



**ALMA**  
ALMATY MANAGEMENT  
UNIVERSITY

**EI Almaty Management University**

**Financial Statements**

*For the year ended December 31, 2020*

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## INDEPENDENT AUDITOR'S REPORT

To owners and management of EI Almaty Management University

### Opinion

We have audited the financial statements of EI Almaty Management University (hereinafter – the “Institution”), which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other 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 Institution as at December 31, 2020, and its financial performance and its cash flows for the year 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Institution in accordance 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.

### 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 Institution'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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institution's financial reporting process.

## **Auditor's 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 auditor's 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 EI Almaty Management University'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 Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Institution 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.

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with those charged with governance of EI Almaty Management University 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.

*Grant Thornton LLP*



Arman Chingilbayev

Engagement partner

Certified Auditor of the Republic of Kazakhstan  
Certificate #MF-0000487 on October 12, 1999  
The Republic of Kazakhstan

June 17, 2021  
Almaty, the Republic of Kazakhstan



Yerzhan Dossymbekov

General Director  
Grant Thornton LLP

State license for providing audit services on the territory of the Republic of Kazakhstan #18015053, issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan dated August 3, 2018 (the date of primary issue - July 27, 2011).

**EI ALMATY MANAGEMENT UNIVERSITY**

**STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2020**

| In thousands of tenge                | Notes | December 31,<br>2020 | December 31,<br>2019 |
|--------------------------------------|-------|----------------------|----------------------|
| <b>ASSETS</b>                        |       |                      |                      |
| <b>Current assets</b>                |       |                      |                      |
| Cash                                 | 5     | 398,368              | 231,954              |
| Trade and other accounts receivable  | 6     | 210,187              | 143,548              |
| Financial aid given                  | 7     | 366,889              | 54,920               |
| Inventories                          |       | 13,990               | 37,494               |
| Advances paid                        | 8     | 75,593               | 119,854              |
| Other current assets                 | 9     | 62,070               | 21,280               |
| <b>Total current assets</b>          |       | <b>1,127,097</b>     | <b>609,050</b>       |
| <b>Non-current assets</b>            |       |                      |                      |
| Property, plant and equipment        | 10    | 4,169,072            | 4,260,819            |
| Intangible assets                    |       | 638                  | 3,916                |
| <b>Total non-current assets</b>      |       | <b>4,169,710</b>     | <b>4,264,735</b>     |
| <b>TOTAL ASSETS</b>                  |       | <b>5,296,807</b>     | <b>4,873,785</b>     |
| <b>EQUITY AND LIABILITIES</b>        |       |                      |                      |
| <b>Equity</b>                        |       |                      |                      |
| Charter capital                      | 1     | –                    | –                    |
| Other operations with owner          |       | (58,111)             | –                    |
| Retained earnings                    |       | 2,532,614            | 2,170,809            |
| <b>TOTAL EQUITY</b>                  |       | <b>2,474,503</b>     | <b>2,170,809</b>     |
| <b>Current liabilities</b>           |       |                      |                      |
| Loans received                       | 11    | 579,445              | 444,581              |
| Contract liabilities                 | 12    | 1,122,151            | 600,269              |
| Financial aid received               | 13    | 15,897               | 11,250               |
| Trade accounts payable               | 14    | 99,850               | 184,678              |
| Other current liabilities            | 15    | 229,560              | 274,262              |
| <b>Total current liabilities</b>     |       | <b>2,046,903</b>     | <b>1,515,040</b>     |
| <b>Non-current liabilities</b>       |       |                      |                      |
| Loans received                       | 11    | 775,401              | 1,187,936            |
| <b>Total non-current liabilities</b> |       | <b>775,401</b>       | <b>1,187,936</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |       | <b>5,296,807</b>     | <b>4,873,785</b>     |

*Accompanying notes on pages 5 to 29 are an integral part of these financial statements.*

Signed and approved for issue on behalf of the Institution's management:

Rector

  
Suleimenov E.Z.

Vice-rector of corporate development

  
Kozhakhmetov R.T.

June 17, 2021  
Almaty, the Republic of Kazakhstan

EI ALMATY MANAGEMENT UNIVERSITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2020

| In thousands of tenge                          | Notes | 2020             | 2019             |
|--|-------|------------------|------------------|
| Revenue from educational services              | 17    | 2,545,147        | 2,466,532        |
| Cost of educational services                   | 18    | (1,103,485)      | (1,232,273)      |
| <b>Gross profit</b>                            |       | <b>1,441,662</b> | <b>1,234,259</b> |
| Selling expenses                               | 19    | (121,526)        | (155,049)        |
| General and administrative expenses            | 20    | (1,005,943)      | (936,453)        |
| Foreign exchange loss, net                     |       | (5,223)          | (2,580)          |
| Finance expenses, net                          | 21    | (192,948)        | (230,648)        |
| Expected credit losses on financial assets     |       | (95,154)         | (86,302)         |
| Other income, net                              | 22    | 340,937          | 268,341          |
| <b>Profit before taxation</b>                  |       | <b>361,805</b>   | <b>91,568</b>    |
| Corporate income tax expense                   | 16    | -                | -                |
| <b>Net profit for the year</b>                 |       | <b>361,805</b>   | <b>91,568</b>    |
| Other comprehensive income                     |       | -                | -                |
| <b>Total comprehensive income for the year</b> |       | <b>361,805</b>   | <b>91,568</b>    |

*Accompanying notes on pages 5 to 29 are an integral part of these financial statements.*

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Suleimenov E.Z.

Vice-rector of corporate development

  
Kozhakhmetov R.T.

June 17, 2021  
Almaty, the Republic of Kazakhstan

**EI ALMATY MANAGEMENT UNIVERSITY**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2020**

| In thousands of tenge   | Charter capital | Retained earnings | Other operations with owner | Total            |
|---|-----------------|-------------------|-----------------------------|------------------|
| <b>As at December 31, 2018</b>                                | –               | <b>2,079,241</b>  |                             | <b>2,079,241</b> |
| <i>Profit for the year</i>                                    | –               | <i>91,568</i>     |                             | <i>91,568</i>    |
| <i>Other comprehensive income for the year</i>                | –               | –                 |                             | –                |
| Total comprehensive income for the year                       | –               | <b>91,568</b>     |                             | <b>91,568</b>    |
| <b>As at December 31, 2019</b>                                | –               | <b>2,170,809</b>  | –                           | <b>2,170,809</b> |
| <i>Profit for the year</i>                                    | –               | <i>361,805</i>    | –                           | <i>361,805</i>   |
| <i>Other comprehensive income for the year</i>                | –               | –                 | –                           | –                |
| Total comprehensive income for the year                       | –               | <b>361,805</b>    | –                           | <b>361,805</b>   |
| <i>Fair value adjustments on financial aid given (Note 7)</i> | –               | –                 | <i>(58,111)</i>             | <i>(58,111)</i>  |
| <b>As at December 31, 2020</b>                                | –               | <b>2,532,614</b>  | <b>(58,111)</b>             | <b>2,474,503</b> |

*Accompanying notes on pages 5 to 29 are an integral part of these financial statements.*

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Rector

  
Suleimenov E.Z.

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Kozhakhmetov R.T.

June 17, 2021  
Almaty, the Republic of Kazakhstan



**EI ALMATY MANAGEMENT UNIVERSITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

| In thousands of tenge  | Notes | 2020             | 2019             |
|--|-------|------------------|------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>  |       |                  |                  |
| Proceeds from providing educational services   |       | 2,559,242        | 2,455,211        |
| Advances received from customers   |       | 649,752          | 123,394          |
| Other proceeds   |       | 241,164          | 275,417          |
| Payments to suppliers for goods and services   |       | (461,945)        | (323,160)        |
| Advances paid for goods and services   |       | (342,821)        | (433,625)        |
| Payment of payroll expenses  |       | (1,043,622)      | (909,765)        |
| Payment of taxes and other payments to state budget, except for corporate income tax |       | (374,415)        | (400,307)        |
| Other payments   |       | (77,106)         | (80,446)         |
| <b>Cash flows from operating activities</b>  |       | <b>1,150,249</b> | <b>706,719</b>   |
| Interest paid on loans   |       | (159,050)        | (238,807)        |
| <b>Net cash received from operating activities</b>                                   |       | <b>991,199</b>   | <b>467,912</b>   |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>  |       |                  |                  |
| Acquisition of property, plant and equipment and intangible assets                   |       | (71,974)         | (61,647)         |
| Financial aid given  | 7     | (425,000)        | -                |
| Financial aid paid   |       | (1,500)          | (260)            |
| <b>Net cash used in investing activities</b>   |       | <b>(498,474)</b> | <b>(61,907)</b>  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>  |       |                  |                  |
| Payment of financial aid   | 13    | -                | (8,000)          |
| Loans received   | 11    | 187,217          | 387,104          |
| Loans repaid   | 11    | (510,428)        | (670,049)        |
| <b>Net cash used in financing activities</b>   |       | <b>(323,211)</b> | <b>(290,945)</b> |
| Net increase in cash   |       | 169,514          | 115,060          |
| Expected credit losses on cash   | 5     | (4,069)          | (2,441)          |
| Cash at the beginning of the year  | 5     | 231,954          | 119,103          |
| Effect of exchange rate changes on the balance of cash held in foreign currencies    |       | 969              | 232              |
| <b>Cash at the end of the year</b>   | 5     | <b>398,368</b>   | <b>231,954</b>   |

*Accompanying notes on pages 5 to 29 are an integral part of these financial statements.*

Signed and approved for issue on behalf of the Institution's management:

Rector

  
Suleimenov E.Z.

