

KIMEP University NJSC

Financial statements

for the year ended 31 December 2019
prepared in accordance with IFRSs

Almaty 2020

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INDEPENDENT AUDITORS' REPORT

To: Owners of KIMEP University NJSC

Opinion

We have audited the accompanying financial statements of KIMEP University NJSC (hereinafter – the “Company”), which comprise the statement of financial position as at 31 December 2019, and the statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter – “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 (hereinafter – “IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2019.

In the course of our audit of the financial statements for the year ended 31 December 2019, we verified the reclassification of comparative data for 2018 disclosed in note 3 to the financial statements. In our opinion, this reclassification is appropriate and properly posted. We did not conduct an audit, review or any other procedures in relation to the financial statements of the Company for the year ended 31 December 2018, except for reviewing the reclassifications and, accordingly, do not express an opinion on the financial statements for 2018.

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 IFRSs, 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 scepticism 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.

Approve

Vasily Nikitin
Auditor, audit certificate
№0000507 dated 08 February 2001
Managing partner
Moore Stephens Kazakhstan LLP
6 April 2020



Aidar Aitov
Audit partner





General licence No. 18021214 for audit activity issued 23 November 2018 by Ministry of Finance of the Republic of Kazakhstan

KIMEP University NJSC
Statement of total comprehensive income
for the year ended 31 December 2019

KZT'000	Note	2019	2018
Revenues	4	4,637,254	4,660,027
Cost of sales	5	(3,107,113)	(2,915,213)
Gross profit		1,530,141	1,744,814
Selling and distribution costs	6	(162,475)	(175,931)
Administrative expenses	7	(1,386,590)	(1,337,913)
Other operating income, net	8	84,088	62,603
Impairment losses	9	(38,591)	(352)
Operating profit		26,573	293,221
Finance income	10	229,028	489,844
Foreign exchange (loss) gain		(33,303)	11,742
Profit before taxation		222,298	794,807
Income tax expense	11	–	–
Profit for the year		222,298	794,807
Other comprehensive income for the year		–	–
Total comprehensive income for the year		222,298	794,807

These financial statements have been approved for issue on 6 April 2020 and signed on behalf of the Company's management by:


Timothy Lewis Barnett
Provost and General Deputy to the President
KIMEP University NJSC


Ardak Kiyabayeva
Chief Accountant
KIMEP University NJSC



KIMEP University NJSC
Statement of financial position
as at 31 December 2019

KZT'000	Note	2019	2018
ASSETS			
Non-current assets			
Intangible assets		6,483	5,121
Property, plant and equipment	12	3,402,007	3,239,983
Advances paid and other assets	13	710,860	–
Other financial assets	14	11,303	13,553
Trade and other receivables	15	14,850	13,985
		<u>4,145,503</u>	<u>3,272,642</u>
Current assets			
Inventories	16	111,423	128,331
Advances paid and other assets	13	87,835	162,997
Other financial assets	14	3,419	3,419
Trade and other receivables	15	31,052	24,413
Bank deposits	17	5,463,727	5,850,607
Cash	18	128,962	220,489
		<u>5,826,418</u>	<u>6,390,256</u>
TOTAL ASSETS		<u>9,971,921</u>	<u>9,662,898</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	19(a)	537,146	537,146
Retained earnings		7,405,334	7,183,036
		<u>7,942,480</u>	<u>7,720,182</u>
Non-current liabilities			
Payments received in advance	20	97,985	99,205
		<u>97,985</u>	<u>99,205</u>
Current liabilities			
Vacations accrued		381,357	345,179
Payments received in advance	20	1,318,012	1,277,913
Other taxes payable	21	81,670	79,649
Trade and other payables	22	150,417	140,770
		<u>1,931,456</u>	<u>1,843,511</u>
TOTAL LIABILITIES		<u>2,029,441</u>	<u>1,942,716</u>
TOTAL EQUITY AND LIABILITIES		<u>9,971,921</u>	<u>9,662,898</u>

KIMEP University NJSC
Statement of cash flows
for the year ended 31 December 2019

