of JSC KIMEP) series 60, issued on January 27, 2012.

As of December 31, 2017 and 2016, the number of employees in the Company was 486 and 482 people respectively, including both full-time and part-time employees.

Actual and legal location: 4 Abay ave., Almaty, 050010, Republic of Kazakhstan.
Official web site: www.kimep.kz

2. BASIS OF PREPARATION

Statement of compliance – these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Main assumptions – the preparation of the these financial statements in conformity with IFRS requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates that are particularly susceptible to change relate to the allowance for impairment and determination of the fair value of financial instruments.

Functional currency - the functional currency of these financial statements is Kazakhstani tenge.

The following official exchange rates are used for revaluation of foreign currency account balances in tenge in financial statements:

Currency	31 December 2017	31 December 2016
1 US dollar	332,33	333,29
1 Euro	398,23	352,42
1 GBP	448,61	409,78

These financial statements are presented in thousands of Kazakhstani tenge (KZT), which is the Company's functional currency and presentation currency for these financial statements.

Basis of measurement - These financial statements have been prepared on accrual basis under the historical cost, except for the measurement at fair value of certain financial instruments.

Going concern – these financial statements were prepared based on the assumption that the Company will continue as a going concern. That implies the realization of assets and settlement of liabilities in the normal course of the business.

For 2017 year the net profit of the Company was 1 096 894 thousand tenge, the current assets exceeded the current liabilities by 4 433 670 thousand tenge as of December 31, 2017, and the operating profit for the reporting period was 646 902 thousand tenge. The Company operates, and will continue to operate in near future, and has no intention to be liquidated or reduce scales of the activity, at least, during the time frame necessary for accomplishment of all of its liabilities.

Accrual basis – these financial statements, except for the cash flow information, have been prepared on the accruals basis: transactions and events are recognized when they occur, rather than upon receipt or payment of cash or cash equivalents are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Expenses are recognized in the Statement of profit or loss, other comprehensive income based on direct comparison between the costs incurred, and specific items of income earned (the concept of correlation). Revenue is recognized when the economic benefits associated with the transaction are probable, and the amount of income can be reliably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES

Classification of assets and liabilities into current/short-term and non-current/long-term

The statement of financial position of the Company presents assets and liabilities based on their classification into current/short-term and non-current/long-term. The asset is current if:

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

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

- ✓ it is expected to be settled within a normal operating cycle;
- ✓ it is held generally for the trade purposes;
- ✓ it is subject to repayment within twelve months after the reporting period; or
- ✓ the Company has no unconditional right to delay repayment of the liability within at least twelve months after the reporting period.

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

Property, plant and equipment

Property, plant and equipment are reflected in financial statements at actual costs net of accumulated depreciation and impairment losses.

If an item of property plant and equipment consists of several components with different useful life, such components are reflected as separate items of property, plant and equipment.

Depreciation is accrued for all types of property, plant and equipment, except for land, using a straight-line basis over the estimated useful lives of assets. The residual value (the estimated cost of spare parts, scrap and waste generated at the end of its useful life less the estimated costs of disposal) is considered to be zero due to its immateriality and insignificance at accrual of depreciation.

The company applies the following useful lives for property, plant and equipment:

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

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

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

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

Intangible assets

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

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

For the purposes of financial statements preparation, the Company uses the following useful lives for various categories of intangible assets:

Licenses	Depending on validity period of the legal right
Software	7 years
Intangible assets created in the Company	7 years
Other intangible assets	7 years

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

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

Inventories

Inventories measured at the lower of cost and net realizable value. The cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The same formula of cost calculation is applied to all inventory reserves of similar character and appointment. The cost of inventory is determined using the weighted average cost method.

Deferred income

The grants awarded for the purpose of acquisition, creation of long-term assets or for undertaking the current expenditures are recognized as deferred income.

Awarded income in the form of grants, endowment, donation and other target financings of educational activity are defined as deferred revenues. For recognition of the income of a current period is tested for the performance-related conditions and availability of expenses of a current period within this target financing provided by the budget of the specific program. In case under the terms of the agreement of target financing return or the requirement about return is provided, an unused part of deferred revenue is recognized as a payback debt.

The deferred income, which are subject to recognition in the long-term period, are reflected in the statement of financial position separately as part of long-term liability, or in case of insignificance is reflected as a part of other long-term liabilities.

Financial assets

Initial recognition and assessment

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

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

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

Subsequent assessment

The subsequent assessment of financial assets depends on their classification as follows:

Loans and receivables

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

Receivables

Receivables are measured at amortized cost using the effective interest rate less provision for impairment, except for advances and other non-financial debt. The Company makes provisions for doubtful accounts receivable. The Company estimates the bad debt as follows: provision of 50% is made for receivables past due by 185 to 365 days, provision of 100% is made for receivables past due by more than 365 days.

Derecognition

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

✓ the rights to the cash flows from the financial asset expire;

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

Impairment of financial assets

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

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

Financial assets carried at amortized cost

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

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

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

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

Financial liabilities

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

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

Account payables

Account payables are accrued when a contractor fulfills its contractual obligations. The Company initially recognizes account payables at fair value, except for advances received and tax liabilities. Subsequently, account payables are recognized at amortized cost using the effective interest rate method.

Derecognition

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

Offset of financial instruments

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

Prepayments

Prepayments are recognized in the financial statements at original cost less provision for impairment. Prepayment is classified as long-term, if the expected time period of obtaining respective goods or services exceeds one year, or if the prepayment relates to the asset, which will be accounted for as a long-term asset on initial recognition. Prepayment for the acquisition of an asset is included into its carrying amount where the Company obtains control over the asset and it is

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probable that the Company will obtain future economic benefits associated with the asset. Other prepayments are charged to profit or loss account upon the receipt of goods or services relating thereto. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying amount of the prepayment is written-off, and a respective impairment loss is recognized in profit or loss for the year.

Prepayments received are recorded at the actual amounts received from third parties.

Estimated liabilities

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

If the effect of the time value of money is material, estimated liabilities are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the estimated liability with the passage of time is recognized as financing costs.

Estimated liabilities for restructuring are recognized only provided that the Company has a constructive obligation, and a detailed formal plan specifies the business or part of the business concerned, the location and number of employees affected, detailed estimate of the associated costs and appropriate timeline and the employees affected have been notified of the plan's main features.

Cash and cash equivalents

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

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

Lease

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

Company as a lessor

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

Employee benefits

In determining the amount of commitments for short-term employee benefits, discounting does not apply, and the related expenses are recognized as the services are provided by the employees. In respect of amounts expected to be paid under short-term cash bonuses or profit-sharing schemes, a liability is recognized where the Company has a legal or constructive obligation to pay the relevant amount resulting from the provision of services by employees in the past, and the amount of the obligation can be reliably estimated.

Pension obligations

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

Revenue recognition

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

Rendering of services

Revenue recognition for services rendered is performed under the percentage-of-completion method, according to which, revenue is recognized in the accounting periods in which the services are rendered. Under this method, revenue should be recognized by reference to the stage of completion of the transaction at the reporting date, provided that the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. Revenue is recognized net of VAT and discounts.

Interest income

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

Rental income

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

Income tax

Income tax expenses comprise current income tax and are recognized in profit or loss for the period except for the portion that relates to a business combination transaction or transactions recognized in equity or in other comprehensive income. Deferred tax is recognized in respect of temporary differences arising between the carrying amounts of assets and liabilities, determined for financial reporting purposes, and their tax base. The Company management does not recognize deferred tax, since under the existing tax laws, in case of educational activities, in determining the taxable base, the amount of the corporate income tax payable to the budget is reduced by 100%, provided that revenues from educational activities, including income in the form of donated property received and interests earned on deposits, account for at least 90% of the total annual income.