Vice-rector of corporate development

  
Kozhakhmetov R.T.

June 17, 2021  
Almaty, the Republic of Kazakhstan

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

### 1. GENERAL INFORMATION

Non-for-profit educational institution International Academy of Business was registered in the Department of Justice of Almaty, the Republic of Kazakhstan on December 17, 1997 certificate of state registration №15221-1910-Y-e dated December 17, 1997. On May 23, 2014 NEI International Academy of Business was renamed to the NEI Almaty Management University. On October 8, 2015 NEI Almaty Management University was renamed to the EI Almaty Management University (hereinafter – the “Institution”).

The Institution was founded and operates in accordance with the legislation of the Republic of Kazakhstan. The founder is the AlmaU LLP (hereinafter – the “Academy”). The ultimate controlling parties of AlmaU LLP are the followings:

| Controlling parties  | December 31,<br>2020<br>(%) | December 31,<br>2019<br>(%) |
|--|-----------------------------|-----------------------------|
| Kozhakhmetova Maral Bulatovna, citizen of the Republic of Kazakhstan     | 56.5%                       | 56.5%                       |
| Samatdin Ablayhan, citizen of the Republic of Kazakhstan                 | 27%                         | 27%                         |
| Kozhakhmetov Tulegen Bazarbaevich, citizen of the Republic of Kazakhstan | 10%                         | 10%                         |
| Kunayev Mirgali Sapargalievich, citizen of the Republic of Kazakhstan    | 6.5%                        | 6.5%                        |
|  | <b>100%</b>                 | <b>100%</b>                 |

Institution’s main activities are:

- Education on the program of Bachelor degree in areas and specialties in accordance with the obtained license to conduct educational activities;
- Education on the program “Master of Business Administration for managers and top-level professionals in the field of business with the assignment of the MBA degree”;
- Education on the program “Doctor of Business Administration for managers and top-level professionals in the field of business with the assignment of the highest professional degree - DBA”;
- Trainings for managers, specialists and employees, legal entities of various legal forms, as well as individuals to work in the market economy conditions;
- Providing consulting services to enterprises, organizations of all forms of ownership on implementation and support of organizational changes of new forms and methods of management;
- Organization of national, regional and international workshops;
- Development and publication of textbooks, manuals, reference books, newspapers and magazines about business and management.

As at December 31, 2020, number of employees of the Institution was 424 (December 31, 2019: 466).

The Institution’s legal and registered address is 227, Rozybakiev st., Bostandyk district, Almaty, the Republic of Kazakhstan.

### 2. BASIS OF PREPARATION

#### Statement of compliance

The financial statements of the Institution have been prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRSs”).

#### Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments. The financial statements of the Institution were presented in Kazakhstani tenge (hereinafter - “tenge”). The functional and presentation currency of the financial statements of the Institution is tenge. All amounts in these financial statements are rounded to thousand unless otherwise stated.

**2. BASIS OF PREPARATION (CONTINUED)**

**Going concern basis**

These financial statements have been prepared in accordance with IFRSs, based on the assumption that the Institution will adhere to the principle of continuing operations. This involves the sale of assets and the repayment of obligations in the course of its normal business in the foreseeable future. The management of the Institution has no intention, nor the need to liquidate or significantly reduce the scope of activities. The Institution assessed whether there is any indicator that fixed assets may be impaired as at December 31, 2020 and did not find any indicators.

**Accrual basis**

These financial statements were prepared on the accrual basis. The accrual basis assumes recognition of the results of business operations, as well as events when they occurred, regardless of the time of payment. Transactions and events are recorded in the accounting and are included in the financial statements for the periods to which they relate.

**Recognition of the elements of financial statements**

These financial statements include all assets, liabilities, equity, income and expenses, which are the elements of financial statements. All elements of financial statements are presented on linear basis. The inclusion of several elements of financial statements into a single item is made taking into account their characteristics (functions) in the Institution's operations. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

**Foreign currency translation**

In preparing the financial statements, transactions in foreign currencies (other than the functional currency) are carried at the exchange rates prevailing at the transaction date. Monetary items denominated in foreign currencies are translated at the exchange rates prevailing at the reporting date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated at the exchange rates prevailing at the date of determination of fair value. Non-monetary items measured at historical cost, denominated in foreign currency, are not retranslated.

Exchange differences on monetary items, which arise as a result of changes in the exchange rates, are recognized in profit or loss in the period when they arise, except for exchange differences on loans in foreign currencies attributable to construction-in-progress items intended for future use for production purposes, which included in the cost of such assets as adjustment of interest expenses on loans in foreign currencies. Exchange rates prevailing on Kazakhstan Stock Exchange (hereinafter – “KASE”) are used as official exchange rates in the Republic of Kazakhstan.

Currency exchange rates of KASE used by the Institution in preparing the financial statements are as follows:

| Currency      | December 31,<br>2020 | December 31,<br>2019 |
|---------------|----------------------|----------------------|
| British pound | 574.88               | 503.41               |
| Euro          | 516.79               | 429.00               |
| US Dollar     | 420.91               | 382.59               |
| Russian ruble | 5.62                 | 6.16                 |

**Standards and interpretations adopted this year**

The Institution adopted the following new and revised standards during the reporting year which are effective on January 1, 2020:

- Amendments to IFRS 3 – “Definition of a Business”;
- Amendments to IFRS 7, IFRS 9 and IAS 39 – “Interest Rate Benchmark Reform”;
- Amendments to IAS 1 and IAS 8 – “Determination of Materiality”;
- “Conceptual Framework for Financial Reporting issued”;
- Amendments to IFRS 16 – “Covid-19 Related Rent Concessions”.

**2. BASIS OF PREPARATION (CONTINUED)**

**Standards and interpretations adopted this year (continued)**

*Amendments to IFRS 3 – “Definition of a Business”*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the financial statements of the Institution but may impact future periods should the Institution enter into any business combinations.

*Amendments to IFRS 7, IFRS 9 and IAS 39 – “Interest Rate Benchmark Reform”*

The amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Institution as it does not have any interest rate hedge operations.

*Amendments to IAS 1 and IAS 8 – “Determination of Materiality”*

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the financial statements, and no impact to be expected in the future.

*“Conceptual Framework for Financial Reporting issued”*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the financial statements of the Institution.

*Amendments to IFRS 16 – “Covid-19 Related Rent Concessions”*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 “Leases”. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

This amendment had no impact on the financial statements of the Institution.

## 2. BASIS OF PREPARATION (CONTINUED)

### New and revised IFRS – issued but not yet effective

The Institution has not applied the following new and revised IFRS and Interpretations (issued but not yet effective):

- IFRS 17 «Insurance Contracts»<sup>2</sup>;
- Amendments to IAS 1 – «Classification of Liabilities as Current or Non-current»<sup>2</sup>;
- Amendments to IFRS 3 – «Reference to the Conceptual Framework»<sup>1</sup>;
- Amendments to IAS 16 – «Property, Plant and Equipment: Proceeds before Intended Use»<sup>1</sup>;
- Amendments to IAS 37 – «Onerous Contracts – Costs of Fulfilling a Contract»<sup>1</sup>;
- Amendments to IFRS 1 «First-time Adoption of International Financial Reporting Standards» – Subsidiary as a first-time adopter<sup>1</sup>;
- Amendments to IFRS 9 «Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities»<sup>1</sup>;
- Amendments to IAS 41 «Agriculture» – Taxation in fair value measurements<sup>1</sup>.