KZT'000	Note	2019	2018
OPERATING ACTIVITIES			
Profit before taxation		222,298	794,807
Adjustments for:			
Finance income	10	(229,028)	(489,844)
Depreciation and amortisation	5,6,7	285,421	234,326
Impairment losses	9	38,591	352
(Gain) loss on disposal of property, plant and equipment		(8,339)	1,394
Unrealised foreign exchange loss		62,013	–
Operating cash flows before changes in working capital		370,956	541,035
(Increase) decrease in trade and other receivables		(15,804)	261,741
Decrease (increase) in inventories		15,752	(28,214)
Decrease (increase) in prepayments and other current assets		75,162	(2,455)
Increase in payments received in advance		38,879	51,644
Increase in vacations accrued		36,178	36,491
Increase in other taxes payable		2,021	12,608
Increase in trade and other payables		9,647	10,855
Cash flows from operations before income tax paid		532,791	883,705
Income tax paid		–	–
Net cash from operating activities		532,791	883,705
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,156,957)	(918,013)
Purchases of intangible assets		(3,126)	(450)
Proceeds from sale of property, plant and equipment		8,755	–
Repayment of other financial assets	14	3,419	4,578
Investments in short-term bank deposits		(15,014,304)	(12,995,000)
Proceeds from deposits		15,474,243	12,571,227
Interest received		96,886	482,452
Net cash used in investing activities		(591,084)	(855,206)
Net (decrease) increase in cash		(58,293)	28,499
Effect of exchange rate changes on cash		(33,234)	–
Cash at the beginning of the year		220,489	191,990
Cash at the end of the year	18	128,962	220,489

KIMEP University NJSC
Statement of changes in equity
for the year ended 31 December 2019

KZT'000

At 1 January 2018

Profit for the year

At 31 December 2018

Profit for the year

At 31 December 2019

	Share capital	Retained earnings	Total
At 1 January 2018	537,146	6,388,229	6,925,375
Profit for the year	–	794,807	794,807
At 31 December 2018	537,146	7,183,036	7,720,182
Profit for the year	–	222,298	222,298
At 31 December 2019	537,146	7,405,334	7,942,480

1. General information

(a) Organisation and operation

KIMEP University NJSC (hereinafter – the “Company”) is a non-profit joint-stock company incorporated in Kazakhstan. The Company was established in 1992, the date of the last re-registration of the Company is 1 July 2019.

Shareholders of the Company with joint control: State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan with a 40% ownership interest, an individual Chan Young Bang with a 60% ownership interest.

The Company’s registered office and principal place of business is 4 Abay avenue, Almaty, 050010, Kazakhstan.

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

As at 31 December 2019, the Company had 442 employees (2018: 476 employees).

(b) Kazakhstan business environment

The Company’s operations are primarily located in Kazakhstan. Consequently, the Company is exposed to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, imposition or changes to taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The financial statements include the management’s estimates of Kazakhstan economic conditions and their impact on the results and financial position of the Company. Actual economic conditions can differ from those estimates.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”) as issued by the International Accounting Standards Board (hereinafter – “IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (hereinafter – “IFRIC”) of the IASB.

(b) Going concern

These financial statements have been prepared on a going concern basis.

As at 31 December 2019, the Company has retained earnings amounting to KZT 7,405,334 thousand, profit for the year ended 31 December 2019, amounted to KZT 222,298 thousand and operating cash flows amounted to KZT 532,791 thousand.

The management believes the Company’s stable profitability, positive cash flows from operating activities and adequate working capital are sufficient to meet the Company’s anticipated cash flow requirements. After making appropriate enquiries, the management has reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. After making appropriate enquiries, and having considered the outlook of tuition fees’, sales, as well as assessing possible adverse impacts, such as lower tuition fees, increased operational costs and the impact of the COVID-19 virus in Kazakhstan, management has reasonable expectation that the Company has sufficient resources to continue operating foreseeable future activities. Accordingly, the Company continues to adopt the going concern basis of accounting in preparing the financial statements.

(c) Basis of accounting

The financial statements have been prepared on a historical cost basis, except for land and buildings within property.

(d) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan tenge (hereinafter – “tenge” or “KZT”), which is the functional currency of the Company and the currency in which these financial statements are presented. All financial information presented in tenge has been rounded to the nearest thousand (hereinafter – “KZT’000” or “KZT thousand”).

2. Basis of preparation, continued

(e) Adoption of standards and interpretations

In preparing the financial statements, the Company has applied the following standards and amendments effective from 1 January 2019:

- IFRS 16 “Leases”;
- IFRIC 23 “Uncertainty over Income Tax Treatments”;
- Amendments to IFRS 9 “Prepayment Features with Negative Compensation”;
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”;
- Annual Improvements to IFRSs, 2015-2017 Cycle.

The standards and amendments listed above did not have any impact on comparative information and are not expected to significantly affect the current or future periods.

