Taking this opportunity we would like to pay our respects and wish you every success and prosperity!

In accordance with the contract No.06112016 dated 23 November 2016 “On provision of auditing services of correctness of maintenance of accounting and tax accounting”, Independent Audit Company “Eurasiaaudit Kazakhstan” has performed the following services with a view to audit whether the accounting and tax accounting are maintained in compliance with requirements of the RK legislation.

We have conducted a document audit of the accounting data for the period from 1 January 2016 till 31 December 2016 by comparing the primary documents and 1C accounting database, and analyzed correctness of maintenance of accounting in accordance with the International Financial Reporting Standards and the Fund’s accounting policy with a view to determine compliance with requirements of the tax legislation of the Republic of Kazakhstan. A document audit included:

1.2.1. Analysis of correctness of assessment, completeness and timeliness of payment of taxes and other obligatory payments to budget for the period from 1 January 2016 till 31 December 2016;
1.2.2. Review of tax returns; analysis of correctness of preparation of the tax returns and tax registers and maintenance of tax accounting in the Fund in accordance with the legislation of the RK for the period from 1 January 2016 till 31 December 2016;
1.2.3. Reconciliation of the reports submitted with tax accounts and accounts for other payments to budget. Calculation of differences between the tax reports submitted and accounting data for the period from 1 January 2016 till 31 December 2016;
1.2.4. A document audit of the accounting data for the period from 1 January 2016 till 31 December 2016 by comparing the primary documents and 1C accounting database, analysis of correctness of maintenance of accounting in accordance with the International Financial Reporting Standards and the Fund’s accounting policy;
1.2.5. Recommendations on proper execution of the primary accounting documents in accordance with the requirements of the RK tax legislation;
1.2.6. Audit of the accounting documents, accounting records and other necessary documents to determine compliance with the requirements of the RK tax legislation;
1.2.7. Recommendations and consultations in the matters of application of certain provisions of the tax legislation.

In Appendix 1 attached, please, find a complete report covering those violations of the tax and labor legislation of the RK, accounting principles that we have identified during our audit for the period from 1 January 2016 to 31 December 2016.

Faithfully yours,
General Director of IAC “EuraziyaAudit Kazakhstan”,
auditor

Mychkina O.V.
12 June 2017

Appendix No. 1

1. **Tax accounting in the Fund**
   The Fund has no the tax accounting policy that would completely cover the specifics of tax accounting maintenance in the Fund.

   According to the Tax Code, Article 56 *Tax accounting and accounting records*:
   4. A taxpayer (tax agent) shall work out and approve the tax accounting policy at its own discretion.
   5. Tax accounting policy is a document adopted by a taxpayer (tax agent), which determines the procedure of tax accounting maintenance in compliance with the requirements of the Tax Code.

   **Recommendations**
   To reduce the tax risks associated with additional assessment of taxes and other obligatory payments to budget we recommend to make amendments to the Fund’s tax accounting policy that would cover the specifics of the Fund’s tax accounting.

2. **Accounting in the Fund**
   1. The Fund’s accounting policy does not cover completely the specifics of accounting maintenance in the Fund, in particular, principles and dates of recognition of income and expenses and specifics of maintenance of separate accounting of grants.

   **Recommendations**
   To make amendments to the Fund’s accounting policy.

   2. To account the grants the Fund uses the account 3397 and accrues the foreign exchange difference on the grants denominated in the foreign currency.

   **Recommendations**:
   To use the account 3510 *Advances received*, as generally grant financing is received before the major expenses related to grants are incurred. In accordance with the IFRS principles, no foreign exchange difference is accrued on the funds received in advance.

   3. **Recognition of income and expenses on the grants**
   The Fund recognizes expenses related to implementation of grants as at the date of a document, which confirms expenses, while income under the grant is recognized at the expiry date of the grant contract. Therefore, the Fund’s financial statements are distorted as the grant-related expenses can be recognized in one period, while income can be recognized in another period.

