REAL ESTATE FUND SAMRUK KAZYNA

ANNUAL REPORT

2017

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REAL ESTATE FUND SAMRUK KAZYNA

KEY INDICATORS OF THE YEAR

REAL ESTATE COMMISSIONED	REAL ESTATE SOLD	NET INCOME
140.8 m^2	35.7 m^2	3.8 B KZT

STRATEGIC OBJECTIVES

In 2017, the Real Estate Fund approved the Development Strategy for 2018–2027.

Vision

The Real Estate Fund is the company that adds value for the shareholders, promotes entrepreneurship development, mobility of population and business in Kazakhstan by creating a proper infrastructure and real estate facilities with the use of modern technologies and partner engagement.

Mission

The Real Estate Fund's role in the development of Kazakhstan is to create modern and comfortable conditions for business and human capital mobility.

Strategic Development Directions

Creating opportunities for business development:

- **Light industrial –** small high-quality industrial premises designed to locate SME in the city for a better access to consumer.
- **Asset management –** management and operation of facilities established as a part of other directions and transferred to the Real Estate Fund under operation.

Promotion of Mobility of Population:

- **Aparthotels and residential apartments –** a set of apartments combining hospitality services and properties of a residential apartment for short-term or long-term accommodation under operation of a professional operator in the economy-class segment.
- **Healthcare real estate –** buildings and facilities of the healthcare infrastructure, such as outpatient hospitals, rehabilitation centers designated for treatment and rehabilitation of population under high-quality conditions.

Territorial Development:

- **Multipurpose zones –** complexes of commercial roadside infrastructure along the main routes to provide integrated services for motorists, passengers of tourist buses, truck drivers to have some rest and refresh on the road.
- **Participating in state programs –** fulfilling tasks within the Governmental resolutions and other regulations.

STATEMENT OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

The Real Estate Fund is actively finishing its participation in the state programs and starting to master new lines of business.

In particular, the Real Estate Fund's portfolio under the Nurly Zher state program was more than 900,000 m^2 as of the end of 2017, of which 373,000 m^2 were commissioned as of the reporting date. We expect that the Real Estate Fund will have commissioned all ongoing projects in full by the end of 2018 and will complete 5 more projects with a volume of 106,400 m^2 in Q2–Q3 2019.

One of the important events in 2017 is the completion of Green Quarter (Zelenyi Kvartal) administrative and residential complex as a part of the International Specialized Exhibition EXPO on Future Energy within the public–private partnership. This complex is the first one on the territory of CIS to be certified by the LEED Campus Group, which confirms compliance with the global standard of environmental and energy efficient construction. Another distinction is that it is an exclusively commercial project unlike those implemented under the state program.

The Real Estate Fund's Development Strategy for 2018–2027 was approved in November 2017, and the Real Estate Fund's strategic directions, mission and vision were reviewed.

The Real Estate Fund's new directions include creation of opportunities for business development (light industrial and asset management), support of population mobility (aparthotels and residential apartment complexes), and territorial development (multipurpose roadside zones). Strategy implementation is based on the principle of investments' profitability.

On March 5, 2018, the President of the Republic of Kazakhstan Nursultan Nazarbayev mentioned five initiatives aimed at social modernization at the joint meeting of the Chambers of Parliament with the third initiative directed towards higher availability and quality of education and improved accommodation conditions for students. Commission of dormitories for 75,000 students until the end of 2022 is suggested as a target value for the third initiative.

Therefore, the Strategy of Real Estate Fund organically reflects one of the significant social initiatives of the Head of the State.

In addition, we would like to mention another important event in the life of the Real Estate Fund – in December 2017 Fitch Ratings Ltd. assigned a BB+ credit rating with a stable outlook to the Real Estate Fund for the first time, which represents an essential phase in the Real Estate Fund's development.

Summing up the 2017 results, I would like to express my gratitude to the members of the Board of Directors, the Real Estate Fund's team and subsidiaries, and our partners for their contribution to the Company's operations.

On behalf of the Board of Directors I wish you all success and prosperity!

Z. Munzhassarov

STATEMENT OF THE CHAIRPERSON OF THE MANAGEMENT BOARD

Dear Shareholders, Partners, Colleagues,

The Real Estate Fund has finished the reporting period with stable operational and financial performance indicators: 140,800 m^2 were commissioned, construction investment contracts were signed for 448,200 m^2 under the Nurly Zher state program in rental and commercial housing. Net income was maintained at the level of 3.8B KZT.

In 2017, the Real Estate Fund successfully commissioned Green Quarter (Zelenyi Kvartal) project in Astana as a part of the International Specialized Exhibition EXPO 2017. On May 31, the Head of the state N.A. Nazarbayev highly appraised the quality of construction at the official opening of the facility.

In November 2017, the Real Estate Fund approved the new Development Strategy for 2018–2027 and determined three key development directions:

1). creation of opportunities for business development.
2). support of population mobility, and
3). territorial development.

In order to create opportunities for business development, industrial and logistics complexes of the 'light industrial' type will be established.

The main goal in promoting population mobility is to build aparthotels and residential apartment complexes. The strategic direction of territorial development involves construction of multipurpose roadside zones.

Additionally, it should be mentioned that Fitch Ratings assigned for the first time BB+ long-term credit rating to the Real Estate Fund in December 2017.

A new development phase is starting in the Real Estate Fund's operations.

The company currently has all resources required for the successful implementation of its future projects.

I would like to thank the Real Estate Fund's team for the work done and wish them new achievements next year!

A. Zhetpisbay

COMPANY PROFILE

Samruk-Kazyna Real Estate Fund JSC has been operating since 2009. The Real Estate Fund, which was established with the purpose of real estate market stabilization in Kazakhstan, has successfully acted as an operator of state programs in the real estate industry over the years of operation.

REAL ESTATE FUND SAMRUK KAZYNA

OUR HISTORY

2009

Samruk-Kazyna Real Estate Fund Joint-Stock Company was founded

Implementation of the State Anti-crisis Program commenced

2010

The Real Estate Fund's subsidiary FN Management LLP was established

2012

The Real Estate Fund was determined as an operator for Nurly Zher Program in Rental Housing

2013

Implementation of Green Quarter (Zelenyi Kvartal) commenced

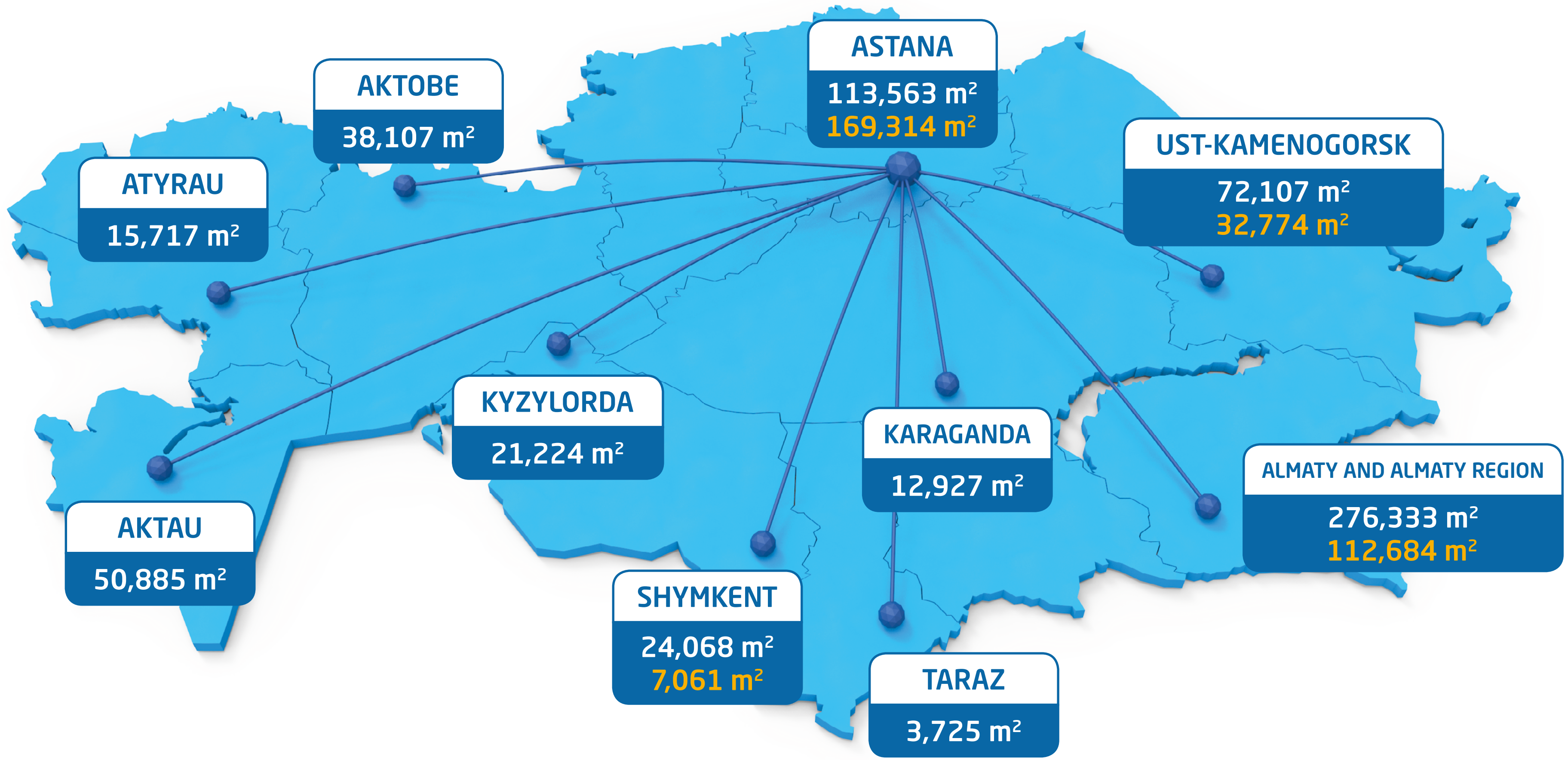
The Real Estate Fund's subsidiary SK Development LLP was established

2016

The Real Estate Fund was determined as the operator for Nurly Zher Program in Commercial Housing

REAL ESTATE FUND SAMRUK KAZYNA

THE GEOGRAPHIC REACH OF THE REAL ESTATE FUND



REAL ESTATE FUND SAMRUK KAZYNA

KEY EVENTS OF THE YEAR

june – july

- The members of the Board of Directors met with the candidate pool
- The Sole Shareholder approved the Real Estate Fund's audited financial statements for 2016 and made a decision to pay dividends on common shares
- The audited financial statements for 2016 were published on the corporate website
- The 2016 Annual Report was published

august – september

- Construction of residential premises of the Green Quarter (Zelenyi Kvartal) complex completed in Astana
- "BB" corporate governance system rating was assigned

october

- The Board of Directors discussed the Sole Shareholder's letter of expectations for 2018

november

- New members of the Board of Directors were elected
- The Chairperson of the Management Board of Samruk-Kazyna JSC met young employees of Samruk-Kazyna Group of Companies
- The new Development Strategy for 2018–2027 was approved

december

- The official ceremony of handling of keys to the residents of apartment buildings in Y.Demessinov Street in Kyzylorda
- Fitch Ratings assigned a "BB+" long term issuer default rating in foreign and national currency to the Real Estate Fund for the first time with a stable outlook
- The new logo of the Real Estate Fund was approved
- Publication of the first separate Real Estate Fund's Sustainable Development Report for 2016

THE REAL ESTATE FUND'S GROUP STRUCTURE

REAL ESTATE FUND SAMRUK KAZYNA

SK Development LLP

- 100% ownership
- founded on March 20, 2013
- housing construction development

FN Management LLP

- 49% ownership stake
- founded on December 10, 2009
- lease/rent of residential and office premises, control of the real estate maintenance and operation

MAJOR PERFORMANCE RESULTS OF SK DEVELOPMENT LLP

Samruk-Kazyna Development LLP (hereinafter referred to as SK Development LLP) was established by Resolution No. 71 of the Board of Directors of the Real Estate Fund dated March 20, 2013. The Charter of SK Development LLP approved on May 6, 2013 outlines the Partnership's major lines of activities for 2014 – 2018 as follows:

1. Housing construction development with eco and green technologies.
2. Housing construction investment for profit generation.
3. Development of industrial zones and business parks.
4. Investment in construction of infrastructural facilities in Kazakhstan and abroad.
5. Improved performance; and
6. Increased company's value.

The Partnership was established in connection with the new tasks set for the Real Estate Fund under the Law On Energy Saving and Energy Efficiency Improvement as well as preparation for International Specialized Exhibition EXPO 2017 in Astana. The main task of SK Development LLP is to carry out the directive for design and construction of the Green Quarter (Zelenyi Kvartal) in the capital city given to Samruk-Kazyna JSC (minutes of the meeting No. 01–7.1 dated January 23, 2013) by the President of the Republic of Kazakhstan.

When implementing investment projects, the Partnership has a wide range of financial and other instruments: establishment of a joint design company, loans, retirement of bonds, investment contracts, special deposit with the second-tier banks, etc. The special deposit mechanism in the amount of 44B KZT with the second-tier banks was chosen for the Green Quarter (Zelenyi Kvartal) to fund the design company Expo Village LLP in the construction of project facilities.

General Review of Financial, Non-Financial Performance

Total income of SK Development LLP for the reporting period was 1,737.27M KZT; the numbers grew compared to the same period in 2016 due to higher amount placed in the special deposit.

#	Description	Reporting year / reporting period, thousand KZT	The same period last year, thousand KZT	Change (+/-)	Change (%)
1	Total income	1,737,269	1,179,014	558,256	47%
2	Sales revenue	1,357,089	824,442	532,647	65%
3	Other income	151	–	151	0%
4	Finance income	380,029	354,572	25,458	7%
5	Total expenses	692,116	364,707	327,409	90%
6	Cost of sales	517,844	164,983	352,861	214%
7	Total administrative expenses	174,143	189,640	–15,497	–8%
8	Other expenses	–	10,084	–10,084	–100%
9	Finance costs	129	–	129	0%
10	Income tax expense	209,026	164,882	44,144	27%

REAL ESTATE FUND SAMRUK KAZYNA

Total expenses of SK Development LLP for the reporting period increased by 90% compared to last year. The main reason is a significant increase in the cost of sales. Cost of sales includes interest expense on the loan issued by Samruk Kazyna Real Estate Fund JSC under the Loan Agreement No.25 dated March 31, 2016. The amount received under the Loan Agreement increased significantly compared to the same period last year and affected the interest expense.

A Sale contract for the ownership stake in the Design Company was signed in addition to the Joint Project Implementation Agreement entered into by SK Development LLP and BI Corporation LLP. Under the terms of the contract SK Development LLP intended to purchase 49.9% stake for 100 KZT, with ownership transfer date being the earlier of the following: April 1, 2018 or facility commissioning date as a part of the Green Quarter (Zelenyi Kvartal) project. In addition SK Development LLP would participate in profit sharing from the sale of the real estate facility. These agreements result in SK Development LLP's right to purchase a stake in EXPO Village LLP, which is a financial derivative under IAS 39.

As of December 31, 2017, an option was recorded in the long-term assets section of SK Development LLP's balance sheet at a fair value of 352.1M KZT. Black-Scholes formula was used to measure the fair value. The fair value of the option has not changed since January 1, 2017.

Development Expenses: Acquisitions and Internal Projects

The sources of project's investment financing include authorized share capital and lines of credit from the Sole Shareholder.

#	Description	UoM	Reporting year / reporting period, thousand KZT	The same period last year, thousand KZT	Change (+/-)	Change (%)
1	Construction investment	billion KZT	41,450,537	30,800,000	10,650,537	135
2	Project's line of credit, remaining balance	billion KZT	29,000,000	15,800,000	13,200,000	184

Strategic Financial KPI

KPI	UoM	Reporting year / reporting period, thousand KZT	The same period last year, thousand KZT	Change (+/-)	Change (%)
Net income	thousand KZT	836,127	659,509	176,618	27
EBITDA margin	%	49	57	–8	–14
ROA	%	1.8%	2.0%	–0.14%	–7

REAL ESTATE FUND SAMRUK KAZYNA

Net income. Compared to last year, this indicator increased by 176.6M KZT in the reporting period due to higher income from operating and non-operating activities.

EBITDA margin for the reporting period reduced compared to 2016 due to increased income from non-operating activities.

ROA. Compared to the same period last year, this indicator has slightly reduced. The main reason for such reduction is higher assets of SK Development LLP.

Balance Sheet as of December 31, 2017

Description	Reporting year / reporting period, thousand KZT	Share in %
Assets	45,624,706	100
Liabilities	29,052,975	64
Equity, including	16,651,778	36
Net income of the reporting period	836,127	2

Assets

Total assets for the reporting period amounted to 45,624.7M KZT, including 3,696.1M KZT of cash and cash equivalents.

Liabilities

64% of SK Development LLP liabilities consist of a short-term loan issued by the Sole Member of SK Development LLP for implementation of the Green Quarter (Zelenyi Kvartal) project.

Equity

There were no significant changes in the equity structure of SK Development LLP in the reporting period.

MAJOR PERFORMANCE RESULTS OF FN MANAGEMENT LLP

FN Management LLP was established pursuant to Resolution No. 17 of the Board of Directors of the Real Estate Fund dated December 10, 2009. The current Partnership's members are:

1. Samruk-Kazyna Real Estate Fund Joint-Stock Company having 49% interest.
2. KAN Group Limited Liability Partnership having 51% interest.

The major line of business is arrangement of rent, lease and sale of premises owned by the Real Estate Fund, rental fee collection and monitoring, integrated maintenance of the facilities and delivery of operation services, management of real estate facilities under trust management of FN Management LLP.

Review of Financial, Non-Financial Performance

Thousand KZT

#	Description	Reporting period	The same period last year	Change (+/-)	Change (%)
1	Total income	295,676	276,203	+19,473	107
2	Sales revenue	290,313	270,725	+19,588	107
3	Finance income	3,104	3,034	+70	103
4	Other income	2,259	2,444	–185	93
5	Total expenses	286,713	281,883	+4,830	102
6	General administrative expenses	189,753	166,192	+23,561	115
7	Operating expenses	96,960	115,691	–18,731	83
8	Income tax expense	1,792	20	+1,772	8,960
9	Net income + / Loss -	7,170	–5,700	+12,870	–

In 2017, FN Management LLP and Baiterek Development JSC entered into the Service Agreement for Trust Management of Property located in the Regions of Kazakhstan within Nurly Zher Housing Construction Program. Under the Agreement, FN Management LLP delivers sales and real estate management services to Baiterek Development JSC.

Total income for 2017 amounted to 295.67M KZT, which is 107% higher than in 2016, including income from operating activities in the amount of 290.31M KZT, which is 107% higher than last year. Higher income compared to last year is a result of significant increase in the number of accepted facilities in the regions under the trust management agreement, including facilities owned by Baiterek Development JSC.

'Operation and Management Income' line item currently accounts for a predominant 57% share of FN Management LLP's operating income.

Finance income amounted to 3.1M KZT, which is 70,000 KZT more than for the same period last year.

Other income from non-operating activities amounted to 2.26M KZT, which is 185,000 KZT less than last year. Other income is comprised of income under the BeNetCom agency agreement and income from cash services provided to lessees.

Total expenses of FN Management LLP consist of general and administrative expenses and expenses for maintenance and operation of residential complexes (operating expenses). Total expenses for the year amounted to 286.7M KZT, which is 102% higher than last year, including general and administrative expenses of 189.7M KZT (115%), operating expenses of 96.96M KZT (83%).

The rise in expenses compared to last year resulted from higher cost of fee-based services delivered in the regions (by 11.7M KZT) associated with residential complexes accepted under the trust management agreement, increased travel expenses due to a business need to accept facilities in the regions (by 6.9M KZT), higher payroll expenses due to increase in headcount to 28 employees (by 8.8M KZT), VAT expenses due to higher taxable turnover (by 2.3M KZT).

Strategic Financial KPI

KPI	UoM	2017	2016	Change (+/-)	Change (%)
Net income (loss)	thousand KZT	7,170	–5,700	12,870	–

Total net income for 2017 equaled to 7.1M KZT; the indicator increased by 12.9M KZT compared to last year. Improved financial performance resulted from higher operating income, in particular, increased income from Baiterek Development JSC facilities accepted under the trust management agreement.

Balance Sheet as of December 31, 2017, thousand KZT

Description	At the end of the reporting period	At the beginning of the reporting period	Var. %
Assets, including	138,065	97,701,	142
Long-term assets	7,185	6,493	111
Short-term assets	130,881	91,208	144
Cash in credit institutions	124	50,269	0.25
Cash	34,255	4,582	748
Equity and liabilities, including	**138,065**	**97,701**	**142**
Equity	**94,298**	**85,335**	**111**
Long-term liabilities	–	–	–
Short-term liabilities	43,768	12,365	354
Retained earnings	31,298	22,335	141

REAL ESTATE FUND SAMRUK KAZYNA

Assets

Short-Term Assets (cash, accounts receivable, etc.) make up a major share of FN Management LLP's assets – 130.9M KZT (95%), a 144% growth compared to last year; Cash and Cash Equivalents increased more than 7 times compared to last year due to increased net cash flows.

Long-Term Assets amounted to 7.2M KZT or 111% compared to last year, mainly due to growth of fixed assets (127%).

Liabilities

FN Management LLP has no long-term liabilities. At the end of the reporting period, short-term liabilities amounted to 43.77M KZT; the amount increased more than three times compared to last year due to higher accounts payable (29.7M KZT in 2017; 6.3M KZT in 2016).

Equity

The equity structure changed in terms of the retained earnings.

Retained earnings amounted to 31.3M KZT, 141% compared to last year. The increase in the indicator resulted from net profit from FN Management LLP's operating activities for 2017 in the amount of 7.2M KZT.

Authorized share capital did not change and equaled 63M KZT.

REAL ESTATE FUND SAMRUK KAZYNA

MACROECONOMIC FACTORS

Real estate prices in the biggest cities (Astana and Almaty) decreased by 5–8% on average, while such price reductions reached 10–11% in some regions.

The real estate market of Kazakhstan was significantly affected by Nurly Zher Program which commenced at the beginning of 2017; it is a more comprehensive housing program compared to others. Nurly Zher Program affects all areas and segments of primary real estate market – from stimulation of supply of facilities at the developer level to demand stimulation via mortgage rate subsidizing programs and protection of equity holders' rights via a guaranteeing system.

The program contributes to gradual resumption of mortgage lending on the secondary market through STB. This trend may gain momentum in 2018.

In addition, the demand for new and primary housing is growing in the market. Up to 80% of buyers prefer primary hosing or apartments in the buildings built after 2000. It is mainly related to poor quality of the old housing facilities and pro-active attitude of the State in supporting economy and construction industry via state programs, which stimulate both demand and supply in the primary market.

In addition, small housing, i.e. 1 or 2-room apartments with an area of 60 m^2 or less remain in demand.

It should be noted that the trend of a slower pace in reduction of housing prices will continue in 2018. Price reductions are expected in the secondary market within the range of 3-4%; this trend could hold until 2019–2020.

1. Social and Economic Development Summary

Short-Term Economic Indicator

The short-term economic indicator in January–December 2017 was 105.2% compared to January–December 2016. The short-term economic indicator is calculated to ensure operational efficiency and based on changes in output indices in basic sectors, such as agriculture, industry, construction, trade, transport, and communication, which make up more than 60% of GDP.

Standard of Living

According to the estimates, average nominal income of population in December 2017 amounted to 85,711 KZT, which is 4.1 times higher than in December 2016; real income for the period reduced by 2.8%.

Labour Market and Remuneration

According to the estimates, the number of unemployed people in December 2017 amounted to 441,800. The unemployment rate was 5% to employment rate. As of the end of December 2017, the number of people registered as unemployed with authorities was 70,300 or 0.8% to employment rate.

According to the estimates, average monthly nominal wage per employee in December 2017 was 168,220 KZT.

REAL ESTATE FUND SAMRUK KAZYNA

Prices

Consumer price index in December 2017 was 107.1% compared to December 2016. Food prices increased by 6.5%, nonfood prices increased by 8.9%, prices of fee-based services for population increased by 5.9%. Manufacturer's prices for industrial products in December 2017 increased by 17.6% compared to December 2016.

National Economy

The volume of manufactured Gross Domestic Product for January–December 2017 (according to recent report) amounted to 51,566,764.1M KZT and increased by 4.0% in real terms compared to the same period last year.

The volume of investment in fixed capital was 8,749.3B KZT in January–December 2017, i.e. 5.5% higher than in 2016.

As of January 1, 2018, the number of registered legal entities was 412,677 and increased by 7.5% compared to the same period last year, including 403,862 entities with headcount of less than 100 people. The number of active legal entities amounted to 256,122, among which are 247,770 small enterprises (with less than 100 people).

Trade

Retail volume for January–December 2017 was 8,847.1B. KZT or 106.3% to the level of the same period in 2016 (in comparable prices).

Wholesale volume for January–December 2017 was 19,911.5B KZT or 101.5% to the level of the same period in 2016 (in comparable prices).

Foreign trade turnover of Kazakhstan in January–December 2017 was 77,646.8M USD and increased by 25% compared to January–December 2016, including 48,342.1M USD of export (31.6% higher), 29,304.7M USD of import (15.5% higher).

Real Sector of Economy

The industrial output in January–December 2017 amounted to 22,659.0B KZT in current prices, which is 7.1% higher than in 2016. The output increased by 9.3% in the mining industry and quarrying, by 5.1% in the processing industry, by 4.9% in the power supply, gas and steam supply and air conditioning. The output in water supply, sewage system, waste collection and disposal management reduced by 0.2%.

The gross output of products (services) in January–December 2017 amounted to 4,097.5B KZT, which is 2.9% higher than in 2016.

Cargo turnover in January–December 2017 amounted to 555.4B tkm (including the cargo turnover of individual entrepreneurs in commercial transportation) and increased by 7.9% compared to January–December 2016. The passenger turnover amounted to 272.8B pkm and increased by 3.3%.

Financial System

According to the Ministry of Finance of the Republic of Kazakhstan, as of December 1, 2017, government revenue amounted to 10,453.9B KZT or 91.3% compared to the budget run. The cost budget implementation amounted to 11,156.4B KZT or 88.8% compared to the budget run. Income increased by 24.1%, costs increased by 34.9% compared to the same period in 2016. Budget deficit (with net budget lending and balance of transactions with financial assets) amounted to 1,244.8B KZT.

As of the end of December 2017, STB credit investment in economy amounted to 12,705.4B KZT and reduced by 0.02% compared to the same period last year. The relevant share of long-term loans in total loans was 85%; with 26.3% share of foreign currency loans. The volume of deposits in the deposit organizations was 17,509.7B KZT, which is 3% less than in the relevant month last year, individual deposits amounted to 8,120.9B KZT and increased by 3.7%.