(f) New standards and interpretations not yet adopted

The Company has not early adopted new standards, interpretations or amendments that were issued but are not yet entered into force, and their requirements have not been considered when preparing the financial statements. These standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(g) Use of estimates and judgments

The Company’s management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Future results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments made by the management for preparation of these financial statements is described in the following notes:

- Note 11 – Income tax. The management made estimates in relation to the level of taxes payable which may then be audited by the tax authorities and timing of realisation of temporary differences;
- Note 12 – Property, plant and equipment. Estimates were made in relation to the useful lives of assets;
- Note 13 – Advances paid and other current assets. The management made estimates in relation to the allowance for doubtful assets;
- Note 14 – Other financial assets. The management made estimates in relation to fair value of other financial assets based on market interest rates for loans;
- Note 15 – Trade and other receivables. The management made estimates in relation to the allowance for expected credit losses;
- Note 16 – Inventories. Estimates were made in relation to the allowance for obsolete inventories;
- Note 23 – Financial risk management objectives and policies. Fair value analysis is based on estimated future cash flows and discount rates;
- Note 24 – Commitments and contingencies. These require the management to make estimates as to amounts payable and to determine the likelihood of cash outflows in the future.

3. Comparative information

Where a change in the presentation format of the financial statements has been made during the year, comparative figures have been restated accordingly, to conform with the new presentation format. In particular, in the statement of total comprehensive income for the year ended 31 December 2018, the Company reclassified advertising costs from cost of sales to selling and distribution costs, as well as foreign exchange gain into a separate item in order to align with the presentation of the statement of total comprehensive income for the year ended 31 December 2019 as follows:

3. Comparative information, continued

KZT'000	2018, before reclassification	2018, after reclassification	2018, after reclassification
Cost of sales	(2,924,450)	9,237	(2,915,213)
Selling and distribution costs	(166,694)	(9,237)	(175,931)
Other operating income, net	74,345	(11,742)	62,603
Foreign exchange gain	–	11,742	11,742
	(3,016,799)	–	(3,016,799)

In the statement of financial position as at 31 December 2018, the Company reclassified guaranteed deposits for housing and library, accrued expenses and current reserves as trade payables; advances received as a separate item; and aggregated tax liabilities and liabilities on other obligatory and voluntary payments as other taxes payable, in order to align with the presentation of the statement of financial position as at 31 December 2019, as follows:

KZT'000	2018, before reclassification	2018, after reclassification	2018, after reclassification
Current assets			
Other receivables	148,813	(148,813)	–
Current tax assets	14,184	(14,184)	–
Advances paid and other assets	–	162,997	162,997
	162,997	–	162,997
Current liabilities			
Trade and other payables	1,297,705	(1,156,935)	140,770
Current reserves	63,166	(63,166)	–
Current provisions	402,991	(57,812)	345,179
Current tax liabilities	60,526	(60,526)	–
Liabilities on other obligatory and voluntary payments	19,123	(19,123)	–
Payments received in advance	–	1,277,913	1,277,913
Other taxes payable	–	79,649	79,649
	1,843,511	–	1,843,511

The cash flow statement reclassifications for the year ended 31 December 2018 are as follows:

KZT'000	2018, before reclassification	2018, after reclassification	2018, after reclassification
OPERATING ACTIVITIES			
Impairment losses	–	352	352
Accruals of allowance for doubtful debts	351	(351)	–
Accruals of allowance for slow moving inventory	1	(1)	–
Decrease in other non-current financial assets	4,578	(4,578)	–
Increase in prepayments and other current assets	–	(2,455)	(2,455)
Increase in current tax assets	(5,834)	5,834	–
Decrease in non-current receivables	3,379	(3,379)	–
Increase in payments received in advance	–	51,644	51,644
Increase in trade and other payables	54,875	(44,020)	10,855
Decrease in non-current payables	(8,086)	8,086	–
Increase in accrued liabilities	15,710	(15,710)	–
INVESTING ACTIVITIES			
Repayment of other financial assets	–	4,578	4,578
	64,974	–	64,974

4. Revenues

KZT'000	2019	2018
Tuition revenue	5,236,759	5,108,818
Scholarships and educational grants	(881,622)	(699,445)
Dormitory	181,288	172,619
Additional courses	94,340	72,939
Library	6,489	5,096
	4,637,254	4,660,027

Revenues are recognised by the Company over time

5. Cost of sales

KZT'000	2019	2018
Salaries and payroll taxes	2,644,290	2,505,173
Depreciation and amortisation	179,797	125,170
Energy and utilities	100,325	102,971
Supplies	69,020	63,538
Conference organisation	44,795	24,668
Repair and service	34,273	50,121
Business travel and representative expenses	17,859	26,074
Communication	13,272	13,236
Other	3,482	4,262
	3,107,113	2,915,213

6. Selling and distribution costs

KZT'000	2019	2018
Salaries and payroll taxes	92,898	110,332
Advertisement	25,491	15,888
Business travel and representative expenses	19,175	12,919
Arrangement of social events	18,280	28,294
Supplies	3,609	2,659
Student enrolment	1,720	4,911
Depreciation and amortisation	206	149
Other	1,096	779
	162,475	175,931