Current income tax comprises tax amount which is expected to be paid or refunded in respect of the taxable profit or tax loss for the year, and which is calculated on the basis of tax rates effective at the balance sheet date.

In determining the amount of current income tax, the Company takes into account the influence of uncertain tax positions and the possibility of imposing fines and penalties for late payment of the tax. Based on the results of its assessment of a number of factors, as well as interpretation of the Kazakhstan tax laws, the management of the Company believes that the tax liabilities for the tax period, which may be inspected by the tax authorities, were reported in full. This assessment is based on estimates and assumptions and can involve a number of professional judgments regarding the impact of future events. In the course of time, the Company can get new information, which can make the Company to change its judgments regarding the adequacy of existing tax liabilities. Such changes in the amount of tax liabilities will affect the tax amount for the period in which such judgments were changed.

Contingent assets and liabilities

Contingent assets are not recognized in financial statements. If it is virtually possible to obtain revenue, then the related asset is not a contingent asset and its recognition is appropriate.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the probability of an outflow of resources embodying economic benefits is low.

Related parties

Related parties are the relationships in which one party has the ability to control or significantly influence the financial and operating decisions of the other party as defined in IFRS 24 Related Party Disclosures.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment is described below:

- *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative;*
- *Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses;*
- *Annual improvements cycle 2014-2016, Amendments to IFRS 12.*

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***Amendments to IAS 7** Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company firstly applied these amendments in the current period.

***Amendments to IAS 12** Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
The Company firstly applied these amendments in the current period. However, their application had no impact on the Company's financial position and results of the operations, as the Company does not have deductible temporary differences or assets that fall within the scope of these amendments.

Annual improvements cycle – 2014-2016, Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. Amendments are not applicable to the Company.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 9 Financial Instruments [1]
- IFRS 15 Revenue from Contracts with Customers [1]
- IFRS 16 Leases [2]
- IFRS 17 Insurance contracts [3]
- Amendments to IFRS 2: Clarifications of classification and measurement of share based payment transactions [1]
- Amendments to IAS 40 Transfers of Investment property [1]
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration [1]
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment [2]
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 [1]
- Amendments to IFRS 9 Prepayment features with negative compensation [2]
- Amendments to IFRS 28 Long-term Interests in Associates and Joint Ventures [2]
- Annual improvements cycle – 2014-2016 [1]
- Annual improvements cycle – 2015-2017 [2]

[1] Effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
[2] Effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.
[3] Effective for annual periods beginning on or after January 1, 2021. Earlier application is permitted.
[4] The effective date will be determined. Earlier application is permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets (FA). In October 2010, the standard was amended, which introduced new requirements for the classification and assessment of financial liabilities (FI) and the termination of their recognition. In November 2013, the standard was updated with new requirements for hedging accounting. The updated version of the standard was released in July 2014. The main changes relate to a) the requirements for the impairment of financial assets; b) amendments to the classification and measurement, which consists in adding a new category of financial assets "measured at fair value through other comprehensive income" (HSSDPS) for a certain type of simple debt instruments.
The main requirements of IFRS 9:

- **Classification and measurement of financial assets.** All recognized FAs that are within the scope of IFRS 9 should be measured after initial recognition at either amortized cost or fair value. In particular, debt instruments held within the framework of a business model aimed at obtaining cash flows envisaged in the contract, including only the principal amount and interest thereon, are generally measured at amortized cost. Debt instruments held in the business model, the purpose of which is achieved both by obtaining contractual cash flows and by selling a financial asset, as well as having contractual terms that cause cash flows that are solely repayment of principal and interest on the outstanding part of the underlying amounts of debt. All other debt and equity instruments are measured at fair value. In addition, the Company, in accordance with IFRS 9, may decide, without the right to cancel it later, to provide subsequent changes in the value of equity instruments (not intended for trading and not a contingent consideration recognized by the acquirer as part of a business combination transaction) as part of the other comprehensive income with recognition of profit or loss only income from dividends.

- **Classification and measurement of financial liabilities.** Changes in the fair value of financial liabilities classified as at fair value through profit or loss associated with a change in their own credit risk should be recognized in other comprehensive income if such recognition does not lead to the creation or increase of an accounting imbalance in profit or loss. Changes in fair value due to changes in the credit risk of financial liabilities are not subject to subsequent reclassifications to the income statement. In accordance with IAS 39, changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognized in the income statement.
- **Impairment.** In determining the impairment of financial assets, IFRS 9 requires the use of a model of expected credit losses in lieu of the loss model that is provided for in IAS 39. The expected credit loss model requires that expected credit losses and changes be accounted for at each balance sheet date to reflect changes in the level of credit risk from the date of recognition of financial assets. In other words, now there is no need to wait for events confirming high credit risk to recognize impairment.
- **Hedge accounting.** The new hedge accounting rules retain the three types of hedging relationships established by IAS 39. IFRS 9 contains more relaxed rules regarding the possibility of applying hedge accounting to various transactions, an expanded list of financial instruments that can be recognized as hedging instruments, and list of types of components of the risks of non-financial items to which hedge accounting can be applied. In addition, the concept of the effectiveness test was replaced by the principle of the existence of an economic relationship. A retrospective assessment of the effectiveness of hedge accounting is no longer required. Requirements for disclosure of information on risk management have been significantly expanded.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was published, which establishes a single integrated model of revenue recognition under contracts with customers. After the entry into force, IFRS 15 will replace current revenue recognition standards, including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The key principle of IFRS 15: an entity must recognize revenue as the promised goods or services are transferred to customers in an amount appropriate to the reward that, as the organization expects, it is entitled, in exchange for goods or services. In particular, the standard introduces a five-stage revenue recognition model:

- Step 1: Define the contract (s) with the buyer.
- Step 2: Define the obligations for performance under the contract.
- Step 3: Determine the price of the transaction.
- Step 4: Distribute the price of the transaction between the obligations for performance under the contract.
- Step 5: Recognize revenue when / as the Company fulfills the obligations for performance under the contract.

In accordance with IFRS 15, an entity recognizes revenue when, or as the performer's obligation is met, i.e. when control over goods or services that constitute an obligation of the performer passes to the buyer. The standard contains more detailed requirements for accounting for different types of transactions. In addition, IFRS 15 requires disclosure of more information.

In April 2016, the IASB issued Amendments to IFRS 15 regarding the identification of duties for execution, the analysis of principal-agent relationships, and the application of a licensing manual.