REAL ESTATE FUND SAMRUK KAZYNA

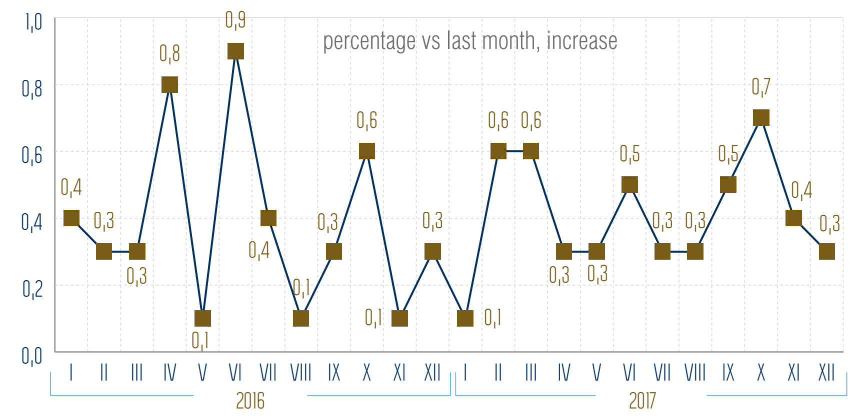
December 2017

	January-December 2017	December 2017	January-December 2017 vs January-December 2016, %	December 2017 vs December 2016, %	December 2017 vs November 2017, %
Prices					
Construction price index, %	100.9	100.3	104.5	105.0	100.3
Volume of construction work, billion KZT	3,480.9	531.2	101.9	112.4	156.5

2. Construction Price Index

at the end of the period, percentage vs last December	
2016	104. 7

percentage vs last month	
December 2016	100.3
December 2017	100.3



percentage

	December 2017 vs			January-December 2017 vs January-December 2016
	November 2017	December 2016	December 2015	
Construction	100.3	105.0	109.9	104.5
Construction and assembly work	100.2	105.4	110.3	104.8
Machinery and equipment	100.4	102.5	106.0	102.5
Other work and costs	100.4	105.6	111.7	105.5

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Purchased Construction Material Price Index

percentage

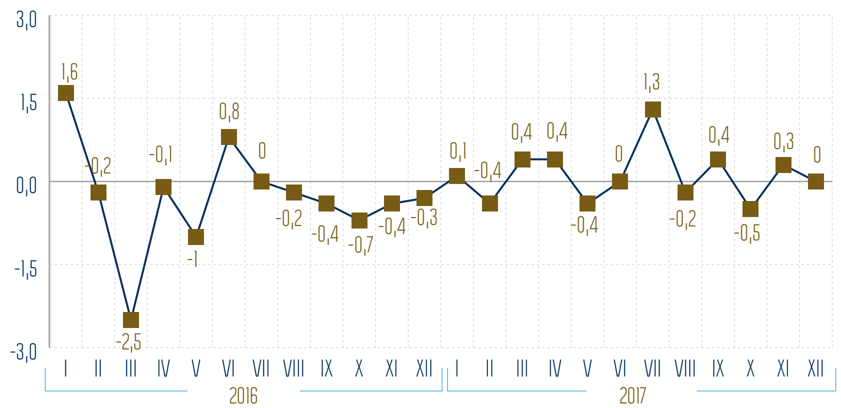
	December 2017 vs			January–December 2017 vs January–December 2016
	November 2017	December 2016	December 2015	
Mining output	102.9	106.2	109.9	103.9
Timber and wooden products	100.5	104.4	106.5	104.2
Paints, varnishes and similar coatings	99.5	101.0	106.8	103.9
Ceramic tiles and boards	98.7	93.1	97.9	96.5
Concrete products for construction purposes	100.0	116.9	118.8	114.4
Concretes and mortars	100.5	102.9	102.3	101.4
Base ferrous metals	99.8	103.5	107.7	102.9
Fabricated structural building materials	101.3	104.3	120.5	114.7

3. Housing Market Pries

New housing selling prices variance

at the end of period in percentage vs last December	
2016	96.4
percentage vs last month	
December 2016	99.7
December 2017	100.0

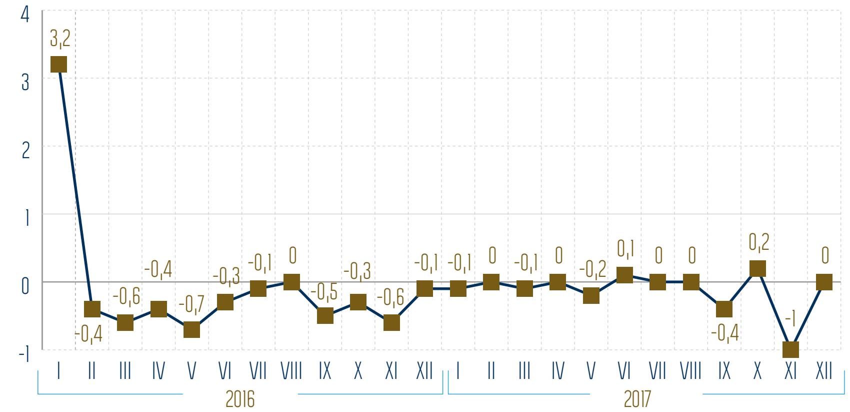
percentage vs last month, increase +, decrease -



Improved housing resale price variation

at the end of period in percentage vs last December	
2016	99.3
percentage vs last month	
December 2016	99.9
December 2017	100.0

percentage vs last month, increase +, decrease -

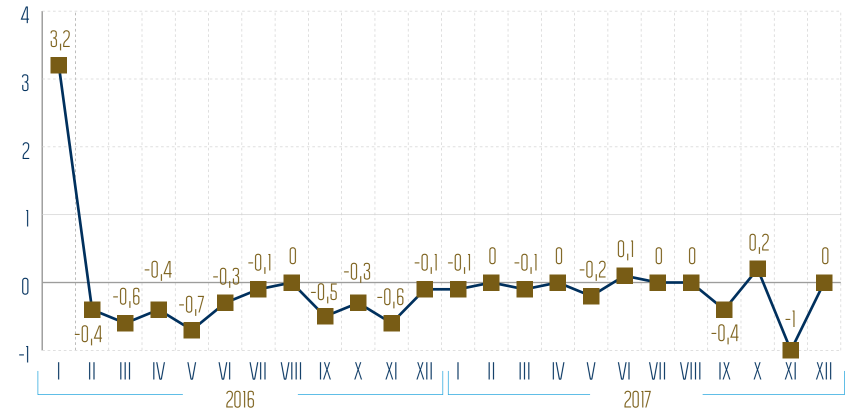


Improved housing rental fee variation

at the end of period in percentage vs last December	
2016	99.8
percentage vs last month	
December 2016	100.0
December 2017	101.1

In December 2017, average selling prices in the Republic for new housing and resale prices for improved housing remained the same as last month. Rental fee for improved housing increased by 1.1%

percentage vs last month, increase +, decrease -



	Price per 1 sq.m, KZT	December 2017 vs			January-December 2017 vs January-December 2016
		November 2017	December 2016	December 2015	
New housing sale	253,242*	0.0	1.3	–2.4	–1.5
Improved housing resale	185,664	0.0	–1.6	–2.3	–2.2
Rental fee for improved housing	1,329	1.1	3.8	3.6	1.2

* Price per square meter of total area of shell and core apartments and finished apartments.

4. Commercial Real Estate Rental Fee Index

at the end of the period, percentage vs last December

2016	101.0

percentage vs lasat month

December 2016	99.9
December 2017	100.1

In December 2017, compared to last month rental fee for industrial premises increased by 1.5%, shopping premises – by 0.1%. Parking lot rental fees decreased by 0.3%.

Rental fees for office premises, restaurants and catering outlets, public service outlets, warehouse premises, other types of commercial real estate remained unchanged.

percentage

	December 2017 vs			January–December 2017 vs
	November 2017	**December 2016**	**December 2015**	**January–December 2016**
Commercial real estate rent	100.1	100.2	101.3	100.4
Office premises	100.0	100.7	101.8	100.6
Shopping premises	100.1	100.2	101.4	100.6
Restaurants and catering outlets	100.0	99.1	100.7	99.7
Public service outlets	100.0	99.6	98.8	99.5
Warehouses premises	100.0	100.3	101.2	100.6
Industrial premises	101.5	101.5	103.1	100.9
Parking lots	99.7	100.1	95.0	96.2
Other types of commercial real estate	100.0	99.9	101.4	99.4

5. Construction

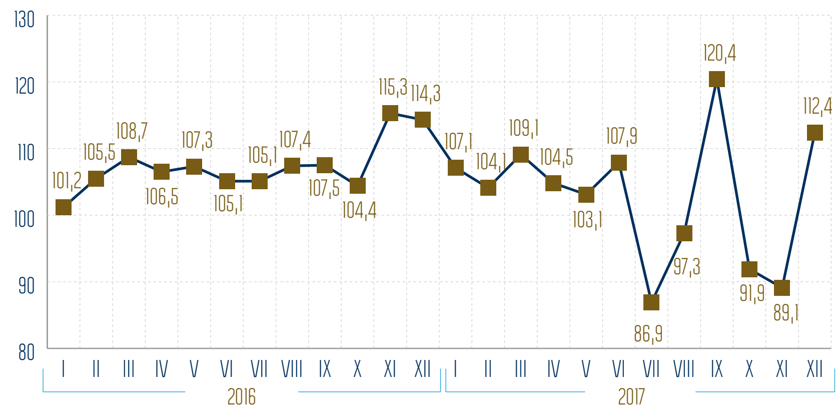
Volume of construction work completed

percentage to the same period last year

Januar–December 2016	107.4
January–December 2017	101.9

In January–December 2017, volume of construction work (services) amounted to 3,480.9B KZT.

percentage to the same month last year



Types of facilities under construction

The biggest volume of work for January–December 2017 was completed in construction of highways and roads (760.5B KZT), engineering structures (645.8B KZT), residential (391.5B KZT) and industrial buildings (394.7B KZT).

The structure of construction work volume

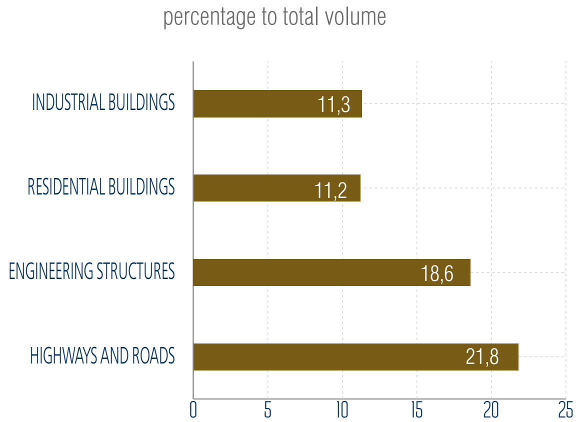
The volume of construction and assembly work increased by 2.5% compared to January–December 2016 and amounted to 2,992.9B KZT. The volume of construction work for overhauls and routine maintenance compared to the same period last year increased by 43.6% and 38.2%, respectively.

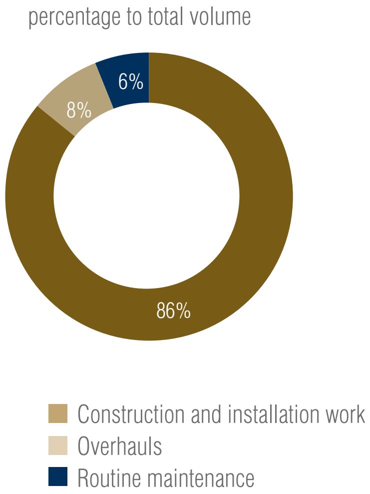
Commissioning of facilities

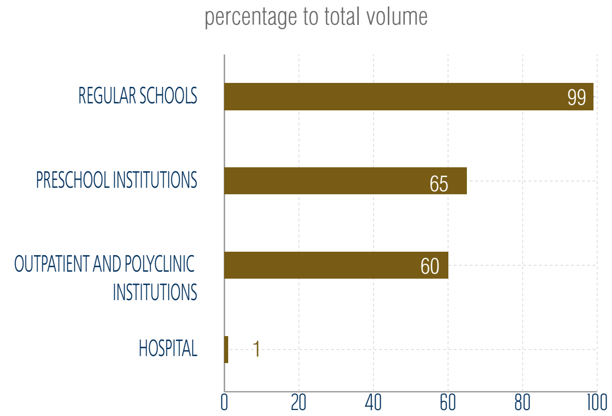
In January–December 2017, 30,825 new buildings were completed, including 27,811 residential buildings and 3,014 nonresidential buildings.

The number of sociocultural facilities commissioned:

- regular schools: 99;
- preschool institutions: 65;
- outpatient and polyclinic institutions: 60;
- hospital: 1.







REAL ESTATE FUND SAMRUK KAZYNA

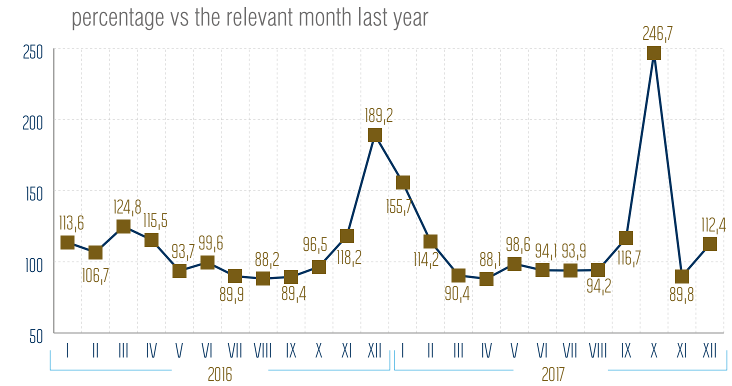
6. Housing Construction

Investment in housing construction

percentage last year	
2016	108.0
January–December 2017	111.6

In January-December 2017, 979.8B KZT were invested in housing construction. The share of housing construction in total volume of investment in fixed capital was 11.2%.

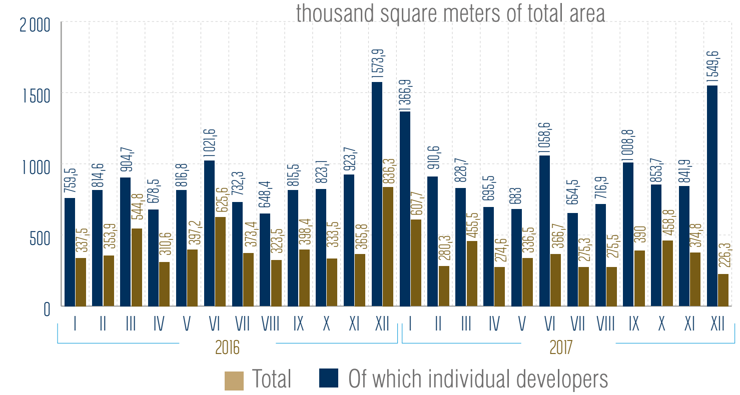
The major source of financing of housing construction in January–December 2017 was developers' own funds with a share of 72.8%.



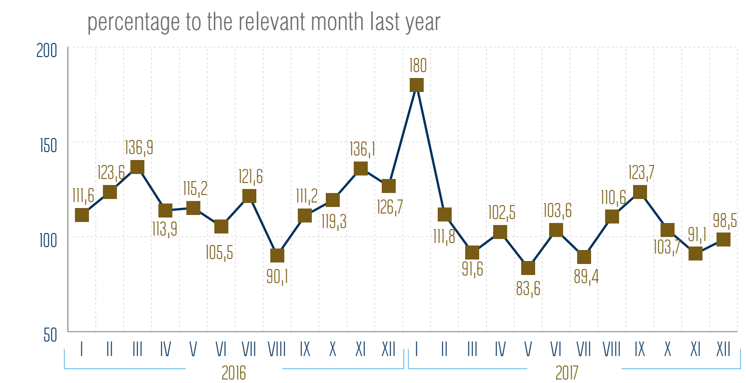
Commissioning of residential buildings

In January–December 2017, total area of residential buildings commissioned was 11,168,000 m², of which 4,322,200 m² by individual developers. The index of physical volume of housing commissioned vs 2016 was 106.2%.

Average actual construction costs per 1 m² of total area of residential buildings in January–December 2017 amounted to 109,200 KZT and 75,700 KZT in residential buildings built by individual developers.



Indices of physical volume of residential buildings commissioned



REAL ESTATE FUND SAMRUK KAZYNA

MAJOR LINES OF BUSINESS

IMPLEMENTATION OF NURLY ZHER PROGRAM IN RENTAL HOUSING

- The Real Estate Fund signed financing contracts for 22 housing construction facilities pursuant to the Nurly Zher Program in Rental Housing in 13 regions of the country.
- Total area of premises is more than 773,300 m², including the area of premises of the Real Estate Fund of 646,400 m², which is 10,900 apartments, 8,300 m² of commercial premises and 485 parking spaces.
- In 2017, financing contracts were signed for 8 facilities, of which: 6 housing construction contracts with 130,900 m² of the Real Estate Fund and two contracts for design and construction of facilities with 18,600 m² of the Real Estate Fund in Astana. In addition, two housing construction contracts were terminated in the reporting period, including one of those signed in 2017, with a total 21,700 m² area of the Real Estate Fund in West Kazakhstan Region and Kokshetau.
- 21,200 m² were commissioned in the reporting period.
- As of the end of 2017, financing was provided for facilities in the amount of 72.7B KZT, including 10.5B KZT in 2017.
- Ten projects are currently funded under this Program by the Real Estate Fund.

Facilities commissioned in 2017

Residential house in Kyzylorda in Zhappasbay Batyr Street

Developer	Bak-Bereke 2030 LLP
Commissioning date	July 13, 2017
Facility	170-apartment residential building on Zhappasbay Batyr Street
City	Kyzylorda
SKREF's investment amount	1.2B KZT
Number of SKREF's apartments	136
Area of SKREF's apartments	8,715.16 m²

Residential houses in Demessinov Street in Kyzylorda

Developer	Bak-Bereke 2030 LLP
Commissioning date	August 29, 2017
Facility	50-apartment residential building No. 1 and 60-apartment residential buildings No. 2, No. 3, No. 4 in Y.Demessinov Street
City	Kyzylorda
SKREF's investment amount	1.9B KZT
Number of SKREF's apartments	183
Area of SKREF's apartments	12,509.14 m^2

Projects under Implementation

Residential buildings in 32a Microdistrict Aktau

Facility readiness – 80.8%	
General contractor	Eileen Group LLP
Commissioning date	May 31, 2018
Facility	9-storey and 14-storey residential buildings with commercial premises
City	Aktau
Total amount under facility construction contracts	9B KZT
Number of SKREF's apartments	812
Area of SKREF's apartments	48,964.44 m^2
Area of SKREF's commercial premises	1,920.8 m^2

REAL ESTATE FUND SAMRUK KAZYNA

Residential complex with a parking lot in the area of Khussein Ben Talal Street and Yenbekshiler Street in Astana

Facility readiness – 15%	
General contractor	ASTI LLP
Commissioning date	May 31, 2019
Facility	Residential complex with a parking lot in the area of Khussein Ben Talal Street and Yenbekshiler Street
City	Astana
Total amount under facility construction contracts	3.2B KZT
Number of SKREF's apartments	180
Area of SKREF's apartments	15,351.92 m^2
Total number of car spaces	159

Shygys RC, Astana

Facility readiness – 73.4%	
Developer	Kaontech International LLP
Commissioning date	Residential group 1B – August 28, 2015 Residential groups 1 A, 1V – May 31, 2019
Facility	Shygys Residential Complex
City	Astana
SKREF's investment amount	8.9B KZT
Number of SKREF's apartments	768
Area of SKREF's apartments	53,331.35 m^2
Area of SKREF's commercial premises	5,195.46 m^2
Number of SKREF's car spaces	75

REAL ESTATE FUND SAMRUK KAZYNA

Adiya RC, Shymkent

Facility readiness – 83%	
Developer	Adiya Group Turan LLP
Commissioning date	May 31, 2018
Facility	5-storey residential buildings No. 2,3,4,5,6 for 495 apartments, Adiya RC
City	Shymkent
SKREF's investment amount	3.2B KZT
Number of SKREF's apartments	377
Area of SKREF's apartments	24,067.75 m^2

Parking lot for a residential building in Astana

Facility readiness – 82%	
General contractor	Zhilstroy 2003 LLP
Commissioning date	June 30, 2018
Facility	Residential building with a standalone parking lot in No.36 Street
City	Astana
Total amount under facility construction contracts	308.5M KZT
Total number of car spaces	164
Total area	5,500 m^2

REAL ESTATE FUND SAMRUK KAZYNA

Residential building with a parking lot in the area of Saryarka Avenue and Kenessary Street in Astana

General contractor	ADS–2001 LLP
Commissioning date	December 31, 2018
Facility	Residential building with a parking lot in the area of Saryarka Avenue and Kenessary Street
City	Astana
Total amount under facility construction contracts	2.3B KZT
Number of SKREF's apartments	112
Area of SKREF's apartments	10,600 m^2
Total number of car spaces	200

RC in Almaty, Nauryzbay District, Shugyla Microdistrict

General contractor	TIMUS-construction LLP
Commissioning date	December 31, 2018
Facility	Two residential districts of multistorey development with service facilities in Shugyla Microdistrict in Nauryzbay district
City	Almaty
SKREF's investment amount	10.1B KZT
Number of SKREF's apartments	935
Area of SKREF's apartments	50,466.28 m^2

REAL ESTATE FUND SAMRUK KAZYNA

Assyl Residential Complex in Semey

General contractor	AsilZholGroup LLP
Commissioning date	December 31, 2018
Facility	Assyl Residential Complex
City	Semey, Energetik Village
SKREF's investment amount	652.66M KZT
Number of SKREF's apartments	80
Area of SKREF's apartments	4,424.7 m^2

Batys Premium RC in Aktobe

General contractor	Grand Complex LLP
Commissioning date	December 31, 2018
Facility	Batys Premium RC
City	Aktobe
SKREF's investment amount	2.9B KZT
Number of SKREF's apartments	296
Area of SKREF's apartments	17,858.24 m^2

REAL ESTATE FUND SAMRUK KAZYNA

Residential buildings items 113/1–113/8 with commercial premises under Ilyas Yessenberlin's project in Ust-Kamenogorsk

General contractor	Service SMU LLP
Commissioning date	August 30, 2019
Facility	Residential buildings items 113/1–113/8 with commercial premises under Ilyas Yessenberlin's project
City	Ust-Kamenogorsk
SKREF's investment amount	5.1B KZT
Number of SKREF's apartments	546
Area of SKREF's apartments	31,555.23 m^2

Dormitory in the area of Ablaykhan Avenue and Kobda Lane in Astana

General contractor	Baissyn-A LLP
Facility	Dormitory
City	Astana

REAL ESTATE FUND SAMRUK KAZYNA

IMPLEMENTATION OF THE NURLY ZHER PROGRAM IN COMMERCIAL HOUSING

- Ten construction investment contracts in total were signed by the Real Estate Fund for the amount of 94.7B KZT and total residential area of 359,400 m^2, including the Real Estate Fund's share of 75.2B KZT and 320,400 m^2, respectively.

Projects under Implementation

Residential buildings in Ust-Kamenogorsk in Zhibek Zholy Street (Phase 1)

Facility readiness – 85.9%	
Developer	VK Tekhnogroup LLP
Commissioning date	March 31, 2018
Facility	Residential buildings items 5, 6, 7 and commercial premises
City	Ust-Kamenogorsk
SKREF's investment amount	3.3B KZT
Number of SKREF's apartments	276
Area of SKREF's apartments	16,598.16 m^2

Residential buildings in Ust-Kamenogorsk in Zhibek Zholy Street (Phase 2)

Facility readiness – 57.3%	
Developer	VK Tekhnogroup LLP
Commissioning date	March 31, 2018
Facility	Residential buildings items 1,2,3,4 and commercial premises
City	Ust-Kamenogorsk
SKREF's investment amount	3.2B KZT
Number of SKREF's apartments	271
Area of SKREF's apartments	16,175.98 m^2

REAL ESTATE FUND SAMRUK KAZYNA

Altyn Shar RC, Astana

Facility readiness – 48.7%	
Developer	Shar-Kurylys LLP
Facility	Residential complex with integrated adjacent premises and parking lot
Commissioning date	April 30, 2018
City	Astana
SKREF's investment amount	8.2B KZT
Number of SKREF's apartments	626
Area of SKREF's apartments	34,020.32 m^2

Nova City RC, Astana

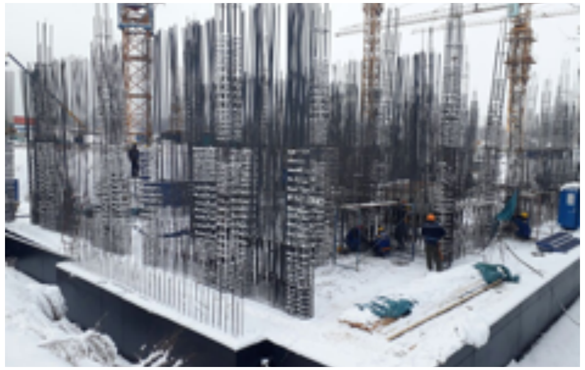
Facility readiness – 62%	
Developer	LUXOR.KZ COMPANY LLP
Commissioning date	April 30, 2018
Facility	Residential complex with integrated premises and a parking lot, sector 1 and sector 2
City	Astana
SKREF's investment amount	18.1B KZT
Number of SKREF's apartments	1 667
Area of SKREF's apartments	75,432.66 m^2

Alatau City RC, Almaty

Facility readiness – 53.3%	
Developer	Alatau City LLP
Commissioning date	May 31, 2018
Facility	Residential buildings with service facilities and underground parking lots (Construction Phase 1 Spots 1–11)
City	Almaty
SKREF's investment amount	11.3B KZT
Number of SKREF's apartments	845
Area of SKREF's apartments	47,443.76 m^2

Arena City RC, Almaty

Facility readiness – 6.4%	
Developer	Baur Development Group LLP
Commissioning date	June 30, 2018
Facility	Arena City Multipurpose Residential Complex
City	Almaty
SKREF's investment amount	15.7B KZT
Number of SKREF's apartments	1 287
Area of SKREF's apartments	65,240.43 m^2



RC in Komsomolskiy Residential Area, Astana

Facility readiness – 17.9%	
Developer	TM Engineering Group LLP
Commissioning date	July 30, 2018
Facility	Residential complex with integral premises and a parking lot
City	Astana
SKREF's investment amount	11.5B KZT
Number of SKREF's apartments	856
Area of SKREF's apartments	47,768.8 m^2

RC consisting of 5-storey and 3-storey residential buildings in Tulpar Microdistrict, Shymkent

Facility readiness – 26.7%	
Developer	Akmoynak SEC LLP
Commissioning date	April 30, 2018
Facility	Residential complex consisting of 5-storey and 3-storey residential buildings
City	Shymkent
SKREF's investment amount	603.09M KZT
Number of SKREF's apartments	57
Area of SKREF's apartments	3,105.05 m^2

Residential buildings in Tulpar Microdistrict in Shymkent

Facility readiness – 24.7%	
Developer	Akmoynak SEC LLP
Commissioning date	August 31, 2018
Facility	Residential buildings in Tulpar Microdistrict in Shymkent (Tulpar 3, block buildings in Tolemetov Street)
City	Shymkent
SKREF's investment amount	493.2M KZT
Number of SKREF's apartments	24
Area of SKREF's apartments	2,493.06 m^2

Residential complex with integrated premises and a parking lot located at: Astana, area of crossing of K. Ben Talal Street and No. 38 Street, Phases 10, 11

Facility readiness – 7%	
Developer	Luxor.kz Company LLP
Commissioning date	September 30, 2018
Facility	Residential complex with integrated premises and a parking lot located at: Astana, area of crossing of K. Ben Talal Street and No. 38 Street, Phases 10, 11
City	Astana
SKREF's investment amount	2.9B KZT
Number of SKREF's apartments	277
Area of SKREF's apartments	12,091.44 m^2

REAL ESTATE FUND SAMRUK KAZYNA

IMPLEMENTATION OF THE GREEN QUARTER (ZELENYI KVARTAL) PROJECT

On May 31, the multipurpose energy-efficient complex Green Quarter (Zelenyi Kvartal) opened in Astana as a part of EXPO global exhibition. The President of the Republic of Kazakhstan Nursultan Nazarbayev participated in the official ceremony of the opening.

The Green Quarter (Zelenyi Kvartal) was built in strict compliance with ecological building requirements pursuant to the international LEED certificate. This is the first project in Kazakhstan and CIS countries certified pursuant to LEED system combining a group of buildings – LEED Campus Group.

The area of the land lot is 20 hectares. Another feature of the project is that only 1/3 of the entire site is occupied with facilities, and more than 2/3 of area is allocated for landscaping and parking area. There is also an artificial pond with fountains and water treatment system within the complex.

The building materials and technologies used in the course of the complex development enabled to achieve the saving and environmental compatibility purposes. The complex construction focused on improved energy efficiency of the building; the capacities of alternative energy sources are widely used there. In addition, the first in Kazakhstan proper charging station for electric cars is located there. There is a separate waste collection system and smart MSW management at the facility. The residential complex has a smart home system, including an IP video door-phone, CCTV, advanced security system, biometric electronic lock on the entry door, etc.

The Green Quarter (Zelenyi Kvartal) is a pilot project in transitioning to the "green" building concept. The facility was presented as a part of EXPO 2017 International Specialized Exhibition as a visiting site.

The Green Quarter (Zelenyi Kvartal) project is construction of residential, office, commercial real estate facilities, social facilities and amenities with a total area of 206,275.12 m^2 with the use of advanced ecological and energy efficient technologies. The Green Quarter (Zelenyi Kvartal) is located not far from Khan Shatyr Shopping and Entertainment Center in Astana.