7. Administrative expenses

KZT'000	2019	2018
Salaries and payroll taxes	1,024,824	932,914
Depreciation and amortisation	105,418	109,007
Other taxes	77,360	110,315
Supplies	35,737	31,186
Consulting services	32,842	12,810
Accreditation expenses	32,710	74,020
Repair and service	29,355	34,095
Business travel and representative expenses	26,363	18,125
Bank charges	3,763	2,669
Insurance	3,524	3,117
Other	14,694	9,655
	1,386,590	1,337,913

8. Other operating income, net

KZT'000	2019	2018
Other operating income		
Income from operating lease	53,386	54,534
Grants received	51,875	61,500
Other proceeds from students	37,448	36,543
Gain on disposal of assets	8,339	–
Other income	5,830	27,360
	156,878	179,937
Other operating expenses		
Special-purpose program expense	54,018	97,085
Loss on disposal of assets	–	152
Other expense	18,772	20,097
	72,790	117,334
Other operating income, net	84,088	62,603

9. Impairment losses

KZT'000	2019	2018
Provisions against bank deposits	29,135	–
Provisions against trade and other receivables	8,300	1,174
Release of provisions for advances paid and other current assets	–	(823)
Provisions raised against inventories	1,156	1
	38,591	352

10. Finance income

KZT'000	2019	2018
Interest income	227,859	491,003
Unwinding of discount under the contract for additional electric capacity	1,169	(1,159)
	229,028	489,844

11. Income tax expense

The Company belongs to organisations operating in social sphere. According to the tax legislation of the Republic of Kazakhstan, the Company has the right to reduce the amount of calculated corporate income tax by 100% if the income from basic (educational) activities, including income in the form of gratuitously received property, remuneration for deposits, as well as the excess of the amount of positive exchange rate difference over the amount of negative exchange rate difference arising from such income, is at least 90% of the total income of the Company.

A reconciliation of income tax expense applicable to accounting profit before tax at the statutory rate to income tax expense at the effective tax rate is as follows:

KZT'000	2019	2018
Profit before taxation	222,298	794,807
Income tax rate	20.0%	20.0%
At statutory income tax rate	44,460	158,961
Tax reduction according to tax law	(44,460)	(158,961)
Income tax expense	–	–
Effective income tax rate	0.0%	0.0%

12. Property, plant and equipment

KZT'000	Land and buildings	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Cost						
At 1 January 2018	2,616,634	1,029,543	37,342	356,590	317,554	4,357,663
Additions	25,958	437,732	35,604	52,358	365,850	917,502
Transfers	623,084	26,858	–	–	(649,942)	–
Disposals	–	(16,252)	–	(230)	(105)	(16,587)
At 31 December 2018	3,265,676	1,477,881	72,946	408,718	33,357	5,258,578
Additions	–	133,165	18,321	45,195	255,480	452,161
Transfers	–	2,043	–	101	(2,144)	–
Disposals	–	(36,361)	(17,265)	(205)	(6,003)	(59,834)
At 31 December 2019	3,265,676	1,576,728	74,002	453,809	280,690	5,650,905
Depreciation						
At 1 January 2018	711,257	747,809	28,873	313,509	–	1,801,448
Depreciation charge	113,761	95,300	5,586	18,204	–	232,851
Disposals	–	(15,479)	–	(225)	–	(15,704)
At 31 December 2018	825,018	827,630	34,459	331,488	–	2,018,595
Depreciation charge	119,285	131,826	8,775	23,771	–	283,657
Disposals	–	(36,093)	(17,068)	(193)	–	(53,354)
At 31 December 2019	944,303	923,363	26,166	355,066	–	2,248,898
Net book value						
At 31 December 2018	2,440,658	650,251	38,487	77,230	33,357	3,239,983
At 31 December 2019	2,321,373	653,365	47,836	98,743	280,690	3,402,007

Fully depreciated assets

As at 31 December 2019, the cost of fully depreciated property, plant and equipment in use was KZT 899,184 thousand (2018: KZT 910,688 thousand).