IFRS 16 Leases

IFRS 16 introduces a single model for the definition of lease and accounting agreements by both the lessor and the lessee. After the entry into force, the new standard will replace IAS 17 "Leases" and all related explanations.
IFRS 16 distinguishes between lease agreements and service agreements based on whether the buyer controls the identified asset. There is no longer any separation between the operating lease (off-balance sheet accounting) and financial lease (accounting on the balance sheet) for the lessee, instead a model is used in which the asset in the form of the right to use and the corresponding liability for all lease contracts on the balance sheet under all contracts), except for short-term lease and lease of assets with low cost.
An asset in the form of a right to use is initially recognized at cost and, after initial recognition, is recognized at historical cost (including a few exceptions), less accumulated depreciation and accumulated impairment losses, adjusted for reassessment of the lease obligation. The lease obligation is initially measured at the present value of the remaining lease payments. After

initial recognition, the lease obligation is adjusted for interest on the liability and lease payments, as well as, among other things, the effect of lease modification modifications. In addition, the classification of cash flows will also change, as the payments under operating leases in accordance with IAS 17 are classified as cash flows from operating activities, whereas in accordance with IFRS 16, lease payments will be divided into principal repayments liabilities and interest that will be presented as cash flows from financial and operating activities, respectively.
Unlike the lessee's accounting, the lessor's accounting in accordance with IFRS 16 remained practically unchanged compared to IAS 17 and requires dividing lease agreements into operating or financial leases.
Among other things, disclosure requirements in accordance with IFRS 16 have significantly expanded.

IFRS 17 Insurance contracts

The new standard establishes principles for the recognition, assessment, presentation and disclosure of information under insurance contracts and replaces IFRS 4 "Insurance contracts":

- IFRS 17 presents a general model that, for insurance contracts with direct participation conditions, is modified and defined as a variable compensation method. If certain criteria are met, the overall model is simplified by estimating the liability for the remaining coverage using the premium distribution method.
- The general model uses current assumptions to estimate the amount, timing and uncertainty about future cash flows, and it estimates the cost of such uncertainty. The model takes into account market interest rates and the impact of options and guarantees of policyholders.
- The profit from the sale of insurance policies is reflected as a separate deferred liability and is combined into groups of insurance contracts; then is systematically recognized in profit or loss during the period of provision of insurance coverage, taking into account adjustments related to changes in assumptions regarding future coverage.
- Taking into account the scope of application, certain fixed-fee contracts that meet certain requirements can be accounted for in accordance with IFRS 15 Revenue under contracts with customers, instead of applying IFRS 17.

The standard becomes effective for annual periods beginning on or after January 1, 2021, early adoption is permitted for entities that apply IFRS 9 and IFRS 15 at the date of initial application of IFRS 17 or earlier date. Companies should apply IFRS 17 retrospectively, if practicable, otherwise a modified retrospective approach or fair value accounting should be applied.
Management does not expect that the application of the standard will have a significant impact on the financial statements, as the Company does not have insurance contracts.

Amendments to IFRS 2: Clarifications of classification and measurement of share based payment transactions

The amendments clarify the following aspects:
1. In assessing the fair value of share-based payments with cash settlements, the conditions for transfer of rights and the conditions under which no transfer of rights occurs are accounted for in the same way as when accounting for share-based payments with equity instruments.
2. If, in accordance with tax legislation, an organization is required to retain a certain number of equity instruments equal to a monetary estimate of the employee's tax liability, which is then transferred to the tax authorities (ie, the share-based payment agreement contains a "net settlement condition" such an agreement should be wholly classified as equity-based payments with equity instruments, as if it were classified in this way in the absence of a settlement condition on a net basis.
3. The change in the share-based payment transaction, as a result of which an operation ceases to be classified as a cash settlement transaction and begins to be classified as an equity-settled transaction, should be accounted for as follows:

- the recognition of a previous obligation is terminated;
- A share-based payment transaction involving the calculation of equity instruments is recognized at the fair value of the equity instruments granted as of the date of the change to the extent that the services were received;
- the difference between the carrying amount of the liability at the date of the change and the amount recognized in equity is recognized immediately in profit or loss.

Amendments are effective for annual periods beginning on or after 1 January 2018, early application is permitted. There are special rules for the transition.
The management of the Company does not expect that the application of the amendments in the future will materially affect the financial statements, as the Company does not have transactions for share-based payments with cash settlements, as well as any obligations with respect to withholding income tax in connection with payment transactions based on shares.

Amendments to IAS 40 Transfers of Investment property

The amendments clarify that for the transfer of real estate objects into the category or from the category of investment real estate, it is required to conduct an analysis of whether the definition of investment property is being fulfilled or ceases to be fulfilled, which should be confirmed by objective evidence of a change in the use of the property. The amendments emphasize that situations other than those listed in the standard, as examples may also be evidence of a change in the nature of use. In addition, a change in the nature of use is also possible for real estate under construction (that is, the change in the nature of use is not limited to ready-made objects).

Amendments are effective for annual periods beginning on or after 1 January 2018, early application is permitted. Organizations can apply the amendments retrospectively (only if this is possible without using later information) or prospectively. Special transitional provisions apply.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10 and IAS 28 apply to the sale or contribution of assets between an investor and its associate or joint venture. In particular, the amendments clarify that the gain or loss from loss of control over a subsidiary that is not a business in a transaction with an associate or joint venture accounted for under the equity method is recognized in the profit or loss of the parent company only in the proportion of other unrelated investors in this associate or joint venture. Similarly, the gains or losses from revaluation to the fair value of the remaining interest in the former subsidiary (which is classified as an investment in an associate or joint venture and accounted for under the equity method) are recognized by the former parent company only in the proportion of unrelated investors in the new associate or joint venture. The effective date should be determined by the IASB, but early application is permitted.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRIC clarifies how to determine the transaction date for the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or income when the consideration for such asset, expense or income was paid or received in advance in a foreign currency and led to the recognition of a non-monetary asset or obligation (that is, a non-refundable prepayment or liability in respect of prepaid income).
The explanation clarifies that the date of the transaction is the date of recognition of a non-monetary asset or liability as a result of payment or receipt of an advance payment. If the organization makes or receives several advanced payments, the transaction date is determined separately for each payment or receipt of the advance payment.
IFRIC is applicable for annual periods beginning on or after 1 January 2018, early application is permitted. Organizations can apply KRMPO retrospectively or prospectively. Special requirements for the transition are used for long-term use.
Management does not expect that the application of this IFRIC will have a significant impact on the financial statements, since it already applies accounting similar to IFRIC 22.]

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 clarifies how to account for income tax when there is uncertainty of tax interpretations. Clarification requires that the organization:
• determined whether to consider each undefined tax interpretation separately or together with one or more other vague tax interpretations; and
• assessed whether there is a high probability that the tax authority will agree with the uncertain tax treatment that the organization used or planned to use in preparing the income tax declaration:

- If there is a high probability, the organization takes into account the income tax in accordance with this tax interpretation;
- If there is a high probability, the organization should reflect the effect of uncertainty when accounting for income tax.

IFRIC is applicable for annual periods beginning on or after 1 January 2019, early application is permitted. Organizations can apply IFRIC retrospectively (if possible without using more recent information) or using a modified retrospective approach without recalculating comparative information.
Management does not expect that the application of this IFRIC will have a significant impact on the financial statements, since it already applies accounting similar to IFRIC 23.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments authorize organizations whose activities are primarily related to insurance to postpone the transition from IAS 39 to IFRS 9 until a period beginning not earlier than January 1, 2021 or until the date of application of the new insurance standard if it comes earlier than January 1 2021 years. An assessment of whether an organization's activities is primarily related to insurance should be made at the level of the reporting organization as of the annual reporting date immediately preceding April 1, 2016. Subsequently, the evaluation should be made again only if there has been a significant change in the organization's activities that meet certain criteria. The organization shall apply amendments relating to the provisional exemption from the application of IFRS 9 for annual periods beginning on or after 1 January 2018.