The design concept of the Green Quarter (Zelenyi Kvartal) project was developed by British AHR. The facility has an image of a city of the future and will become a bright sustainable cutting-edge and socially united community in the capital city. The concept provides for the use of innovative green technologies, such as energy efficient illumination, comfort technologies, separate waste collection, balanced ventilation with a heat recovery system, etc. There is an exclusive landscape design of the adjacent territory, a picturesque clean lake with race tracks and cycle tracks, a fitness club, a health center, and a daycare center for kids. The lake area is planned to be use as a skating rink in winter.

The project consists of 10 residential blocks and 3 commercial blocks. All facilities are divided into four construction phases:

- phase 1 – residential blocks B8, B9 and B10. Commissioning date: August 31, 2017;
- phase 2 – residential blocks B1, B12, B13 and an A-class business center B11. Commissioning date of B1, B12, B13: August 31, 2017; B11: September 30, 2017;
- phase 3 – residential blocks B4, B5, B6 and B7. Commissioning date: August 31, 2017;
- phase 4 – A-class business centers T4 and T5. Commissioning: Q4 2018.

It is planned to certify the buildings of the Green Quarter (Zelenyi Kvartal) projects in compliance with LEED (Leadership in Energy and Environmental Design) standards of the US Green Building Council. The certification will confirm the unique nature of the project in line with the motto of Astana EXPO 2017 International Exhibition, i.e. Future Energy.

According to the state expert commission, total estimated construction cost was 55.8B KZT. Total area of apartments is 49,260 m^2; total area of commercial premises will be 69,863 m^2. The number of apartments in the residential complex: 620.

The Green Quarter (Zelenyi Kvartal) Multipurpose Residential Complex

Developer	EXPO Village LLP
City	Astana
Total amount under facility construction contracts	55.8B KZT
Total number of apartments	620
Total area of apartments	49,260 m^2
Total area of commercial buildings	69,863 m^2

IMPLEMENTATION OF RESIDENTIAL AND COMMERCIAL PREMISES

Nurly Zher Program

The real estate sold in rental housing sector of the Nurly Zher Housing Construction Program was 35,700 m^2

thousand

#	Description	2016 actual	2017 actual	% by 2016
	Real estate sold in Rent-to-own sector of the Nurly Zher Housing Program	61.2	35.7	58
1	Direct sale	21.8	1.6	7
2	Rent-to-own	39.3	34.2	87

REAL ESTATE FUND SAMRUK KAZYNA

PLANS FOR 2018

In 2018, the Real Estate Fund plans to continue implementing the state programs and the Green Quarter (Zelenyi Kvartal) project.

As a part of the Nurly Zher Housing Construction Program in Rental Housing, the construction of facilities and active sales of real estate to the population will continue according to the program's conditions. The last facilities in this sector will be commissioned in 2019. The majority of real estate under this program is planned to be sold through rent: out of 296,640 m^2 in the forecast period 90% will be sold via rent-to-own option and the remaining 10% will be sold directly. The real estate sales in this sector will be completed by the end of 2019. Total volume of the rent-to-own real estate under this program will amount to 558,000 m^2.

The Nurly Zher Program in Commercial Housing will be fully completed by the Real Estate Fund in 2018–2019. The sale of the real estate to the population is expected to be completed in 2019.

As for the Green Quarter (Zelenyi Kvartal) project, construction and commissioning of commercial premises is expected to be completed: blocks T4, T5 are expected to be commissioned in the first half of 2018.

SK Development LLP will be dissolved in 2018 after completion of the Green Quarter (Zelenyi Kvartal) project.

In 2018, it is planned to continue implementing the sustainable development principles described in the Corporate Governance Code. The Real Estate Fund will also continue its activities to improve the corporate governance system next year; corporate governance assessment using the new method will be one of the essential events, which will allow to evaluate the steps taken by the Company towards the best practices of corporate governance.

REAL ESTATE FUND SAMRUK KAZYNA

SUSTAINABLE DEVELOPMENT INITIATIVES

Initiative	Implementation of the Initiative
Improving corporate governance	• Conducting events to improve the corporate governance system.
Ensuring economic efficiency and financial soundness	• Achieving strategic key performance indicators; • Implementing the Company's business plan; and • Introducing the long-term incentive program of the Company's management.
Improving the transparency of operation	• Updating the Company's internal regulatory documents in accordance with the disclosure standards; and • Preparing and publishing the Company's corporate reports in a timely manner.
Implementing the sustainable development system	• Implementing the sustainable development principles; • Monitoring performance of events in sustainable development; • Including sustainable development risks in the Risk Register and assessing exposure to hazardous events that might have a negative effect on the occupational health and safety; and • Joining international initiatives.
Developing human resources	• Bringing the HR processes in line with the Sole Shareholder's reference processes; and • Updating the Personnel Policy.
Maintaining high ethical standards	• Updating the Code of Business Ethics; and • Conducting events to raise employees' awareness concerning the Code of Business Ethics and improve the corporate culture.
Sustainable development training	• Training the members of the Board of Directors on sustainable development; and • Training the Company's management and employees on sustainable development.
Ensuring compliance with the occupational health and safety requirements	• Conducting occupational health and safety briefings for the Company's employees.

REAL ESTATE FUND SAMRUK KAZYNA

KEY PERFORMANCE INDICATORS AND FINANCIAL AND ECONOMIC INDICATORS OF 2017

KEY PERFORMANCE INDICATORS

Financial Indicators

Description	UoM	2015	2016	2017
Net income	million KZT	1,467.2	4,089.3	3,837.1
ROACE	%	2.15	3.54	2.64
EBITDA margin	%	26.19	41.57	62.74
Economic value added (EVA)	billion KZT	–5.24	–4.85	–2.60
Net asset value	million KZT	33,263.27	37,085.70	41,536.22
Available funds for development and dividends	billion KZT	8.8	12.2	3.1
Available funds for development and dividends (cost cleared)	billion KZT	NA	NA	0.3

Net income amounted to 3.8B KZT. This indicator reduced by 6% compared to the same period in 2016, which is mainly related to the accrual of provision for doubtful accounts with Delta Bank JSC for the amount of 5.07B KZT in accordance with the Management Board's resolutions and reduced finance income due to changed volume of cash and cash equivalents and money market interest rates in the reporting period.

At the end of 2017, **ROACE** equaled 2.64%, which is 75% to the actual figure of the same period last year. The change in the indicator can be attributed to reduced net income and finance costs.

An increase in **EVA** and **Net Asset Value** in 2017 compared to 2016 is associated with growing operating income, which is related to increased interest income, including higher finance lease income due to growing volume of loans (investments) issued under the Nurly Zher Program in commercial housing, volume of real estate sold through rent-to-own option and a special deposit for the Green Quarter (Zelenyi Kvartal) project. In addition, considerable influence on the growth of operating income can be attributed to income on loans, which were received and issued at fair value under the Nurly Zher Program in commercial housing. Another reason is the reduction of operating expenses due to low direct sales of real estate under the Nurly Zher Program in Rental Housing.

Available Funds for Development and Dividends (cleared). Available funds for development and dividends (cost cleared) in the reporting period were attributable to the receipts from the Company's operating and non-operating activities. It should be noted that this indicator was negatively affected by: the accrual of provision for the Real Estate Fund's doubtful accounts with Delta Bank JSC in the amount of 5.07B KZT (operating activities) and the classification of principal under the Settlement Agreement (Akkent Project) in the amount of 2.5B KZT (receipts from investing activities).

REAL ESTATE FUND SAMRUK KAZYNA

EBITDA margin[1] amounted to 62.74%. The indicator improved due to growing operating income, including income from special deposit under the Green Quarter (Zelenyi Kvartal) project; accruals in a form of interest income from loans issued (investments) under the Nurly Zher Program in Commercial Housing; increased rent-to-own income under the Nurly Zher Program in Rental Housing; reduced direct real estate sales in the reporting period; and also reduction and transfer of the General administrative expenses.

Performance Indicators

Description	UoM	2015	2016	2017
Real estate pool under the Nurly Zher Program in Rental Housing	thousand m^2	435.6	505	646.4
Real estate pool under the Nurly Zher Program in Commercial Housing	thousand m^2		324.61	320.4
Annual commissioning of real estate	thousand m^2	155.2	35.5	140.8
Real estate sold	thousand m^2	157.9	65.9	35.7
Corporate Governance Score[2]	%	75%	-	BB

Real estate pool under the Nurly Zher Program in Rental Housing in the reporting period amounted to 646,400 m^2.

Real estate pool under the Nurly Zher Program in Commercial Housing amounted to 320,400 m^2.

Commissioning of real estate. 140,800 m^2 were commissioned in the reporting period, including:

- 81,900 m^2 under the Green Quarter (Zelenyi Kvartal) project, including residential premises with an area of 70,800 m^2 and B11 commercial premises with an area of 11,000 m^2.
- 21,200 m^2 in rental housing sector, including a residential building in Zhappasbay Batyr Street in Kyzylorda (8,700 m^2), and residential buildings in Y. Demessinov Street in Kyzylorda (12,500 m^2).
- 37,700 m^2 in commercial housing sector, including the Nova City Residential Complex in Astana.

Real estate sold under the Nurly Zher Housing Construction Program in Rental Housing amounted to 35,700 m^2.

Corporate Governance Score was calculated by the Real Estate Fund's Internal Audit Service in accordance with the new Method of Corporate Governance Assessment for legal entities with more than 50% of voting shares owned by Samruk-Kazyna JSC, directly or indirectly. Based on the assessment results, a "BB" rating was assigned to the Real Estate Fund, which means that the Company's Corporate Governance System meets the majority of established criteria in all essential aspects, however there is no sufficient evidence that the system operates effectively.

[1] EBITDA margin = [(A+B+B1)-(C-F)-(D-G)-(E-H)]/(A+B+B1)*100%, where A-Income from sales, B – State subsidies, B1 – interest income and other financial income (for SO in financial segment from operating activities), C – Selling costs, D – General and administrative expenses, E – Transportation and selling expenses, F- Depreciation, depletion and amortization accounted in selling costs, G – Depreciation, depletion and amortization accounted in general and administrative expenses, H – Depreciation, depletion and amortization accounted in other expenses.

[2] Calculated in accordance with the new Methods of Corporate Governance Diagnostic for legal entities with more than 50% voting shares owned by Samruk-Kazyna JSC, whether directly or indirectly..

REAL ESTATE FUND SAMRUK KAZYNA

FINANCIAL AND ECONOMIC INDICATORS

Table No. 2. Structure of Key Financial and Economic Indicators, million KZT

Description	2015 actual	2016 actual	2017			
			plan	actual	% to plan	% to 2016
Total income	11,411.7	24,256.7	26,382.9	21,794.8	83	90
Operating Income	6,925.5	17,188.2	23,009.9	18,348.7	80	107
Sales revenue and interest income	6,918.3	12,861.6		13,684.1		106
Sales revenue	3,386.4	5,422	5,811.4	1,072	18	20
Interest income	2,948.4	5,820.7	7,153.5	7,907.6	111	136
Other operating income	583.5	5,945.4	10,045,012	9,357.7	93	157
Recovery of asset impairment	7.2	0.05		11.1		22200
Finance income	4,314.7	6,998.8	3,372.9	3,154.8	94	45
Other non-operating income	171.5	69.8		291.3		417
Total expenses	9,175.5	18,363.7	14,599.5	16,475.3	113	90
Cost of sales, including cost and other operating expenses	5,500	12,777		8,198.9		64
Cost of sales	2,959.4	5,295.3	5,855.6	1,836.5	31	35
Other operating expenses	2,540.6	7,482.1	5,192	6,362.4	123	85
General and administrative expenses (G&A)	1,891	1,445.8	1,750.3	1,658.5	95	115
Finance costs	1,784.5	1,869.5	1,801.6	1,548.9	86	83
Asset impairment loss	–	2,248		5,067.9		225
Share in income of associated companies and joint ventures	–	–2.8	3.4	3.5	103	226
Income tax expense	767.8	1,801	1,386.1	1,485.9	107	83
Net income	1,467.2	4,089.3	10,400.7	3,837.1	37	94

Consolidated total income for the reporting period amounted to 21.8B KZT, 90% to the same period indicator in 2016. The decrease in income compared to 2016 is related to reduced income from non-operating activities; however, income from operating activities increased by 7% compared to the same period in 2016, which is associated with excellent sale volumes, increased real estate pool sold on rent-to-own basis, and investment volumes within the implementation of the Nurly Zher Program in Commercial Housing.

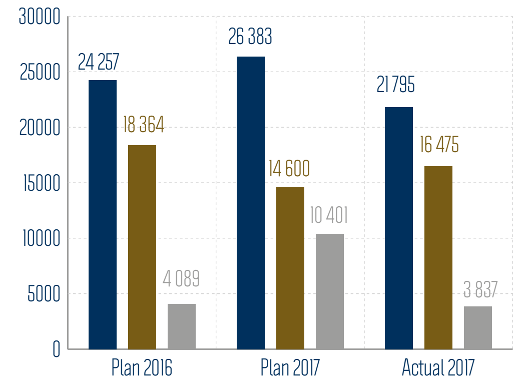
An increase by 1,161M KZT in **income from operating activities** in 2017 compared to 2016 is associated with increased interest income on growing loans (investments) issued under the Nurly Zher Program in commercial housing, volume of sold real estate on a rent-to-own basis and a special deposit under the Green Quarter (Zelenyi Kvartal) project. In addition, operating income growth was significantly affected by income related to recognition at fair value of loans received and issued under the Nurly Zher Proram in commercial housing.

Finance income. The variance is related to the creation of provision for Delta Bank JSC for which interest was expected to be accrued.

Consolidated total expenses for the reporting period amounted to 16.5B KZT, which is 10% lower than in the same period in 2016. The main reason for the decrease in expenses is lower cost of sales compared to the same period in 2016 (reduced by 36%) due to sales of large volumes of real estate in 2016.

The decrease in **cost of sales** in 2017 compared to 2016 is related to reduced direct sales of real estate under the Nurly Zher Program in Rental Housing. However, the loans recorded at fair value under the Nurly Zher Program in Commercial Housing have a significant effect on the cost of sales.

Dynamics of Total Income, Total Expenses and Net Income (million KZT)



General and administrative expenses. Compared to 2016 actual results, the indicator is 15% higher, mainly due to increased consulting expenses, increased payroll expenses as a result of reduced workforce turnover in 2017 and filling vacancies available at the beginning of the period, increased tax expenses in the reporting period.

Finance costs. Reduced finance costs resulted from a lower liabilities with corresponding finance costs in the accounting period compared to the same period in 2016. Loan expenses under the Green Quarter (Zelenyi Kvartal) project, Akkent project (an anti-crisis program loan) and under the Nurly Zher Program in Commercial Housing are accounted at cost.

Compared to 2016 actual results, **total asset impairment** is 225% of 2016 impairment. In 2016, a provision for the funds placed with Kazinvestbank JSC and a land lot in Aktau, which was transferred to a local executive authority's possession under a court ruling, was created.

Other operating expenses amounted to 6.4B KZT (123% to plan), including discount on loans issued to developers for construction under this program in a total amount of 711.5M KZT and amortization of discount on the loan issued by the Sole Shareholder as a part of the line of credit under the Nurly Zher Program in Commercial Housing in the amount of 5.6B KZT. Recognition of loans under the new terms and conditions in the reporting period resulted in the additional recognition of previously recognized unamortized discount (transferred from the balance sheet in a form of state subsidy to income) in the amount of 3.1B KZT (for the first two tranches).

Construction investment for the reporting period amounted to 36.65B KZT, which is 60% less than last year. The decrease from the last reporting period is related to the construction financing schedules under the Nurly Zher Program in Rental Housing on a Rent-to-Own basis and Commercial Housing and the Green Quarter (Zelenyi Kvartal) project.

Construction investment sources are lines of credit granted by the Sole Shareholder and the Company's own funds.

REAL ESTATE FUND SAMRUK KAZYNA

Assets

Assets and liabilities increased by 4% in 2017.

However, the asset structure has changed. As of December 31, 2017, the share of long-term assets reduced by 8% and amounted to 114.6B KZT. The reduction of long-term assets in 2017 resulted from Real Estate Fund's reclassification (in connection with the expected maturity date) of the loans issued for financing of construction companies under the Nurly Zher Program (Commercial Housing sector) to short-term assets. In connection with the forthcoming control date and commissioning date of the Green Quarter (Zelenyi Kvartal) project, the Company reclassified the option recorded at fair value to short-term assets. In addition, other long-term assets increased in the reporting period in connection with financing of construction under the Nurly Zher Program in Rental Housing on a Rent-to-Own basis.

For the above reasons, short-term assets increased by 24% compared to the beginning of 2017 and amounted to 94.7B KZT.

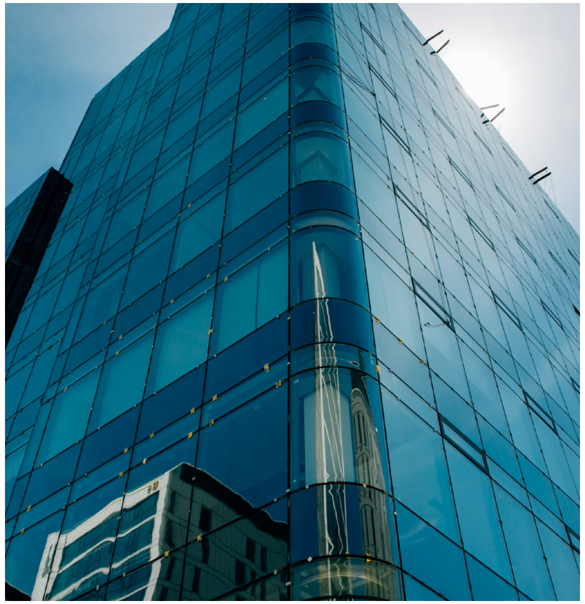
Cash in credit institutions decreased (by 99%) in connection with deposit's maturity date and the use of short-term deposits for cash management in the reporting period. Cash and cash equivalents reduced (by 44%) due to creation of a provision for doubtful accounts of the Real Estate Fund with Delta Bank JSC in the amount of 5.07B KZT and allocation of funds for discharging of investment and financial liabilities.

Liabilities

97.5% of all liabilities of the Real Estate Fund consist of short-term and long-term liabilities on the parent company's loans. At the end of the reporting period, these liabilities amounted to 165.1B KZT; some of them are accounted at fair value (a loan for the Nurly Zher Program in commercial housing). At the end of the reporting period the nominal principal on the parent company's loans amounted to 166.54B KZT.

Loan Agreement No. 581-и dated May 27, 2016 was signed under the Nurly Zher Program in commercial housing. In accordance with IFRS and contractual terms, the loan under this Agreement was recorded at fair value. However, it should be noted that the discount for the loan issued under the program shall upon initial recognition be recorded in the Real Estate Fund's balance sheet as deferred income. It should be noted that an addendum to the Loan Agreement was signed on September 20, 2017 to provide for a reduced term of the line of credit and to prevent the turnover of credit funds. As a result, taking into account IFRS 39, the Real Estate Fund "rolled up" loan tranches recognized under the previous terms, and recognized them at fair value under the new contract terms from the date of the above supplementary agreement. In particular, a previously recognized loan received and recorded at the fair value of 23.3B KZT and deferred income in the amount of 21.02B KZT (for the first two tranches with a nominal value of 47.4B KZT) were written off without an effect on the comprehensive income on the balance sheet; in addition, previously recognized unamortized discount (transferred from the balance sheet in a form of state subsidy to income) in the amount of 3.04B KZT (for the first two tranches); taking into account the new contractual terms (and the receipt of the new third tranche in the amount of 7.6B KZT under the Loan Agreement), fair value of the tranches received as of the date of the supplementary agreement was 50.9B KZT, and discount equaled to 4.07B KZT, of which 174M KZT was recorded as deferred income in "Other Short-Term Liabilities" section of the balance sheet at the end of the reporting period (taking into account financing in 2016 and 2017) and the remaining discount was recorded as income.

Signing of the above supplementary agreement resulted in an increase of 22.8B KZT in loan liabilities compared to the beginning of the reporting period. However, actual receipt of tranches under the line of credit No.581-и dated May 27, 2016 amounted to 12.1B KZT



for financing of commercial housing construction under the Nurly Zher Program. In addition, the following events affected the changes in loan amounts at the end of the reporting period: partial repayment of credit funds in the amount of 4.3B KZT under the contract No.10/ФН dated August 18, 2009 within the Anti-crisis Program framework; repayment of credit funds in the amount of 5.45B KZT under the Nurly Zher Rental Housing Program under the contract No.187-и dated September 5, 2012; interest accrued on a tranche to Aithousingcomplex LLP (Akkent RC) for the amount of 226.48M KZT due at the end of the tranche maturity in 2020; interest in the amount of 20.6M KZT accrued under the Nurly Zher Program, but payable in April 2018.

No loan agreements were signed with the parent company in 2017. Moreover, the Real Estate Fund received no other financial support from the state in the reporting period.

Equity

Equity amounted to 40B KZT. An increase in equity is associated with 3.8B KZT net income for 2017.

There were no major changes in the equity structure.

Financial Soundness Indicators

KPI	UoM	2015	2016	2017	Change (+/-)	Change (%)
Debt/EBITDA	Ratio	24.8	17.94	23.51	5.57	31
Interest cover	Ratio	2.25	4.15	4.44	0.29	7
Financial leverage ratio	Ratio	3.15	3.89	4.13	0.24	6
Current ratio	Ratio	0.64	0.62	0.57	–0.05	–8

Debt/EBITDA[1]. The ratio declined while the debt increased by 16%, EBITDA decreased by 11% (accrual of provision for doubtful accounts with Delta Bank JSC, reduced income from non-operating activities). It should be noted that the Sole Shareholder has not limited this indictor.

Interest cover[2]. An increase in this indicator in the reporting period is associated with 11% decrease in EBIT by due to accrual of provision for doubtful accounts with Delta Bank JSC and decreased income from non-operating activities. The Sole Shareholder has not limited this indictor.

Financial leverage ratio[3] declined due to an increase in debt obligations (by 16%), including those recorded at a fair value: in the reporting period Supplementary Agreement No. 2 dated September 20, 2017 to Loan Agreement No.581-и dated May 27, 2016 under the Nurly Zher Program (in Commercial Housing), which provided for a reduced term of the line of credit and prevented the turnover of credit funds, was signed and affected the loan amount accounted for at fair value. Equity increased by 9% in the reporting period compared to the same period in 2016. The indicator slightly exceeds the standard rate determined by the Sole Shareholder (not more than 3.5).

[1] This indicator is calculated per the following formula: Debt/EBITDA = A/(B+C+D+E), where A – Fair value of liabilities at the end of the period resulting from attracted loans, issued debt securities, finance lease, sale or purchase of financial derivatives or deferred payments for acquisition of long-term assets in accordance with IFRS and a nominal amount of the guaranteed principal amount for liabilities of the legal entities not consolidated in accordance with IFRS; B – net income or loss for the current period before deduction of an uncontrolled interest; C – tax expenses for the current period; D – expenses for depreciation, depletion and amortization of fixed and intangible assets for the current period; E – interest expenses charged for the current period.

[2] This indicator is calculated per the following formula: Interest cover = (A+B+C)/C, where A – net income or loss for the current period before deduction of an uncontrolled interest; B – tax expenses for the current period; C – interest expenses charged for the current period.

[3] This indicator is calculated per the following formula: Financial leverage ratio = A/B, where A – Fair value of liabilities at the end of the period resulting from attracted loans, issued debt securities, finance lease, sale or purchase of financial derivatives or deferred payments for acquisition of long-term assets in accordance with IFRS and a nominal amount of the guaranteed principal amount for liabilities of the legal entities not consolidated in accordance with IFRS; B – equity at the end of the period (as per IFRS).

Current ratio[4] declined due to a 29% increase in short-term assets in the reporting period, while short-term liabilities increased by 34%. It should be noted that the Real Estate Fund's obligations on parent company's loans are classified as short-term liabilities due to the fact the Sole Shareholder has an option to exercise a right for early repayment of principal amount by the Company. Consequently, this indicator does not represent the real current liquidity of the Real Estate Fund. The Sole Shareholder has not limited this indictor.

[4] This indicator is calculated per the following formula: Current ratio = A/B, where A – Short-term assets at the end of the period (as per IFRS), B – Short-term liabilities at the end of the period (as per IFRS).

REAL ESTATE FUND SAMRUK KAZYNA

SIGNIFICANT TRANSACTIONS

Please find the details of transactions with related parties and arrangements with state authorities for 2017 in Appendix No.1.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company's business in the course of achieving the goals set is exposed to external and internal operational risks. Risk monitoring and forecasting is one of the most crucial tasks of the Real Estate Fund.

The Real Estate Fund performs regular monitoring of potential risk events and takes preventive actions. If occurrence of such events is inevitable, the Company takes all reasonable efforts to mitigate any negative consequences.

There is an enterprise risk management system (ERM) at place in the Company based on common conceptual framework of risk management developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM Enterprise Risk Management. Integrated Framework).

Risk management is an integral part of strategic and operational management, business planning, and it is a set of actions taken at all management and planning levels.

Key principles of ERM operation in the Company:

- an integrated approach to management of all types of risks inherent in the Company, along the entire organizational structure and geographic footprint;
- risk management should be based on the goals set at the level of the Company's strategies and goals of specific processes; and
- ensuring economical effectiveness and reasonableness of risk management events.

At the end of 2017, Dostyk Advisory LLP performed an independent assessment of the enterprise risk management, which was 61.5%.

There is an internal control system at place in the Real Estate Fund, which is a tool enabling the management to make decisions aimed at prompt risk identification and prevention and ensure reasonable assurance in achieving the Company's strategic goals.

The Internal Control System Regulation is the major document that defines the terms, describes goals and principles of the internal control system structure in the Real Estate Fund. Key principles and requirements to establishment and operation of the internal control system consist of five related elements:

- control environment;
- risk assessment;
- internal control procedures;
- information provision and exchange system; and
- internal control system monitoring and performance assessment.

Based on the results of an independent assessment performed by Dostyk Advisory LLP for 2017, the effectiveness of the internal control system was 70.3%.

REAL ESTATE FUND SAMRUK KAZYNA

THE COMPANY'S SIGNIFICANT RISK MAP

Risks and effects	Risk management methods
Strategic risks	
Delayed commissioning of the real estate facilities	1. Thorough selection of projects in respect of the Developer's financial situation. 2. Inquiring supporting information from the Developer concerning the deadlines for utility network installation by LEA. 3. Keeping a savings register, approving registers of payments for building goods. 4. Monitoring the financing pursuant the financing schedule and construction progress under the construction and installation schedule. 5. Monitoring the construction though site visits, etc. 6. Thorough selection of a company in charge of onsite construction supervision.
Delayed acceptance of the real estate facilities to own	1. Monitoring the Developer's accounts payable and other financial liabilities. 2. Charging encumbrance (security) on the real estate facility under construction 3. Monitoring the quality of work. 4. Monitoring the process of signing the Commissioning Certificate. 5. Analyzing the requirements to the companies in charge of construction supervision.
Failure to implement or delayed implementation of the Green Quarter (Zelenyi Kvartal) project	1. Production and technical monitoring of the construction progress onsite and monitoring of compliance with the financing schedule. 2. Holding business meetings with the General Contractor present. 3. Monitoring weekly meetings with the Real Estate Fund's representatives, SK Development LLP's representatives and Developer's representatives. 4. Optimizing project expenses. 5. Purchasing major capital intensive materials and equipment.
Financial risks	
Ineffective placement of temporarily disposable monetary resources	1. Regular monitoring of second-tier banks (STB), monitoring information, press releases published by the National Bank of Kazakhstan, STB, rating agencies; 2. In case of detection of negative information or information concerning deterioration of financial position of STB, revising limits, reducing limits, withdrawal of funds.

Risks and effects	Risk management methods
Operational risks	
IT failures	1. Monitoring hardware depreciation; Making suggestions for the Disposal Board. 2. Organizational measures (prevention maintenance for uninterruptible power supply (UPS) units). 3. Establishment of backup systems. 4. Timely updating of antivirus protection bases. 5. Consulting the Company's employees on SW use, as demanded. 6. Raising supplier's liability, holding suppler liable, obtaining guarantees and securities.
Legal risks	
Violation of the legislation of Kazakhstan, the Real Estate Fund's corporate rules, mistakes in the legal support of contracts.	1. Approving internal regulatory documents by interested business units. 2. Monitoring the changes in the laws of Kazakhstan related to the Real Estate Fund's business.
Adverse changes in the laws of Kazakhstan	1. Participating in the operation of the Boards / Councils developing legal changes. 2. Active participation in the development of regulatory legal acts regulating the issues of housing construction. 3. Initiating changes in the laws of Kazakhstan.