<sup>1</sup>Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

<sup>2</sup>Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

#### *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. These amendments are not applicable to the Institution.

#### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right;
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

The Institution is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

## 2. BASIS OF PREPARATION (CONTINUED)

### **New and revised IFRS – issued but not yet effective (continued)**

#### *Amendments to IFRS 3: Definition of a Business – Reference to the Conceptual Framework*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 Definition of a Business to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 Definition of a Business for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not expected to have a material impact on the financial statements of the Institution.

#### *Amendments to IAS 16 – «Property, Plant and Equipment: Proceeds before Intended Use»*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Institution.

#### *Amendments to IAS 37 – «Onerous Contracts – Costs of Fulfilling a Contract»*

In May 2020, the IASB issued amendments to IAS 37 «Onerous Contracts – Costs of Fulfilling a Contract» to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Institution will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

#### *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. These amendments are not applicable to the Institution.

**2. BASIS OF PREPARATION (CONTINUED)**

**New and revised IFRS – issued but not yet effective (continued)**

*Amendments to IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Institution will apply this amendment to financial liabilities that have been modified or replaced at the beginning (or after) the annual reporting period in which it first adopts the amendment. The amendments are not expected to have a material impact on the Institution.

*Amendments to IAS 41 Agriculture – Taxation in fair value measurements*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture.

The amendment removes the requirement in paragraph 22 of IAS 41 Agriculture that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41 Agriculture.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not applicable to the Institution.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Property, plant and equipment**

The property, plant and equipment are carried at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The initial cost of property, plant and equipment comprises of its acquisition price, including import duties and non-recoverable taxes, borrowing costs directly attributable to long-term construction projects, if the recognition criteria are met, as well as any direct costs related to bringing the asset to working condition and delivery to the place of the intended use.

The Institution determines the following terms for useful life for its property, plant and equipment:

| Group                       | Useful life  |
|-----------------------------|--------------|
| Land                        | Indefinitely |
| Buildings and constructions | 50 years     |
| Machinery and equipment     | 4 years      |
| Vehicles                    | 5 years      |
| Library books               | 10 years     |
| Other                       | 3-7 years    |

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Impairment of property, plant and equipment**

The Institution assesses at each reporting date whether there is any indicator that an asset may be impaired. If any such indicator exists, the Institution makes an estimate of the assets' recoverable amount in order to determine the amount of loss from impairment (if such exists).

In cases when it is impossible to estimate the recoverable amount of an individual asset, the Institution estimates the recoverable amount of the unit to which the asset belongs. The Institution also allocates the cost of corporate assets to separate generating units for which a reasonable and consistent allocation basis can be found.

The recoverable amount is determined as the higher of two values: fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets, for which the estimated future cash flows have not been adjusted.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Losses from impairment are reflected immediately in the statement of profit or loss and other comprehensive income.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated depreciation and impairment losses. Amortization of intangible assets is calculated on a straight-line basis and begins when the asset is ready for use. Estimated useful lives, residual values and depreciation methods are reviewed at the end of each year and, if necessary, corrected. Intangible assets consist of computer software with a useful life of 3 years.

#### **Taxation**

##### *Corporate income tax*

Corporate income tax is calculated in accordance with the legislation of the Republic of Kazakhstan and is represented as the sum of current and deferred tax. According to Tax code of the Republic of Kazakhstan, the Institution is exempt from corporate income tax in accordance with tax legislation of the Republic of Kazakhstan, if the aggregate annual income from education activities is more than 90% of the total revenue.

##### *Value added tax (hereinafter – "VAT")*

The subject of VAT is a taxable turnover of Institution, which consists of the turnover from the sale of goods and services in the Republic of Kazakhstan and taxable import of the Institution, defined as goods imported or moved into the territory of the Republic of Kazakhstan (except for VAT exempts), being a subject to declaration in accordance with the customs legislation of the Republic of Kazakhstan.

In accordance with Article 289 of the Tax Code of the Republic of Kazakhstan the services rendered by non-for-profit organizations such as pre-school education, primary, basic secondary, general secondary, additional education, technical and professional, post-secondary, high and postgraduate professional education, carried out under the appropriate licenses for conduct of these activities are exempt from VAT.

In determining the amount of tax payable to the budget, the University has the right to offset the amounts of value added tax payable for the goods received, including fixed assets, intangible and biological assets, investments in real estate, works and services, if used or will be used for the purpose of taxable turnover.

If the Institution has taxable and non-taxable turnovers, including VAT exempt from value added tax, the value added tax is offset by a proportional method.



**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Advances paid**

Advances paid to suppliers are presented in the financial statements at historical cost less allowance for doubtful debts. Advances are classified as long-term if the expected period of receiving goods or services related to them exceeds one year, or if advances relate to assets that will be presented as long-term on initial recognition. Advances paid of the acquired assets is included in their carrying amount when the Institution obtains control over these assets and it is probable that future economic benefits associated with them will be received by the Institution. Other advances are written off by the time of receiving goods or services, related to them. If there is an indication that assets, goods or services, related to advances, would not be received, the carrying value of advances is a subject to reduction, and related reserve presented in profit or loss for the year.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Weighted average costing method is used for measuring cost of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less costs of sales.

**Provisions**

Provisions are recognized when the Institution has present obligations (legal or constructive) arising as a result of past events, for which settlement probably will need to outflow resources, embodying economic benefits and the amount of such obligations can be reliably measured.

The amount of provision is the best estimate of indemnification required to settle the obligation in the end of the reporting period, which takes into account risks and uncertainties, related with the obligation. In the case of estimation of provision with cash flows required to settle the obligations, the carrying amount of obligation is defined as the cost of such cash flows.

**Recognition of revenue and expenses**

*Revenue*

Contracts with customers contain the agreed rights and obligations of the parties, conditions for the cost and volume of services are defined. The Institution recognizes revenue from the provision of services as the process of rendering services is completed at each reporting date, as the obligations to provide services are fulfilled over time, and the customer simultaneously receives and consumes the benefits associated with the fulfillment of the specified obligation by the Institution as it is fulfilled. The cost of each service is determined in the contract and does not contain a variable consideration.

*Revenue from state grants for the reimbursement of costs*

Revenue from state grants for the reimbursement of costs contain the agreed rights and obligations of the parties, the conditions for the cost and volume of services are determined in accordance with the agreement concluded with the state institution - Ministry of Education and Science of the Republic of Kazakhstan. The Institution recognizes revenue from state grants for the reimbursement of costs for training of specialists with higher and postgraduate education as the service is completed at each reporting date within other income.

*Expenses*

Expenses are recognized at the moment of actual receipt of relevant goods or services, regardless of when cash was paid and are recorded in the financial statements in the period to which they relate.

**Taxes and deductions from employees' remuneration**

In 2020, the Institution pays a social tax to the state budget of the Republic of Kazakhstan in accordance with the tax law of the Republic of Kazakhstan at a flat rate of 9.5% of salaries and other payments to its employees, including material benefits (2019: 9.5%). Part of the social tax at a flat rate of 3.5% is transferred to State Social Insurance Fund JSC (2019: 3.5%).

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Taxes and deductions from employees' remuneration (continued)**

In 2020, the Institution pays obligatory social medical insurance at a rate of 2% of salaries and other payments to its employees, including material benefits (2019: 1.5%).

The Institution also withholds up to 10% from the salaries of its employees as obligatory deductions to Unified Accumulative Pension Fund JSC (2019: 10%).

Apart from deductions to Unified Accumulative Pension Fund JSC, the Institution withholds from the salaries and other payments to its employees, including material benefits, a personal income tax at a flat rate of 10%.

**Financial instruments**

*Key measurement terms*

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss;
- fair value through other comprehensive income.

Financial instruments of the Institution include financial assets and financial liabilities which are carried at amortised cost as described below.

*Amortised cost* is the amount at which the financial instrument was recognised at initial cost less any principal repayments, plus accrued interest, and for financial assets less any write-down for expected impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related assets and liabilities items in the statement of financial position.

*The effective interest method* is a method of allocating interest income or interest expense over the relevant period, to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

*Classification of financial assets*

Financial assets of the Institution include trade and other accounts receivable and cash. The Management determines the classification of its financial assets at initial recognition. Trade and other accounts receivable are recognized initially at fair value plus transaction costs. Subsequently, trade and other accounts receivable are stated at amortized cost using the effective interest method.

*Classification of financial liabilities*

Financial liabilities of the Institution include financial liabilities carried at amortised cost. The Institution's financial liabilities comprise trade accounts payable, loans received and financial aid.