13. Advances paid and other assets

KZT'000	2019	2018
Advances paid for goods and services	731,801	93,315
Deferred expenses	49,647	49,546
Other taxes prepaid	15,085	14,184
Other	2,271	6,061
	798,804	163,106
Allowance for impairment of advances paid	(109)	(109)
	798,695	162,997
Non-current	710,860	–
Current	87,835	162,997
	798,695	162,997

Movement in the allowance for impairment of advances paid is as follows:

KZT'000	2019	2018
At 1 January	109	932
Accrued	–	1,463
Recovered	–	(2,286)
At 31 December	109	109

14. Other financial assets

KZT'000	2019	2018
At 1 January	16,972	21,550
Repayment	(3,419)	(3,419)
Unwinding of discount	1,169	(1,159)
	14,722	16,972
Non-current	11,303	13,553
Current	3,419	3,419
	14,722	16,972

Other financial assets are represented by receivables for additional electrical power. According to the Order of the Chairman of the Agency of the Republic of Kazakhstan for regulation of natural monopolies dated 21 February 2007 "On approval of the Rules for compensating the expenses of an energy transmission organisation for the expansion and reconstruction of public energy transportation networks on a return basis", Almaty Zharyk Company JSC and the Company signed a contract for the connection of additional capacities on 10 October 2007 in the amount of KZT 68,370 thousand. This amount should be repaid in equal monthly instalments of KZT 285 thousand, starting from 1 November 2010 to 1 October 2030. The Company recognised the asset at amortised cost.

15. Trade and other receivables

KZT'000	2019	2018
Receivables from students for tuition	67,969	62,695
Receivables from employees for tuition	15,094	14,038
Receivables from students for accommodation	2,772	2,930
Other receivables	18,687	9,055
	104,522	88,718
Allowance for expected credit losses	(58,620)	(50,320)
	45,902	38,398
Non-current	14,850	13,985
Current	31,052	24,413
	45,902	38,398

Movement in the allowance for expected credit losses is as follows:

KZT'000	2019	2018
At 1 January	50,320	49,146
Accrued	12,445	10,321
Recovered	(4,145)	(9,147)
At 31 December	58,620	50,320

16. Inventories

KZT'000	2019	2018
Raw and materials	123,912	140,462
Wares	4,283	3,485
	128,195	143,947
Allowance for obsolete inventories	(16,772)	(15,616)
	111,423	128,331

Movement in the allowance for obsolete inventories is as follows:

KZT'000	2019	2018
At 1 January	15,616	15,615
Accrued	1,156	1
At 31 December	16,772	15,616

17. Bank deposits

KZT'000	Maturity	Interest rate	Currency	2019	2018
JSC Halyk Bank	Feb-20	4.50%	KZT	1,037,816	–
JSC Halyk Bank	Sep-20	0.25% - 0.35%	USD	3,155,190	–
JSC Bank CenterCredit	Feb-20	7.5% - 8.75%	KZT	104,111	461,827
JSC Bank CenterCredit	Feb-20	1.50%	USD	9,610	–
JSC First Heartland Jysan Bank	May-20	7.50%	KZT	1,177,918	5,343,099
Interest receivable				8,217	45,681
				5,492,862	5,850,607
Allowance for expected credit losses				(29,135)	–
				5,463,727	5,850,607

Movement in the allowance for expected credit losses is as follows:

KZT'000	2019	2018
At 1 January	–	–
Accrued	29,135	–
At 31 December	29,135	–

18. Cash

KZT'000	2019	2018
Cash at bank	125,929	218,242
Cash on card accounts	1,231	1,215
Petty cash	1,802	1,032
	128,962	220,489

19. Equity

(a) Share capital

	2019			2018		
	ratio in %	number of shares	KZT'000	ratio in %	number of shares	KZT'000
State Property and Privatisation Committee of the Ministry of Finance of the Republic of Kazakhstan	40	234,012	214,869	40	234,012	214,869
Chan Young Bang	60	350,988	322,277	60	350,988	322,277
	100	585,000	537,146	100	585,000	537,146

As at 31 December 2019 and 2018:

- the number of ordinary shares with a nominal value of KZT 1,000 was 500,750;
- the number of ordinary shares with a par value of KZT 432 was 84,250.

By the decree of the government of Kazakhstan of 3 December 2019, it was decided to make a direct targeted sale of the state stake in the Company in the quantity of 40% of the share capital to the public Fund "Bang Educational Fund" (hereinafter – the "Strategic investor"). At the same time, certain obligations related to the Company's activities were imposed on this strategic investor.