REAL ESTATE FUND SAMRUK KAZYNA

ERM IMPROVEMENTS

The risk management approach was revised in the Real Estate Fund in 2017. The changes in the Company's internal and external environment, revision of key priorities and the desire for a more developed stage of risk culture served the background for the risk management concept revision. The new risk management concept provides for more preventive methods for managing risks, identifying risks and opportunities with the management processes implemented at all levels of the Company, and raising the responsibility of process owners for risk management.

The company takes significant steps to build an efficient system for prompt risk identification and analysis and determination of the risk response methods.

The enterprise risk management system of the Real Estate Fund is a set of related elements combined in a single process, within which the Board of Directors, management and employees participate in identification of potential events that might affect the Company's business and in management of such events within the acceptable risk level.

The Real Estate Fund develops and implements a set of actions to improve the enterprise risk management system on an annual basis. In accordance with the Management Board's resolution, a plan of actions to develop the ERM functions for 2017 was approved; the actions to improve the risk assessment and management methods, integrate risk management processes into the Company's project activities were taken under such plan.

The key development directions of the risk management system for 2017 are as follows:

- developing the assessment methods for the risk mitigation actions; and
- conducting quantitative risk assessment.

The Real Estate Fund's Board of Directors reviews the risk management report made by the internal business unit in charge of analyzing and arranging any information concerning the Company's risks and mitigation actions on a quarterly basis.

For the purpose of further improvement of ERM in 2018, the internal control development and implementation will be continued as well as the development and implementation of the business continuity management system.

Precautionary Principle

In accordance with the approved Rules for Selection and Review of the Real Estate Fund's Projects, whether on the stage of project initiating or on the state of project implementation, effects and potential consequences of the planned activities are assessed with qualified experts engaged. If any significant risks have been identified, a plan of actions to mitigate such risks is developed; a decision to reject the project. The applicable regulations and standards are taken into account in project implementation. The design documents for all projects implemented by the Company shall be evaluated to comply with the applicable laws and regulations in the course of a state expertise.

REAL ESTATE FUND SAMRUK KAZYNA

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

In accordance to the Articles of Association, the Real Estate Fund's bodies include:
1) highest body – Sole Shareholder;
2) governance body – Board of Directors; and
3) executive body – Management Board.

The Real Estate Fund takes actions to implement an efficient governance system that would establish relations between the Board of Directors, Management Board, Sole Shareholder and other stakeholders. With this system the Company works continuously to maximize the value while protecting the interests of the Sole Shareholder and other parties affected by the Company's activities.

THE REPORT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF SAMRUK-KAZYNA REAL ESTATE FUND JSC FOR 2017[1]

The Real Estate Fund traditionally gives a key role to establishment of an efficient corporate governance system based on the best global practices. The Real Estate Fund believes that compliance with the key principles of the Corporate Governance Code is an essential prerequisite for the Company's long-term successful development and improved investment appeal.

The principles described in the Corporate Governance Code are a significant source for the Company to develop its own internal documents and focus on establishing the best governance practices.

The Real Estate Fund seeks for the compliance of the governance structure with the laws and regulations of the Republic of Kazakhstan and the Corporate Governance Code of Samruk-Kazyna JSC and clear segregation of duties between the governance bodies.

Compliance with the corporate governance principles contributes to the establishment of an efficient approach for an unbiased analysis of the Company's operation.

The corporate governance is built on the basis of justice, integrity, responsibility, openness, accountability, transparency, expertise, and competency. An efficient corporate governance structure implies respect to rights and interests of all stakeholders, contributes to the Company's successful operation, including the Company's growth and increased market value, and supports financial stability and profitability.

The Real Estate Fund takes continuous actions to improve the corporate governance system.

[1] Please find the Report of Compliance with the Corporate Governance Code of Samruk-Kazyna JSC for 2017 on the Real Estate Fund's website: https://fnsk.kz/rus/about/korporativnoe_upravlenie/otchet_korp_upravleniya/

DIVIDEND POLICY

On September 21, 2017, the Real Estate Fund paid dividends to the Sole Shareholder for 2016 in the amount of 613,390,050 KZT calculated according to the Dividend Policy of Samruk-Kazyna JSC for Subsidiaries. The dividend on each ordinary share of the Real Estate Fund equals 37.75279 KZT.

THE SOLE SHAREHOLDER OF THE REAL ESTATE FUND

The Sole Shareholder of the Real Estate Fund is Samruk-Kazyna JSC.

Total number of issued authorized shares was 16,247,541, including:
- 15,000,000 shares with a nominal value of 1,000 KZT per share;
- 1 247 540 shares with a nominal value of 4,000 KZT per share;
- 1 share with a nominal value of 2,490 KZT per share.

All of them are ordinary shares.

The register of all security holders is maintained by the Integrated Securities Registrar Joint-Stock Company.

The most significant functions of the Sole Shareholder are approval of the Articles of Association, Corporate Governance Code, determination of the composition and terms of the Board of Directors, approval of the external audit, annual financial statements, etc.

In 2017, main resolutions of the Sole Shareholder related to approval of the financial statements, termination of powers and election of the members of the Board of Directors, approval of the procedure for net income distribution, dividend and remuneration payments.

THE BOARD OF DIRECTORS

The Fund's Board of Directors is charged with general oversight of the Real Estate Fund's operation. The Board of Directors has the following functions: approval of the Real Estate Fund's Development Strategy, Business Plan, ensuring efficient performance of the risk management system, monitoring of financial and administrative operation of the Company, etc.

In 2017, the following changes were made in the composition of the Board of Directors:
- Arman Sharipbayuly Zhetpisbay appointed as the Chairperson of the Real Estate Fund's Management Board by Resolution of the Board of Directors No.116 dated February 16, 2017;
- Arman Sharipbayuly Zhetpisbay elected as a member of the Real Estate Fund's Board of Directors by Resolution of the Management Board of Samruk-Kazyna JSC No. 14/17 dated May 25, 2017;
- the powers of Zhanar Muratovna Abdykarimova, a member of the Board of Directors terminated by Resolution of the Management Board of Samruk-Kazyna JSC No. 14/17 Resolution of the Management Board;
- the composition of the Real Estate Fund's Board of Directors determined with a term of 1 year by Resolution of the Management Board of Samruk-Kazyna JSC No. 23/17 dated July 25, 2017;
- the term of powers of Mukhit Bakytovich Azirbayev, Independent Director of the Board of Directors determined until October 31, 2017 by Resolution of the Management Board of Samruk-Kazyna JSC No. 28/17 dated August 29, 2017;
- a number of members of the Board of Directors – 6 (six) people determined by Resolution of the Management Board of Samruk-Kazyna JSC No. 37/17 dated November 8, 2017;
- independent Directors Igor Semenovich Nemgirov and Dmitriy Vladimirovich Larionov elected as members of the Board of Directors by Resolution of the Management Board of Samruk-Kazyna JSC No. 37/17 dated November 8, 2017.

The Board of Directors of the Real Estate Fund consists of 6 members, 3 of which are independent directors.

REAL ESTATE FUND SAMRUK KAZYNA

MEMBERS OF THE BOARD OF DIRECTORS

ZHUMAGALI AKHMETGALIYEVICH MUNZHASSAROV[1]

Chairperson of the Board of Directors, Representative of the Sole Shareholder

Date of birth: May 30, 1977
Nationality: Republic of Kazakhstan
Date of the first election as a member of the Board of Directors: February 14, 2012

Elected as the Chairperson of the Board of Directors: May 29, 2012
Background:

- Higher economic, legal education.
- Completed studies on Executive MBA Euromanagement: Master of Business Administration for Executives at RANEPA under the President of the Russian Federation, Moscow.

Employers and job titles in organizations for the last five years:
- June 2017 to January 2018 – Samruk-Kazyna JSC, Managing Director for Control.
- February 2016 to June 2017 – Samruk-Kazyna JSC, Head of Control and Security Service.
- February 2012 to June 2016 – Samruk-Kazyna JSC, Managing Director.

No shares of the Company, Company's suppliers or competitors in possession.

YERZHAN BEKSULTANOVICH TUTKUSHEV

Representative of the Sole Shareholder

Date of birth: December 10, 1981
Nationality: Republic of Kazakhstan
Date of the first election as a member of the Board of Directors: September 26, 2016

Background:
- Saint Petersburg State University of Economics and Finance, Russia, Financial Analysis and Accounting, 2004.
- University of Illinois at Urbana-Champaign, USA, Master of Finance, 2007.
- Employers and job titles in organizations for the last five years:
- Since January 2018 – Director of Asset Development Department – member of the Management Board of Samruk-Kazyna JSC.
- December 2017 – January 2018 – Managing Director for New Industry Development of Samruk-Kazyna JSC.
- January 2016 – December 2017 – Co-Managing Director for New Industry Development of Samruk-Kazyna JSC.
- August 2014 – January 2016 – Deputy Chief Director for Business Development of Samruk-Kazyna JSC.
- November 2012 – August 2014 – PricewaterhouseCoopers Tax and Advisory, Astana, Assessment and Business Process Modelling, Manager.

Part-time job and membership of the Boards of Directors:
- Member of the Supervisory Board of Samruk-Kazyna Invest LLP
- Member of the Supervisory Board of United Chemical Company LLP
- Member of the Board of Directors of Kazakhstan Engineering National Company JSC

No shares of the Company, Company's suppliers or competitors in possession.

[1] Z.A. Munzhassarov's powers terminated on March 16, 2018 under his application filed in accordance with Clause 4) of Article 55 of the Law of Kazakhstan On Joint-Stock Companies

REAL ESTATE FUND SAMRUK KAZYNA

ARMAN SHARIPBAYULY ZHETPISBAY

Chairperson of the Management Board

Date of birth: April 24, 1971
Nationality: Republic of Kazakhstan
Date of the election as a member of the Board of Directors: May 25, 2017

Background:
- The Kazakh Chemical and Technology Institute, Shymkent, 1993.
- T.Ryskulov Kazakhstan Economic Institute, Almaty, 2002.
- International Moscow Financial Business School, Moscow, 1999.
- International Business Academy, Almaty, 2000.
- Inteconference LTD with participation of molans and anier municipalitiens, Geneva, Switzerland, 2008.
- Leadership Foundation for Higher Education, London, UK, 2014.
- NAZARBAYEV UNIVERSITET, Astana, 2016.

Employers and job titles in organizations for the last five years:
- December 2015 – February 2017 – Managing Director of Kazatomprom NAC JSC.
- July 2012 – November 2015 – Chairperson of the Supervisory Board of ARNA Petroleum LLP.

No shares of the Company, Company's suppliers or competitors in possession.

MUKHIT BAKYTOVICH AZIRBAYEV[2]

Senior Independent Director, Chairperson of the Committee on Strategic and Investment Issues

Date of birth: September 18, 1974
Nationality: Republic of Kazakhstan
Date of the first election as a member of the Board of Directors: February 21, 2014

Background:
- The Kazakh State Management Academy (current T. Ryskulov Kazakh Economic University).

Employers and job titles in organizations for the last five years:
- Since July 2017 – Chairperson of the Management Board of Almaty Social Entrepreneurship Corporation NC JSC.
- 2009 – 2017 Chairperson of the Supervisory Board of Global Building Contract LLP.

Awards:
- 2016 – Kazakhstan Tauelsizdigine 25 Zhyl (25th Anniversary of the Independence of Kazakhstan).
- 2015 – State award – Medal Yeren Yenbegi Ushin (For Distinguished Labour).
- 2014 – Badge of Honour Dankty Kurylysshy (Honoured Constructor) of the Ministry of National Economy of Kazakhstan.
- 2013 – Certificate of Merit by the Committee for Construction, Housing and Utilities of the Ministry of Regional Development of Kazakhstan.
- 2011 – Anniversary medals 20th Anniversary of the Independence of the Republic of Kazakhstan.
- 2011 – Certificate of Merit by Almaty Akim.

Part-time job and membership of the Boards of Directors:
- Chairperson of the Management Board of Almaty Social Entrepreneurship Corporation NC JSC.

No shares of the Company, Company's suppliers or competitors in possession.

[2] By Resolution of the Sole Shareholder of the Real Estate Fund No. 28/17 dated August 29, 2017, the powers of Mukhit Bakytovich Azirbayev, Independent Director of the Board of Directors of the Real Estate Fund expired (until October 31, 2017).

ADRIAN IAN HOUWINK

Independent Director, Chairperson of the Audit Committee

Date of birth: November 29, 1957
Nationality: Kingdom of the Netherlands
Date of the first election as a member of the Board of Directors: February 21, 2014

Background:
- 1978–1983 – Groningen University, Netherlands, MBA (Master of Business Administration).
- 1977–1978 – Erasmus University, Rotterdam, Economy Department.

Recent advanced training sessions, courses, seminars, internships:
- Workshops on corporate law, international taxation, European taxation and IFRS (International Financial Reporting Standards), Amsterdam University (2009–2010).
- Program for Senior Executives Enterprise Performance Management, Harvard Business School, Boston, USA (2008).

Employers and job titles in organizations for the last five years:
- Since 2014 – Ayursundra B.V., Independent Director, Amsterdam / Guwahati.
- Since 2013 – member of PGGM Advisory Board Alternative Funds, Zeist.
- Since 2012 – affiliated with Bishopsfield Capital Partners Ltd, London.
- Since 2010 – a freelance consultant and Advisor, Aart Houwink Consultancy BV, Baarn, Netherlands.

Part-time job and membership of the Boards of Directors:
- Member of the Board of Directors, Independent Director of Kazpost JSC.
- Member of the Board of Directors, Independent Director of Kyrgyz Investment and Credit CJSC.
- Member of the Board of Directors of Ayursundra BV.

No shares of the Company, Company's suppliers or competitors in possession.

DMITRIY VLADIMIROVICH LARIONOV

Independent Director, Chairperson of the Committee on Strategic and Investment Issues

Date of birth: November 22, 1973
Nationality: Republic of Kazakhstan
Date of the first election as a member of the Board of Directors: November 8, 2017

Background:
- Since 2007 – KIMEP University, Doctor Program, Doctor of Business Administration in Accounting.
- 1999 – graduated from KIMEP, Master of Business Administration (MBA) in Accounting and Finance.
- 1995 – graduated from the Kazakh State University of International Relations and World Languages as Interpreter/Translator Consultant (English).

Recent advanced training sessions, courses, seminars, internships:
- Corporate Governance – Qualification Program for Executives, Harvard Business School, 2013.
- Chartered Director (Dip IoD), UK Institute of Directors, 2015.
- Certified Director (Cert IoD), UK Institute of Directors, 2013.
- Certified Corporate Governance Director (CCGD), Kazakhstan Association of Independent Directors, 2013.
- Certified Practicing Accountant (CPA), ICCAA, 2003.
- Member of a workgroup for preparation of the report per the Draft Law of Kazakhstan On Introduction of Amendments to Certain Regulations of the Republic of Kazakhstan on Accounting and Financial Reporting, Majilis of the Parliament of Kazakhstan, 2005–2006.
- Member of the Committee of Review of Official Translation of IFRS into Russian, 2009–2011.
- Co-editor and Manager of official translation of International Audit Standards into Russian, 2009, 2008 and 2006, Chamber of Auditors of Kazakhstan.

Employers and job titles in organizations for the last five years:
- Since September 2015 – Consultant, The Center of Reforms in Financial Reporting, Audit and Corporate Governance, World Bank.
- 08.2005–10.2016 – Partner, BDO Kazakhstanaudit.

Part-time job and membership of the Boards of Directors:
- Independent Director, Astana EXPO–2017 National Company JSC.
- Independent Director, Air Astana JSC.

No shares of the Company's suppliers or competitors in possession.

IGOR SEMENOVICH NEMGIROV

Independent Director, Chairperson of the Appointment and Remuneration Committee

Date of birth: August 7, 1961
Nationality: Russian Federation
Date of the first election as a member of the Board of Directors: October 31, 2017

Background:
- 1999–2000 – London School of Economics (LSE), Housing Policy Department.
- 1998–1999 – University College of London (UCL). The Bartlett School of Planning, Development Planning Unit (DPU), Master of Science (MSc) in Development Administration and Planning.
- 1978–1983 – RICI. Rostov-on-Don, Russia. Industrial and Civil Construction Department, Civil Engineer.

Employers and job titles in organizations for the last five years:
- May 2016 – August 2017 – Project Manager in Russia, SNC-LAVALIN, Moscow – Kaluga – France.
- June 2013 – May 2016 – Construction Director, Barwa BauInvest (BARWA), Moscow – Astrakhan – Qatar.
- 2012 – 2013 – Construction Department Head of Castorama Rus LLC (CASTORAMA), Moscow.

Part-time job and membership of the Boards of Directors:
- Since January 2018 – Construction Adviser to Director General of Sibirskiy Les LLC.

No shares of the Company's suppliers or competitors in possession.

REAL ESTATE FUND SAMRUK KAZYNA

Performance Assessment of the Board of Directors

The Board of Directors are assessed in accordance with the Policies of the Performance Assessment of the Board of Directors and it Committees, Chairperson, Members of the Board of Directors and Corporate Secretary of Samruk Kazyna Real Estate Fund JSC approved by Resolution of the Board of Directors No. 130 dated February 27, 2018. The key provisions of the Policies provide for a comprehensive analysis of major areas of activities of the Board of Directors, it Committees, Chairperson, Members of the Board of Directors and Corporate Secretary.

By Resolution of the Board of Directors No. 130 dated February 27, 2017, it was decided to assess performance of the Board of Directors at the end of 2017 by questioning and interviewing.

The scope of work covered the performance assessment of the Board of Directors in general, Chairperson of the Board of Directors, performance assessment of the committees of the Board of Directors and Corporate Secretary.

Advanced Training of Members of the Board of Directors

In accordance with the Annual Plan for Advanced Training of Members of the Board of Directors of the Real Estate Fund for 2017, the following advanced training events were conducted:

1). On May 19, 2017, the Real Estate Fund's Board of Directors had a practical workshop Efficient Communications for Intricate Negotiations in the Board of Directors arranged by the International Financial Corporation, Astana;

2). On December 6, 2017, the Real Estate Fund's Board of Directors had a practical workshop Project Risk Management System Organization; the subject was recommended by external consultants based on performance assessment of the Board of Directors.

PERFORMANCE OF THE BOARD OF DIRECTORS FOR 2017

Fourteen meetings of the Board of Directors were conducted in 2017 in the Real Estate Fund, of which ten face-to-face meetings and four meetings in absentia. 136 issues on key aspects of the Real Estate Fund's business were considered in total.

Participation of the Members of the Board of Directors in the Meetings of the Board of Directors and Committees in 2017:

Member of BoD, Committee	Independent	BoD	Audit Committee	Appointment and Remuneration Committee	Committee on Strategic and Investment Issues
Z.A. Munzhassarov	no	14/14	–	–	–
Y.B. Tutkushev	no	13/14	–	–	–
A.I. Houwink	yes	14/14	7/7	7/7	7/7
M.B. Azirbayev*	yes	11/11	6/6	6/6	6/6
A.S. Zhetpisbay**	no	6/8	–	–	–
D.V. Larionov***	yes	2/3	1/1	1/1	1/1
I.S. Nemgirov****	yes	2/3	1/1	1/1	1/1

* Powers expired on October 31, 2017
** Elected as a member of the Board of Directors on May 25, 2017
*** Elected as a member of the Board of Directors on November 8, 2017
**** Elected as a member of the Board of Directors on October 31, 2017

REAL ESTATE FUND SAMRUK KAZYNA

Key Issues Considered by the Board of Directors in 2017

Both strategic and current business issues were considered at the meetings of the Board of Directors in 2017, if such issues belonged to the competence of the Board of Directors.

The following key issues were approved and considered by resolution of the Board of Directors:

- Development Strategy for 2018–2027;
- Business Plan for 2018–2022;
- Mid-Term Plan for Improvement of the Corporate Governance System for 2017–2019;
- organizational structure;
- Maps of key indicators of executives, employees of the Internal Audit Service and Corporate Secretary Service;
- Housing construction projects within the Nurly Zher Program;
- Strategic Development Plan for Internal Audit Service;
- Report on Compliance with the Corporate Governance Code;
- Annual Report;
- total risk appetite, risk tolerance levels and key risk indicators;
- limits for agency banks;
- Succession Plan for Key Positions;
- Information Security Policy;
- Business Reports from the Board of Directors, Committees and Corporate Secretary Service;
- Annual report and quarterly reports of the Internal Audit Service;
- Plan of Actions for Improved Performance of the Board of Directors and Annual Plan for Advanced Training of Members of the Board of Directors;
- quarterly Risk Management Reports and Report on Corporate Governance System Improvement;
- Proactive Communication Policy;
- Sustainable Development Policy;
- Sustainable Development Report;
- Business Plan Implementation Report, Shareholder's Expectations Satisfaction Report;
- personnel issues concerning the composition of the Board of Directors, Committees, Management Board, Internal Audit Service and Corporate Secretary Service;
- detailed analysis of financial statements;
- Plan of Actions for Implementation of Recommendations for Transfer to IFRS 15;
- Project Progress Reports.

The following internal documents were amended:

- Rules for Selection and Review of the Housing Construction Projects;
- Rules for Selection and Review of the Housing Construction Projects within the Mechanism of Support for Private Developers;
- Articles of Association of SK Development LLP;
- Rules for Selling Residential and Commercial Premises under the Regional Development Program until 2020;
- Rules for Performance Assessment and Remuneration of Executives.

COMMITTEES OF THE BOARD OF DIRECTORS

In order to support the activities of the Board of Directors, the following committees were established in the Company in charge of considering issues and developing recommendations for a particular issue within their functional duties:

- Audit Committee;
- Appointment and Remuneration Committee; and
- Committee on Strategic and Investment Issues.

In accordance with the Regulations on Committees under the Board of Directors, each Committee shall submit a progress report to the Board of Directors on an annual basis.

The number of issued considered at the meetings by committees:

	2015	2016	2017
Audit Committee	66	90	61
Appointment and Remuneration Committee	31	46	36
Committee on Strategic and Investment Issues	52	113	50

REAL ESTATE FUND SAMRUK KAZYNA

KEY REGULATIONS ON REMUNERATION OF THE BOARD OF DIRECTORS AND MEMBERS OF THE MANAGEMENT BOARD

The Members of the Board of Directors the Real Estate Fund's, except for Independent Directors, perform their duties on a pro bono basis. The procedure for remuneration payment to Independent Directors is determined in accordance with the Rules for Remuneration Payment and Reimbursement for Expenses of Independent Directors of the companies of Samruk-Kazyna JSC as follows:

- fixed remuneration – for performance of duties of a Member of the Board of Directors;
- extra fee – for participation at the meetings of the Committees of the Board of Directors.

Independent Director is also reimbursed for expenses related to traveling to the meetings of the Board of Directors (travel, accommodation, allowance) held outside the residential location of such Independent Director.

In 2017, the remuneration paid to Independent Directors amounted to 31.09M KZT.

Performance of executives is assessed based on key performance indicators characterizing the Company's financial and operating performance and achievement level of a Member of the Management Board by functional lines of activities.

MANAGEMENT BOARD

The Company's routine activities are managed by a collective body in a form of the Management Board chaired by the Chairperson of the Management Board. The operation of the Management Board is aimed at respecting the Sole Shareholder's interests to the maximum extent and fulfilling the Company's tasks and implementing the Company's strategy. Arrangement of the operation of the Company's Management Board, procedure for convening and holding of the Management Board's meetings, decision-making procedure are described in the Regulation on the Company's Management Board.

The key principles of the Management Board's operation are integrity, fairness, reasonableness, prudence, regularity. The Management Board holds regular meetings with voting in person.

REAL ESTATE FUND SAMRUK KAZYNA

COMMITTEES UNDER THE COMPANY'S MANAGEMENT BOARD

Management Board	Performance Planning and Assessment Committee	• Ensuring timely and high-quality development of mid-term and current planning documents; and • Analyzing implementation of the plans approved.
		In 2017, ten meetings were held where they considered the following major issues: • Reallocation of funds, expenses and capital expenses; • Making changes in the budget; • Reports on Implementation of Development Plan and Annual Budget of SK Development LLP; • The financial and business performance of FN Management LLP; and • Integrated reports of the Real Estate Fund, including the Reports on Implementation of Development Plan, Detailed Analysis of Financial Statements.
	Investment Committee	• Considering the implementation of the Company's investment policies; • Making decisions on bidding for purchase of residential premises, approval and purchase of housing in the construction completed facilities and construction-in-progress facilities; and • Making decisions on funding construction facilities.
		In 2017, the Investment Committee held ten meetings where they considered the issues of project selection.
	Risk Management Committee	• Making recommendations for the Management Board to make decisions on risk management; • Monitoring the performance of the risk management system; and • Developing recommendations for business units in order to minimize risks, improve business process efficiency and achieve strategic objectives.
		In 2017, the Committee held eight meetings where they considered the following issues: • Risk appetite and risk tolerance levels for key risks for 2018; • Key risk indicators for 2018; • Risk Register and Risk Map for 2018; and • Risk Management Reports, and other issues.
	Sustainable Development Committee	• Taking actions to implement the sustainable development system; • Selecting and placing suggestions on consideration of the Management Board to implement the sustainable development system; and • Considering and making suggestions on the the Sustainable Development Report.
		In 2017, the Committee held three meetings where they considered the following major issues: • Sustainable development information; • Stakeholder Map; • Sustainable Development Policy; and • Sustainable Development Report for 2016.

MEMBERS OF THE MANAGEMENT BOARD

ARMAN SHARIPBAYULY ZHETPISBAY

Chairperson of the Management Board

Date of birth: April 24, 1971
Nationality: Republic of Kazakhstan
Date of the election as a member of the Management Board: February 16, 2017

Background:

- The Kazakh Chemical and Technology Institute, Shymkent, 1993.
- T. Ryskulov Kazakhstan Economic Institute, Almaty, 2002.
- International Moscow Financial Business School, Moscow, 1999.
- International Business Academy, Almaty, 2000.
- Inteconference LTD with participation of molans and anier municipalities, Geneva, Switzerland, 2008.
- Leadership Foundation for Higher Education, London, UK, 2014.
- NAZARBAYEV UNIVERSITET, Astana, 2016.

Employment history:

- Vast experience in executive positions in state authorities, financial institutions, national and big private companies.
- Alatautransgas LLP; Director of Ontustik Special Economic Zone Direction SE; Director of Kyzylorda Branch Office of Kazkommertsbank JSC; First Deputy Chairperson of the Management Board of Kazkommertsbank Kyrgyzstan JSC; Deputy Akim of South-Kazakhstan Region, Akim of Shymkent.
- 2012–2015 – Chairperson of the Supervisory Board of ARNA Petroleum LLP. Shymkent.
- 2015–2017 – Managing Director of Kazatomprom NAC JSC.

No shares of the Company, Company's suppliers or competitors in possession.

TIMUR NURLANOVICH KALDYBAYEV

Managing Director on Marketing

Date of birth: February 20, 1978
Nationality: Republic of Kazakhstan
Date of the election as a member of the Management Board: April 1, 2016

Background:

- MBA – International Business Academy, Master of Business Administration in Management, Lawyer, Financier.

Employment history:

- Employment history commenced in 1998; Teacher, Lawyer, Private Business Owner; more than 12 years in marketing and management in the largest companies of Kazakhstan.
- Experience in law, finance, management, PR, branding, corporate development, project management, real estate sales, development of state programs for housing construction, supervision of corporate development.
- Marketing Manager in the largest financial and investment companies; Director of some sub-offices in the Group of Samruk Kazyna Real Estate Fund JSC.

No shares of the Company, Company's suppliers or competitors in possession.

REAL ESTATE FUND SAMRUK KAZYNA

TALGAT BEYBITOVICH DOSSAYEV

Managing Director on Legal Support and HR

Date of birth: November 20, 1977
Nationality: Republic of Kazakhstan
Date of the election as a member of the Management Board: April 1, 2016

Background:

- Kostanay Law University, Lawyer.
- Graduate Military Course of Penitentiary System Academy, Candidate of Legal Sciences.
- London School of Economics and Political Science, Master of Economy and Business.