In addition, the amendments provide an opportunity for all organizations that have insurance contracts in the application of IFRS 4 to apply IFRS 9 in full, but reclassify the difference in accounting from profit or loss in other comprehensive income in accordance with IFRS (IFRS)) 9 compared to IAS 39 for certain financial assets selected by the entity. This approach is called the "method of imposition" and can be applied to individual assets, taking into account the specific requirements for determining the assets to which this approach will be applied and the termination of this approach for selected assets. The organization shall apply these amendments that authorize the application of the method of imposition to the financial assets it determines when it first applies IFRS 9.

Management does not expect that the application of these amendments will have a material impact on the Company's financial statements, as it does not have any insurance contracts to which IFRS 4 applies.

Amendments to IFRS 9 Prepayment features with negative compensation

The amendments eliminate the undesirable consequence of the use of the term "reasonable additional compensation". The amendments make it possible to consider that a financial asset with the possibility of early repayment, as a result of which a party who has terminated the contract ahead of schedule receives a refund for such early termination of the contract, may, under certain conditions, be considered an asset, the cash flows provided for in the contract are exclusively payments to the principal amount debt and interest on the outstanding part of the principal amount of the debt.

In addition, the IASB considered the issue of accounting for modification of conditions or replacement of financial liabilities that do not lead to the termination of the recognition of the obligation, and included in the section "Basis for Conclusions" two paragraphs on this issue. In this text, the IASB concluded that accounting in such cases is the same as when a financial asset is modified. If the gross book value changes, this leads to the immediate recognition of income or loss in the income statement.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2019, early application is permitted. Depending on the date of initial application of the amendments, in comparison with the date of initial application of IFRS 9, special transitional provisions apply.

Amendments to IFRS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that IFRS 9, including its impairment requirements, applies to long-term investments in associates and joint ventures that are part of the net investment in these organizations. In addition, when applying IFRS 9 to long-term investments, the organization does not take into account adjustments to the book value of long-term investments required by IAS 28 (for example, adjustments to the book value of long-term investments as a result of the allocation of an investment or impairment loss in accordance with IAS 28).

Amendments are effective for annual periods beginning on or after 1 January 2019, early application is permitted. Depending on the date of initial application of the amendments, in comparison with the date of initial application of IFRS 9, special transitional provisions apply.

Management does not expect that the application of these amendments will have a material impact on the Company's financial statements, as the Company does not have any other long-term investments in associates and joint ventures, other than the interest in the capital to which the equity method applies.

Annual improvements cycle – 2014-2016

The Annual Improvements document includes amendments to IFRS 1 and IAS 28 that have not yet entered into force. The document also contains amendments to IFRS 12, which entered into force in the current year - see a more detailed description of the changes in the section "Standards that affect the financial statements".

The amendments to IAS 28 clarify that organizations that specialize in venture capital investments and similar organizations may decide to account for their investments in associates and joint ventures, both for the individual investment in an associate or a joint venture, and This choice should be made at the initial recognition of the corresponding investment. In addition, the choice for an organization that is not itself an investment organization but has a share in an associate or joint venture that is an investment organization, in applying the equity method, retain the fair value estimate applied by its associate or joint venture that is an investment organizations, to their own interests in subsidiaries, also exists for each associate or joint enterprises are institutional investors. The amendments are applied retrospectively, early application is allowed.

Amendments to IFRS 1 and IAS 28 apply for annual periods beginning on or after 1 January 2018.

The management of the Company does not expect that the application of amendments in the future will significantly affect the financial statements, since the Company does not apply IFRS for the first time and is not an organization specializing in venture investments. In addition, the Company does not have investments in associates or joint ventures, which are investment organizations.

Annual improvements cycle – 2015-2017

The document "Annual Improvements in IFRS, the period 2015-2017" amends several standards.

The amendments to IFRS 3 clarify that when acquiring control over a business that is a joint operation, the Company re-evaluates the previously held share in this business. The amendments to IFRS 11 clarify that when acquiring joint control over a business that is a joint operation, the Company does not overestimate the existing shares in this business.

Amendments to IAS 12 clarify that all tax consequences of the payment of dividends (ie distribution of profits) should be reflected in the income statement, regardless of how the tax arises.

Amendments to IAS 23 clarify that if a loan or loan that was received specifically to qualify for a qualifying asset remains outstanding on the date that the asset is ready for use for its intended purpose or sale, then, for purposes of calculating the capitalization rate, such a loan or the loan becomes part of the borrowed funds received for general purposes.
All amendments are effective for annual periods beginning on or after 1 January 2019.
The management of the Company does not expect that the application of amendments in the future will significantly affect the financial statements.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Preparation of the financial statements requires management to make judgments, estimates and assumptions that can affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities at the balance sheet date. However, uncertainty about these assumptions and estimates could result in material adjustments to the carrying amounts of assets or liabilities in future periods.

Below are the basic assumptions regarding future events, as well as other sources of uncertain estimates at the balance sheet date, that bear a significant risk of substantial adjustments to the carrying amounts of assets and liabilities during the next reporting year.

Estimates and assumptions

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that can cause material adjustments to the carrying amounts of assets and liabilities within the next fiscal year, are described below. The Company based its assumptions and estimates on inputs that were available at the time of preparation of the financial statements. However, current circumstances and assumptions about the future can change due to market changes or circumstances that are beyond the Company's control. These changes are reflected in the assumptions as they occur.

Contractual obligations under operating lease - the Company as the lessor

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

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. The fair value less costs to sell is calculated based on the available information regarding binding commercial sales transactions of similar assets or observable market prices less additional costs incurred for the asset disposal. The calculation of value in use is based on discounted cash flows. The cash flows are withdrawn from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the assets' performance of the cash generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model, as well as the expected inflows of cash and growth rates used for extrapolation purposes. The Company believes that there is no indication of impairment at the balance sheet date.

Taxes

Uncertainties exist with respect to the interpretation of complex tax laws and regulations, changes thereto, and the amount and timing of future taxable income. Given the wide range of international business transactions of the Company and the long-term nature and complexity of existing contractual agreements, the differences arising between the actual results and the assumptions made, or future changes to such assumptions could cause future adjustments to income tax gains or losses reported in the financial statements.
In order to benefit from tax exemptions the Company management decided to hedge its risks against currency fluctuations by placing its other financial investment (deposit) in national currency, tenge. So, it will allow applying tax concessions in respect to the corporate income tax in future tax periods as provided for in the tax laws of Kazakhstan. Accordingly, the Company management, based on its assessments and judgments, does not recognise deferred income tax assets and liabilities.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in measuring fair value. Judgments consider such inputs as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the fair values of financial instruments reported in the financial statements.

Capital management

The Company's policy is to maintain a strong capital base to maintain the confidence of shareholders, creditors and the market, and to ensure the future development of the business. The Company manages its capital structure and makes adjustments in light of changes in economic conditions.

The Company monitors its capital using a leverage ratio, which is a net debt, divided by total capital plus net debt. Net debt includes loans, trade and other payables less cash and cash equivalents excluding discontinued operations. The Company's policy is to keep the leverage ratio lower than 40%. For the reporting period, this ratio amounted to 13,2% due to strengthened position of equity.