(b) Dividends

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

20. Payments received in advance

KZT'000	2019	2018
Payments received for tuition	1,319,251	1,334,849
Payments received for library	38,327	27,738
Payments received for courses	35,414	12,520
Payments received for accommodation	20,415	2,011
Other	2,590	–
	1,415,997	1,377,118
Non-current	97,985	99,205
Current	1,318,012	1,277,913
	1,415,997	1,377,118

21. Other taxes payable

KZT'000	2019	2018
Personal income tax	28,053	28,406
Social tax	23,406	24,014
Pension payments	18,013	15,330
Value added tax	6,414	6,709
Social insurance	2,401	2,444
Medical insurance	1,307	1,349
Other taxes	2,076	1,397
	81,670	79,649

22. Trade and other payables

KZT'000	2019	2018
Guaranteed deposits for housing and library	59,336	57,790
Trade payables	25,652	19,655
Other payables	428	159
Financial instruments within trade payables	85,416	77,604
Sponsorship and other trust funds	65,001	63,166
	150,417	140,770

23. Financial risk management objectives and policies

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The management oversees compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

23. Financial risk management objectives and policies, continued

(b) Categories and fair values of financial assets and financial liabilities

Categories of financial assets and financial liabilities

The carrying amounts of financial assets and liabilities of the Company are as follows:

KZT'000	Note	2019	2018
Financial assets at amortised costs			
Other financial assets	14	14,722	16,972
Trade and other receivables	15	45,902	38,398
Bank deposits	17	5,463,727	5,850,607
Cash	18	128,962	220,489
		5,653,313	6,126,466
Financial liabilities at amortised cost			
Vacations accrued		(381,357)	(345,179)
Trade and other payables	22	(85,416)	(77,604)
		(466,773)	(422,783)

Fair values

The fair values of each category of financial asset and liability are not materially different from their carrying values as presented.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from the Company's loans receivable to related parties, trade receivables and cash.

The carrying value of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at 31 December was:

KZT'000	2019	2018
Other financial assets	14,722	16,972
Trade and other receivables	45,902	38,398
Bank deposits	5,463,727	5,850,607
Cash (less petty cash)	127,160	219,457
	5,651,511	6,125,434

Other financial assets

Other financial assets are represented by loans issued for additional electrical power. The Company performs an analysis to ensure that the overall credit exposure on these loans does not exceed the distributable reserves of the Company.

The Company's exposure to credit risk relates entirely to Kazakhstan debtor.

The allowance for impairment of loans receivable is created at loan issuance. There are no arrears within loans receivable.

Trade receivables

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. These trade receivables relate to customers that make payment in instalments. The Company regularly monitors its exposure to bad debts in order to minimise this exposure.

The Company's exposure to credit risk relates entirely to Kazakhstan customers.

23. Financial risk management objectives and policies, continued

The Company creates an allowance for impairment of trade receivables, which represents its estimate of expected credit losses. The ageing of trade receivables at 31 December was:

KZT'000	Gross	Expected loss rate	Impairment
2019			
Not past due	14,850	0%	–
Past due 0-90 days	7,266	0%	–
Past due 91-180 days	1,028	0%	–
Past due 181-270 days	11,627	100%	11,627
More than 270 days	69,751	67%	46,993
	104,522	56%	58,620
2018			
Not past due	13,985	0%	–
Past due 0-90 days	7,727	0%	–
Past due 91-180 days	764	0%	–
Past due 181-270 days	6,096	0%	–
More than 270 days	60,146	84%	50,320
	88,718	57%	50,320

Cash and bank deposits

Credit risk related to cash and bank deposits is monitored by the management in accordance with the policies of the Company. Free funds are held with the most reliable banks in Kazakhstan with ratings of Standard & Poor's from "B-" to "BB+". The purpose of this policy is to reduce concentration of credit risk and minimise possible financial loss due to banks' failure to meet their contractual obligations.

KZT'000	2019	2018
Ratings from BB+ to BB-	4,227,115	37,725
Ratings from B+ to B-	1,363,772	6,032,339
	5,590,887	6,070,064

As at 31 December 2019, the Company created an estimated allowance for impairment of bank deposits placed with a Kazakhstan's bank with a Standard & Poor's "B-" credit rating in the amount of KZT 29,135 thousand (2018: nil).

(d) Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring continuity of funding and flexibility through the use of purchases on credit.

Maturity of financial liabilities

The table below provides an analysis of the Company's financial liabilities to be settled on a gross basis by relevant maturity groups from the balance sheet date to the contractual settlement date:

KZT'000	Less than 3 months	3 to 12 months	Total
2019			
Vacations accrued	–	381,357	381,357
Trade and other payables	25,652	59,764	85,416
	25,652	441,121	466,773
2018			
Vacations accrued	–	345,179	345,179
Trade and other payables	19,655	57,949	77,604
	19,655	403,128	422,783

23. Financial risk management objectives and policies, continued

(e) Price risk

In accordance with IFRS 7, the impact of prices for services has been determined based on the balances of financial assets and liabilities as at 31 December 2019. This sensitivity does not represent profit or loss impact that would be expected from a movement in prices for goods (services) over the course of a period of time. In addition, the analysis assumes that all other variables remain constant. A 10% increase (decrease) in prices for services after the year end would not have an impact on profit after tax (2018: nil).