*Initial recognition of financial instruments*

Financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial instruments (continued)

##### *Subsequent measurement of financial assets*

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

##### *Derecognition of financial assets*

The Institution derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Institution has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without a necessity to impose additional restrictions on the sale.

##### *Impairment of financial assets carried at amortised cost*

Expected impairment losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ("cash shortfalls"). This difference is discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The assessment of impairment for financial assets can either be individually or collectively and is based on how an entity manages its credit risk. If an entity has a small number of receivables with large value and these receivables are managed on an account basis (i.e. individually) it may not be appropriate in that case to base the impairment on a provision matrix as such a matrix would unlikely be in line with the expected credit loss of the individual receivable.

Recognition of credit losses is no longer dependent on the Institution first identifying a credit loss event. Instead the Institution considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1);
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2);
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms.

Uncollectible assets are written off against the related impairment loss allowance after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contingent assets and liabilities**

Contingent assets are not recognized in the financial statements but are subject to disclosure if there is a probability of an inflow of economic benefits.

Contingent liabilities are recognized in the financial statements only if there is probability, that in connection with the repayment of such obligations an outflow of resources is required, the amount of which can be determined with sufficient accuracy. In other cases, contingent liabilities are disclosed in the financial statements.

**Events after reporting period**

Events occurred after the end of the year, which provide additional information about the position of the Institution as at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurred after the end of the year that are not adjusting events are disclosed in notes if they are significant.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

Preparation of the financial statements requires the preparation of judgments by management of the Institution and use of subjective estimates and assumptions that affect recorded amounts of assets and liabilities and disclosure of information about potential assets and liabilities at the reporting date of financial statements and recorded amounts of income and expenses during the reporting period. Despite the fact that the estimates are based on historical knowledge and other significant factors, events or actions may arise in such a manner, so actual results may differ from these estimations.

Key assumptions for future and other key sources of estimation of uncertainty at the reporting date that have a significant risk of material adjustment to the carrying amounts of assets and liabilities are presented below.

*Useful lives of property, plant and equipment and intangible assets*

The Institution reviews the remaining useful lives of property, plant and equipment and intangible assets at the end of each reporting period. Assessment of useful lives depends on the factors such as: economic use, repairs and maintenance program, technological improvements and other business conditions. Management assessment of the useful lives of property and equipment reflects corresponding information that is available as at the reporting date.

*Fair value of financial assets*

For trade accounts receivable, the Institution has adopted the simplified approach provided by IFRS 9 and calculated expected credit losses for the entire term. The Institution used a reserve matrix based on observable historical defaults over the life of trade receivables, which are adjusted for forecast estimates. The Institution also performs impairment analysis on an individual basis with respect to specific borrowers based on information on actual losses incurred in the past, current conditions, reasonable and justified forecasts.

*Deferred tax assets*

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which these assets can be offset. To determine the amount of deferred tax assets that can be recognized in the financial statements, the Institution applies significant judgments regarding the probable timing of the receipt and value of future taxable profits, as well as the tax planning strategy.

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 5. CASH

As at December 31, 2020 and 2019 cash is presented as follows:

| In thousands of tenge                      | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| Cash on current bank accounts, in tenge    | 388,702              | 221,802              |
| Cash on current bank accounts, in currency | 13,241               | 12,832               |
| Cash on card accounts                      | 3,877                | 703                  |
| Less: allowance for expected credit losses | (7,452)              | (3,383)              |
|  | <b>398,368</b>       | <b>231,954</b>       |

As at December 31, 2020 and 2019 cash has not been pledged as collateral or restricted in use.

The movement of the allowance for expected credit losses is presented as follows:

| In thousands of tenge                                   | 2020         | 2019         |
|---|--------------|--------------|
| At the beginning of the year under IFRS 9, recalculated | 3,383        | 942          |
| Accrual for the year                                    | 4,069        | 2,441        |
| <b>At the end of the year</b>                           | <b>7,452</b> | <b>3,383</b> |

Cash is denominated in the following currencies:

| In thousands of tenge | December 31,<br>2020 | December 31,<br>2019 |
|-----------------------|----------------------|----------------------|
| Tenge                 | 385,208              | 219,334              |
| US Dollar             | 8,177                | 432                  |
| British pound         | 4,630                | –                    |
| Euro                  | 275                  | –                    |
| Russian ruble         | 78                   | 12,188               |
|                       | <b>398,368</b>       | <b>231,954</b>       |

The amounts include the allowance for expected credit losses.

### 6. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at December 31, 2020 and 2019 trade and other accounts receivable are presented as follows:

| In thousands of tenge                      | Notes | December 31,<br>2020 | December 31,<br>2019 |
|--|-------|----------------------|----------------------|
| Accounts receivable from third parties     |       | 298,296              | 236,198              |
| Accounts receivable from related parties   | 24    | 162                  | 36,188               |
| Other receivable from third parties        |       | 13,270               | 2,140                |
|  |       | <b>311,728</b>       | <b>274,526</b>       |
| Less: allowance for expected credit losses |       | (101,541)            | (130,978)            |
|  |       | <b>210,187</b>       | <b>143,548</b>       |

As at December 31, 2020 and 2019 trade and other accounts receivable are presented in tenge.

The movement of the allowance for expected credit losses for the years ended December 31, 2020 and 2019 is as follows:

| In thousands of tenge         | 2020           | 2019           |
|-------------------------------|----------------|----------------|
| At the beginning of the year  | 130,978        | 95,740         |
| Accrual for the year          | 36,165         | 83,861         |
| Written off                   | (65,602)       | (48,623)       |
| <b>At the end of the year</b> | <b>101,541</b> | <b>130,978</b> |

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 7. FINANCIAL AID GIVEN

As at December 31, 2020 and 2019 financial aid given are presented as follows:

| In thousands of tenge                      | Notes | December 31,<br>2020 | December 31,<br>2019 |
|--|-------|----------------------|----------------------|
| Financial aid given to related parties     | 24    | 421,809              | 54,920               |
| Less: allowance for expected credit losses |       | (54,920)             | –                    |
|  |       | <b>366,889</b>       | <b>54,920</b>        |

In December 2020, the Institution issued an interest-free financial aid to a related party in the amount of 425,000 thousand tenge with a maturity date at 30 June 2024.

The financial aid was recognized at fair value, which was determined as discounted future cash flows using an effective interest rate of 8.6%, which is the weighted average rate for loans with similar characteristics. The amount of the adjustment to fair value for 2020 amounted to 58,111 thousand tenge and was included in statement of changes in equity.

The Institution has estimated that the issued financial aid will not be collected, respectively, in 2020 the Institution accrued a reserve in the amount of 54,920 thousand tenge, that was included in statement of profit or loss and other comprehensive income.

### 8. ADVANCES PAID

As at December 31, 2020 and 2019 advances paid are presented as follows:

| In thousands of tenge                 | Notes | December 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------|-------|----------------------|----------------------|
| Advances paid for goods and services  |       | 40,551               | 37,871               |
| Advances paid for management services | 24    | 23,707               | 55,399               |
| Advances paid for education           |       | 6,801                | 17,680               |
| Advances paid for rent                |       | 2,874                | 13,742               |
| Other advances paid                   |       | 13,023               | 6,525                |
| <b>Total current advances paid</b>    |       | <b>86,956</b>        | <b>131,217</b>       |
| Less: allowance for advances paid     |       | (11,363)             | (11,363)             |
|                                       |       | <b>75,593</b>        | <b>119,854</b>       |

The movement of the allowance for advances paid is as follows:

| In thousands of tenge         | 2020          | 2019          |
|-------------------------------|---------------|---------------|
| At the beginning of the year  | 11,363        | 16,795        |
| Recovered for the year        | –             | (5,432)       |
| <b>At the end of the year</b> | <b>11,363</b> | <b>11,363</b> |

### 9. OTHER CURRENT ASSETS

As at December 31, 2020 and 2019 other current assets are presented as follows:

| In thousands of tenge      | December 31,<br>2020 | December 31,<br>2019 |
|----------------------------|----------------------|----------------------|
| Receivables from employees | 55,425               | 5,147                |
| Other taxes                | 4,405                | 245                  |
| Value added tax            | 481                  | 15,677               |
| Other assets               | 1,759                | 211                  |
|                            | <b>62,070</b>        | <b>21,280</b>        |