(In thousands of tenge)	31 December 2017	31 December 2016
Trade and other payables	1,247,128	1,303,136
Cash and cash equivalents	(191,990)	(115,420)
Net debt	**1,055,138**	**1,187,716**
Equity	6,925,375	5,828,481
Total equity and net debt	**7,980,513**	**7,016,197**
Financial leverage ratio	**13.2%**	**16.9%**

6. REVENUE

For the period from 01 January to 31 December, revenues were as follows:

(In thousands of tenge)	2017	2016
Tuition revenue	4,846,101	4,259,748
Scholarships and educational grants	(558,928)	(515,221)
Dormitory	155,089	114,337
Additional courses	75,281	66,826
Library	6,307	8,329
	4,523,850	**3,934,018**

Revenue from the core business arises in the ordinary course of business of the Company and includes: (1) revenue from rendering the services for graduate and postgraduate education provided under the relevant licenses for the right to conduct educational activities less to scholarships and educational grants, (2) additional education, (3) revenue from accommodation in dormitory, (4) income from library.

7. COST OF GOODS AND SERVICES

(In thousands of tenge)	2017	2016
Payroll and related taxes	(2,116,794)	(1,512,996)
Depreciation and amortization	(141,479)	(162,085)
Utility expenses	(88,086)	(77,484)
Goods and materials	(50,337)	(80,521)
Repair and maintenance	(29,695)	(24,832)
Advertising expenses	(22,743)	(1,558)
Travel expenses	(19,671)	(10,390)
Conferences organization	(18,451)	(20,028)
Communication services	(4,398)	(7,028)
Other expenses	(2,514)	(6,153)
	(2,494,168)	**(1,903,075)**

Payroll and related taxes comprise accrued salary and honorarium of faculty and other categories of instructors working under employment and outsourcing contracts, as well as all taxes related to salary.
Significant part of other expenses consist of membership fees to associations such as AACSB (Advancing Quality Management Education Worldwide), EFMD (The European Foundation for Management Development), as well as professional third-party services for students (professional medical examination and others).

8. ADMINISTRATIVE EXPENSES

(In thousands of tenge)	2017	2016
Payroll and related taxes	(924,461)	(954,725)
Taxes	(97,657)	(74,404)
Repairs and maintenance	(78,921)	(93,311)
Materials	(38,055)	(95,199)
Depreciation and amortization	(27,276)	(24,894)
Travel and entertainment expenses	(13,129)	(29,043)
Consultancy and auditor services	(12,724)	(16,632)
Communication services	(10,218)	(5,821)
Provision for doubtful debts	(9,050)	9,750
Bank services	(3,012)	(5,100)
Insurance expenses	(1,829)	(4,315)
Recovery /(accrual) of inventory reserve	(100)	(10,661)
Other expenses	(17,579)	(23,487)
	(1,234,011)	**(1,327,842)**

9. SELLING EXPENSES

(In thousands of tenge)	2017	2016
Arrangement of social events	(58,313)	(28,003)
Payroll and related taxes	(56,673)	(140,194)
Advertising expenses	(33,520)	(24,223)
Recruitment of students	(20,505)	(17,476)
Transportation and travel expenses	(16,244)	(12,611)
Depreciation and amortization	(7,202)	(1,532)
Materials	(1,452)	(10,926)
Rent expenses	(240)	(1,135)
Taxes	-	(1,450)
Other expenses	(510)	(750)
	(194,659)	**(238,300)**

10. OTHER INCOME/ (EXPENSES)

(In thousands of tenge)	2017	2016
Grants received	50,989	73,442
Income from operating lease	48,736	44,554
Other proceeds from students	33,901	29,549
Foreign exchange gains	22,962	341,465
Income from assets disposal	2,922	275
Income from the assets donated	53	559
Income from currency exchange	-	154
Other income	8,219	9,132
Total income	**167,782**	**499,129**
Special-purpose program expenses	(81,538)	(64,675)
Foreign exchange losses	(21,856)	(286,772)
Expenses from assets disposal	(568)	(433)
Currency exchange expenses	-	(15,536)
Other expenses	(17,930)	(7,462)
Total expenses	**(121,892)**	**(374,878)**
Net total	**45,890**	**124,251**

Other income/ (expenses) are other items that meet the definition of income/expense; they can occur or not occur in the ordinary course of business of the Company.

The item "other proceeds from students" consists of various kinds of administrative fees refunds for late registration, late student payments and for transcript.

The grants received include special-purpose grants received from sponsors. Usage of special-purpose grants is in the line expenses under the special-purpose program (scholarships granted to students, travel and other expenses).

11. FINANCE INCOME

(In thousands of tenge)	2017	2016
Income from other financial investments	447,017	447,185
Amortization of discount under the contract for additional electric capacity	2,975	3,047
	449,992	**450,232**

According to the tax legislation of the Republic of Kazakhstan, the amount of the corporate income tax (CIT) payable to the budget is reduced by the amount of CIT withheld at the source of payment from income in the form of interest, however this not applicable to the organization, performing activity in the social sphere (item 2 of Art. 139 of Tax Code of RK). Accordingly, the Company recognizes the income from financial investments in amount minus withholding tax for the reporting period.

12. INCOME TAX EXPENSE

According to Article 135-1 of the Tax Code of the Republic of Kazakhstan, the Company in its educational business activities has the right to reduce the amount of corporate income tax assessed by 100%, if income from the core activity accounts for no less than 90% of the total income.

For the reporting period, the Company has no obligation for payment of the corporate income tax.

(In thousands of tenge)	2017	2016
Deferred tax expense/(relief)	-	-
Current tax expenses	-	-
	-	-

Below is the reconciliation of income tax expense in respect to before-tax income, calculated using the statutory tax rate of 20%, with the expenses for the current corporate income tax for 2017:

(In thousands of tenge)	2017	2016
Profit before tax	1,096,894	1,039,284
Officially established income tax rate	20%	20%
Contingent income tax expense	219,379	207,857
Decrease according to Art. 135 of Tax Code of RK	(219,379)	(207,857)
Income tax expense	-	-

13. PROPERTY, PLANT AND EQUIPMENT

(In thousands of tenge)	Land	Buildings and constructions	Machines and equipment	Vehicles	Other	Construction-in-progress	Total
Cost							
1 January 2016	98,443	1,960,647	557,490	34,676	615,699	227,930	**3,494,885**
Additions	-	149,566	33,005	7,531	25,914	71,789	**287,805**
Transfers	-	297,433	1,867	-	(1,372)	(297,928)	-
Disposals	-	-	(43,038)	-	(2,525)	-	**(45,563)**
31 December 2016	**98,443**	**2,407,646**	**549,324**	**42,207**	**637,716**	**1,791**	**3,737,127**
Additions	-	85,605	219,278	-	27,541	341,150	**673,574,**
Transfers	-	24,940	308,893	-	(308,446)	(25,387)	-
Disposals	-	-	(47,952)	(4,865)	(221)	-	**(53,038)**
31 December 2017	**98,443**	**2,518,191**	**1,029,543**	**37,342**	**356,590**	**317,554**	**4,357,663**
Accumulated depreciation							
1 January 2016	-	481,674	488,937	28,941	538,199	-	**1,537,751**
Accrual for the year	-	125,196	27,847	1,860	32,028	-	**186,931**
Transfers	-	-	1,256	-	(1,256)	-	-
Disposals	-	-	(42,706)	-	(2,426)	-	**(45,132)**
31 December 2016	-	**606,870**	**475,335**	**30,801**	**566,545**	-	**1,679,550**
Accrual for the year	-	104,387	57,521	2,937	9,479	-	**174,324**
Transfers	-	-	262,294	-	(262,294)	-	-
Disposals	-	-	(47,341)	(4,865)	(221)	-	**(52,427)**
31 December 2017	-	**711,257**	**747,809**	**28,873**	**313,509**	-	**1,801,448**
Net book value							
31 December 2017	**98,443**	**1,806,934**	**281,734**	**8,469**	**43,081**	**317,554**	**2,556,215**
31 December 2016	98,443	1,800,776	73,990	11,406	71,171	1,791	2,057,577