(f) Interest rate risk

As at the reporting dates the Company is not exposed to interest rate risk as at the reporting dates there are no financial instruments with floating interest rates.

(g) Currency risk

The Company is subject to currency risk exposure when performing transactions in currencies other than its functional currency.

The Company's exposure to foreign currency risk was as follows based on estimated (nominal) amounts:

KZT'000	KZT	USD	EUR	GBP	Total
2019					
Other financial assets	14,722	–	–	–	14,722
Trade and other receivables	45,902	–	–	–	45,902
Bank deposits	2,298,215	3,165,512	–	–	5,463,727
Cash	85,203	36,802	6,655	302	128,962
Vacations accrued	(381,357)	–	–	–	(381,357)
Trade and other payables	(85,268)	(127)	(21)	–	(85,416)
	1,977,417	3,202,187	6,634	302	5,186,540
2018					
Other financial assets	16,972	–	–	–	16,972
Trade and other receivables	38,398	–	–	–	38,398
Bank deposits	5,850,607	–	–	–	5,850,607
Cash	99,922	114,409	6,088	70	220,489
Vacations accrued	(345,179)	–	–	–	(345,179)
Trade and other payables	(76,670)	(31)	(903)	–	(77,604)
	5,584,050	114,378	5,185	70	5,703,683

Financial instruments denominated in tenge are not exposed to foreign currency risk and are provided for reconciliation of total amounts.

Sensitivity analysis

A 20% weakening of tenge against the following currencies as at 31 December would have increased (decreased) net profit by the amounts shown below. This analysis assumes that all other variables remain constant.

KZT'000	2019	2018
USD	512,350	18,300
EUR	1,061	830
GBP	48	11

A 20% strengthening of tenge against the above currencies as at 31 December would have had an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(h) Capital management

The overriding objectives of the Company's capital management policy are to safeguard and support the business as a going concern and to maintain an optimal capital structure to maintain trust of shareholders and other interested parties.

The Company controls its capital using a leverage ratio that is maintained at a maximum of 40%.

24. Commitments and contingencies

(a) Kazakhstan's taxation contingencies

Inherent uncertainties in interpreting tax legislation

The Company is subject to uncertainties relating to the determination of its tax liabilities. Kazakhstan tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and changes which may be applied retrospectively.

The management interpretations of such legislation in applying it to business transactions of the Company may be challenged by the relevant tax authorities and, as a result, the Company may be claimed for additional tax payments, including fines, penalties and interest charges that could have a material adverse effect on the Company's financial position and results of operations.

Period for additional tax assessments

The tax authorities are able to raise additional tax assessments for five years after the end of the relevant tax period concerning all taxes. In certain cases, as determined by the tax legislation, the terms could be extended for three years.

Possible additional tax liabilities

The management believes that the Company is in compliance with the tax laws and any contractual terms entered into that relate to tax which affect its operations and that, consequently, no additional tax liabilities will arise. However, due to the reasons set out above, the risk remains that the relevant tax authorities may take a differing position with regard to the interpretation of contractual provisions or tax law.

The resulting effect of this matter is that additional tax liabilities may arise. However, due to the range of uncertainties described above in assessing any potential additional tax liabilities, it is not practicable for the management to estimate the financial effect in terms of the amount of additional tax liabilities, if any, together with any associated penalties and charges for which the Company may be liable.

(b) Insurance

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. Available insurance programs may not provide full coverage in the event of a major loss.

(c) Legal commitments

In the ordinary course of business, the Company is subject to legal actions and complaints. The management believes that the ultimate liability, if any, arising from such actions or complaints will not have a materially adverse effect on the financial condition or results of operations of the Company. As at 31 December 2018, the Company was not involved in any significant legal proceedings.

(d) Capital expenditure commitments

The Company has capital expenditure commitments for the purchase of property, plant and equipment. The total commitments for property, plant and equipment as at 31 December 2019 amounted to KZT 1,687,708 thousand of which KZT 843,854 thousand were transferred to the contractor in 2019. The planned completion date for the project is 1 July 2020.

25. Related party disclosures

Transactions with related parties include management remuneration of the Company and transactions with the parent company and companies under common control.

(a) Management remuneration

Rewards received by key executives are included in personnel costs of general and administrative expenses (see note 7) amounted to KZT 360,165 thousand (2018: KZT 338,459 thousand).