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 10. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment for the years ended December 31, 2020 and 2019 is as follows:

| In thousands of tenge                          | Land             | Buildings and constructions | Machinery and equipment | Vehicles      | Library books  | Other items    | Total            |
|--|------------------|-----------------------------|-------------------------|---------------|----------------|----------------|------------------|
| <b>Historical cost</b>                         |                  |                             |                         |               |                |                |                  |
| <b>As at December 31, 2019</b>                 | <b>1,367,628</b> | <b>2,928,171</b>            | <b>366,159</b>          | <b>48,204</b> | <b>145,350</b> | <b>344,383</b> | <b>5,199,895</b> |
| Additions                                      | –                | 4,434                       | 20,738                  | 83            | 5,108          | 26,153         | 56,516           |
| Disposals                                      | –                | –                           | (55,218)                | –             | (34)           | (2,428)        | (57,680)         |
| <b>As at December 31, 2019</b>                 | <b>1,367,628</b> | <b>2,932,605</b>            | <b>331,679</b>          | <b>48,287</b> | <b>150,424</b> | <b>368,108</b> | <b>5,198,731</b> |
| Additions                                      | –                | –                           | 8,652                   | 44,990        | 6,606          | 8,628          | 68,876           |
| Internal transfers                             | –                | 28,732                      | (24,704)                | –             | (3)            | (4,025)        | –                |
| Disposals                                      | –                | (728)                       | (208,308)               | (40,362)      | (52,642)       | (228,035)      | (530,075)        |
| <b>As at December 31, 2020</b>                 | <b>1,367,628</b> | <b>2,960,609</b>            | <b>107,319</b>          | <b>52,915</b> | <b>104,385</b> | <b>144,676</b> | <b>4,737,532</b> |
| <b>Accumulated depreciation and impairment</b> |                  |                             |                         |               |                |                |                  |
| <b>As at December 31, 2018</b>                 | <b>–</b>         | <b>216,497</b>              | <b>263,021</b>          | <b>40,039</b> | <b>93,423</b>  | <b>203,654</b> | <b>816,634</b>   |
| Depreciation accrued                           | –                | 76,256                      | 39,464                  | 4,294         | 12,165         | 45,476         | 177,655          |
| Disposals                                      | –                | –                           | (55,027)                | –             | (13)           | (1,337)        | (56,377)         |
| <b>As at December 31, 2019</b>                 | <b>–</b>         | <b>292,753</b>              | <b>247,458</b>          | <b>44,333</b> | <b>105,575</b> | <b>247,793</b> | <b>937,912</b>   |
| Depreciation accrued                           | –                | 65,584                      | 7,240                   | 3,503         | 10,108         | 29,601         | 116,036          |
| Disposals                                      | –                | (528)                       | (197,315)               | (35,994)      | (52,561)       | (199,090)      | (485,488)        |
| <b>As at December 31, 2020</b>                 | <b>–</b>         | <b>357,809</b>              | <b>57,383</b>           | <b>11,842</b> | <b>63,122</b>  | <b>78,304</b>  | <b>568,460</b>   |
| <b>Carrying value</b>                          |                  |                             |                         |               |                |                |                  |
| As at December 31, 2019                        | 1,367,628        | 2,639,852                   | 84,221                  | 3,954         | 44,849         | 120,315        | 4,260,819        |
| <b>As at December 31, 2020</b>                 | <b>1,367,628</b> | <b>2,602,800</b>            | <b>49,936</b>           | <b>41,073</b> | <b>41,263</b>  | <b>66,372</b>  | <b>4,169,072</b> |

As at December 31, 2020 and 2019 fully depreciated property, plant and equipment amounted to 56,512 thousand tenge and to 411,197 thousand tenge, respectively.

As at December 31, 2020, fixed assets with a carrying value of 2, 139,688 thousand tenge with an adjacent land plot of 1.7 hectares, cadastral number 20-313-015-178, located at the address: Almaty, Bostandyk district, Rozybakiev street, house 227, owned by the Institution were collateral for the loan (December 31, 2019: 2,137,503 thousand tenge) (Note 11).

### 11. LOANS RECEIVED

As at December 31, 2020 and 2019 loans received are presented as follows:

| In thousands of tenge        | Interest rate | Currency | December 31, 2020 | December 31, 2019 |
|------------------------------|---------------|----------|-------------------|-------------------|
| Halyk Bank of Kazakhstan JSC | 12%-15%       | tenge    | 1,354,846         | 1,632,517         |
| <b>Less: current portion</b> |               |          | <b>579,445</b>    | <b>444,581</b>    |
| <b>Non-current portion</b>   |               |          | <b>775,401</b>    | <b>1,187,936</b>  |

On August 29, 2017, the Institution signed the credit line agreement with Kazkommertsbank JSC (currently Halyk Bank of Kazakhstan JSC). The purpose of the loan was refinancing of loan debts with Capital Bank Kazakhstan JSC and replenishment of working capital. In 2020, the Institution received tranches for a total amount of 187,217 thousand tenge under the credit line agreement (2019: 387,104 thousand tenge). The repayment term of the credit line is May 27, 2024. The interest rate on the loan is 12%-15%. The collateral is buildings with an attached land (Note 10).

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 11. LOANS RECEIVED (CONTINUED)

For the year ended December 31, 2020, the Institution repaid principal amount in the amount of 510,428 thousand tenge (2019: 670,049 thousand tenge).

For the year ended December 31, 2020, accrued interest amounted of 204,590 thousand tenge (2019: 236,744 thousand tenge) (Note 21).

According to schedule, the payment of interest is performed on monthly basis. As at December 31, 2020, interest payable amounted to 55,028 thousand tenge (2019: 9,488 thousand tenge).

### 12. CONTRACT LIABILITIES

As at December 31, 2020 and 2019 contract liabilities are presented as follows:

| In thousands of tenge              | Notes | December 31,<br>2020 | December 31,<br>2019 |
|------------------------------------|-------|----------------------|----------------------|
| Third party contract liabilities   |       | 1,122,151            | 592,925              |
| Related party contract liabilities | 24    | –                    | 7,344                |
|                                    |       | <b>1,122,151</b>     | <b>600,269</b>       |

As at December 31, 2020 and 2019 contract liabilities are presented as prepayment for educational services from legal entities and individuals.

### 13. FINANCIAL AID RECEIVED

As at December 31, 2020 and 2019, financial aid received are presented as follows and that is due on demand. Financial aid received for financing working capital replenishment.

| In thousands of tenge              | Notes | December 31,<br>2020 | December 31,<br>2019 |
|------------------------------------|-------|----------------------|----------------------|
| Financial aid from related parties | 24    | 15,897               | 11,250               |
|                                    |       | <b>15,897</b>        | <b>11,250</b>        |

During 2020, the Institution recognized an amount of 11,297 thousand tenge (2019: 35,000 thousand tenge) in other income that was not claimed by a third party (Note 22).

During 2020, the Institution did not repay the debt (2019: 8,000 thousand tenge).

### 14. TRADE ACCOUNTS PAYABLE

As at December 31, 2020 and 2019 trade accounts payable is presented as follows:

| In thousands of tenge  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| Payables for goods and services  | 58,109               | 67,883               |
| Payables to partner universities   | 29,507               | 72,344               |
| Payables to suppliers and contractors for the construction of educational campus | 6,034                | 35,069               |
| Other payables   | 6,200                | 9,382                |
|  | <b>99,850</b>        | <b>184,678</b>       |



# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 15. OTHER CURRENT LIABILITIES

As at December 31, 2020 and 2019 other current liabilities are presented as follows:

| In thousands of tenge        | December 31,<br>2020 | December 31,<br>2019 |
|------------------------------|----------------------|----------------------|
| Unused vacation accruals     | 181,018              | 182,615              |
| Pension contributions        | 11,456               | 10,075               |
| Salary payable to employees  | 9,428                | 67,157               |
| Corporate income tax payable | 8,800                | 5,853                |
| Personal income tax          | 7,870                | 4,652                |
| Value added tax              | 2,600                | 1,311                |
| Other taxes                  | 8,388                | 2,599                |
|                              | <b>229,560</b>       | <b>274,262</b>       |

Movement in the unused vacation accruals is presented as follows:

| In thousands of tenge    | Notes  | 2020           | 2019           |
|--------------------------|--------|----------------|----------------|
| As at January 1          |        | 182,615        | 219,856        |
| Accrued                  | 17, 19 | 160,171        | 142,792        |
| Used                     |        | (161,768)      | (180,033)      |
| <b>As at December 31</b> |        | <b>181,018</b> | <b>182,615</b> |

### 16. TAXATION

Corporate income tax is calculated in accordance with the legislation of the Republic of Kazakhstan and is represented as the sum of current and deferred tax. The Institution is exempt from corporate income tax in accordance with tax legislation of the Republic of Kazakhstan if the aggregate income from education activities is more than 90% of the total revenue. In 2020 and 2019, the normative rate of income tax was set at 20%.