During the reporting period, fixed assets depreciation was distributed as follows:

(In thousands of tenge)	2017	2016
Cost of goods and services	139,846	162,085
Administrative expenses	27,276	23,314
Selling expenses	7,202	1,532
	174,324,	**186,931**

14. INTANGIBLE ASSETS

(In thousands of tenge)	Software	Other	Total
Cost			
01 January 2016	11,163	-	**11,163**
Additions	946	-	**946**
Disposals	(140)	-	**(140)**
31 December 2016	**11,969**	-	**11,969**
Additions	2,206	-	**2,206**
Disposals	(1,457)	-	**(1,457)**
31 December 2017	**12,718**	-	**12,718**
Accumulated depreciation			
01 January 2016	3,359	-	**3,359**
Accrual for the year	1,580	-	**1,580**
Disposals	-	-	-
31 December 2016	**4,939**	-	**4,939**
Accrual for the year	1,633	-	**1,633**
Disposals	-	-	-
31 December 2017	**6,572**	-	**6,572**
Net book value			
31 December 2017	**6,146**	-	**6,146**
31 December 2016	7,030	-	7,030

During the reporting period, amortization of intangible assets was distributed as follows:

(In thousands of tenge)	2017	2016
Cost of goods and services	1,633	-
General and administrative expenses	-	1,580
Selling expenses	-	-
	1,633	**1,580**

15. NON-CURRENT RECEIVABLES

(In thousands of tenge)	31 December 2017	31 December 2016
Tuition fee receivable from students	43,312	39,472
Tuition fee receivable from employees	15,881	20,025
Accommodation fee receivable from students	3,616	3,605
	62,809	**63,102**
Provision for doubtful debts	(44,305)	(38,645)
	18,504	**24,457**

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

(In thousands of tenge)	31 December 2017	31 December 2016
Cash on current bank accounts	188,995	109,902
Cash on card accounts	2,657	5,000
	191,652	**114,902**
Cash on hand	338	518
	338	**518**
	191,990	**115,420**

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Cash and cash equivalents are denominated in the following currencies:

(In thousands of tenge)	31 December 2017	31 December 2016
USA dollar	113,177	13,455
Tenge	78,317	99,398
British pound	348	103
EURO	148	2,464
	191,990	**115,420**

Cash on current bank accounts and card accounts is presented as follows:

(In thousands of tenge)	31 December 2017	31 December 2016
Bank CenterCredit JSC	138,759	56,100
Kazkommertsbank JSC	52,893	58,802
	191,652	**114,902**

17. TRADE RECEIVABLES

At 31 December, the trade receivables included the following:

(In thousands of tenge)	31 December 2017	31 December 2016
Tuition fee receivable from students	24,255	28,035
Other receivables	55,827	51,597
	80,082	**79,632**
Provision for doubtful debts	(4,841)	(1,862)
	75,241	**77,770**

Other receivables include students' debts for library, accommodation and other services.

The movement of provision for doubtful debts was the following:

(In thousands of tenge)	2017	2016
As at the beginning of the year	**(1,862)**	**(123,400)**
Accrued for the year	(3,541)	(451)
Reversed for the year	562	121,989
As at the end of the year	**(4,841)**	**(1,862)**

18. OTHER RECEIVABLES

At 31 December, other receivables included the following:

(In thousands of tenge)	31 December 2017	31 December 2016
Advances paid	299,424	46,351
Deferred expenses	46,272	40,209
Rent receivable	5,437	5,122
Receivable from employees	3,286	349
Other receivables	5,450	1,457
	359,869	**93,488**
Provision for doubtful debts	(932)	(553)
	358,937	**92,935**

The advance payments include an advance payment to suppliers of goods and services, mainly such as Cumbre Construction LLP for construction works, USKO Mebel for fixed assets supply, FIBAA LLP and B.I.G. Engineering LLP for rendering services.

Deferred expenses are expenses that according to the principle of matching and accruals will be included in financial result in the forthcoming periods. All available deferred expenses of the Company are current as will be carried on costs within the next 12 months. Deferred expenses consist of medical insurance of employees, car insurance and subscription. Other receivables include debt on claims.

The movement of provision for doubtful debts was the following:

(In thousands of tenge)	2017	2016
As at the beginning of the year	**(553)**	**(20,324)**
Accrued for the year	(409)	-
Reversed for the year	30	19,771
As at the end of the year	**(932)**	**(553)**

19. INVENTORIES

(In thousands of tenge)	31 December 2017	31 December 2016
Raw and other materials	107,414	87,022
Goods	8,319	9,026
	115,733	**96,048**
Provision for inventory	(15,615)	(15,515)
	100,118	**80,533**

During the reporting period, the movement of inventory was the following:

(In thousands of tenge)	31 December 2017	31 December 2016
As at the beginning of the year	**96,048**	**74,141**
Purchased for the period	93,076	92,948
Written off for the period	(73,391)	(71,041)
As at the end of the year	**115,733**	**96,048**

The movement of provision for inventory was the following:

(In thousands of tenge)	2017	2016
As at the beginning of the year	**15,515**	**(4,854)**
Accrued for the year	100	(10,661)
Reversed for the year	-	-
As at the end of the year	**15,615**	**15,515**

20. CURRENT TAX ASSETS

(In thousands of tenge)	31 December 2017	31 December 2016
VAT	5,000	7,799
Other taxes	3,350	6,836
	8,350	**14,635**

Other taxes include advance CIT payments for non-residents, CIT of the interest amount withheld at source, property tax, vehicle tax, and other obligatory payments as per the tax law of Kazakhstan.

21. FINANCIAL ASSETS

(In thousands of tenge)	31 December 2017	31 December 2016
Receivables for additional electric capacity:		
Non-current	40,452	43,871
Current	3,419	3,419
Discount	(22,321)	(25,297)
	21,550	**21,993**

Including:

(In thousands of tenge)	31 December 2017	31 December 2016
Financial assets, current	3,419	3,419
Financial assets, non-current	18,131	18,574
	21,550	**21,993**

According to the Order of the Chairman of Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan dated February 21, 2007 "Approval of the Rules for compensating a transmission entity for the cost of expansion and upgrade of the public energy transportation network on a repayable basis", an agreement dated October 10, 2007 was concluded to connect additional electric capacity for the amount of 68,370 thousand tenge between Almaty Zharyk Company JSC and the Company.

This amount is repaid by equal monthly installments amounted to 284,875 tenge starting from November 1, 2010 until October 10, 2030. The Company recognized the loan at amortized cost.

22. OTHER FINANCIAL INVESTMENTS

(In thousands of tenge)	31 December 2017	31 December 2016
Deposit at Bank CenterCredit JSC	5,419,442	5,094,143
	5,419,442	**5,094,143**

Other current financial investments include:

(In thousands of tenge)	31 December 2017	31 December 2016
Bank deposit	5,382,312	5,038,528
Interest receivable	37,130	55,615
	5,419,442	**5,094,143**

The interest is accrued on the monthly basis if the Depositor maintains the minimum required balance. Additional funds can be deposited and withdrawn from the deposit account. According to Kazakhstan tax law, withholding tax of 15% applies to the interest accrued. The interest calculation is based on 365 days per year on actual/calendar days.