25. Related party disclosures, continued

(b) Transactions with related parties

KZT'000	Shareholders	Companies under common control	Total
2019			
Grants and scholarships	2,514	–	2,514
Donations	12,202	–	12,202
Purchases from related parties	–	1,915	1,915
Advances paid	–	77	77
Payments received in advance	(30,561)	(253)	(30,814)
2018			
Grants and scholarships	5,028	–	5,028
Purchases from related parties	–	134,912	134,912
Advances paid	–	77	77
Payments received in advance	–	(337)	(337)

(c) Terms and conditions of transaction with related parties

Prices for related party transactions are determined by the parties on an ongoing basis depending on the nature of the transaction.

26. Significant accounting policies

The following significant accounting policies have been consistently applied in the preparation of the financial statements.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange ruling rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date when their fair value was determined. Foreign currency differences arising on retranslation at the exchange rate on the date of the transaction as well as those from retranslation of monetary assets and liabilities at the reporting date are recognised in profit or loss.

The following exchange rates were used in preparing the financial statements:

	2019		2018	
	Year-end	Average	Year-end	Average
US dollar	381.18	382.75	384.20	344.71
Euro	426.85	428.51	439.37	406.66
UK pounds sterling	499.99	488.46	488.13	459.49

(b) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, [except for buildings, which are subsequently measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

26. Significant accounting policies, continued

Any gain (loss) on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income (other expenses) in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of the individual asset to its estimated residual value. The expected remaining useful lives as follows:

- buildings and constructions 25-50 years;
- machinery and equipment 4-11 years;
- vehicles 5-8 years;
- other 4-17 years.

Useful lives and residual values of property, plant and equipment are analysed at each reporting date.

(c) Intangible assets

Intangible assets relate largely to software purchases, which are acquired by the Company and which have finite useful lives, are stated at cost (which comprises purchase price plus any directly attributable costs of preparing the asset for intended use) less accumulated amortisation and impairment losses.

Amortisation

Amortisation of intangible assets, which have expected useful lives of 2 to 10 years, is computed under the straight-line method over the estimated useful lives of the assets.

(d) Impairment

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Company's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversals of impairment

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The actual cost of inventories is based the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

26. Significant accounting policies, continued

(f) Accounts receivable

Accounts receivable are normally recognised at their nominal value less any expected credit loss and do not generally carry any interest.

At the end of each reporting period the Company assesses whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (hereinafter – “loss event”) and that loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding expected credit losses) discounted at the financial asset’s effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(g) Cash

Cash comprise cash at bank and petty cash.

(h) Leases

The Company as lessor

The Company enters into lease contracts as a lessor with respect to some of its assets consisting land and buildings. Whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as an operating lease.

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

(i) Retirement employee benefits

The Company does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan, which requires current contributions by the employer and employee calculated as a percentage of current gross salary payments.

(j) Revenues

At contract inception, the Company assesses the goods or services (assets) promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either an asset that is distinct or series of distinct assets that are substantially the same and that have the same pattern of transfer to the customer.

Sale of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

Revenue from providing services is recognised over time if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

In other cases, revenue from providing services is recognised at a certain point in time.

Financing components

There are no contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the transaction prices are not adjusted for the time value of money.

26. Significant accounting policies, continued

(k) Income tax expense

Income tax for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred tax is determined using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent that it is probable to receive taxable income in future, which can be utilised against this asset. Amount of deferred tax assets are reduced to the extent that it is not probable that appropriate tax savings would be used.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(l) Financial instruments

Recognition

The Company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs. Any gain or loss at initial recognition is recognised in profit or loss, except for the loans receivable from (payable to) owners, gains or losses at initial recognition of which are recognised directly in equity. Subsequent to initial recognition, the loans receivable from owners are measured at amortised cost using the effective interest method.

In determining the estimated fair value, investments are valued at the quoted market prices of the purchase on the transaction date. In the absence of quoted prices in active market investments, fair value is determined using quoted market prices for similar instruments traded.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is settled.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost at an amount equal to 12-month expected credit losses. For trade receivables the Company measures the loss allowance at an amount equal to lifetime expected credit losses. At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

27. Events after the balance sheet date

Coronavirus COVID-19 pandemic

After the World Health Organisation declared the coronavirus COVID-19 a pandemic, the state of emergency had been introduced throughout the territory of the Republic of Kazakhstan from 16 March till 15 April 2020. In addition, from 19 March 2020, a quarantine has been imposed in Almaty and Nur-Sultan. Coronavirus COVID-19 pandemic has already caused fall in raw commodities and securities markets. According to expert estimates, coronavirus COVID-19 pandemic and its consequences will inevitably drive to economic recession in the world.

Tenge devaluation

Fall in raw commodities and securities markets has already led to tenge devaluation. Exchange rate of tenge to US dollar increased from 381.18 as at 31 December 2010 to 439.01 as at the date of the financial statements approval.