Employment history:

- Employment history commenced in 1994; more than 15 years of experience in the law enforcement and justice authorities. Head of Chair, Deputy Head of Law Institute of the Academy of the Ministry of Justice of the Republic of Kazakhstan.
- 2013–2016 – Corporate Secretary, Head of the Corporate Secretary Service of Samruk Kazyna Real Estate Fund JSC.
- Existing Member of the Kazakhstan Association of Independent Directors. CCGP degree as a Certified Corporate Governance Professional. Studies according to CIMA: Operation Performance Management, PWC PricewaterhouseCoopers.
- In 2015, included in the list of candidates of Top 25 of Talents of Samruk-Kazyna JSC Group of Companies.

No shares of the Company, Company's suppliers or competitors in possession.

ADIYA ARKHIMEDOVNA DZHANGAZIYEVA[3]

Managing Director on Transformations

Date of birth: August 11, 1984
Nationality: Republic of Kazakhstan
Date of the election as a member of the Management Board: October 8, 2016

Background:

- The Abay Kazakh National Pedagogic University, Finance and Economics Department / Major: International Economy.
- Kazakhstan Institute of Management, MBA Economics and Strategic Research (KIMEP), Master of Business Administration / Major: Accounting and Audit.

Employment history:

- Employment history commenced in 2004, more than 12 years in audit and accounting in Ernst & Young LLP, Astana-Millennium, Alem Communication Holding. Head of Internal Audit Service, Accountant.
- Existing Member of the International Institute of Internal Auditors (IIA), THE CERTIFIED PROFESSIONAL INTERNAL AUDITOR DIPLOMA.

Certifications:

- Diploma in Internal Audit.
- Certified Professional Internal Auditor Diploma (DipCPIA).
- Since February 10, 2012 – Member of the International Institute of Internal Auditors (IIA).

No shares of the Company, Company's suppliers or competitors in possession

[3] The powers of A.A. Dzhangaziyeva, Managing Director on Transformation, Member of the Management Board were terminated by Resolution of the Board of Directors of Samruk Kazyna Real Estate Fund JSC dated August 24, 2017 under an application submitted on September 26, 2017.

REAL ESTATE FUND SAMRUK KAZYNA

YERMURAT TOLEPBENGENULY[4]

Managing Director on Projects

Date of birth: December 16, 1979
Nationality: Republic of Kazakhstan
Date of the election as a member of the Management Board: 23.08.2017г.

Background:
- State Arkalyk Pedagogic Institute, Major: Basics of Law and Economics.
- S. Seifullin Kazakh Agronomic University, Major: Bachelor of Finance.

Employment history:
- Employment history commenced in 2000; he worked his way from the Business Corporate Landing Specialist up to Deputy Managing Director on Corporate Business Development in the largest financial institute of Kazakhstan.
- Executive of large national and private companies, such as BI-Holding LLP, Prodcorporation NC JSC, Agro-Soyuz Astana JV LLP.
- Owner of Business in Business Development Consulting.

No shares of the Company, Company's suppliers or competitors in possession.

YERBOL MURATOVICH ABDUGALIYEV[5]

Managing Director on Finance

Date of birth: May 28, 1974
Nationality: Republic of Kazakhstan
Date of the election as a member of the Management Board: September 26, 2017

Background:
- Kazakh State Management Academy, Major: International Economic Relations.

Employment history:
- 20-year experience in the banking industry. Employed by units of Kazakh subsidiary banks of ABN AMRO Bank N.V. and Royal Bank of Scotland Plc., and Alfa-Bank.
- 2010–2014 – ATFBank JSC (Member of UniCredit Group until May 2013), Head of the Corporate Block and Private Banking, Managing Director, Member of the Management Board of the bank.

No shares of the Company, Company's suppliers or competitors in possession.

[4] On February 27, 2018, the Employment Contract with Y. Tolepbergenuly was terminated as agreed between the parties based on the extract from the Minutes of the face-to-face meeting of the Board of Directors of Samruk Kazyna Real Estate Fund JSC dated February 27, 2018, Minutes No. 130.

[5] On February 27, 2018, the Employment Contract with Y. Abdugalieyv was terminated as agreed between the parties based on the extract from the Minutes of the face-to-face meeting of the Board of Directors of Samruk Kazyna Real Estate Fund JSC dated February 27, 2018, Minutes No. 130.

REAL ESTATE FUND SAMRUK KAZYNA

PERFORMANCE REPORT OF THE MANAGEMENT BOARD FOR 2017

The Management Board of the Real Estate Fund consisted of five Members of the Management Board. In 2017, 70 face-to-face meetings of the Management Board were held where they made resolutions for 283 issues.

Key Resolutions made by the Management Board in 2017 were about:

- investment and implementation of the construction projects;
- issues occurring in the course of implementation of investment projects;
- placement of temporarily available funds;
- signing trust agreements for residential and non-residential premises;
- approval of price and rental fee for 1 m^2 of commercial premises and apartments in the Residential Complexes;
- preview and approval of issues and internal regulatory documents further forwarded for consideration of the Board of Directors of Samruk Kazyna Real Estate Fund JSC; and
- approval of internal documents regulating business of the Real Estate Fund and the Real Estate Fund's subsidiaries, **including:**
  - Rules for Selection and Review of the Housing Construction Projects;
  - Methods of Calculation of Limits for Agency Banks;
  - Procedure for Formation, Approval, Adjustment and Monitoring of the Annual Budget of the Real Estate Fund and the Real Estate Fund's Subsidiaries;
  - Procedure for Auction for Sale of Pledged Property;
  - Regulations of Business Units;
  - Proactive Communication Policy;
  - Labour Regulations;
  - Regulation on the Sustainable Development Committee;
  - Regulation on the Internal Control System;
  - Instructions for Password Protection Creation and Management;
  - Information Security Policy;
  - Procedure for Interactions between Business Units within the Risk Management Corporate System;
  - Procedure for Health Insurance and Health Services for Employees;
  - Procedure for Project Monitoring;
  - Procedure for Corporate Communications; and
  - Procedure for Performance Assessment of Employees.

INTERNAL AUDIT

The major goal of the Company's Internal Audit is to provide the Board of Directors, Audit Committee and Management Board with independent and unbiased guarantees that the Real Estate Fund and Real Estate Fund's subsidiaries have adequate internal control, risk management and corporate governance at place.

The Internal Audit assist the Board of Directors and Management Board in improving the Company's management efficiency, financial and business operations through a comprehensive and step-by-step approach to analysis and assessment of risk management, internal control and corporate governance as instruments to ensure reasonable assurance in achieving the objectives set to the Company.

EXTERNAL AUDIT

The Real Estate Fund engages an auditing firm under an open tender to confirm the fair presentation of the annual financial statements.

The financial statements for 2017 were audited by the Big Four member firm Ernst and Young LLP. The fee paid to Ernst and Young LLP for audit of the financial statements for 2017 amounted to 21,280,000 KZT VAT inclusive.

In 2017, Ernst and Young LLP delivered separate services of formulating the Development Strategy of the Real Estate Fund. The fee paid for the services amounted to 120,000,000 KZT VAT exclusive.

REPORT PROFILE

The Real Estate Fund's Annual Report for 2017 is the ninth such report and continues the practice of publishing the corporate reports. All reports are available on the Company's official website www.fnsk.kz. This Report integrates financial and non-financial statements of the Real Estate Fund for 2017 and demonstrates the relationship between the Company's corporate governance systems and sustainable development.

The purpose of this Annual Report is to inform the readers of all significant events affecting the Real Estate Fund's operations. The Company has a goal to help investors and other stakeholders understand how the Real Estate Fund formulated its strategy, how we manage our assets, achieve required financial performance, ensure sustainable long-term operations and work on creating value for the shareholders and all stakeholders.

The targeted audience of the Annual Report generally includes a wide range of the Real Estate Fund's stakeholders, including employees, the Sole Shareholder and Board of Directors, residents of regions where the Real Estate Fund operates, state authorities, financial institutions, the Company's clients and partners.

The Company has different feedback channels in place. Any feedback with respect to the Annual Report can be provided by phone or e-mail given in Contact Details. All messages received will be reviewed and considered in preparing the next Report.

In some instances, in order to avoid duplication of information, the Annual Report contains references to the Company's Annual Report for 2016 or other publicly available documents. In the process of data preparation and presentation, the Company is guided by GRI G4 Guidelines and International Financial Reporting Standards (IFRS) for financial and performance indicators.

Appendix 1 to the Annual Report discloses the Real Estate Fund transactions and arrangements with state authorities; Appendix 2 contains index of GRI Guidelines; Appendix 3 contains Independent Auditor Report and consolidated financial statements for 2017.

The Report is published in Kazakh, Russian and English languages. The document can be accessed via the Real Estate Fund website.

Sustainable Development Report Profile

The Sustainable Development Report of the Real Estate Fund for 2017 included in the Annual Report was made 'in accordance' with the basic option of the Sustainability Reporting Guidelines (GRI-G4).

The Company uses the reporting guidelines described in the Sustainable Development Report for 2016; they remain the same and are based on the approach described in the GRI Guidelines.

In order to update the Material Aspect Map, the Company's employees and external stakeholders were questioned – 8 external stakeholders and 58 internal stakeholders took part in the questioning. In addition to the questioning, monitoring of the results of conversations with shareholders in 2016 and 2017, recommendations of the Board of Directors given with respect to the previous Sustainable Development Report and benchmarking of the reports of comparable companies were performed at the stage of the development of the Report concept.

Based on the work completed, the matrix of material aspects was presented in a new form. The aspects with the highest scores were recognized as material ones. Material aspects are disclosed in the Report in full, including management approaches and performance indicators. Management approach for some aspects is described in the Sustainable Development Report for 2016.

Compared to the aspects disclosed in the Report for 2016 based on the results of stakeholders questioning, Emissions, Materials, Public Policy were determined as material ones, while Occupational Health and Safety, Diversity and Equal Opportunity, Safety Practices, Compliance with Laws and Regulations, Customer Health and Safety, Marketing Communications ceased being material to be disclosed in the Report for 2017.

The identified material aspects and boundaries are defined so that the Report described all significant impacts of the Real Estate Fund. Compared to the previous reporting period, no significant changes of boundaries were identified.

This Report has not been externally verified.

Contact Details

Please do not hesitate to send your feedback with respect to this Report and requests for a hard copy of the Report to:
Samruk Kazyna Real Estate Fund JSC
10 Mangilik Yel, Astana, 010000.
Tel.: +7 7172 570210 (reception), fax +7 7172 575522,
astana@fnsk.kz.

REAL ESTATE FUND SAMRUK KAZYNA

SUSTAINABLE DEVELOPMENT OF THE REAL ESTATE FUND

- Sustainable Development Management
- Effective Stakeholder Engagement
- Sustainable Development Key Indicators
- Business Ethics
- Anti-Corruption
- Public Policy Support
- Responsible Supply Chain
- Environmental Protection
- Human Resources Development
- Environmental Impact in the Operations Area
- Sponsorship and Charity

Sustainable Development Management

The Real Estate Fund determined three key areas of sustainable development where it assesses its impact as most significant: economic, environmental, and social areas.

The actions taken in these areas have the biggest positive effect for purposes of achievement of the Company's long-term soundness, economic efficiency, and social stability.

In 2017, the Real Estate Fund adopted the Sustainable Development Policy, which describes basic principles and regulations of the Company's activities in implementing the sustainable development. The Policy was made in accordance with the legislation of the Republic of Kazakhstan and taking into account international industrial standards.

The goals of implementation of the Sustainable Development Policy are as follows:

- increasing contribution of the Real Estate Fund to sustainable development of the society in economic, social, and environmental areas;
- developing engagement and improved trust of stakeholders in the Real Estate Fund;
- creating favourable conditions to improve the labour performance and personal fulfillment of employees of the Real Estate Fund; and
- developing the corporate governance system, improving transparency of business processes.

Recognizing the principles of the UN Global Compact, the Real Estate Fund states its commitment to the following principles in its activities:

Human rights:
- The Real Estate Fund ensures and respects internationally recognized human rights;
- The Real Estate Fund ensures noninvolvement in human rights violation.

Employment:
- The Real Estate Fund supports freedom of meetings and recognizes the right to collective bargaining agreements;
- The Real Estate Fund contributes to liquidation of compulsory or forced labour;
- The Real Estate Fund contributes to liquidation of child labour;
- The Real Estate Fund contributes to liquidation of discrimination in labour and employment.

Environmental protection:
- The Real Estate Fund contributes to prevention of negative environmental impacts;
- The Real Estate Fund adopts the initiatives and contributes to distribution of environmental responsibility;
- The Real Estate Fund contributes to development and distribution of environmentally safe technologies.

Anti-corruption:
- The Real Estate Fund states its intolerance to all forms of corruption and other illegal actions, including extortion and bribery.

REAL ESTATE FUND SAMRUK KAZYNA

Identified Aspect Materiality Matrix

For the purpose of analysis and assessment while making the Sustainable Development Report for 2016, Identified Aspect Materiality Matrix was developed with aspects placed in accordance with materiality of such aspects for the Company and stakeholders.

In the course of preparing the Report for 2017, the approach to aspect determination remained the same, however a rating scale for identified aspects was updated (it was decided to define three axis measurements: low, medium, and high importance). Aspect rating along the horizontal axis of the Matrix is based on the materiality for the Real Estate Fund, and the vertical axis is based on the stakeholder assessment.

Significant aspect rating allows for structural establishment of stakeholder engagement based on a clear understanding of their priorities.

Based on the results of the identified aspects, disclosures are made on the following:

Economic aspects

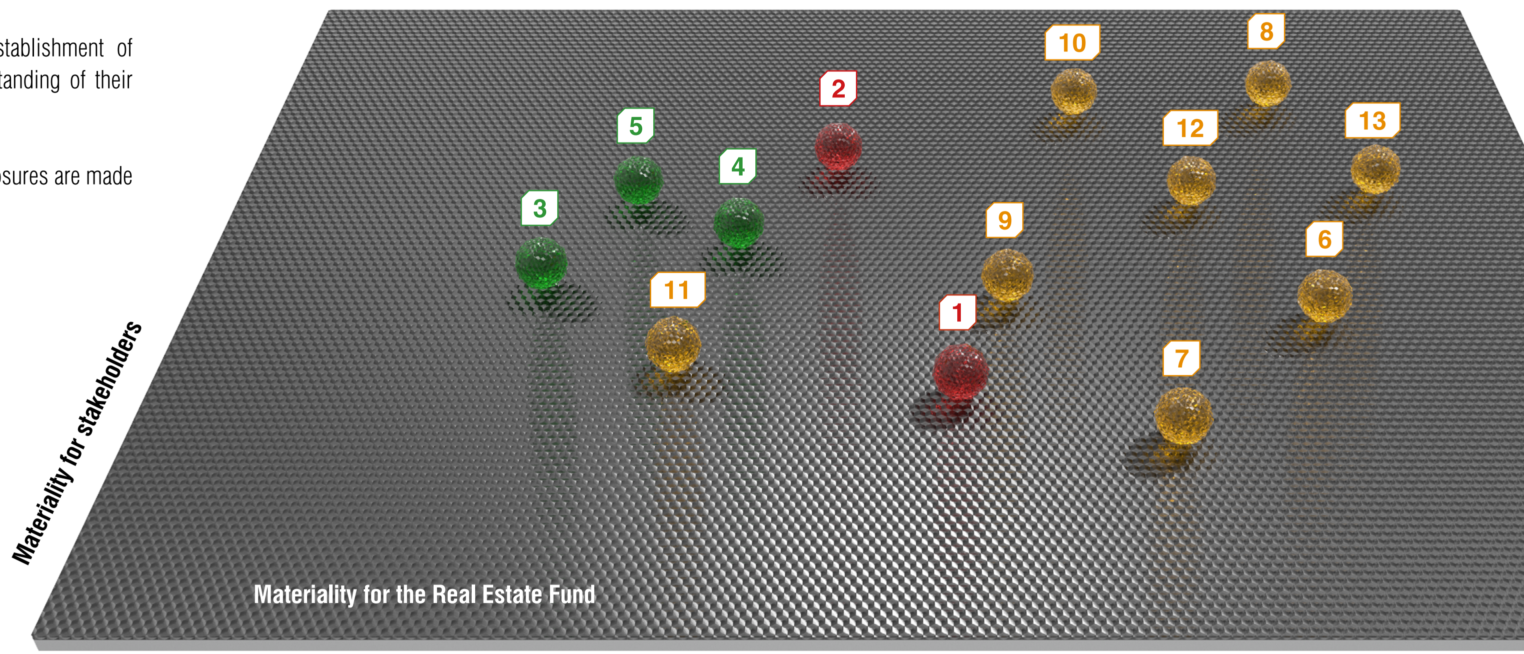
1. Economic Performance
2. Procurement Practices

Environmental aspects

3. Materials
4. Emissions
5. Compliance

Social aspects

6 . Training and Education
7. Equal Remuneration for Women and Men
8. Non-discrimination
9. Investment in Human Rights
10. Anti-corruption
11. Public Policy
12 Product and Service Labeling
13. Customer Privacy



● Economic aspects ● Environmental aspects ● Social aspects

Effective Stakeholder Engagement

The Real Estate Fund seeks to create an effective stakeholder engagement system based on respect and mutually beneficial cooperation.

The Real Estate Fund defines a full list of stakeholders engaged in the Company's activities describing stakeholder contribution and interests. When assessing stakeholder materiality, they conduct stakeholder rating by materiality to the Company with respect to two factors: degree of stakeholder impact on the Real Estate Fund and degree of stakeholder interest in the Real Estate Fund's business.

In order to define the degree of stakeholder interest, the Real Estate Fund annually sends questionnaires to stakeholders to define material aspects and important questions about the Real Estate Fund's activities in sustainable development. The degree of stakeholder interest can be adjusted in proportion to the percentage of representatives of stakeholder group, who sent a feedback on defining material aspects.

Based on the rating by impact and interest parameters, a stakeholder group is referred to one of the following segments:

- Stakeholders, whose activities should be monitored by the Real Estate Fund;
- Stakeholders, whom the Real Estate Fund should engage in its processes;
- Stakeholders, with whom the Real Estate Fund should maintain communication;
- Stakeholders, whose interests should be met by the Real Estate Fund.

The Real Estate Fund engages stakeholders based on the following principles:

- respect and consideration of stakeholder interests, opinions, and preferences;
- prompt and regular communication to stakeholders; and
- responsible fulfillment of obligations undertaken.

The Real Estate Fund's stakeholders are buyers and tenants of the Real Estate Fund's residential premises, the Company's employees, Sole Shareholder and Board of Directors, subsidiaries and associates, general contractors and developers, local executive authorities, financial institutes, mass media and social media users. Principles and procedures of stakeholder engagement are described in the Code of Business Ethics and Sustainable Development Policy.

In 2017, the Procedure for Corporate Communications, which describes the mechanisms of work with various communication channels and target groups, was approved.

#	Stakeholders	Stakeholder Engagement Strategy	Mechanisms of Use of Communication Channels
1	Sole Shareholder	Ensuring exercise of the Sole Shareholder's rights within he corporate governance principles aimed at effective key decision making.	The Real Estate Fund's corporate website and social media can be used to post information concerning the financial and business performance as required by the applicable legislation of the Republic of Kazakhstan, Articles of Association, internal regulatory documents of the Real Estate Fund, additional data about the Company's plans, achievements, reports and presentations.
2	Board of Directors	Determining the Real Estate Fund's priority lines of business, Development Strategy.	Posting general information on websites, in particular the Real Estate Fund's website as provided for by the legislation of the Republic of Kazakhstan and internal regulatory documents of the Real Estate Fund (as applicable).

REAL ESTATE FUND SAMRUK KAZYNA

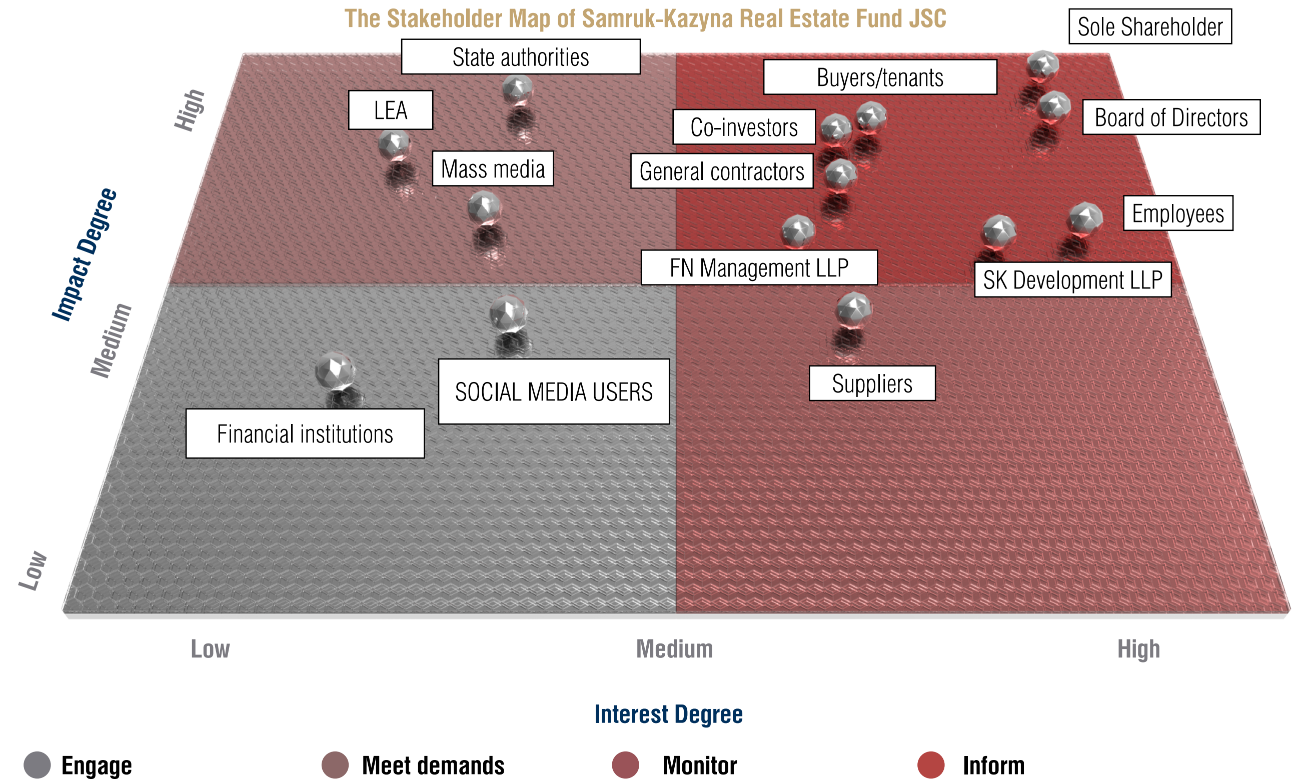
#	Stakeholders	Stakeholder Engagement Strategy	Mechanisms of Use of Communication Channels
3	Employees	Maintaining open transparent personnel policy aimed at development of skilled and motivated personnel. Providing all employees with equal opportunities to fulfill their potential in the course of employment, unbiased and fair performance assessment, recruitment and career advancement exclusively based on their professional capacities, knowledge and skills.	Websites, including the corporate website can be used to provide information support for the purpose of implementation of the Real Estate Fund's personnel policy, reporting competitive selection of employees.
4	Co-investors	Attracting investment to implement the projects for the purposes of profit.	Distributing information concerning foreign and domestic practices in engagement of private sector in construction, developing a public–private partnership by the Real Estate Fund, participating in business events (business forums, conferences, business councils, exhibitions etc.) via websites, in particular, corporate website, social media, corporate mass media.
5	SK Development LLP, FN Management LLP	Exercising its rights as a shareholder/affiliate founder.	Affiliate's information is published on websites, in particular on the corporate website, in social media of the Real Estate Fund, affiliates.
6	General contractors	Signing contracts, monitoring fulfillment of contractual relations within implementation of the public policy in construction.	Communicating implementation of projects by the Real Estate Fund to target audience by publishing press releases, news, articles, interviews, and other materials on the corporate website, in social media, mass media.
7	Suppliers	Signing contracts, monitoring fulfillment of contractual relations.	Notifications on procurement and procurement results are published on the websites, in particular the Real Estate Fund's corporate website.
8	Buyers/tenants	Ensuring meeting suppliers/tenants expectations about purchase of high-quality and available housing in accordance with the Construction Standards and Regulations of Kazakhstan, meeting requirements for comfort, safety and cost effectiveness.	Awareness-raising work among the target audience about the Real Estate Fund's activities by publishing press releases, articles, reports, surveys, and other information messages via the corporate website, social media, email marketing, messengers, Blog of the Chairperson of the Management Board, and consulting via Call Center, conducting special events, promotions, advertisement campaigns, etc.
9	State authorities, LEA	Engagement in housing construction, housing and utility management, monitoring of facility construction, technical audit, state expertise, commissioning of facilities.	Websites, in particular, the corporate website, social media can be used for informational coverage of the Real Estate Fund's activities in implementing the state housing construction program (meetings, sessions, public hearings, reports, interviews, public speeches, workgroups, forums, conferences, etc.).

#	Stakeholders	Stakeholder Engagement Strategy	Mechanisms of Use of Communication Channels
10	Mass media, the Real Estate Fund's social media users	Developing a positive public opinion about the Real Estate Fund's business.	Arranging information work by implementing PR programs, communicating strengths and opportunities of the Real Estate Fund to the target audience by distributing press releases, publications, reports, interviews, photographs and videos, presentations in mass media, on the corporate website, and in social media.
11	Financial institutions	Signing contracts, monitoring fulfillment of contractual relations (placing funds on deposit accounts, bank service, maintenance of special accounts).	Publishing consolidated financial statements, the amount of approved dividends and other information as required by the legislation of the Republic of Kazakhstan and internal regulatory documents of the Real Estate Fund on the websites, in particular on the Real Estate Fund's corporate website.

As a socially responsible company, the Real Estate Fund commits to transparency and openness in its financial and non-financial activities and discloses information interesting for stakeholders. In 2017, the Real Estate Fund approved the Disclosure Procedure. The Procedure regulates the disclosing process and publication of information in the Real Estate Fund.

The Real Estate Fund annually revises the Stakeholder Map designed to organize and visualize information concerning the Real Estate Fund's surrounding in order to develop methods of engagement of each stakeholder.

The Stakeholder Map of Samruk-Kazyna Real Estate Fund JSC



REAL ESTATE FUND SAMRUK KAZYNA

SUSTAINABLE DEVELOPMENT KEY INDICATORS

Direct Economic Value Generated and Distributed, thousand KZT

Indicator	2015	2016	2017
Total capitalization	**33,003,334**	**36,605,679**	**39,995,285**
equity	33,003,334	36,605,679	39,995,285
borrowed capital	–	–	–
Funds received from the government[1]	**–**	**–**	**–**
Economic value generated	**11,411,740**	**24,256,709**	**21,794,861**
operating income	6,925,556	17,188,159	18,348,723
non-operating income	4,486,185	7,068,550	3,446,138
Economic value distributed:	**11,494,498**	**21,744,550**	**19,692,994**
payroll expenses	934,638	747,380	776,101
dividends paid to the Sole Shareholder	259,943	220,079	613,390
taxes and charges paid to the state budget	1,123,162	2,413,398	1,828,207
charity and sponsorship	–	–	–
other operating costs	7,391,046	16,471,202	14,925,356
other non-operating costs	1,785,709	1,892,491	1,549,940
Economic value for distribution	**-82,757**	**2,512,159**	**2,101,867**

Key Personnel Indicators

Indicator	2015	2016	2017
Total number of employees	72	72	72
Total number of business units	17	16	17
Structure of personnel under employment contracts			
Under employment contract	72	68	67
Under service contract	26	30	33
Structure of personnel by gender			
Women	39	51	52

[1] The Real Estate Fund has the Lines of Credit from the Parent Company (Samruk-Kazyna JSC)

Indicator	2015	2016	2017
Men	59	47	48
Personnel turnover, %	16%	48%	40%
Payroll fund (including allowances and bonuses included in PF, annual remuneration) (thousand KZT)	643,116	547,319	465,393
Social payment fund (thousand KZT)	11,091	9,406	10,777
Social tax (thousand KZT)	79,776	75,356	74,578

Key Indicators for Significant Fines

Indicator	2017
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations, KZT	0
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services, KZT	0

Business Ethics

Key corporate values that serve as a basis for the Real Estate Fund's operation are integrity, responsibility, and professional competences, performance, team spirit, respect of employees to each other and to stakeholders. The Code of Business Ethics describes general conduct standards, moral and ethical standards, intolerance to corruption and personal benefit in the performance of their duties. The provisions of the Code of Business Ethics are communicated to all Real Estate Fund's employees, including officers, on a regular basis upon employment. In 2017, the Real Estate Fund tested officers and employees to check their knowledge of standards and provisions of the Code of Business Ethics, with 62 employees participating.