Corporate income tax expenses include:

| In thousands of tenge                  | December 31,<br>2020 | December 31,<br>2019 |
|--|----------------------|----------------------|
| Current corporate income tax expense   | -                    | -                    |
| Deferred corporate income tax expenses | -                    | -                    |
| <b>Corporate income tax benefit</b>    | <b>-</b>             | <b>-</b>             |

The effective rate of corporate income tax differs from the normative rate of corporate income tax. The following is a reconciliation of corporate income tax expense based on the statutory rate, with actual costs:

| In thousands of tenge                                     | December 31,<br>2020 | December 31,<br>2019 |
|---|----------------------|----------------------|
| Profit before taxation                                    | 361,805              | 91,568               |
| Official rate   | 20%                  | 20%                  |
| Theoretical benefit in corporate income tax               | 72,361               | 18,314               |
| Non-taxable income  | (181,892)            | (58,423)             |
| Non-deductible expenses                                   | 11,076               | 1,613                |
| The effect of changing an unrecognized deferred tax asset | 98,455               | 38,496               |
| <b>Corporate income tax benefit</b>                       | <b>-</b>             | <b>-</b>             |

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be used. Deferred tax assets are reduced to the extent that there is no longer any probability that the relevant tax savings will be realized.

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 16. TAXATION (CONTINUED)

The deferred tax balances calculated by applying the statutory tax rates effective at the balance sheet date to the temporary differences between the tax base of assets and liabilities and the amounts presented in the financial statements include the following as at December 31:

| In thousands of tenge   | December 31,<br>2020 | Changes<br>recognized in<br>statement of<br>profit or loss | December 31,<br>2019 | Changes<br>recognized in<br>the statement<br>profit or loss | December 31,<br>2018 |
|---|----------------------|--|----------------------|---|----------------------|
| <b>Deferred tax assets</b>                                      |                      |  |                      |   |                      |
| Property, plant and equipment                                   | 377,363              | 92,824   | 284,539              | 36,754  | 247,785              |
| Unused vacation accruals  | 36,204               | (319)  | 36,523               | (7,448)   | 43,971               |
| Expected credit losses  | 35,055               | 5,910  | 29,145               | 6,638   | 22,507               |
| Reserve for write off of inventories to<br>net realisable value | 2,592                | 40   | 2,552                | 2,552   | -                    |
| Total deferred tax asset  | 451,214              | 98,455   | 352,759              | 38,496  | 314,263              |
| Provision on deferred tax asset                                 | (451,214)            | (98,455)   | (352,759)            | (38,496)  | (314,263)            |
|   | -                    | -  | -                    | -   | -                    |

### 17. REVENUE FROM EDUCATIONAL SERVICES

For the years ended December 31, 2020 and 2019 revenue from educational services are presented as follows:

| In thousands of tenge                   | 2020      | 2019      |
|---|-----------|-----------|
| Bachelor                                | 1,409,855 | 1,231,537 |
| Master of Business Administration (MBA) | 666,503   | 744,130   |
| Additional courses and seminars         | 329,289   | 331,092   |
| Doctor of Business Administration       | 77,211    | 86,209    |
| Masters                                 | 46,955    | 66,498    |
| Other                                   | 15,334    | 7,066     |
|   | 2,545,147 | 2,466,532 |

### 18. COST OF EDUCATIONAL SERVICES

For the years ended December 31, 2020 and 2019 costs of educational services are presented as follows:

| In thousands of tenge  | Notes | 2020      | 2019      |
|--|-------|-----------|-----------|
| Payroll and related taxes  |       | 637,500   | 669,633   |
| Unused vacation accruals   | 15    | 86,148    | 85,224    |
| Event expenses   |       | 74,965    | 117,806   |
| Rent   |       | 69,060    | 67,915    |
| Expenses for professors' trainings                                   |       | 46,721    | 27,366    |
| Contributions to partner universities                                |       | 45,611    | 73,595    |
| Scholarships for the project on Economic Empowerment of Afghan Women |       | 41,685    | 14,962    |
| Depreciation and amortization  | 10    | 35,210    | 71,884    |
| Business trip expenses   |       | 25,371    | 65,267    |
| Materials  |       | 15,465    | 21,500    |
| Advertising expenses   |       | 15,197    | 15,148    |
| Other  |       | 10,552    | 1,973     |
|  |       | 1,103,485 | 1,232,273 |

Contributions to partner universities are presented by expenses for study of students in partner-universities for corresponding programs.

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 19. SELLING EXPENSES

For the years ended December 31, 2020 and 2019, selling expenses are presented as follows:

| In thousands of tenge         |    | 2020           | 2019           |
|-------------------------------|----|----------------|----------------|
| Payroll and related taxes     |    | 43,452         | 36,786         |
| Depreciation and amortization | 10 | 31,324         | 46,978         |
| Advertising expenses          |    | 22,822         | 35,547         |
| Materials                     |    | 9,500          | 5,647          |
| Event expenses                |    | 7,866          | 10,791         |
| Business trip expenses        |    | 99             | 3,730          |
| Other                         |    | 6,463          | 15,570         |
|                               |    | <b>121,526</b> | <b>155,049</b> |

### 20. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended December 31, 2020 and 2019, general and administrative expenses are presented as follows:

| In thousands of tenge                         | Notes | 2020             | 2019           |
|---|-------|------------------|----------------|
| Payroll and related taxes                     |       | 492,349          | 461,710        |
| Unused vacation accruals                      | 15    | 74,023           | 57,568         |
| Depreciation and amortization                 | 10    | 55,878           | 60,008         |
| Taxes, other than corporate income tax        |       | 55,379           | 8,065          |
| Materials                                     |       | 50,317           | 51,825         |
| Rent  |       | 41,633           | 20,202         |
| Management services                           |       | 40,000           | -              |
| Utility expenses                              |       | 21,971           | 26,659         |
| Security expenses                             |       | 21,851           | 23,723         |
| Expenses for professors' trainings            |       | 20,605           | 23,455         |
| Event expenses                                |       | 17,797           | 7,359          |
| Professional services                         |       | 14,974           | 6,799          |
| Cleaning services                             |       | 14,687           | 29,183         |
| Communication services                        |       | 11,768           | 20,174         |
| Business trip expenses                        |       | 10,538           | 36,808         |
| Current expenses for repair works             |       | 5,455            | 29,939         |
| Bank services                                 |       | 3,826            | 5,755          |
| Office supplies                               |       | 2,671            | 9,439          |
| Transportation expenses                       |       | 2,342            | 17,917         |
| Insurance                                     |       | 2,194            | 11,965         |
| Allowance for doubtful debts on advances paid | 8     | -                | (5,432)        |
| Other   |       | 45,685           | 33,332         |
|   |       | <b>1,005,943</b> | <b>936,453</b> |

### 21. FINANCE EXPENSES, NET

For the years ended December 31, 2020 and 2019, finance expenses are presented as follows:

| In thousands of tenge               | Notes | 2020             | 2019             |
|-------------------------------------|-------|------------------|------------------|
| Interest income on deposits         |       | 11,642           | 6,096            |
| Interest expenses on loans received | 11    | (204,590)        | (236,744)        |
|                                     |       | <b>(192,948)</b> | <b>(230,648)</b> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

**22. OTHER INCOME, NET**

For the years ended December 31, 2020 and 2019, other income is presented as follows:

| In thousands of tenge  | Notes | 2020           | 2019           |
|--|-------|----------------|----------------|
| Income from reimbursement of costs for training of specialists |       | 360,790        | 210,103        |
| Income from rent   |       | 20,950         | 44,173         |
| Income from donated assets                                     | 13    | 11,297         | 35,000         |
| (Loss)/income on disposal of assets, net                       |       | (21,749)       | 365            |
| Other expenses, net  |       | (30,351)       | (21,300)       |
|  |       | <b>340,937</b> | <b>268,341</b> |

For the years ended December 31, 2020 and 2019, the Institution recognized income from state grants for reimbursement of costs for training of specialists with higher and postgraduate education in the framework of the state educational order in accordance with agreements concluded with the Ministry of Education and Science of the Republic of Kazakhstan.

**23. CONTRACTUAL AND CONTINGENT LIABILITIES AND OPERATIONAL RISKS**

**Operating environment**

The economy of the Republic of Kazakhstan continues to show the features inherent in developing countries. Among others, such characteristics include the absence of a freely convertible national currency outside the country and a low level of liquidity of debt and equity securities in the markets.