23. TRADE AND OTHER PAYABLES

(In thousands of tenge)	31 December 2017	31 December 2016
Advances received	1,218,183	1,288,710
Trade payables	26,443	12,914
Salary payable	2,104	1,512
Other	398	-
	1,247,128	**1,303,136**

The advances received represented by advance payments from the students for education, preparation courses and other services of the University.

24. CURRENT PROVISIONS

(In thousands of tenge)	31 December 2017	31 December 2016
Provision for unused vacations	308,688	246,663
Accrued expenses	22	2,652
Security deposit for fulfillment of obligations	42,080	445
	350,790	**249,760**

The movement of provision of unused vacation was the following:

(In thousands of tenge)	2017	2016
As at the beginning of year	**246,663**	**234,005**
Accrued for the year	355,896	259,847
Reversed for the year	(293,871)	(247,189)
As at the end of the year	**308,688**	**246,663**

25. CURRENT TAX LIABILITIES

(In thousands of tenge)	31 December 2017	31 December 2016
Individual income tax	25,451	21,465
Social tax	23,037	17,722
VAT	12	6,914
Other	2	-
	48,502	**46,101**

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26. LIABILITIES ON OTHER MANDATORY AND VOLUNTARY PAYMENTS

(In thousands of tenge)	31 December 2017	31 December 2016
Pension contributions	13,976	11,769
Social contributions	3,246	2,975
Medical insurance	1,311	-
Other	6	-
	18,539	**14,744**

27. CURRENT RESERVES

(In thousands of tenge)	31 December 2017	31 December 2016
Donations and sponsorships	28,585	21,629
Grants received from sponsors	12,360	13,074
Other trust funds	17,923	23,584
	58,868	**58,287**

The grants received from sponsors include the undeveloped portion of the grants received from various public institutions dedicated to the implementation of certain projects. As the project is implemented, the consumption budget is commensurate with the use of the budget; the absorbed part is transferred to the revenues of the reporting period.

Donations and sponsorships include target donations and any charitable contributions of individuals and legal entities in favor of the University. These funds will be spent on the target for various purposes (scholarships and financial support of students, organization of the events etc.)

The other trust funds include co-financing of tuition sponsors, financial support and student's accommodation (US-CAEF, Samsung and other funds).

28. NON-CURRENT TRADE AND OTHER PAYABLES

(In thousands of tenge)	31 December 2017	31 December 2016
LT advance payments for tuition	57,103	70,687
LT advance payments for library	27,879	-
LT advance payments for courses	12,685	12,685
Estimated liabilities for legal claims	7,228	-
LT advances received for dormitory	2,129	2,345
Other	267	267
	107,291	**85,984**

The non-current trade and other payables are mainly represented by the non-current advance payments received from students for tuition, library, training courses and other services.

29. EQUITY

(In thousands of tenge)	31 December 2017	31 December 2016
Share capital	537,146	537,146
Retained earnings	6,388,229	5,291,335
	6,925,375	**5,828,481**

As of December 31, 2017 the share capital of the Company was as follows:

(In thousands of tenge)	Number of authorized shares	Authorized share capital	Redeemed shares in share capital	Issued share capital
Common shares with nominal value of 1,000 tenge	500,750	500,750	500,750	500,750
Common shares with nominal value of 432 tenge	84,250	36,396	36,396	36,396
	585,000	**537,146**	**537,146**	**537,146**

Shareholders

	Number of common shares	Percentage
Legal Entity - State Enterprise, the State Property and Privatization Committee, Ministry of Finance, Republic of Kazakhstan	234,012	40
Individual - Chan Young Bang	350,988	60
	585,000	**100**

The Company has been re-registered as a joint stock company with share capital of 500,750 thousand tenge (par value of each share for the first issue of 500,750 ordinary shares is 1,000 tenge). The share capital of the Company was contributed in the form of a transfer to the reorganized state non-for-profit organization KIMEP of a property complex of the State Institution "Kazakhstan Institute of Management, Economics and Strategic research" under the President of the Republic of Kazakhstan as a result of the privatization based on Decree of the President of the Republic of Kazakhstan No. 1178 dated August 28, 2003 "On Reorganization of Kazakhstan Institute of Management, Economics and Strategic research under the President of the Republic of Kazakhstan" and based on the Decree of the Government of the Republic of Kazakhstan No. 1148 dated November 14, 2003 "On Reorganization of Kazakhstan Institute of Management, Economics and Strategic research under the President of the Republic of Kazakhstan". The valuation of the property complex contributed to the share capital of the Company was conducted in accordance with legislation of the Republic of Kazakhstan on privatization and valuation activity. The value of the property complex was determined to be 403,800 thousand tenge based on profitability method. The remaining part of the share capital of the Company was contributed in the form of cash.

In accordance with the Shareholders' Agreement dated June 4, 2004 an additional 84,250 shares were to be issued by January 1, 2006. The exclusive right to purchase additional share issued was granted to Major Shareholder. If any further additional shares were issued after January 1, 2006 to support the Company's financial stability, priority to purchase these shares would also be given to the Major Shareholder as long as another shareholder, the State Property and Privatization Committee of the Ministry of Finance maintains a 40 per cent stake of total share capital of the Company. In 2005, an additional issue of 84,250 ordinary shares with a par value of 432 tenge was registered. As a result, the share capital has increased by 36,396 thousand tenge. The Major Shareholder for cash consideration purchased the additional shares issued.
According to the legislation of the Republic of Kazakhstan, non-profit organizations do not have the right to distribute dividends.

30. RELATED PARTIES DISCLOSURE

A related party is a legal entity related to the Company as well as a physical person or a close relative of the person related to the Company if this person:

- has the significant influence over the Company; or
- a member of the key management personnel of the Company.

Close family members of the physical person are those family members who as it is expected may influence or prove to be dependent on such physical person in their relations with the Company.
Key management personnel include those persons who are authorized and bear responsibility for planning, managing and controlling the Company activities, either directly or indirectly, including the Director (CEO) and the persons with position of similar status within the Company.

Transactions involving other related parties (companies related with family members of the key management personnel or the personnel themselves, related parties of shareholders of the Company)

The following table presents the information regarding transactions with related parties in 2017:

Related party	Beginning balance	Turnovers on debit	Turnovers on credit	Ending balance
USKO International LLP (owned by the spouse of the Company's President)				
Advances paid	77	-	-	77
Advances received	(193)	-	-	(193)
Balance	(116)	-	-	(116)
USKO Logistic International JSC (owned by the spouse of the Company's President)				
Advances received	(144)	-	-	(144)
Balance	(144)	-	-	(144)
USKO Mebel LLP (owned by the spouse of the Company's President)				
Fixed assets purchase	-	208,957	161,108	47,849
Balance	-	208,957	161,108	47,849
Ministry of Education of the Republic of Kazakhstan (related party of the shareholder – the Republic of Kazakhstan)				
Gants and scholarships	-	4,464	4,464	-
Balance	-	4,464	4,464	-
Buran Boiler LLP (Member of the Board of Directors of the Company combines jobs)				
Advances received	(1,043)	2,760	2,077	(360)

Balance	(1,043)	2,760	2,077	(360)
	(1,303)	**216,181**	**167,649**	**47,229**

The following table presents the information regarding transactions with related parties in 2016:

Related party	Beginning balance	Turnovers on debit	Turnovers on credit	Ending balance
USKO International LLP (owned by the spouse of the Company's President)				
Advances paid	77	-	-	77
Advances received	(193)	-	-	(193)
Payment for services	-	-	-	-
Balance	(116)	-	-	(116)
USKO Logistic International JSC (owned by the spouse of the Company's President)				
Advances received	(144)	-	-	(144)
Balance	(144)	-	-	(144)
USKO Mebel LLP (owned by the spouse of the Company's President)				
Fixed assets purchase	-	2,164	2,164	-
Balance	-	2,164	2,164	-
Ministry of Education of the Republic of Kazakhstan (related party of the shareholder – the Republic of Kazakhstan)				
Stipends and grants	(5,493)	7,126	1,633	-
Balance	(5,493)	7,126	1,633	-
Buran Boiler LLP (Member of the Board of Directors of the Company combines jobs)				
Advances received	(1,043)	-	-	(1,043)
Balance	(1,043)	-	-	(1,043)
JT International Korea Inc. (related party of the Member of the Board of Directors)				
Sponsorship and grants	(596)	596		-
Balance	(596)	596	-	-
	(7,392)	**9,885**	**3,796**	**(1,303)**

Transactions with key personnel

The remuneration of key management personnel constituted the amounts as reflected within the personnel expenses:

(In thousands of tenge)	2017	2016
Salary	284,189	212,662
Social tax contributions	29,855	23,229
	314,044	**235,891**

Salary includes all remunerations and compensations payable to employees (IFRS 19 *"Employee benefits"*). Employee benefits include all forms of compensation, paid or payable or provided by or on behalf of the Company for the services rendered to the Company.

Salary for the reporting period by key management personnel:

(In thousands of tenge)	2017	2016
President	63,859	50,232
Provost and General Deputy to the President	43,317	35,224
Dean of Bang College of Business (BCB)	34,175	28,296
Associate Vice President of Academic Affairs	37,637	22,629
Associative dean (PDP)	22,797	22,007
Dean of the Law School	27,001	20,182
Dean of College of Social Sciences(CSS)	24,581	19,189
Associate Vice President of administration and finance	20,199	14,903
Chief accountant	10,623	-
	284,189	**212,662**

31. COMMITMENTS AND CONTINGENCIES

Operating environment

The Company operates in Kazakhstan, therefore the Company's business is affected by the economy and financial markets of Kazakhstan that show emerging market characteristics. The legal, tax and regulatory systems continue to evolve, however, they envisage a risk of varying interpretations of their requirements, which are also subject to frequent changes, which, along with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. These financial statements reflect Management's assessment of the impact of the Kazakh operating environment and the Company's financial position. The future business environment may differ from Management's assessment.

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

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

Taxation

The Company's operations and financial position may be affected by Kazakhstan political developments, including the application of existing and future legislation and tax regulations. The currently applicable system of fines and penalties for violations identified, in accordance with the effective laws in Kazakhstan, is severe, the penalties include fines themselves, usually in the amount of 50% of the taxes additionally accrued and a penalty 2.5 times the refinancing rate established by the National Bank of Kazakhstan for each day of delay in the amount of the unpaid taxes. As a result, the amount of the penalty may exceed the amount of the basic tax. Fiscal periods remain open for review within five years, preceding the year of the review. Thus, the total amount of taxes, penalties and interest, if any, may be greater than the amount expensed in these statements.

The Company believes that its interpretation of the applicable law is correct and the likelihood that the Company's tax positions will be confirmed is high. In addition, the Company's management believes that it undertakes all necessary measures to maintain economic sustainability of the University in these conditions.

Environmental protection

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

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

Insurance policies

The Company insures its risks in the following directions:

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

Future operating lease commitments - the Company as the lessor

The Company has entered into commercial lease contracts for residential and educational facilities as well as other premises. The validity of these lease contracts is from 1 to 3 years. As at 31 December, the minimum rental Accrual receivable in future periods was as follows:

(In thousands of tenge)	2017	2016
Within one year	4,276	4,895
Over one year, but no longer than five years	1,889	7,440
	6,165	12,335

Legal proceedings

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

32. FINANCIAL INSTRUMENTS, OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

The main financial liabilities of the Company include trade and other accounts payable. The main purpose of these financial liabilities is financing of Company's operations and provision of guarantees for maintenance of its activity. The Company's assets are trade and other accounts receivable, cash and short-term deposits, which arise directly during its operating activities.

The Company is exposed to market risk, currency risk, and credit risk. The Company's senior management controls the management of these risks. The Company's activities related to financial risks are conducted in accordance with relevant policies and procedures. Financial risks are identified, evaluated and managed in accordance with the Company's risk management policy and objectives.

Market risk

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

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Monetary assets and liabilities denominated in foreign currency give rise to the foreign currency risk. The Company Management believes that assists and liabilities denominated in national currency prevail in the balance sheet and it has sufficient number of instruments for regulating currency fluctuations.

Credit risk

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

Trade receivables

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

Financial instruments and cash deposits

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

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

(In thousands of tenge)	31 December 2017	31 December 2016
Trade receivables	75,241	77,770
Cash on hand	338	518
Cash on current bank accounts and card accounts:	191,652	114,902
Kazkommertsbank JSC - Rating: S&P: B+/негативный/B	*52,893*	*58,802*
Bank CenterCredit JSC - Rating: S&P: B/стабильный/B, kzBB+	*138,759*	*56,100*
Deposit at Bank CenterCredit JSC (for 12 months)	5,419,442	5,094,143
Total cash and cash equivalents	5,611,432	5,209,563
Total maximum exposure to credit risk	5,611,094	5,209,045

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking dam age to the Company's reputation.

Normally the Company ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table reflects the Company's contractual maturity terms for 2017 year on financial assets and financial liabilities. The table was compiled based on the undiscounted cash flows based on the earliest date that the payment may be demanded from the Company or when the Company expects to receive payment.

(In thousands of tenge)	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Cash and cash equivalents	191,990	-	-	-	-	**191,990**
Trade receivables	-	75,241	-	-	-	**75,241**
Financial assets	-	855	855	1,709	18,131	**21,550**
Other financial investments	-	5,419,442	-	-	-	**5,419,442**
	191,990	**5,495,538**	**855**	**1,709**	**18,131**	**5,708,223**
Trade and other payables	678,857	155,421	264,240	41,240	107,370	**1,247,128**
Current provisions	-	-	-	350,790	-	**350,790**
	678,857	**155,421**	**264,240**	**392,030**	**107,370**	**1,597,918**
Net position as of December 31, 2017	**(486,867)**	**5,340,117**	**(263,385)**	**(390,321)**	**(89,239)**	**4,110,305**

The following table reflects the Company's contractual maturity terms for 2016 year on financial assets and financial liabilities.

(In thousands of tenge)	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Cash and cash equivalents	115,420	-	-	-	-	**115,420**
Trade receivables	-	77,770	-	-	-	**77,770**
Financial assets	-	855	855	1,709	18,574	**21,993**
Other financial investments	-	5,094,143	-	-	-	**5,094,143**
	115,420	**5,172,768**	**855**	**1,709**	**18,574**	**5,309,326**
Trade and other payables	108,595	325,785	325,785	434,378	108,594	**1,303,136**
Current provisions	-	-	-	249,760	-	**249,760**
	108,595	**325,785**	**325,785**	**684,138**	**108,594**	**1,552,896**
Net position as of December 31, 2016	**6,825**	**4,846,983**	**(324,930)**	**(682,429)**	**(90,020)**	**3,756,430**

33. EVENTS AFTER THE REPORTING PERIOD

The events that have a significant impact on these financial statements of the Company did not occur.