   **Recommendations**:
   To recognize income and expenses related to the grant in one accounting period.

   At the end of the reporting period to recognize the grant-related expenses as expenses incurred in the period when a grantmaker recognizes the works performed under the grant.

   If as at 31 December of the current year a grantmaker does not confirm that services under the grant contract have been provided and income cannot be recognized, all expenses related to this grant should be carried forward to the account 1620 *Short-term deferred expenses*

   In this way the expenses related to implementation of grants will be recognized in the Fund’s financial statements in the same period, in which the income from these grants is recognized.
As the grantmakers do not sign the acceptance acts of the works performed, it is necessary to receive a confirmation from them that the reports on works performed under the grant have been accepted in the written form. The date of receipt of confirmation from the grantmaker that the works under the grant have been accepted will be considered as the date of recognition by the Fund of income from the grant.

4. As the Fund is a non-profit organization and not all costs are covered at the expense of the grantmakers, it is required to approve the Fund’s cost estimate on the annual basis that would be covered at the expense of the founders or fee-based services that he Fund may provide.

3. **Cash accounting in 2016**

Accounting data does not comply with the bank statements.

According to the account statement issued by Kazkommertsbank:

<table>
<thead>
<tr>
<th>Number of account with Kazkommertsbank JSC</th>
<th>Currency</th>
<th>Balance as at 01.01.2016</th>
<th>Balance as at 31.12.2016</th>
<th>Comment</th>
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Accounting data

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<td>EUR</td>
<td>0,00</td>
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</tbody>
</table>

Recommendations:

To download data on missing accounts in 1C database as at 31 December 2014 to the accounts of prior period retained earnings/losses.

To recalculate the foreign exchange gain and losses related to the cash denominated in foreign currency for 2015-2016.
4. **Accounting for the Fund’s cash on hand**

1. There are no hard copies of the cash inventory reports for 2016.

2. There is no the Order to confirm that the duties of cashier are imposed on the Fund’s Executive Director.

5. **Accounting for impress amounts**

Malyarchuk N.N. is not an employee of the Fund; however, the Fund accepted an expense report No.1 for KZT 2,080 dated 31 May 2016 and expense report No.6 for KZT 1,980 dated 31 August 2016 for payment of postal services.

According to the accounting rules, expense reports can be provided only by the employees of an entity.

**Recommendations:**
To remove these expense reports as there is not ground to post thereof.

1. **Settlements with suppliers**

The supplier Sabitova Zaira Armiyanovna. The amount specified in the document 00000000134 dated 25 October 2016: receipt of inventories and services is KZT 41,666.67 (translation services), while the works acceptance certificate was signed for KZT 37,500. The amount specified in the document 00000000135 dated 23 November 2016: receipt of inventories and services is KZT 107,333.33 (translation services), while the works acceptance certificate was signed for KZT 96,600.

According to the accounting rules, transactions are recognized in the accounting systems on the basis of the primary accounting documents, one of which is the work acceptance certificate.

**Recommendations:**
To bring the accounting data in accordance with the primary documents.

2. **Calculation of tax risks for 2016**

Prior to 1 April 2016, the Fund’s Executive Director was Malyarchuk N.N.

According to the decisions of the Fund’s founders, no salary was established for the Executive Director for the work in the Fund.

No employment contract was signed with Malyarchuk N.N., nor job description for the Executive Director was approved.

The Fund paid a debt of KZT 118,576 to Malyarchuk N.N. under the expense reports submitted in 2015.

We believe that such amount can be treated as income earned by the Executive Director of the Fund, as it relates to the Fund’s principal activity – to carry out works under the grant.

Additional taxes and obligatory payments to the budget as related to this payment to Malyarchuk N.N. will be as follows:

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<td>Social tax</td>
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<tr>
<td>Social payment</td>
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</tr>
<tr>
<td>Personal income tax</td>
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</table>

**Recommendations:**
To assess additionally and pay these taxes and other off-budget payments for 2016 and fine related to the late payment.
To submit additional tax accounts for the 2-4 quarters of 2016.

IAC “EurasiaAudit Kazakhstan” LLP

Auditor

Mychkina O.V.