In 2017, one violation of the Code of Business Ethics by the Company's employee was reported. This incident was promptly settled.

In its activities the Real Estate Fund strictly respects human rights. The Company allows no discrimination by nationality, gender, origin, age, etc., recognizes the right of employees to establish public associations and organizations for protection of their rights and interests.

The Real Estate Fund contributes to respect of human rights in its activities and in the activities of its partners by developing and implementing corporate documents and mechanisms of monitoring and control and from time to time reviews the events of violation of human rights in the Company.

For the reporting period, no events of discrimination by any sign were recorded in the Company.

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Training per Employee on Human Rights for 2017 (hours)

Indicator	2017
Hours of training per employee on human rights	92
Hours of training per employee on human rights, by gender	
Women	8
Men	84

Anti-Corruption

The Company's strategic objectives and operation are intolerable to any forms of corruption. The Real Estate Fund commits to fair business conduct, including anti-corruption and fraud management, prevention of corporate conflicts and conflict of interest as prerequisites for stakeholder engagement, building trust relationship internally.

In its anti-corruption and anti-fraud activities, the Real Estate Fund is based on the following principles:

- lawfulness and ethics;
- intolerance to corruption and fraud in any form and of any type, including a conflict of interests;
- zero tolerance to any corrupt or fraudulent actions at all levels of corporate governance; and
- unavoidable nature of punishment for any corrupt or fraudulent actions.

The anti-money laundering procedures are regulated in accordance with the legislation of the Republic of Kazakhstan concerning anti-money laundering and combating the financing of terrorism.

Major fraud management and anti-corruption principles are described in the Fraud Management and Anti-Corruption Policy in the Real Estate Fund and Sustainable Development Policy.

Communication and Training on Anti-Corruption Policies and Procedures

The Real Estate Fund conducted a series of training sessions and workshops on anti-corruption culture, preventing and counteracting corruption and fraud with the Security Service employees engaged. The provisions of Law of the Republic of Kazakhstan dated November 18, 2015 No. 410-V On Counteracting Corruption, Proactive Communication Policy and Anti-Corruption Program for 2015–2020 of Nur-Otan PDP were briefly discussed at the meeting. The provisions of the Law regulating public relations in anti-corruption and implementation of the anti-corruption policies of the Republic of Kazakhstan were communicated to the employees.

Corrupt violators, general and special anti-corruption actions, compliance control mechanisms were discussed; specific examples of sanctions for such violations were given.

The Real Estate Fund makes all reasonable efforts to prevent and avoid any acts of corruption and continuous focused efforts among employees to prevent such negative incidents. We would like to emphasize the fact of signing the Memorandum of Cooperation by and between the Real Estate Fund and developer companies in anti-corruption and prevention of any other violations.

The percentage of engagement of employees of corporate security departments in training on policies and specific procedures of the Company on anti-corruption practices, human rights and freedoms, requirements of the Code of Corporate Ethics reached 100% in 2017. Anti-corruption training for employees will be further continued.

A hotline has been operating for employees of portfolio companies of Samruk-Kazyna JSC since 2016. The hotline provides for a confidential and safe method for employees or third parties to raise any issues or report events of violations of laws, regulations, internal

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policies or unethical behavior of employees or business partners. The hotline has a dedicated phone number 8 800 080 19 94, special email address sk.hotline@deloitte.kz, and communication services are delivered by an independent provider.

Public Policy Support

Ensuring housing affordability and developing infrastructure for doing business in the operations areas is one of the key priorities of the Real Estate Fund in accordance to the approved Development Strategy for 2018–2027. In this connection, the Real Estate Fund supports the public policies in housing construction and support for private developers.

The Real Estate Fund observes the Yellow Pages Rules that state nonintervention of the sector in the economies where business presents. As a quasipublic company, the Real Estate Fund does its business in accordance with the list of activities approved by Resolution of the Government of the Republic of Kazakhstan No. 1095 dated December 28, 2015.

Indicator	2017
Total value of political contributions by country and recipient/beneficiary, KZT	0

Responsible Supply Chain

The major goal of the Real Estate Fund in procurement activities is prompt, effective and complete satisfaction of the needs in resources for stable operation of all business units under optimal purchase conditions.

There is an effective procurement system at place in the Real Estate Fund based on the principles of openness, transparency, equality and fair competition development. The procurement procedures are available to public, transparent, standardized and simple.

The priorities of the Real Estate Fund's procurement activities are as follows:

- purchasing goods, works, services from organizations of disabled people listed in the Register of Organizations of Disabled People of Samruk-Kazyna JSC Group of Companies;
- purchasing goods from manufacturers of the goods purchased listed in the Manufacturer Register of Samruk-Kazyna JSC Group of Companies,
- purchasing from qualified potential suppliers.

Suppliers are selected by the Real Estate Fund using the following methods:

- an open tender (including a Dutch auction);
- request for quote (including a Dutch auction);
- from a single source.

Procurement Method*, thousand KZT

Year	EOTA	EOT	OT	SS	RFQE	Residents	Nonresidents
2015	166,946	7,583,430	1,801,454	298,106	14,317	9,856	8,670.00
2016	121,718	12,447,035	0.00	415,748	34,420	13,018	0.00
2017	39,904	–	–	492,248	36,916	550,404	18,664

* Definition of Abbreviations of Procurement Methods:
EOTA means e-procurement by an open tender with the use of a Dutch auction
EOT means e-procurement by an open tender
OT means procurement by an open tender
SS means single-source procurement
RFQE means e-procurement by request for quote

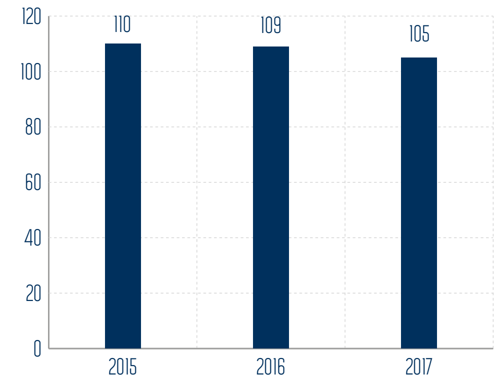
The Structure of the Company's Procurement of Goods, Works and Services

Year			thousand KZT
	Products	Works	Services
2015	98,442	9,342,229	423,582
2016	87,599	12,689,028	242,295
2017	74,016	152,885	323,503

Indicator	2015	2016	2017
The percentage of the procurement budget spent on local suppliers, %	99.91	100	96.7
The percentage of import procurement, %	0.09	0	3.3

When selecting contractors for goods, works and services, the basic criteria are used, such as cost, quality, good supply terms / work completion terms, contractor's integrity as for availability of appropriate technical and personnel resources, experience required to complete work/deliver services in the relevant area.

Total number of contractors



Environmental Protection

The Real Estate Fund recognizes the environmental protection activities as an important part of its routine operation and realizes the need in maintaining ecological balance and environmental friendliness. The Company updated its environmental objectives in 2017 in order to minimize the environmental impact:

- safe and sustainable development in doing business;
- compliance of the Real Estate Fund's activities with all requirements and standards provided for by environmental laws;
- mitigation of risk of environmental impact of the Real Estate Fund's activities;
- responsible attitude and rational use of land lots owned by the Real Estate Fund; and
- continuous improvement of the environmental management system.

The Company works on environmental protection in the operations areas based on the sustainable development principles implying well-balanced combination of economic growth and maintaining favourable environment for the present and future generations.

In its business, the Real Estate Fund seeks to comply with and respect the applicable legislation of the Republic of Kazakhstan, international rules and environmental standards.

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The total cost of materials used in construction of residential facilities funded by the Real Estate Fund and private developers in 2017 amounted to 28.9B KZT, which is about 65% of cost of construction and assembly works completed, including:

Name of Residential Facilities	Including materials
Ertis City Residential Complex, Phase 1, Ust-Kamenogorsk	2.2
Altyn Shar Residential Complex, Astana	2.5
Alatau City Residential Complex, Astana	4.3
Nova City Residential Complex, Astana	7.8
VOSTOCHKA.KZ Multipurpose Residential Complex, Almaty	0.5
Ertis City Residential Complex, Phase 2, Ust-Kamenogorsk	1.5
Multi-apartment residential complex with integral premises and a parking lot near Komsomolsky Residential Area, Astana	1.7
Multi-apartment residential complex with integral premises and a parking lot, Astana	0.2
Residential complex consisting of 5-storey and 3-storey multi-apartment buildings in Tulpar Microdistrict, Shymkent	0.1
Residential buildings in Tulpar Microdistrict in Shymkent (Tulpar 3, townhouses in Tolemetov Street)	0.1
TOTAL:	**20.9**
Shygys Multi-Apartment Residential Complex, Astana	0.5
Adiya Residential Complex, Shymkent	0.2
Zheruiyk Residential Complex, Atyrau	0.3
Parking lot for a residential building, Astana	0.0
170-apartment residential building No.15, Kyzylorda	0.8
9–14-storey residential buildings with commercial premises, Aktau	4.4
50-apartment residential building No.1, Kyzylorda	1.5
Multi-apartment residential complex with a parking lot, Astana	0.3
TOTAL:	**8.0**

The laws of the Republic of Kazakhstan regulate pollutant emissions. According to the Tax Code of Kazakhstan, fees are charged for emissions.

The tax unit is an actual volume of emissions within and/or beyond the established emission rates:

1) pollutant emissions;
2) effluents;
3) production and consumption waste disposal.

The Real Estate Fund monitors emissions for its own projects. Thus, general contractors ASTI LLP and Eileen Group LLP on a regular basis provided calculations of actual emissions and charges paid to the local budget for construction projects of a multi-apartmetn residential complex with a parking lot in the crossing of Khussein Ben Talal Street and Yenbekshiler Street in Astana and 9–14-storey residential buildings with commercial premises in 32A Microdistrict in Aktau.

Human Resources Development

The employees are the Real Estate Fund's key asset, strategic partners in achieving sustainable development objectives. The Company's team consists of highly engaged experts sharing the Company's value. Provision of welfare, maximum opportunities for development, recruitment and retention of the best employees are the Real Estate Fund's priorities.

Personnel development and training is one of the essential directions of the personnel policy of the Real Estate Fund based on the following principles:

- compliance of the topics and contents of vocational training with the needs determined in accordance with employee job duties, performance assessment results, objectives and tasks set to the employee;
- focus of training events on solving specific tasks to provide improved performance of the Real Estate Fund's employees, studying the best global practices and international standards;
- continuous and consistent employee training and development with the use of various forms of training and development;
- focused employee training and development policies to conduct current and future business processes;
- employee training and development in accordance with individual plans of employee development, career plans of employees from the candidates pool of the Real Estate Fund;
- cooperation with educational organizations of the Republic of Kazakhstan in advanced training of graduates.

The arrangement of training in the Real Estate Fund consists of the following stages:

The Rules for Vocational Training and Development of the Employees of the Real Estate Fund describe the requirements for the vocational training and development of emplees.

In addition, the Company conducts training of employees on the sustainable development principles. On July 14–15, 2017, Managing Director on Transformation and Director of Strategy and Transformation Department attended the workshop on sustainable development reporting in accordance with GRI Guidelines arranged by CSR Central Asia. Moreover, On March 28–29, 2017, an employee of the Department attended the workshop on sustainable development reporting in accordance with GRI Guidelines arranged by Samruk-Kazyna Corporate University.

Information concerning Training of Employees for 2017 (hours)

Indicator	2017
Average hours of training of employees per year	4,156
Average hours of training of employees per year, by gender	
Women	2,373
Men	1,782
Average hours of training of employees per year, by employee category	
Top executives (with MBA and DBA)	1,064
Middle managers (with e-learning)	1,142
General managers and managers (with e-learning)	1,950

Incentive Program

The remuneration scheme of the Real Estate Fund is regulated by the Rules for Remuneration and Bonuses for the Employees of the Real Estate Fund that focus on assisting in achieving the Company's strategic objectives by establishing an effective remuneration scheme.

Since 2009 the Rules for Social Support provided to the Employees of the Real Estate Fund have been in effect; they describe the types and conditions of social support provided to employees.

The following amounts are paid to the Real Estate Fund's employees:

1). financial assistance;
2). compensation expenses;
3). health insurance of employees and their family members.

The Company provides for equal remuneration for men and women.

REAL ESTATE FUND SAMRUK KAZYNA

Economic Impact in Operations Areas

The Real Estate Fund has been operating in the real estate market since 2009, and for this period the Company has participated in several state programs in construction and sales of affordable housing for the population. More than 1.5M square meters of real estate facilities were commissioned with the Real Estate Fund involved.

The Real Estate Fund contributes to the national development by paying taxes and charges to the budget, providing jobs, and purchasing goods, equipment and services from Kazakh manufacturers and providers. The Real Estate Fund's achieving financial and operational targets is not in conflict with the sustainable development principles.

The Company's operation focuses on the development of the operations areas by improved performance in the area, reduced poverty rates, increased affordability of housing for the population, new jobs created and increased investment appeal of the area. Key factors of improvement of the Real Estate Fund's performance are investment and profitability management, successful implementation of the state housing programs and initiative for increased shareholder value. The Real Estate Fund creates jobs in the operations areas and contributes to economic upturn of the areas in the process of project implementation. More than 20,000 jobs were supported on the construction sites in 11 regions of the country in 2010–2017, of which more than 2,000 jobs in 2017. About 25.6B KZT of private investment were attracted in the housing construction sector. The percentage of the local content with long-term procurement was 63% in 2017.

06Job Provision in the Projects Implemented in the Operations Areas in 2017

#	Description	Number of Jobs
1	Ust-Kamenogorsk, East Kazakhstan Region	40
2	Aktau, Mangistau Region	638
3	Shymkent, South Kazakhstan Region	154
4	Almaty, Almaty Region	399
5	Astana, Akmola Region	860
TOTAL in 2017		**2,091**

Sponsorship and Charity

In accordance with the Charity Policy and Charity Program of Samruk-Kazyna JSC, sponsorship and charity activities have been performed via a single operator of Samruk-Kazyna JSC Group of Companies – Samruk-Kazyna Trust Social Project Development Fund since 2016.

No funds were allocated for this direction in the Company's budget for 2017.

The Real Estate Fund's employees provide sponsorship and charity on a voluntary basis. In 2017, the Company's employees supported the following social charity initiatives:

- the Real Estate Fund's employees raised money for those injured in an emergency in Shakhan Village, Shakhtinsk City;
- for the Victory Day, they provided targeted aid in 2017 to the Great Patriotic War veterans assigned to the Real Estate Fund by the Astana Veterans Council;
- the charity support was provided to people, who asked for help during the year, at the expense of the Company's employees.

Appendix No.1

SIGNIFICANT TRANSACTIONS

In 2017, the Real Estate Fund entered into the following transactions with related parties:

- January 10, 2017 – Supplementary Agreement dated January 10, 2017 No. 1 to Loan Agreement with SK Development LLP No. 25 dated March 31, 2016 concerning loan disbursement until July 1, 2017;
- January 18, 2017 – Agreement No. ЭП/2017–41 for Express Post Services of EMS Kazpost with Kazpost JSC;
- January 31, 2017 – Telecommunication Service Agreement No. 4976/CC with Kazakhtelecom JSC;
- February 2, 2017 – Colocation Service Agreement (Astana) No. 47- II КБ with Kazakhtelecom JSC;
- February 2, 2016 – Broadcasting Service Agreement No. 4983/CC with Kazakhtelecom JSC (ALACAST LLP);
- February,3 2017 – Telecommunication Service Agreement No. 4984/CC with Kazakhtelecom JSC;
- February,3 2017 – Office Lease Agreement No. 6 with SK Development LLP;
- February, 9 2017 – Agreement for Firefighting Service Procurement for Samruk Kazyna Real Estate Fund JSC No. 13 with Semser-Ort Sondirushi LLP;
- February 15, 2017 – Technical Support Agreement for Local Content Monitoring Map No. 98 with Samruk-Kazyna Contract LLP;
- February 16, 2017 – Agreement for Updating the Uniform Stock Item Identification Guide (Goods, Works, Services) No. ЕНС–95/2017 with Samruk-Kazyna Contract LLP;
- February 16, 2017 – Agreement for the Use of E-procurement Information System of Samruk-Kazyna REF JSC No. 08 – ИС23/127 with Samruk-Kazyna Contract LLP;
- March 16, 2017 – Service Purchase Agreement for Call Center in Samruk Kazyna Real Estate Fund JSC No. 86-К with KT Cloud Lab LLP;
- May 9, 2017 – Agreement for Firefighting Service Procurement for Samruk Kazyna Real Estate Fund JSC No. 61 with Semser-Ort Sondirushi LLP;
- July 4, 2017 – Supplementary Agreement No. 1 to Loan Agreement dated March 31, 2016 No. 575-и with Samruk-Kazyna JSC, which included the provisions for early repayment of liabilities by the Real Estate Fund on a quarterly basis;
- July 5, 2017 – Lease Agreement No. 20 with FN Management LLP for a lease of an office with an area of 447.9 at 19/2 Mangilik Yel Avenue, Yessil District, Astana (former Suite 2, 21/1 Orynbor Street);
- July 10, 2017 – Supplementary Agreement No. 2 to Loan Agreement dated March 31, 2016 No. 25 with SK Development LLP, which included the provisions for early repayment of liabilities by the Partnership on a quarterly basis;
- July 10, 2017 – Supplementary Agreement No. 1 to Telecommunication Service Agreement No. 4976 1CC dated January 31, 2017 with Kazakhtelecom JSC, total contractual value changed.
- August 23, 2017 Lease Agreement No. 26 with FN Management LLP for a lease of premises (56.7 sq.m (11/61) for a warehouse; 6.7 m^2 (11/59) for an archive) located at: 19/2 Mangilik Yel Avenue, Yessil District, Astana (former 21/1 Orynbor Street);
- September 11, 2017 – Supplementary Agreement No. 3 to Loan Agreement dated September 5, 2012 No. 187-и with Samruk-Kazyna JSC to include the provisions on changes in loan use conditions for by the Real Estate Fund in the Loan Agreement;
- September 20, 2017 – Supplementary Agreement No. 5 to the Line of Credit Agreement dated August 18, 2009 No. 10/ФН with Samruk-Kazyna JSC to include loan repayment terms and conditions;
- September 20, 2017 – Supplementary Agreement No. 2 to Loan Agreement dated May 27, 2016 No. 581-и with Samruk-Kazyna JSC to include the provisions on changes in loan use conditions for by the Real Estate Fund in the Loan Agreement;
- October 11, 2017 – Supplementary Agreement No. 2 to Agreement No. 4976/CC dated January 31, 2017 with Kazakhtelecom JSC;
- November 28, 2017 – Software Purchase Agreement No. 280-к with KT Cloud Lab LLP;
- December 20, 2017 – Supplementary Agreement to Agreement for Express Post Services of EMS Kazpost No. ЭП/2017–41 dated January 18, 2017 with Kazpost JSC;
- December 28, 2017 – Agreement for Express Post Services of EMS Kazpost No. 16.01- 11/38–14 with Kazpost JSC as for extra services.

REAL ESTATE FUND SAMRUK KAZYNA

Appendix No.1

Arrangements with State Authorities

For the purpose of regulation of the mechanism of distribution of residential premises within the Nurly Zher Housing Construction Program and formation of the pool for housing acquisition with the Program members the Real Estate Fund made the following arrangements with the local executive authorities in the reporting period:

— Cooperative Agreement for Distribution of Residential Premises (Apartments) within the Nurly Zher Housing Construction Program dated March 16, 2017 with Atyrau Akimat;
— Cooperative Agreement for Distribution of Residential Premises (Apartments) within the Nurly Zher Housing Construction Program No. 24 dated July 28, 2017 with Kyzylorda Akimat.

The agreements provide for general provisions for interaction between the Real Estate Fund and LEA with respect to the information concerning residential premises (apartment types and selling methods) provided by the Real Estate Fund to LEA.

Formation of the Pools by LEA for each apartment type and selling method, lists of the members of the Program and rent-to-own agreements signed with such members.

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 2

Index of GRI for Basic Report Option made in accordance with the G4 Sustainability Reporting Guidelines

G4 REPORTING PRINCIPLES AND STANDARD DISCLOSURES

General standard disclosures	Description	Page	Note
STRATEGY AND ANALYSIS			
G4-1	A statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Statement from the Chairperson of the Board of Directors Statement from the Chairperson of the Management Board	
G4-2	A description of key impacts, risks, and opportunities	Risk and Internal Control Management Precautionary Principle	
ORGANIZATIONAL PROFILE			
G4-3	The name of the organization	Company Profile	
G4-4	The primary brands, products, and services	Company Profile Major Lines of Business	
G4-5	The location of the organization's headquarters	Contact Details	Samruk Kazyna Real Estate Fund JSC is located in Astana at: 10 Mangilik Yel Avenue. The Real Estate Fund's representative office is located in Almaty at 481V Raiymbek Avenue.
G4-6	The number of countries where the organization operates		The Real Estate Fund operates in the Republic of Kazakhstan
G4-7	The nature of ownership and legal form	Company Profile	
G4-8	The markets served	Geographic Reach of the Real Estate Fund Major Lines of Business	
G4-9	The scale of the organization	Business Model of the Real Estate Fund Major Lines of Business of the Real Estate Fund	
G4-10	The total number of employees, the total workforce by gender	Sustainable Development Key Indicators	

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 2

General standard disclosures	Description	Page	Note
G4-11	The percentage of total employees covered by collective bargaining agreements		The Real Estate Fund does not practice collective bargaining agreements. Employees are employed on an individual basis; they are provided with the full rights in accordance with the labour legislation of Kazakhstan
G4-12	The organization's supply chain	Responsible Supply Chain	
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		No significant changes occurred during the reporting period
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	Risk and Internal Control Management Precautionary Principle	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		The Real Estate Fund has not currently joined to any of such initiatives. However, the Real Estate Fund observes the principles described in ISO 26000 (Guidance on social responsibility) and the Corporate Governance Code, and publishes the sustainable development reports focused on the Global Reporting Initiative (GRI) Guidelines
G4-16	Memberships of associations		The Real Estate Fund is currently not a member of any association
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents	The Real Estate Fund's Asset Structure	For more details see the Annual Report for 2016 The Real Estate Fund's Asset Structure, p.46
G4-18	The process for defining the report content and the Aspect Boundaries. How the organization has implemented the Reporting Principles for Defining Report Content	Sustainable Development Report Profile Sustainable Development Management	
G4-19	List all the material Aspects identified in the process for defining report content	Identified Aspect Materiality Matrix	
G4-20	Description for each material Aspect Disclose the details in disclosures of material Aspects	Sustainable Development Management	For more details see Material Aspect Disclosures

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 2

General standard disclosures	Description	Page	Note
G4-21	The Aspect Boundaries for each material Aspect. Disclose the details in disclosures of material Aspects	Sustainable Development Report Profile	For more details see Material Aspect Disclosures
G4-22	Any restatements of information provided in previous reports, and the reasons for such restatements	Report Profile Sustainable Development Report Profile	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Sustainable Development Report Profile	No significant changes occurred for the reporting period
STAKEHOLDER ENGAGEMENT			
G4-24	A list of stakeholder groups engaged by the organization	Effective Stakeholder Engagement	
G4-25	The basis for identification and selection of stakeholders with whom to engage	Effective Stakeholder Engagement	For more details see the Real Estate Fund's Sustainable Development Report for 2016: www.fnsk.kz
G4-26	The organization's approach to stakeholder engagement	Effective Stakeholder Engagement	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Identified Aspect Materiality Matrix	
REPORT PROFILE			
G4-28	Reporting period		The Annual Report describes the Company's major economic, social and environmental activities within the sustainable development for the period from January 1 to December 31, 2017
G4-29	Date of most recent previous report	The first Real Estate Fund's Sustainable Development Report for 2016 was published on December 14, 2017	
G4-30	Reporting cycle		The Annual Report describes the Company's major economic, social and environmental activities within the sustainable development for the period from January 1 to December 31, 2017
G4-31	The contact point for questions regarding the report or its contents		Nazerke Konysbay, Strategy and Transformation Department, Tel.: 8(7172)570190 e-mail: n.konysbai@fnsk.kz
G4-32	The 'in accordance' option the organization has chosen	Sustainable Development Report Profile	

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 2

General standard disclosures	Description	Page	Note
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	Sustainable Development Report Profile	
	GOVERNANCE		
G4-34–G4-55	The governance structure of the organization, including committees of the highest governance body	Corporate Governance	For more details see the Real Estate Fund's Annual Report for 2016, Section Corporate Governance, pp.53–119
	ETHICS AND INTEGRITY		
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Business Ethics	

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 3

G4 SPECIFIC STANDARD DISCLOSURES

Material aspect	DMA and indicators	Description	Page	Note
CATEGORY: ECONOMIC				
Economic Performance	G4-DMA	Disclosures on management approach	Sustainable Development Management	
	G4-EC1	The direct economic value generated and distributed	Sustainable Development Key Indicators	
Procurement Practices	G4-DMA	Disclosures on management approach	Sustainable Development Management Responsible Supply Chain	
	G4-EC9	The percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation	Responsible Supply Chain	
CATEGORY: ENVIRONMENTAL				
Materials	G4-DMA	Disclosures on management approach	Sustainable Development Management Environmental Protection	
	G4-EN1	Materials used by weight or volume	Environmental Protection	
Emissions	G4-DMA	Disclosures on management approach	Sustainable Development Management Environmental Protection	
	G4-EN15	Direct greenhouse gas emissions	Environmental Protection	
Compliance	G4-DMA	Disclosures on management approach	Sustainable Development Management Environmental Protection	
	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		There were no such incidents in the Real Estate Fund in the reporting period.
CATEGORY: SOCIAL. Labor practices and decent work				
Training and Education	G4-DMA	Disclosures on management approach	Sustainable Development Management Human Resources Development	
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Resources Development	
Equal Remuneration for Women and Men	G4-DMA	Disclosures on management approach	Sustainable Development Management Human Resources Development	

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 3

Material aspect	DMA and indicators	Description	Page	Note
	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Employee Incentive Program	The Real Estate Fund follows the principle of equal remuneration for men and women. The basis for personnel decision-making is qualifications, professional knowledge and business requirements. For the period from 2015 to 2017, the basic salary of men and women has been the same and differed only by employee categories.
CATEGORY: SOCIAL. Human rights				
Non-discrimination	G4-DMA	Disclosures on management approach	Sustainable Development Management Anti-Corruption	
	G4-HR3	Total number of incidents of discrimination and corrective actions taken		There were no such incidents in the Real Estate Fund in the reporting period.
	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	Anti-Corruption	
Инвестиции	G4-DMA	Disclosures on management approach	Sustainable Development Management Human Resources Development	
	G4-HR2	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Human Resources Development	
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		There were no such incidents in the Real Estate Fund in the reporting period.
CATEGORY: SOCIAL. Society				
Anti-corruption	G4-DMA	Disclosures on management approach	Sustainable Development Management Anti-Corruption	
	G4-SO4	Communication and training on anti-corruption policies and procedures	Anti-Corruption Communication and Training on Anti-Corruption Policies and Procedures	
	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		There were no such incidents in the Real Estate Fund in the reporting period.

REAL ESTATE FUND SAMRUK KAZYNA

Appendix 3

Material aspect	DMA and indicators	Description	Page	Note
Public Policy	G4-DMA	Disclosures on management approach	Sustainable Development Management Public Policy Support	
	G4-SO6	Total value of political contributions by country and recipient/ beneficiary		There were no such incidents in the Real Estate Fund in the reporting period.
CATEGORY: SOCIAL. Product and Service Labeling				
Compliance	G4-DMA	Disclosures on management approach	Sustainable Development Management	
	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		No significant fines were charged for non-compliance with laws and regulations in 2017.
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		There were no such incidents in the Real Estate Fund in the reporting period.
Customer Privacy	G4-DMA	Disclosures on management approach	Sustainable Development Management	
	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No events of customer data leakage, theft or loss were reported in 2017.