Prospects for the economic stability of the Republic of Kazakhstan substantially depend on the effectiveness of economic measures taken by the Government, as well as the development of the legal, regulatory and political systems that are outside the scope of control of the Institution.

Financial condition and future operations of the Institution may be adversely affected as a result of continuing economic problems inherent in a developing country. Management cannot predict either the extent or duration of the economic difficulties and to assess their impact, if any, will impact the financial statements.

Management of the Institution believes that is taking necessary measures to support the economical sustainability of the Institution in the current environment. However, further deterioration of the situation in the areas described above could negatively affect the results and financial position of the Institution. It is currently impossible to determine what exactly this influence might be.

Due to the rapid spread of the COVID-19 pandemic in 2020, governments of many countries, including the government of the Republic of Kazakhstan, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closures of businesses and other places, and blocking of certain territories. These measures have impacted the global supply chain, the demand for goods and services, and the scale of business activity. The pandemic itself, as well as associated public health and social measures, are expected to impact the business of organizations across a wide range of industries. The Institution continues to monitor and respond to the COVID-19 pandemic and is implementing preventive measures to keep its employees safe. The Institution is taking measures to reduce the share of non-urgent expenses and limit the involvement of people in education processes. The ongoing global COVID-19 pandemic has unknown but potentially significant consequences in the form of increased volatility, changes in oil prices, supply chain disruptions and reduced demand. Given the nature of the Institution's operations, it is not possible for the Institution to accurately predict which transactions will be affected. The Institution's management believes that the impact of COVID-19 on the Institution's activities was minimal.

**23. CONTRACTUAL AND CONTINGENT LIABILITIES AND OPERATIONAL RISKS (CONTINUED)**

**Taxation**

The Government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations regulating the Institution's operations continue to change rapidly. These changes are characterized by insufficient drafting, availability of different interpretations and arbitrary application by the authorities.

Taxes are reviewed by several bodies that are legally entitled to impose fines and penalties. The absence of reference to the regulations in Kazakhstan results in a lack of clarity and integrity of regulations. Frequent contradictions in legal interpretations in government bodies and between companies and government bodies create uncertainties and conflicts. These facts create tax risks in Kazakhstan which are much more significant in comparison with such in countries with more developed tax systems. The tax authorities have the right to examine tax records for five years after period end in which the tax base is determined and the taxes amount is accrued. Consequently, the Institution may be charged for additional tax liabilities because of tax audits. The Institution believes that it had adequately reflected all tax liabilities based on its interpretations of tax laws.

**Insurance**

The Institution insures employees under obligatory and voluntary health insurance in accordance with the requirements of the legislation of the Republic of Kazakhstan. The Institution bears the risk of loss with respect to the uninsured or partially insured assets and operations.

**Legal issues**

Management believes that there are no pending lawsuits or other claims, the results of which could have a significant impact on the operations or financial position of Institution, and which have not been accrued or disclosed in these financial statements.

**Capital expenditures commitments**

As at December 31, 2020 and 2019 the Institution has no material commitments for capital expenditures.

**Investment related agreements**

As at December 31, 2020 and 2019 the Institution has no investment related agreements.

**24. RELATED PARTY TRANSACTIONS**

In accordance with IAS 24 "Related party disclosures", the parties are considered to be related if one party has the ability to control or exercise significant influence over operating and financial decisions of another party. In deciding whether the parties are related, attention is drawn to the substance of the relationship, rather than the legal form.

Related parties may enter into transactions which have not been carried out between unrelated parties. Prices and conditions of such transactions may differ from the prices and conditions of transactions with unrelated parties.

**Terms and conditions of related party transactions**

Related party transactions were made on terms agreed between the parties, which are not necessarily carried out on arm's length. Outstanding balances at year end are unsecured, are interest free, and the disbursements are made in cash.

Such assessment is carried out each financial year through examining the financial position of a related party and the market in which it operates.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of related party transactions (continued)

As at December 31, 2020 and 2019, the Institution has the following transactions with related parties:

| In thousands of tenge                      | December 31, 2020               |  | December 31, 2019               |  |
|--|---------------------------------|--|---------------------------------|--|
|  | Operations with related parties | Total category as per financial statements | Operations with related parties | Total category as per financial statements |
| <b>Trade and other accounts receivable</b> | <b>162</b>                      | <b>210,187</b>                             | <b>36,188</b>                   | <b>143,548</b>                             |
| - other related parties                    | -                               | -  | 20,494                          | -  |
| - parent Institution                       | 162                             | -  | 15,694                          | -  |
| <b>Financial aid given</b>                 | <b>421,809</b>                  | <b>366,889</b>                             | <b>54,920</b>                   | <b>54,920</b>                              |
| - other related parties                    | 54,920                          | -  | 54,920                          | -  |
| - parent Institution                       | 366,889                         | -  | -                               | -  |
| <b>Advances paid</b>                       | <b>23,707</b>                   | <b>75,593</b>                              | <b>55,399</b>                   | <b>119,854</b>                             |
| - parent Institution                       | 23,707                          | -  | 55,399                          | -  |
| <b>Financial aid received</b>              | <b>15,897</b>                   | <b>15,897</b>                              | <b>11,250</b>                   | <b>11,250</b>                              |
| - other related parties                    | 15,897                          | -  | 11,250                          | -  |
| <b>Contract liabilities</b>                | -                               | <b>1,122,151</b>                           | <b>7,344</b>                    | <b>600,269</b>                             |
| - parent Institution                       | -                               | -  | 7,344                           | -  |

The operations with related parties presented in the statement of profit or loss and other comprehensive income, for the years ended December 31, 2020 and 2019 as follows:

| In thousands of tenge                      | 2020                       |  | 2019                       |  |
|--|----------------------------|--|----------------------------|--|
|  | Related party transactions | Total category as per financial statements | Related party transactions | Total category as per financial statements |
| <b>General and administrative expenses</b> | <b>74,336</b>              | <b>1,005,943</b>                           | <b>8,232</b>               | <b>936,453</b>                             |
| - parent company                           | 74,336                     | -  | 8,232                      | -  |
| <b>Other income, gross</b>                 | -                          | <b>340,937</b>                             | <b>20,013</b>              | <b>268,341</b>                             |
| - other related parties                    | -                          | -  | 20,013                     | -  |

Compensation of key management personnel

The key management personnel consist of the Rector of the Institution, first vice-rector - Director of the institute for educational development, vice-rector for corporate development and advisor of the vice-rector for academic development in total number of 4 persons as at December 31, 2020 (2019: 6 persons).

For the year ended December 31, 2020 total compensation to key management personnel included in general and administrative expenses the statement of profit or loss and other comprehensive income amounted to 45,428 thousand tenge (2019: 52,862 thousand tenge). Compensation to the key management personnel consist of salaries and other short-term benefits in accordance with the Institution's internal regulations.

25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management policies

The Institution monitors and controls the financial risks relating to the operations of Institutions through internal risk reports which analyze exposure to risk and the level of risk. These risks include market risk (including the risk of changes in currency exchange rates), credit risk and liquidity risk. The description of policies of the Institution's risk management is presented below.

Market risk

Market risk is the possible fluctuations in the value of a financial instrument as a result of changes in market prices. The Institution manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions which are considered during the planning of the education process.

**EI ALMATY MANAGEMENT UNIVERSITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)**

**25. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Currency risk**

The Institution has transactions denominated in foreign currencies.

As at December 31, 2020 and 2019 total assets of the Institution denominated in foreign currencies are as follows:

| In thousands of tenge | <b>December<br/>31, 2020</b> | December 31,<br>2019 |
|-----------------------|------------------------------|----------------------|
| US dollar             |                              |                      |
| British pound         | <b>8,177</b>                 | 432                  |
| Euro                  | <b>4,630</b>                 | –                    |
| Russian ruble         | <b>275</b>                   | –                    |
|                       | <b>78</b>                    | 12,188               |

The sensitivity level of 20% is used in the analysis and preparation of internal reporting on the foreign currency risk for key management personnel and reflects management's assessment of reasonably possible changes in exchange rates. The sensitivity analysis only considers balances of monetary items denominated in foreign currencies and adjusts translation of these balances at reporting date considering 20% change in foreign exchange rates.

Strengthening or weakening of the tenge against foreign currencies has an immaterial effect on the financial statements.

**Credit risk**

Credit risk - is the risk of financial loss for the Institution as a result of failure to meet obligation by the client or counterparty under a financial instrument.

The Institution regularly monitors repayment of trade and other accounts receivable. In the financial statements, allowances for all doubtful amounts are created (Note 6).

Trade and other accounts receivable are not rated.