REAL ESTATE FUND SAMRUK KAZYNA

Consolidated financial statements

For the year ended 31 December 2017,
with independent auditor's report

Independent auditor's report

REAL ESTATE FUND SAMRUK KAZYNA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

In thousands of tenge	Note	2017	2016
Assets			
Non-current assets			
Property and equipment	5	**1,352,420**	1,379,107
Investment properties	6	**3,658,920**	3,879,247
Investment in associate	12	**47,154**	43,641
Advances given to construction companies	8	**11,036,407**	9,792,993
Intangible assets		**39,893**	28,511
Non-current financial assets	9	**40,200,920**	70,595,255
Amounts due from credit institutions	10	**41,450,537**	30,800,000
Other non-current assets	13	**16,833,635**	8,443,693
		114,619,886	124,962,447
Current assets			
Inventories		**3,861**	3,409
Inventory property	7	**48,135**	355,952
Advances given to construction companies	8	**8,103**	3,758,257
Trade accounts receivable	14	**41,221**	389,016
Loans receivable	15	**62,331,242**	11,313,062
Income tax prepaid		**253,377**	239,019
Current financial assets	16	**5,367,032**	4,492,019
Amounts due from credit institutions	10	**136,447**	16,209,274
Other current assets	11	**96,656**	112,536
Cash and cash equivalents	17	**26,372,513**	39,704,262
		94,658,587	76,576,806
Total assets		**209,278,473**	201,539,253

REAL ESTATE FUND SAMRUK KAZYNA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

In thousands of tenge	Note	2017	2016
Equity and liabilities			
Equity			
Share capital	18	**19,990,162**	19,990,162
Additional paid-in capital	18, 19	**3,437,245**	3,437,245
Available-for-sale financial assets revaluation reserve	18	**(289,241)**	(455,110)
Retained earnings		**16,857,119**	13,633,382
Total equity		**39,995,285**	36,605,679
Non-current liabilities			
Non-current portion of Parent loans	19	**1,076,322**	19,844,472
Other non-current liabilities	20	**1,624,297**	1,574,648
Deferred income	23	**168,371**	19,563,866
Deferred tax liabilities	28	**572,132**	197,353
		3,441,122	41,180,339
Current liabilities			
Current portion of Parent loans	19	**163,974,691**	122,421,602
Accounts payable	21	**351,385**	275,924
Other current liabilities	22	**1,515,990**	1,055,709
		165,842,066	123,753,235
Total liabilities		**169,283,188**	164,933,574
Total equity and liabilities		**209,278,473**	201,539,253

Chairman of the Board Zhetpisbay A.Sh.

Chief accountant Sipuldina B.K.

REAL ESTATE FUND SAMRUK KAZYNA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

In thousands of tenge	Notes	2017	2016
Revenue	24	**13,684,077**	12,861,613
Cost of revenue	25	**(8,198,958)**	(12,777,428)
State subsidies	23	**4,653,544**	4,326,492
Gross profit		**10,138,663**	4,410,677
General and administrative expenses	26	**(1,658,452)**	(1,445,762)
Expenses on impairment of financial assets	11, 15	**(5,067,947)**	(2,248,013)
Bad debt provision reversal	11, 15	**11,102**	54
Operating income		**3,423,366**	716,956
Finance income	27	**3,154,830**	6,998,763
Finance costs	27	**(1,548,873)**	(1,869,510)
Share of income/(losses) of the associate	12	**3,513**	(2,793)
Other income		**290,433**	129,814
Other expenses		**(192)**	(83,007)
Profit before tax		**5,323,077**	5,890,223
Income tax expense	28	**(1,485,950)**	(1,800,956)
Profit for the year		**3,837,127**	4,089,267
Other comprehensive income to be reclassified to profit or loss in the subsequent periods			
Net income/(loss) on available-for-sale financial assets	16	**165,869**	(266,843)
Other comprehensive income/(loss) for the year, net of tax		**165,869**	(266,843)
Total comprehensive income for the year, net of tax		**4,002,996**	3,822,424

Chairman of the Board — Zhetpisbay A.Sh.

Chief accountant — Sipuldina B.K.

REAL ESTATE FUND SAMRUK KAZYNA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

In thousands of tenge	Share capital	Additional paid-in capital	Available-for-sale financial assets revaluation reserve (Note 20)	Retained earnings	Total
At 31 December 2015	19,990,162	3,437,245	(188,267)	9,764,194	33,003,334
Profit for the period	–	–	–	4,089,267	4,089,267
Other comprehensive loss	–	–	(266,843)	–	(266,843)
Total comprehensive income	–	–	(266,843)	4,089,267	3,822,424
Dividends (Note 18)	–	–	–	(220,079)	(220,079)
At 31 December 2016	19,990,162	3,437,245	(455,110)	13,633,382	36,605,679
Profit for the period	–	–	–	**3,837,127**	**3,837,127**
Other comprehensive income	–	–	**165,869**	–	**165,869**
Total comprehensive income	–	–	**165,869**	**3,837,127**	**4,002,996**
Dividends (Note 18)	–	–	–	**(613,390)**	**(613,390)**
At 31 December 2017	**19,990,162**	**3,437,245**	**(289,241)**	**16,857,119**	**39,995,285**

Chairman of the Boardя Zhetpisbay A.Sh.

Chief accountant Sipuldina B.K.

REAL ESTATE FUND SAMRUK KAZYNA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

In thousands of tenge	Notes	2017	2016
Cash flow from operating activities			
Sales of products and goods		**934,929**	4,710,519
Interest received		**4,648,081**	6,709,278
Overnights receipts		**1,079,793**	999,994
Receipts on rent		**6,642,679**	6,156,991
Other receipts		**203,227**	299,919
Payments to suppliers for goods and services		**(733,905)**	(774,434)
Advances paid		**(53,554)**	(25,295)
Salary payments		**(851,639)**	(733,090)
Payment of interest on loans received		**(2,198,266)**	(2,053,142)
Corporate income tax		**(413,720)**	(450,240)
Other payments to the budget		**(479,500)**	(794,203)
Transfers of cash and cash equivalents to other current assets	11, 15	**(5,067,902)**	(1,634,309)
Other payments		**(562,312)**	(215,325)
Net cash flows from operating activities		**3,147,911**	12,196,663
Cash flow from investing activities			
Prepayments for acquisition of real estate properties		**(10,498,809)**	(8,102,975)
Bank deposits placed		**(16,650,537)**	(33,887,953)
Return of bank deposits		**22,000,000**	26,422,007
Loans given to third parties		**(16,026,238)**	(37,783,626)
Purchase of property and equipment and intangible assets		**(64,086)**	(25,872)
Return of borrowings from third parties		**3,065,910**	375,248
Other payments		**(27,865)**	(4,355)
Net cash flows used in investing activities		**(18,201,625)**	(53,007,526)

REAL ESTATE FUND SAMRUK KAZYNA

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

In thousands of tenge	**Notes**	**2017**	2016
Cash flows from financing activities			
Proceeds from borrowings	19	**12,108,303**	92,677,830
Repayment of borrowings	19	**(9,772,947)**	(31,624,749)
Dividends paid	18	**(613,390)**	(220,079)
Net cash flows from financing activities		**1,721,966**	60,833,002
Net change in cash and cash equivalents		**(13,331,749)**	20,022,139
Cash and cash equivalents as at 1 January		**39,704,262**	19,682,123
Cash and cash equivalents as at 31 December	17	**26,372,513**	39,704,262

* The Group changed its method of presenting consolidated statement of cash flows (Note 4).

Chairman of the Board Zhetpisbay A.Sh.

Chief accountant Sipuldina B.K.

REAL ESTATE FUND SAMRUK KAZYNA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. Corporate information

Real estate fund "Samruk-Kazyna" JSC (hereinafter, the "Company") was established in accordance with the Decree of the Government of the Republic of Kazakhstan No. 265 dated 6 March 2009.

The Company's office is located at: 10 Mangilik El Str., Astana, Republic of Kazakhstan.

The Company is controlled by the Government through Sovereign Wealth Fund "Samru-Kazyna" JSC (hereinafter, the "Parent"), which owns 100% interest in the Company.

In 2010 the Company established a subsidiary – FN Management LLP and in 2013 the Company established SK Development LLP (together with the Company referred to as the "Group"). The core activities of subsidiaries are disclosed in Note 2.

In 2015 the Group sold 51% stake of FN Management LLP.

The Group's mission is to assist the development of construction industry and real estate market of the Republic of Kazakhstan through anchor development of megaprojects, investment in construction with the use of green technology and implementation of innovations into the construction industry.

The Company's core activities include the following:

- Create new assets in form of residential and commercial premises;
- Finance construction projects, acquisition of residential and non-residential (commercial) premises ready for use and under construction in progress;
- Property management support.

The mission and vision of the Company are designed by taking into account the development strategy and in accordance with the vision of the Parent Company. The Mission reflects the company's strategic priorities and its role in the social and economic development of Kazakhstan.

Strategic development of the Company for 2018–2027:

Creating opportunities of business development

- Light industrial / logistics (including production incubators and specialized properties) – small quality industrial premises designed for small and medium enterprises that are located within the city boundaries for better customer access.
- Asset management – management and operation of properties developed in other areas, or transferred to the operations management of the Company.

Population mobility support

- Apartment hotels and serviced apartments – a group of apartments that includes both hotel services and the features of a residential apartment for short or long-term residence under the management of a professional operator in economy class segment.
- Medical real estate – buildings and facilities of medical infrastructure – hospitals and rehabilitation centers – for treatment and rehabilitation of people at high-quality level.

Technical development

- Multifunctional zones – a complex of commercial roadside facilities on the motorways to provide required services to drivers, passengers of tourist buses, truck drivers and resting on the road.
- Participation in state programs – satisfy objectives under government resolutions and other official regulations.

These financial statements represent, on a consolidated basis, the financial results of the Group for the year ended 31 December 2017 and its financial position as at the indicated date.

The Group's financial results depend on the specificity of the construction industry, which is characterized by long production cycle; real estate construction is carried out from 1.5 to 3 years on average. In the period of construction and investment in construction usually it is observed to have decrease in income from sale of real estate, increase in capitalization costs of construction objects / advances given to construction companies. Thus after the date of property commissioning it is observed to have increase in income from core operations.

In addition, the Group's financial results are influenced by recognition and subsequent measurement of financial instruments originated from management of cash, including interest income and expenses on financing given and received for execution of government programs, and interest income from placing temporary free cash on deposits in the second-tier Kazakhstani Banks (Note 31).

In general, such fluctuations in revenue from core activities from year to year is common to many local and foreign companies operating in construction industry.

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue by the management of the Group on 28 February 2018.

REAL ESTATE FUND SAMRUK KAZYNA

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. These consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT") and all monetary amounts are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiary as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other arrangements;
- Voting rights or potential voting rights belonging to the Group.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiary is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill), related liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries & associates

As at 31 December 2017, the Group had the following subsidiaries and associates included into these consolidated financial statements:

Name	Country of residence	Principal activities	Ownership 2017	Ownership 2016
FN Management LLP	Kazakhstan	Sale and rent of real estate	**49%**	49%
SK Development LLP	Kazakhstan	Development, financing and further management/sale of real estate properties	**100%**	100%

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of these items and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared.

However, current circumstances and assumptions about the future may vary due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions while they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

REAL ESTATE FUND SAMRUK KAZYNA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

Classification of financial assets held for sale or available for sale

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

Advances given to construction companies

Advances given to construction companies are made by the Group to acquire real estate properties. Advances to construction companies do not represent a financial instrument and therefore are measured at the amount actually transferred to construction companies.

Interest bearing financing of construction companies

At recognition agreements on interest bearing financing of construction companies are measured at fair value calculated as present value of future cash flows discounted at the market rates effective at initiation of the borrowings. According to agreements of 2017, average discounting rate amounted to 15% (2016: 15%) which represented the market rate for the similar loans.

After initial recognition, agreements on interest bearing financing of construction companies are subsequently measured at amortised cost using the effective interest rate method.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of investment property and inventory property

The Group determines whether real estate property is an inventory property or investment property as follows:

- Investment property includes apartments, parking areas and commercial premises, which are neither used in activities of the Group nor for sale in operating activities but are held, in the first place, in order to derive rental income and income from appreciation of capital.

Inventory property includes property held for sale in operating activities. These are mainly apartments, parking areas and commercial premises, which the Group intends to sell after completion of construction.

REAL ESTATE FUND SAMRUK KAZYNA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

Cost of investment property and inventory property

Investment property is recognised in the accounting at cost less accumulated depreciation and impairment losses. Fair value is determined based on recent transactions with property with similar characteristics and location. The fair value of real estate properties is disclosed in Note 6.

Inventory property is stated at the lower of cost and net realizable value. Net realizable value for real estate for sale is measured taking into account market conditions and prices existing as at the reporting date, and is determined by the Group assuming relevant recent market transactions.

4. Summary of Significant accounting policies

Amendments in accounting policy and principles of disclosing information

The Group changed its method of presentation of consolidated cash flow statement from indirect method to direct method for the period from 1 January 2017 to 31 December 2017 since the Group believes that the direct method allows the information to be more appropriate for users of financial statements. The Group adopted a method of presenting a consolidated statement of cash flows on a retrospective basis.

Also, the Group decided to show its cash receipts on interest from loans given, deposits placed and securities held for within operating activities as it believes that this better present activity of the Group (Note 1).

Effect on comparative information of consolidated statement of cash flows for the year ended 31 December 2017

In thousands of tenge	As it was presented	Reclassifications	Currently presented
Net cash flows from operating activities	5,483,030	6,713,633	12,196,663
Net cash flows used in investing activities	(46,293,893)	(6,713,633)	(53,007,526)

New standards, interpretations and amendments thereof

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of those changes are disclosed below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in Note 19.

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

In addition the Group does not have any plans to sale its share in subsidiary and associate companies in foreseeable future.

Annual improvements 2014–2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities – clarification of the scope of disclosure requirements in IFRS 12

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

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

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an

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overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation; or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The Group does not expect any effect on its consolidated financial statements.

Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group performed a general impact assessment of IFRS 9, in particular, classification and measurement of financial instruments, however currently Group is in the process of determining the impairment impact on its consolidated financial statements. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

Overall, the Group expects no significant impact on its consolidated statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on

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equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in other comprehensive income will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

The revaluation reserve of AFS instruments of 289,241 thousand tenge is currently presented as other comprehensive income. Those instruments are expected to be measured at fair value through other income under IFRS 9, also. Therefore IFRS 9 will not have an impact on the consolidated financial statements of the Group.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in other comprehensive income, and, therefore, the application of IFRS 9 will not have an impact on consolidated financial statements of the Group.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables, loans given and other financial assets. The Group expects that these requirements will have significant influence on equity, however the Group will perform more detailed analysis taking into account reasonable and confirmed information for these purposes.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. During 2017, the Group performed a detailed analysis of IFRS 15 and opted modified retrospective application.

The Group's main operations are sales of real estate property and its management.

(a) Sale of real estate property

For contracts with customers in which the sale of real estate property is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally upon singing of act of acceptance for property transfer.

In preparing to adopt IFRS 15, the Group is considering the following:

(i) Variable consideration

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. Contracts with customers do not provide a right of return, trade discounts or volume rebates. The update will not affect the revenue recognition after adoption of IFRS 15.

- Rights of return

Currently the Group's contracts do not consider the right of return within the specified period.

- Volume rebates

According to the contract terms the Group does not provide retrospective volume rebates to its customers on real estate property purchased by the customer. Under IFRS 15, retrospective volume rebates give rise to variable consideration.

(ii) Warranty obligations

The Group generally does not provide for warranties for general repairs and maintenance of real estate property and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under IFRS 15, which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

(b) Rendering of services

The Group does not provide services related to real estate property within contract terms with customers. The obligation of the Group is to transfer the real estate property to the customer.

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(c) Equipment received from customers

The Group does not receive equipment and other tools, which are recognised at fair value as property, plant and equipment under IFRIC 18 Transfers of Assets from Customers. IFRS 15 requires that the fair value of such non-cash consideration, received or expected to be received by the customer, is included in the transaction price.

(d) Advances received from customers

The Group does not receive only short-term advances from its customers. They are presented as part of other current liabilities.

The Group determined that the length of time between when the customer pays for the goods and the Group transfers real estate property to the customer is relatively short. Therefore, the Group has concluded that there is not a significant financing component in these contracts.

(e) Principal versus agent considerations

IFRS 15 requires assessment of whether the Group controls a specified good or service before it is transferred to the customer.

The Group has determined that it controls the goods before they are transferred to customers, and hence, is an principal rather than agent in these contracts. In addition, the Group concluded that it transfers control over its real estate property at a point of time.

(f) Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Group has assessed that the impact of some of these disclosures requirements will be significant.

In particular, the Group expects that the notes to the consolidated financial statements will not be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation, variable reimbursement and guarantees.

In addition, as required by IFRS 15, the Group will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will also disclose information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. During 2017, the Group operated in one segment.

In 2017 the Group continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

(g) Other adjustments

On adoption of IFRS 15 based on the performance analysis, other items of the primary consolidated financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the year from discontinued operations, investments in associate and joint venture, as well as share of profit of an associate and a joint venture, will not be significantly affected.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after

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1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC–15 Operating Leases – Incentives and SIC–27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), 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 2021, 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. This standard is not applicable to the Group.

Transfers of Investment Property – Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight.

Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

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Foreign currency translation

The consolidated financial statements of the Group are presented in tenge, which is the functional currency of the Company and its subsidiary and the currency of presentation of these consolidated financial statements.

Tenge is the currency of the primary economic environment in which the Company and its subsidiary operate. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates prevailing at the date when the transaction meets recognition criteria.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The exchange rate of the US dollar established at KASE as at 31 December 2017 was KZT 332.23 to USD 1 (in 2016: KZT 333.29 to USD 1). As at 28 February 2018 the exchange rate amounted to KZT 320.25 to USD 1.

Investments in joint operations

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint operation is a type of joint arrangement whereby the parties that have joint control over the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

As the Group has an interest in a joint operation, it recognises:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of the revenue from the sale of the output by the joint operation;
- Expenses, including its share of any expenses incurred jointly.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

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The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit of an associate is shown on the face of the consolidated statement of comprehensive income. It is outside operating profit and represents profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in statement of comprehensive income.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled within normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Determination of fair value

The Group measures such financial instruments as derivatives at fair value at each date of the statement of financial position. Information on fair value of financial instruments measured at amortised cost and non-financial assets fair value of which shall be disclosed in the financial statements, is disclosed in Note 31 and Note 6, respectively.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The respective unit of the Group (hereinafter, the "Working Group") determines the policies and procedures for the periodic measurement of the fair value of respective assets and liabilities. The Valuation Working Group comprises heads of the Assets Management Department and Budgeting and Treasury Department.

External appraisers are engaged to evaluate significant assets such as derivative instruments. The decision to engage external appraisers is taken on an annual basis by the Working Group after it is discussed and approved by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Working Group decides, after discussions with the external appraisers, which valuation techniques and inputs to use for each case.

At each reporting date the Working Group analyses changes in the cost of assets and liabilities that should be reanalysed reassessed in accordance with the Group's accounting policy. As a part of such analysis, the Working Group checks main inputs used at the latest evaluation by comparing information used at evaluation with agreements and other relevant documents.

The Working Group and external appraisers of the Group also compare changes in fair value of each asset and liability with relevant external sources in order to determine the change relevancy.

The Working Group and external appraisers of the Group provide the evaluation results to the audit committee of the Group on a regular basis that assumes discussion of main assumptions used in evaluation.

For the purpose of fair value disclosure, the Group classified assets and liabilities based on their nature, characteristics and risks related to them and applicable level of fair value hierarchy, as specified above.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, irrespective of the period of payment. Revenue is measured at fair value of consideration received or receivable, taking into account payment terms defined in a contract and net of taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is the principal in all of its revenue arrangements taking into account payment terms defined in an agreement and net of taxes or duties. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of real estate properties

Revenue from the sale of real estate properties is usually recognised when the significant risks and rewards of ownership of the real estate properties have passed to the buyer. Revenue from assignment of rights for objects under construction is recognised

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when the significant risks and rewards related to ownership rights have passed to the buyer.

Income from lease

Income from investment property provided under operating leases is accounted for on a straight line basis over the lease term and is included in revenues due to its operating nature.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in revenue from core activities related to financing of construction companies and finance income related to other interest income.

Expense recognition

Expenses are recognised as incurred and reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the consolidated statement of comprehensive income or directly in equity.

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

Employee benefit

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined contribution scheme

The Group withholds up to 10% from the salary of its employees as contribution to designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further benefit its employees upon their retirement.

Financial assets

Initial recognition and measurement

Financial assets upon initial recognition are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

All financial assets, except for financial assets at fair value through profit or loss, are recognised initially at fair value, plus directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Financial assets of the Group comprise cash and short-term and long-term deposits, government bonds, trade and other accounts receivable, loans and other amounts receivable such as amounts paid to construction companies with interest accrual and financial assets at fair value through profit or loss.

Subsequent measurement

The measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded

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derivatives are also classified as held for trading unless they are designated as effective hedging instruments according to IAS 39. The Group included the right to acquire equity instrument to the category "at fair value through profit or loss". Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of comprehensive income. The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate.

When the Group is unable to trade these assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, and short-term deposits with a maturity of three months or less.

Loans and receivables

Loans and receivables including long-term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognised in the consolidated statement of comprehensive income within finance costs in case of loans and within other operating expenses in case of accounts receivable.

Financial investments available-for-sale

Available-for-sale financial investments include debt securities. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised within other operating income, or until the investment is impaired, at which time the cumulative loss is reclassified from the available-for-sale reserve to comprehensive income and recognised as finance costs. Interest earned during the period of retention of financial investments available-for-sale are recorded as interest income using EIR.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold until the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, the fair value at the reclassification date becomes new depreciable cost, and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in own equity is reclassified to the consolidated statement of comprehensive income.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e. excluded from the consolidated statement of financial position):

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, the Group evaluates if it has retained the risks and rewards of the property, and to which extent, if any. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation.

Besides, such evidence include observable data indicating that there is a measurable decrease in the estimated future cash flows on a financial instrument such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income. Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the

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recovery is credited to finance costs in the consolidated statement of comprehensive income.

Financial investments available-for-sale

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss is reversed through the consolidated statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, loans from the Parent.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Accounts payable

Liabilities for accounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Loan from the Parent

After initial recognition, a loan from the Parent is measured at amortised cost using the effective interest rate method. Relevant gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability to the Parent is replaced by another from the Parent on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of changes in equity.

Offsetting of financial instruments

Financial assets and financial liabilities are only offset and reported at the net amount in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to either settle on a net basis, to realise the asset and settle the liability simultaneously.

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Advances paid to construction companies

Advances paid to construction companies represent advances paid for the construction of property which will be recognised in the consolidated statement of financial position as investment property or property for sale. Advances paid to construction companies are measured at cost (the consideration actually paid) as at the date of partnership agreements less impairment loss, if any. Advances paid to construction companies are settled upon transfer of title to the property from the construction company to the Group.

Investment properties

Investment property includes property held for receiving lease payments or income from accretion to capital, or both. Property owned on the lease terms is classified as investment property when it corresponds to the definition of investment property. Lease liabilities are recognised in accordance with IAS 17 at fair value of rental fees on leased property.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Following initial recognition, investment property is carried at initial cost less any accumulated amortisation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life, which is 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is transferred to non-current assets held for sale when the carrying amount is expected to be refunded by way of sale but not continuous using. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present condition on the terms general for sale of similar property.

Other non-current assets

Other non-current assets comprise properties for future leasing out under a finance lease agreement or for which the Group, as at the reporting date, has no certain plans related to recovery of its carrying amount. Other non-current assets are measured at cost, including transaction costs. Upon initial recognition, other non-current assets are carried at cost less accumulated impairment. Other non-current assets are not amortised. Transfers are made to (or from) other noncurrent assets only when there is a change in use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The initial cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at initial cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets generated internally, except for

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the capitalized costs for development of products, are not capitalized and the related expense is recognised in the consolidated statement of comprehensive income for the year in which it originated.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and accrual method of amortization for an intangible asset with finite useful life are reviewed at least at the end of each reporting period.

Change in the estimated useful life or alleged structure of consumption of future economic benefits embodied in the asset is recorded in the financial statements as a change in the period or accrual method of amortization depending on the situation and accounted for as a change in accounting estimates. Expenses on amortization of intangible assets with finite useful life are recognised in the consolidated statement of comprehensive income in the category of expenses, which corresponds to the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets are mainly represented by the software and licenses. Intangible assets are amortised on a straight-line basis over their estimated useful lives of five to ten years.

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the capitalization criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Building	46–50
Office equipment	3–10
Vehicles	4–7

An item of property and equipment initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Property and equipment consists primarily of administrative building, land, office equipment and vehicles.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: fair value of the asset (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash generating units to which individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flow after the fifth year.

Impairment losses of continuing operations (including impairment of inventory) are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

Inventories

Inventories are valued at the lower of: cost and net realizable value. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. All inventories are valued using the weighted average cost method.

Inventory property

Property acquired for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value. Cost includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for construction;
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Guarantee payments from lessees

Guarantee payments from lessees represent amounts paid by lessees as security of fulfilment of liabilities under finance lease agreements. At the end of lease term, the amount of guarantee payments are used by lessors to settle the last lease payment.

Lease

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessor

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance income and increase of the finance lease asset so as to achieve a constant rate of interest on the unrecoverable amount of the asset. Finance income is reflected directly in the consolidated statement of comprehensive income.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as income in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Group as a lessee

Leases which do not transfer substantially all the risks and benefits of ownership of the asset to the Group are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Allowances

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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5. PROPERTY AND EQUIPMENT

Movement of property and equipment in 2017 and 2016 is presented as follows:

In thousands of tenge	Land	Buildings	Office equipment	Total
Initial cost				
At 31 December 2015	26,101	4,882,767	318,626	5,227,494
Additions	–	–	57,108	57,108
Disposals	–	–	(3,942)	(3,942)
Transfer to investment property (Note 6)	–	(3,541,637)	–	(3,541,637)
At 31 December 2016	26,101	1,341,130	371,792	1,739,023
Additions	**–**	**–**	**33,727**	**33,727**
Disposals	**–**	**–**	**(165)**	**(165)**
At 31 December 2017	**26,101**	**1,341,130**	**405,354**	**1,772,585**
Accumulated depreciation				
At 31 December 2015	–	(440,720)	(166,034)	(606,754)
Depreciation charge for the year	–	(29,099)	(46,210)	(75,309)
Depreciation on disposal	–	–	1,347	1,347
Transfer to assets held for sale (Note 6)	–	320,800	–	320,800
At 31 December 2016	–	(149,019)	(210,897)	(359,916)
Depreciation charge for the year	–	**(29,099)**	**(31,230)**	**(60,329)**
Depreciation on disposal	–	**–**	**80**	**80**
At 31 December 2017	**–**	**(178,118)**	**(242,047)**	**(420,165)**
Net book value				
At 31 December 2016	26,101	1,192,111	160,895	1,379,107
At 31 December 2017	**26,101**	**1,163,012**	**163,307**	**1,352,420**

In 2016 the Group transferred the main part of the building "Kazyna Tower" with the net book value of 3,220,837 thousand tenge to the investment property, this was due to the change in the nature of use of the property.