Maximum credit risk exposure may significantly vary depending on individual risks, related to particular assets and overall market risks. For financial assets, maximum credit risk exposure is equal to carrying value of these assets.

Credit risk in respect of cash on current and card bank accounts, using Standard & Poor's credit rating is presented as follows:

| In thousands of tenge        | Country    | <b>December 31,<br/>2020</b> | December 31,<br>2019 | <b>December 31,<br/>2020</b> | December 31,<br>2019 |
|------------------------------|------------|------------------------------|----------------------|------------------------------|----------------------|
| Halyk Bank of Kazakhstan JSC | Kazakhstan | <b>BBB-</b>                  | BB+                  | <b>395,858</b>               | 231,067              |
| Capital Bank Kazakhstan JSC  | Kazakhstan | <b>C</b>                     | CCC+                 | <b>2,510</b>                 | 887                  |
|                              |            |                              |                      | <b>398,368</b>               | <b>231,954</b>       |

Credit risk of the Institution is concentrated in the Republic of Kazakhstan. The exposure of credit risk is monitored in order to ensure compliance with the limits on financial instruments and creditworthiness with guidelines established by the Institution's risk management policy.

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 25. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Impairment assessment

The Institution calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

|     |   |
|-----|---|
| PD  | The <i>Probability of Default</i> is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.  |
| EAD | The <i>Exposure at Default</i> is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. |
| LGD | The <i>Loss Given Default</i> is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.        |

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

#### Credit quality by classes of financial assets

The table below presents an analysis of the credit quality in terms of asset classes for the credit-related items of the statement of financial position based on the Institution's credit rating system.

| 31 December 2020                    |        |         | Standard grade | Sub-standard grade | Impaired       | Total            |
|-------------------------------------|--------|---------|----------------|--------------------|----------------|------------------|
| Cash                                | Note 5 | Stage 1 | 398,368        | –                  | –              | 398,368          |
| Trade and other accounts receivable | 6      | Stage 2 | 210,187        | –                  | –              | 210,187          |
|                                     |        | Stage 3 | –              | –                  | 101,541        | 101,541          |
| Financial aid given                 | 7      | Stage 2 | 366,889        | –                  | –              | 366,889          |
|                                     |        | Stage 3 | –              | –                  | 54,920         | 54,920           |
| <b>Total</b>                        |        |         | <b>975,444</b> | <b>–</b>           | <b>156,461</b> | <b>1,131,905</b> |

  

| 31 December 2019                    |        |         | Standard grade | Sub-standard grade | Impaired       | Total          |
|-------------------------------------|--------|---------|----------------|--------------------|----------------|----------------|
| Cash                                | Note 5 | Stage 1 | 231,954        | –                  | –              | 231,954        |
| Trade and other accounts receivable | 6      | Stage 2 | 143,548        | –                  | –              | 143,548        |
|                                     |        | Stage 3 | –              | –                  | 130,978        | 130,978        |
| Financial aid given                 | 7      | Stage 2 | 54,920         | –                  | –              | 54,920         |
| <b>Total</b>                        |        |         | <b>430,422</b> | <b>–</b>           | <b>130,978</b> | <b>561,400</b> |

#### Trade accounts receivable

The Institution has a portfolio of trade accounts receivable in the amount of 210,187 thousand tenge and operates in one geographic region. Trade accounts receivable consist of a large number of students. Trade accounts receivable are categorized based on common risk characteristics, which represent the ability of students and third parties (payers for students) to pay the full amount under the contractual terms in a timely manner. The estimated provision for losses on trade accounts receivable is valued at an amount equal to the expected credit losses over the life of the instrument.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

25. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade accounts receivable (continued)

The Institution applies a simplified model to recognise expected credit losses over the entire term for all trade accounts receivable. The Institution assesses whether there has been a significant increase in the credit risk of trade accounts receivable since the initial recognition of the financial instrument at each reporting date. Comparing the risk of default (default risk) with respect to trade accounts receivable at the reporting date, the risk of default of a financial instrument in the evaluation on the date of initial recognition. The Institution determines the assumption that a default if the financial asset is overdue for more than 90 days.

Geographical concentration

As at December 31, 2020 and 2019 geographically the assets and liabilities of the Institution are located in the Republic of Kazakhstan.

Liquidity risk

Liquidity risk is a risk that the Institution is not able to repay all its obligations on the date due. The Institution monitors and controls the liquidity risk. The Institution carries out a detailed budgeting and cash forecasting process, to ensure that cash is sufficient for settlement of liabilities.

The tables below represent the contractual terms of the financial liabilities of the Institution. Table was compiled on the basis of undiscounted cash flows of financial liabilities based on the earliest date on which the Institution may be required to pay. The table includes the cash flows of principal amount.

| In thousands of tenge  | Effective interest rate | Less than 3 months | 3 months to 1 year | 1 to 5 years     | More than 5 years | Total as at December 31, 2020 |
|------------------------|-------------------------|--------------------|--------------------|------------------|-------------------|-------------------------------|
| Loans received         | 12-15%                  | 202,345            | 313,031            | 1,140,501        | –                 | 1,655,877                     |
| Financial aid received |                         | –                  | 15,897             | –                | –                 | 15,897                        |
| Trade accounts payable |                         | –                  | 99,850             | –                | –                 | 99,850                        |
|                        |                         | <b>202,345</b>     | <b>428,778</b>     | <b>1,140,501</b> | <b>–</b>          | <b>1,771,624</b>              |

  

| In thousands of tenge  | Effective interest rate | Less than 3 months | 3 months to 1 year | 1 to 5 years     | More than 5 years | Total as at December 31, 2019 |
|------------------------|-------------------------|--------------------|--------------------|------------------|-------------------|-------------------------------|
| Loans received         | 12-15%                  | 306,877            | 425,937            | 2,425,804        | –                 | 3,158,618                     |
| Financial aid received |                         | –                  | 11,250             | –                | –                 | 11,250                        |
| Trade accounts payable |                         | –                  | 184,678            | –                | –                 | 184,678                       |
|                        |                         | <b>306,877</b>     | <b>621,865</b>     | <b>2,425,804</b> | <b>–</b>          | <b>3,354,546</b>              |

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Institution cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Control system should include effective segregation of duties, access, authorization and reconciliation procedures, staff trainings and assessment processes, including the use of internal audit. Management is responsible for managing of operational risks inherent to the Institution's activities, procedures and systems.

# EI ALMATY MANAGEMENT UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (CONTINUED)

### 26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is determined as the amount at which the instrument could be exchanged between knowledgeable parties on a commercial basis, except for situations with forced or liquidation sale. Since there are no significant available market mechanisms to determine fair value, for most of the Institution's financial instruments, in assessing fair value, assumptions based on current economic conditions and specific risks inherent in the instruments are used. The Institution believes that as at December 31, 2020 and 2019 the present value of cash, trade and other accounts receivable, loans received, and trade accounts payable is approximately equal to their fair value.

The Institution uses the following hierarchic structure of valuation methods to determine and disclose information about the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: valuation models for which all inputs which have significant effect on the fair value recorded in the financial statements are observable in the market, either directly or indirectly;
- Level 3: valuation models which use inputs that have significant effect on the fair value recorded in the financial statements that are not based on observable market data.

All Institution's financial assets and liabilities belong to Level 2 of valuation hierarchy except for cash (Level 1).

For the years ended December 31, 2020 and 2019 there were no movement between levels 1, 2 and 3.

### 27. CAPITAL MANAGEMENT

Capital includes retained earnings. The main objective of the Institution in relation to capital management is to ensure about stable creditworthiness and an adequate level of capital for the conduct of the activities of the Institution.

The Institution manages its capital in order to continue to adhere to the principle of going concern together with the maximization of revenue for stakeholders by optimizing the balance of debt and equity. Compared to 2019, the overall strategy of the Institution remained unchanged.

The Institution's management analyzes the capital structure semi-annually. As part of this review, management considers the cost of capital and risks associated with each class of capital.

Debt-to-equity ratio at year-end is presented as follows:

| In thousands of tenge       | December 31,<br>2020 | December 31,<br>2019 |
|-----------------------------|----------------------|----------------------|
| Loans received              | 1,354,846            | 1,632,517            |
| Equity                      | 2,474,503            | 2,170,809            |
| <b>Debt-to-equity ratio</b> | <b>0.55</b>          | <b>0.75</b>          |

### 28. EVENTS AFTER REPORTING DATE

As of the date of these financial statements, there were no significant events after the reporting date.

### 29. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for the issue by the management of the Institution on June 17, 2021.