6. INVESTMENT PROPERTIES

Movement of investment property for 2017 and 2016 is presented as follows:

In thousands of tenge	Buildings	Commercial premises	Parking lots	Total
Initial cost				
At 31 December 2015	–	328,600	606,000	934,600
Transferred to inventory property (Note 7)	–	(81,696)	(8,000)	(89,696)
Transferred from property plant and equipment (Note 5)	3,541,637	–	–	3,541,637
At 31 December 2016	3,541,637	246,904	598,000	4,386,541
Transferred to inventory property (Note 7)	–	**(135,667)**	–	**(135,667)**
At 31 December 2017	**3,541,637**	**111,237**	**598,000**	**4,250,874**
Accumulated amortization and impairment				
At 31 December 2015	–	(30,175)	(71,713)	(101,888)
Depreciation charge	(76,992)	–	(11,015)	(88,007)
Depreciation on disposal	–	3,401	–	3,401
Transferred from property plant and equipment (Note 5)	(320,800)	–	–	(320,800)
At 31 December 2016	(397,792)	(26,774)	(82,728)	(507,294)
Depreciation charge	(76,992)	–	(11,961)	(88,953)
Depreciation on disposal	–	4,293	–	4,293
At 31 December 2017	**(474,784)**	**(22,481)**	**(94,689)**	**(591,954)**
Net book value				
At 31 December 2016	3,143,845	220,130	515,272	3,879,247
At 31 December 2017	**3,066,853**	**88,756**	**503,311**	**3,658,920**

In 2017 as a result of regular analysis of the fair value of investment properties, management of the Group concluded that the carrying amount of its commercial property and residential premises did not exceed its fair value.

As at 31 December 2017 the fair value of the Group's real estate properties amounted to 6,056,723 thousand tenge (2016: 7,479,628 thousand tenge).

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7. INVENTORY PROPERTY

In thousands of tenge	Apartments	Commercial premises	Parking lots	Total
At 31 December 2015	3,806,587	–	–	3,806,587
Additions of property (Note 8)	493,020	–	–	493,020
Transferred from investment property (Note 6)	–	81,696	8,000	89,696
Sold property (Note 25)	(3,010,482)	(28,037)	–	(3,038,519)
Leased out	–	(81,696)	(8,000)	(89,696)
Internal transfers	(95,318)	95,318	–	–
Transferred to other non-current assets (Note 13)	(933,173)	28,037	–	(905,136)
At 31 December 2016	260,634	95,318	–	355,952
Additions of property (Note 8)	**23,055**	**–**	**–**	**23,055**
Transferred from investment property (Note 6)	**–**	**135,667**	**–**	**135,667**
Sold property (Note 25)	**(233,079)**	**(25,847)**	**–**	**(258,926)**
Leased out	**–**	**(134,227)**	**–**	**(134,227)**
Transferred from other non-current assets (Note 13)	**19,470**	**24,407**	**–**	**43,877**
Transferred to other non-current assets (Note 13)	**(21,945)**	**(95,318)**	**–**	**(117,263)**
At 31 December 2017	**48,135**	**–**	**–**	**48,135**
At 31 December 2017	**48.135**	**–**	**–**	**48.135**

In 2017, the Group received two blocks in "Shygys" residential complex in Astana, as part of "Nurly Zher" program in the areas of rental housing (earlier – "Regional development program – 2020").

8. ADVANCES PAID TO CONSTRUCTION COMPANIES

The Group enters into agreements with construction companies (hereinafter, "Construction companies") for acquisition of apartments, commercial premises and parking lots. In accordance with provisions of the agreements the Group is obliged to make advance payments to the Construction companies and the Construction companies undertook to complete construction by the established dates. The Group becomes an owner of respective objects after completion of construction by the Construction companies and their appropriate registration with relevant authorities. Completion of construction under existing contracts is expected in 2018.

The agreements of the Group with Construction companies contain a guarantee provision according to which Construction companies provide collateral in the form of land lots and construction-in-progress to cover the risk of loss of the Group's advance payment.

Movement of advances paid to construction companies for 2017 and 2016 is presented as follows:

In thousands of tenge	2017	2016
Beginning of the year	**13,551,250**	9,746,719
Advances paid for the year	**10,498,809**	8,102,975
Purchased real estate objects	**(13,203,019)**	(3,878,281)
Transfer of rights	**–**	(471,176)
Guarantee payments	**197,470**	51,013
Ending of the year	**11,044,510**	13,551,250
Less: advances for objects under construction, which will be sold / transferred to ownership of the Group within 12 months after the reporting date	**(8,103)**	(3,758,257)
Advances for objects under construction, which will be leased out	**11,036,407**	9,792,993

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The received construction objects were recognised in consolidated statement of financial position as follows:

In thousands of tenge	**2017**	2016
Other non-current assets (Note 13)	**13,228,648**	3,337,168
Inventory property (Note 7)	**23,055**	493,020
Construction in-progress services, not related to advances given	**(48,684)**	–
Paid VAT for other long-term assets	**–**	48,093
	13,203,019	3,878,281

9. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are as follows:

In thousands of tenge	**2017**	2016
Finance lease receivables	**40,042,701**	37,820,240
Financing of construction companies	**158,219**	52,996
Loans issued for construction companies under the program "Nurly zher"	**–**	32,369,914
Option at fair value (Note 16)	**–**	352,105
	40,200,920	70,595,255

Finance lease receivables

Finance lease receivables represented by the minimum lease payments receivable in future periods under the existing finance lease agreements. Minimal lease payments receivable in future periods under finance lease contracts as well as present value of net minimal lease payments are presented in the table:

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	2017		2016	
In thousands of tenge	**Minimum lease payments**	**Present value of payments**	Minimum lease payments	Present value of payments
Within one year	**6,407,212**	**2,222,718**	5,850,248	1,894,091
More than 1 year but less than 5 years	**25,554,330**	**9,830,508**	23,331,101	8,554,914
Over five years	**42,893,147**	**30,212,193**	42,767,017	29,265,326
Total minimum lease payments	**74,854,689**	**42,265,419**	71,948,366	39,714,331
Less financial income	**(32,589,270)**	**–**	(32,234,035)	–
Present value of minimum lease payments	**42,265,419**	**42,265,419**	39,714,331	39,714,331
Less: amounts due for settlement within 12 months (Note 16)		**(2,222,718)**		(1,894,091)
Amounts due for settlement after 12 months		**40,042,701**		37,820,240

In 2017 increase in finance lease receivables was caused by the sales of property under finance lease agreements in residential complexes “Asyl Arman” in Almaty, “Khan Tengri” in Astana and “Unis City” in Aktobe “Sovremenniy” and “Shygys” in Astana, Etalon in Almaty, ”Zhanuya” in Karaganda, and “Ust-Kamenogorsk” under the “Nurly Zher” program in the areas of rental housing (earlier – “Regional development program – 2020”).

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Loans to construction companies under the program "Nurly Zher"

In 2016 the Group became a participant of Government program of infrastructure development "Nurly Zerl" in terms of support to constructing companies of private commercial premises. Under this program the Group provides loans to construction companies for the period up to 24 months at interest rate of 7.5% for the whole financing period.

Since the Group provides loans below market interest rates, the loans given to construction companies with accrued interest are initially recognised at fair value.

In addition, in 2017, the Group reclassified loans issued under the "Nurly Zher" program in the areas of commercial housing to short-term loans due to repayment of loans in 2018 in accordance with contractual obligations (Note 15).

Interest bearing financing of construction companies

In accordance with the terms of certain construction contracts, the Group makes prepayments in the course of construction of the object, but the construction company has a right to sell the object at any price. The construction company has such right in the course of the construction and within one year after the construction is completed.

In accordance with contract terms an interest of 5–7% per annum is accrued on the financing made to the construction company. The Group considers such financing as a financial instrument.

During 2017, due to the planned repayment the Group reclassified loans given to construction companies to short-term borrowings. As at 31 December 2017 the current portion of loans given to construction companies amounted to 97,180 thousand tenge (2016: 165,629 thousand tenge) including interest accrued (Note 16).

Option at fair value

In accordance with the instruction of the Government of the Republic of Kazakhstan regarding implementation of the Green Quarter project (the "Project"), in December 2013 the Group entered into the agreement with BI Corporation LLP. In accordance with this agreement, the Group finances the Project for the total amount of 44 billion tenge, of which own funds amount to 15 billion tenge (the remaining amount will be provided by the Parent).

To implement the Project, the Group will place deposits for the total amount of 44 billion tenge in the second tier banks for the period of 18 years at 3.5% per annum. The banks will then finance the Project company EXPO Village LLP. As at 31 December 2017 the Group placed 41,450,537 thousand tenge (2016: 30,800,000 thousand tenge) (Note 10).

In addition to the agreement on mutual realization of the project, SK Development LLP and BI Corporation LLP have signed the sale-purchase agreement for 49.9% share in EXPO Village LLP, a subsidiary of BI Corporation LLP for consideration of 100 tenge. The date of ownership transfer for this share is stated to be the earliest of the two: 1 April 2017 or the commissioning date of the Project. According to the agreement the Group has share in net income from sales of property constructed under the Project.

In May 2017, the Group signed an additional agreement, according to which the key date of the Project was changed from 1 April 2017 to 31 December 2017. However, in December 2017, the Group signed additional agreement No. 9 in addition to the mutual realization agreement of the "Green Quarter" about the transfer of the key date from 31 December 2017 to 1 April 2018.

These agreements resulted in Group's not immediately exercisable call option to purchase a share in EXPO Village LLP, which is a derivative financial instrument under IAS 39, and shall be recognised at its fair value in the consolidated financial statements of the Group.

As at 31 December 2017 the Group reassessed fair value of the option for 352,105 thousand tenge (2016: 352,105 thousand tenge) and transferred option to the current financial assets considering the fact the execution of the option is expected during 2018 (Note 16). The Group applied Black Scholes' model to determine the fair value of the option.

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10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

In thousands of tenge	**2017**	2016
Deposits with other Kazakhstani banks	**41,450,537**	41,800,000
Interest accrued	**136,447**	209,274
Deposits with Delta Bank JSC	**–**	5,000,000
	41,586,984	47,009,274
Deposits placed for a period of less than 1 year	**(136,447)**	(16,209,274)
Long-term deposits	**41,450,537**	30,800,000

Long-term deposits comprise special deposits under the “Green Quarter” project with second tier banks with an interest rate of 3.5%.

In 2017 the Group reclassified short term deposits placed with Delta Bank JSC in the amount of 5,000,000 thousand tenge from amounts due from credit institutions to other current assets due to accrual of impairment provision for the reason of revocation of the bank license for conducting banking and other operations (Note 11).

11. OTHER CURRENT ASSETS

In thousands of tenge	**2017**	2016
Cash and cash equivalents with DeltaBank JSC	**5,067,902**	–
Cash and cash equivalents with KazInvestBank JSC	**1,454,281**	1,634,309
Cash and cash equivalents with AlfaBank JSC	**234,771**	–
Other current assets	**30,874**	112,536
Provision for impairment	**(6,691,172)**	(1,634,309)
Short-term deposits	**96,656**	112,536

As of 31 December 2017 other current assets represent debt on claims, and also cash and cash equivalents on the current account of second tier bank Kazinvestbank JSC for 1,454,281 thousand tenge with an interest rate of 10% per annum and short-term deposit placed with Delta Bank JSC in amount of 5,067,902 thousand of tenge with an interest rate of 14% per annum for which the Group created provision for impairment due to revocation of the bank license for conducting banking and other operations.

On 19 May 2017 DB Alfa Bank JSC and the temporary administration of Kazinvestbank concluded an agreement on the simultaneous transfer of assets and liabilities of Kazinvestbank JSC. In June 2017 DB Alfa Bank and the Group, acting as a pledger for the pool of loans transferred from Kazinvestbank JSC, signed contracts for the pledge of cash in amount of 247,273 thousand of tenge.

As at 31 December 2017 the Group reversed provision for 11,084 thousand tenge.

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Movement of provisions for impairment for other assets is presented as follows:

In thousands of tenge	2017	2016
Balance at the beginning of the year	**1,634,309**	–
Reversal	**(11,084)**	–
Accrual	**5,067,947**	1,634,309
Balance at the end of the year	**6,691,172**	1,634,309

12. INVESTMENTS IN ASSOCIATE

The Group has a 49% share in the company FN Management LLP. Principal place of operations and its country of incorporation of FN Management LLP (hereinafter, the "FN Management") is the Republic of Kazakhstan. The main activity of FN Management is real estate management.

The following table illustrates the summarized financial information of FN Management:

In thousands of tenge	2017	2016
Balance at 1 January	**43,641**	–
Additional contribution	**–**	–
Disposals	**–**	–
Acquisition of associated companies	**–**	46,434
Loss of control	**–**	–
Share of net profit	**3,513**	(2,793)
Impairment of investments	**–**	–
Other changes	**–**	–
Balance at 31 December	**47,154**	**43,641**

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Below is a summarized financial information about associate, based on its financial statement.

In thousands of tenge	**2017**	2016
Non-current assets	**7,185**	6,493
Current assets	**130,881**	94,935
Current liabilities	**(41,833)**	(12,365)
Net assets	**96,233**	89,063
Ownership	**49%**	49%
The current value of the investment as of 31 December	**47,154**	43,641

In thousands of tenge	**2017**	2016
Revenues from sales and services rendered	**290,313**	270,725
Profit/(loss) for the year from continuing operations	**7,170**	(5,700)
The Group's share in profit/(loss)	**3,513**	(2,793)

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13. OTHER NON-CURRENT ASSETS

In thousands of tenge	Real estate property	Land plots	Construction in progress	Others	Total
As of 31 December 2015	9,053,688	613,661	1,788,502	–	11,455,851
Additions of property	9,617	–	81,355	–	90,972
Transfer of finished construction objects from advances given (Note 8)	2,122,768	–	1,214,400	–	3,337,168
Transfer from construction in progress	1,945,455	–	(1,945,455)	–	–
Transferred from inventory property (Note 7)	905,136	–	–	–	905,136
Realization of construction in progress	–	–	(371,634)	–	(371,634)
Leased out	(6,458,554)	–	–	–	(6,458,554)
Cancelation of lease contract	41,070	–	–	–	41,070
Internal transfers	–	43	(14,411)	14,368	–
Transfer to loan issued (Note 15)	–	(613,704)	–	–	(613,704)
Other additions	–	–	–	57,388	57,388
As at 31 December 2016	7,619,180	–	752,757	71,756	8,443,693
Transfer of finished construction objects from advances given (Note 8)	**5,868,291**	**–**	**7,360,357**	**–**	**13,228,648**
Transferred from inventory property (Note 7)	**117,263**	**–**	**–**	**–**	**117,263**
Transferred to inventory property (Note 7)	**(43,877)**	**–**	**–**	**–**	**(43,877)**
Leased out	**(4,936,092)**	**–**	**–**	**–**	**(4,936,092)**
Cancelation of lease contract	**24,000**	**–**	**–**	**–**	**24,000**
As at 31 December 2017	**8,648,765**	**–**	**8,113,114**	**71,756**	**16,833,635**

Construction in progress is represented by assets which are still under construction works and are not ready yet for further exploitation. Those are mainly represented by property under construction which will be further rented under finance lease.

Construction in progress represented residential complex object under construction in Aktau and Astana, where the Group is a customer. The expected year of construction completion is 2018.

Other non-current assets comprise assets recognised by the Group for future leasing out under a finance lease agreement or for which the Group does not have certain plans related to their use in future.

In 2017 the Group transferred apartments and commercial premises in residential complexes "Shygys" and "Khan Tengri" in amount of 43,877 thousand tenge to inventory property for sale due to intention of the Group to realize current property within one year.

14. TRADE ACCOUNTS RECEIVABLE

In thousands of tenge	2017	2016
Trade accounts receivable	**49,951**	397,746
Less: allowance for impairment	**(8,730)**	(8,730)
	41,221	389,016

Trade accounts receivable of the Group represent receivables from operating lease and direct sale of commercial and residential premises. In 2017 the Group sold residential premises in residential complexes “Khan-Tengri”, “Shygys”, Akzhayik” and “Residential complex on 36 street” under the “Nurly Zher” – rental housing program (earlier – “Regional development program – 2020”).

At 31 December 2017 and 2016 accounts receivable were denominated in tenge.

	Total	Neither past due nor impaired	Past due but not impaired: <30 days	30-60 days	61-90 days	91-120 days	>120 days
At 31 December 2017	**41,221**	**41,221**	**–**	**–**	**–**	**–**	**–**
At 31 December 2016	389,016	389,016	–	–	–	–	–

There was no movement in allowance for impairment in 2017.

15. LOANS GIVEN

In thousands of tenge	2017	2016
Loans given to construction companies under Nurly zher program	**53,096,833**	–
Loan to Ayt Housing Complex LLP	**9,234,409**	11,313,062
Loans to other companies	**1,082,281**	1,082,299
Impairment provision	**(1,082,281)**	(1,082,299)
	62,331,242	11,313,062

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Loans given to construction companies under the program “Nurly zher”

In 2017 the Group reclassified loans given under the “Nurly Zher” program for commercial purposes from long-term loans given to short term loans due to expected repayment of loans in 2018 in accordance with revised contract terms (Note 19).

For the year ended 31 December 2017 the Group provided loans to construction companies for the total amount of 53,257,410 thousand tenge with initial discount of loans given during 2017 of 711,475 thousand tenge (2016: 6,806,459 thousand tenge). (Note 25).

Amortization of discount for 2017 was 4,099,233 thousand tenge (2016: 978,857 thousand tenge) (Note 24) and interest receivables – 2,279,267 thousand tenge (2016: 413,890 thousand tenge).

Loan given to Ayt Housing Complex LLP

According to the investment agreement with Ayt Housing Complex LLP in construction of residential complex Akkent dated 6 April 2012 and the agreement for sale of apartments dated 12 August 2013, the Group provided financing with interest accrued for the right to sell facilities. According to provisions of the investment agreement, the Group made advance payments in the amount of 11,114,252 thousand tenge during the construction of real estate properties. As at 31 December 2017 the amortised cost of the loan is 9,234,409 thousand tenge (2016: 11,313,062 thousand tenge).

Ayt Housing Complex LLP had the right to sell the real estate property at a free price for further redemption of principal amount of apartments with accrued interest for the granted right to sell and liability to the Parent under the loan agreement dated 3 March 2010.

In December 2014, the Group and Ayt Housing Complex LLP signed an agreement on compensation according to which Ayt Housing Complex LLP shall be liable to pay its obligations in full in the form of cash in the amount of 11,114,252 thousand tenge and the interest in the amount of 1,426,232 thousand tenge at the rate 5% before the end of 2015. The payment under this agreement is guaranteed by Sekerbank, Turkish joint stock company. Accordingly, the Group reclassified the financing from advances paid to construction companies to loans given. At recognition, the financial instrument was measured at fair value equalling future cash flows on the loan discounted at the rate of 8.2% which represents average market rate on financing of construction in Kazakhstan.

In October 2015, due to changes in conditions of Ayt Housing Complex LLP obligations repayment, the Group revised the discount rate on loans given for new construction and reconstruction to recognise the loan at fair value, which amounted to 11.3%. As a result, the difference between the nominal value of financing and its fair value in the amount of 2,534,007 thousand tenge was recognised in the consolidated statement of comprehensive income as interest expenses. Unamortised discount balance was equal to 1,141,495 thousand tenge as at 31 December 2017 (2016: 1,746,632 thousand tenge). The amortisation of discount recognised in 2017 was 605,139 thousand tenge as at 31 December 2017 (2016: 640,073 thousand tenge) (Note 24).

As at 31 December 2017 loans receivable comprised receivables from Caspian Centre of Development LLP in the amount 613,704 thousand tenge, Omiruzak & Co LLP in the amount of 296,706 thousand tenge, Capitalstroyservice LLP in the amount of 144,889 thousand tenge and Alyansstroyinvest LLP in the amount of 26,982 thousand tenge (2016: 613,704 thousand tenge from Caspian Centre of Development LLP, 296,724 thousand tenge from Omiruzak & Co LLP, 144,889 thousand tenge from Capitalstroyservice LLP and 26,982 thousand tenge from Alyansstroyinvest LLP).

In November 2010 the Group and Caspian Center of Development LLP signed an agreement on providing temporary financial aid in the amount of 900,000 thousand tenge for implementation of the Caspian power Hub project. The Group transferred an amount of 557,873 thousand tenge as repayment of a debt Caspian Development Center LLP to the SWF Samruk-Kazyna JSC.

Obligations under the agreement were not fulfilled by Caspian Development Centre, and the parties signed an agreement on compensation, under which the Group received land for the amount of 613,704 thousand tenge from the Caspian Development Centre LLP.

However, in December 2012 Specialized Interdistrict Economic Court of Aktau declared the transfer of land to be illegal on the basis of the statement of the claim of the Prosecutor's Office of Aktau. The Group appealed the decision to the supervisory authority of the Supreme Court, but the claim of the Group were not satisfied. During 2016 the Group reclassed 613,704 thousand tenge to loans receivable and created a 100% allowance for impairment for the same amount (Note 13).

Loans issued as at 31 December 2017 and 2016 were denominated in tenge.

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Movements in allowance for impairment of loans issued were as follows:

In thousands of tenge	2017	2016
Beginning of the year	**1,082,299**	468,649
Recovery	**(18)**	(54)
Accrual	**–**	613,704
Ending of the year	**1,082,281**	1,082,299

16. Current financial assets

In thousands of tenge	2017	2016
Available-for-sale financial assets	**2,443,193**	2,277,324
Finance lease receivables (Note 9)	**2,222,718**	1,894,091
Option at fair value (Note 9)	**352,105**	–
Interest bearing financing of construction companies (Note 9)	**97,180**	165,629
Other	**251,836**	154,975
	5,367,032	4,492,019

Financial assets available for sale represent government bonds with the annual interest rate of 6.7%. In 2017 unrealised gains on government bonds amounted to 165,869 thousand tenge (2016: losses 266,843 thousand tenge). Current financial assets as at 31 December 2017 and 2016 were denominated in tenge.

17. Cash and cash equivalents

In thousands of tenge	2017	2016
Short-term deposits	**13,594,871**	3,095,000
Accounts with banks	**12,777,642**	36,609,262
	26,372,513	39,704,262

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As at 31 December 2017 and 2016 cash and cash equivalents are represented by current bank accounts in tenge. Interest is accrued on the balance of cash in current bank accounts at various rates from 2.5% to 10%.

Short-term deposits are represented by deposits with maturity not more than 3 months placed with second-tier banks with an interest rate of 7.5–8.7%.

18. EQUITY

Share capital

The share capital of the Group is fully paid and comprises of 16,247,541 ordinary shares: 15,000,000 shares with par value 1,000 tenge, 1,247,540 shares with par value 4,000 tenge and one share with par value 2,490 tenge.

Additional paid-in capital

As disclosed in Note 19, in 2009 and 2010 the Group received a loan from the Parent. The Group discounted the received amount using the rates of return on government bonds with similar terms as at the dates of tranches. Accordingly, the difference between the nominal value and their fair value totalling to 11,356,866 thousand tenge was recognised as additionally paid in capital. In the event of early repayment of borrowings at the request of the Parent in 2012, loans were recalculated at revised effective interest rates and the amount of unamortised discount in the amount of 7,919,621 thousand tenge (in 2011: 3,744,974 thousand tenge and in 2012: 4,174,647 thousand tenge) was recognised in the consolidated statement of changes in equity as a decrease in additional paid-in capital due to changes in loan terms. At 31 December 2017 and 2016, unamortised discount amounted to 3,437,245 thousand tenge.

Dividends

In 2017 the Group declared and paid dividends on its ordinary shares in the amount of 613,390 thousand tenge (2016: 220,079 thousand tenge).

Available-for-sale instruments revaluation reserve

Available-for-sale instruments revaluation reserve is represented by changes in the fair value of financial assets available for sale (Note 16).

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19. Parent Loans

In thousands of tenge	% rate	Repayment	2017	2016
Credit facility No. 1	0.02–2%	2024		
Balance, beginning			**21,077,717**	40,884,744
Interest accrued			**366,259**	711,424
Payments			**(4,465,226)**	(20,518,451)
Balance, ending			**16,978,750**	21,077,717
Credit facility No. 2	2.0%	2022		
Balance, beginning			**–**	4,000,000
Interest accrued			**–**	55,796
Payments			**–**	(4,055,796)
Balance, ending			**–**	–
Credit facility No. 3	2.0%	2022		
Balance, beginning			**72,327,806**	55,816,713
Loans obtained			**–**	20,802,330
Interest accrued			**1,409,099**	1,323,580
Payments			**(6,856,595)**	(5,614,817)
Balance, ending			**66,880,310**	72,327,806
Credit facility No. 4	2.0%	2018		
Balance, beginning			**29,000,000**	–
Loans obtained			**–**	29,000,000
Interest accrued			**580,000**	178,644
Payments			**(580,000)**	(178,644)
Balance, ending			**29,000,000**	29,000,000

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Credit facility No. 5	0.15%	2019		
Balance, beginning			**19,860,551**	–
Loans obtained			**12,108,303**	42,875,500
Interest accrued			**73,933**	26,261
Discount			**(3,064,536)**	(23,706,680)
Amortization of discount			**5,650,967**	675,653
Change in fair value			**17,632,128**	–
Interest paid			**(69,392)**	(10,183)
Balance, ending			**52,191,952**	19,860,551
Financial aid (Note 10)	0%	2017		
Balance, beginning			**–**	3,300,000
Receipt of loans			**–**	–
Repayment of borrowings			**–**	(3,300,000)
Balance, ending			**–**	–
			165,051,012	142,266,074
Current portion of loans			**163,974,691**	122,421,602
Non-current portion of loans			**1,076,322**	19,844,472

Credit facility No. 1

This credit facility was opened in 2009 to acquire residential and non-residential premises in completed projects or projects under construction with initial total amount of 225 billion tenge and three years' grace period to pay the principal. In August 2010, the initial amount of the credit facility was reduced to 155 billion tenge. In addition, the credit facility interest rate was reconsidered and set at the rate of 0.02% p.a. during the first two years from the drawdown date and 2% p.a. during subsequent years.

As at the date of recognition (2010) the Group discounted received amount using the rate of return on similar government bonds as at the dates of tranches. Correspondingly, the discount recognised as the difference between nominal value of all loans received and their fair value was recognised within additional paid in capital. In the event of early repayment of borrowings in 2012 loans were recalculated at reconsidered effective interest rates and the amount of unamortised discount in the amount of 4,174,647 thousand tenge was recognised in the consolidated statement of changes in equity as a decrease in additional paid-in capital due to changes in loan terms. At 31 December 2017 and 2016 unamortised discount amounted to 3,437,245 thousand tenge.

In December 2013 additional changes in the credit facility terms were introduced. The significant change related to the right of the Parent to demand, at any time, early repayment under this credit facility.

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In 2017 the Group made early repayment of current portion of the loan in the amount of 4,325,452 thousand tenge and interest accrued in the amount of 139,774 thousand tenge. Due to completion of the anti-crisis program, the Group is not planning to assume any additional obligations under this credit facility.

As at 31 December 2017 interest rate was equal to 2% (2016: 2%). Interest is paid on a semiannual basis.

Credit facility No. 2

This credit facility was opened in 2012 for the total amount of 17,100,000 thousand tenge to finance pilot projects in Astana and Shymkent as part of the Housing Construction Program of Kazakhstan for 2011–2014. According to the terms of agreement the Parent has the right to demand early repayment of the loan. Interest is paid on an annual basis. Under this credit facility the credit funds were received in the amount of 5,000,000 thousand tenge. Group does plan to implement pilot projects in future. The unused amounts of the facility was reallocated by the Parent to other projects.

In September 2016 the Group fully repaid the loan prior to its maturity.

Credit facility No. 3

This credit facility was opened in 2012 for the total amount of 99,053,000 thousand tenge, to finance housing construction projects, within the "Nurly Zher" – rental housing program (earlier – "Regional development program – 2020") approved by the Decree of the Government of Kazakhstan No. 821 dated 21 June 2012. According to the terms of agreement, the Parent has the right to demand early repayment of the loan. Interest is paid on a semi-annual basis. The unused amounts under this credit facility was 22,433,957 thousand tenge as at 31 December 2017.

Credit facility No. 4

In 2016, the Group entered into a credit agreement for a total amount of 29,000,000 thousand tenge for financing the project for construction of administrative and residential complex "Green Quarter" for a period of 18 months at interest rate of 2% per annum. Under the terms of the agreement the Parent has the right to demand early payment of the loan. During 2016 the Group received the entire amount of the credit facility. In 2017 the Group paid interest in the amount of 580,000 thousand tenge.

Credit facility No. 5

In 2016, the Group became a participant of the State program of infrastructure development "Nurly Zher" in terms of support to private commercial housing builders. Under this program, the Group receives loan from the Parent in the amount of 97 billion tenge until 2026 with an interest rate of 0.15% per annum. Since loan received is granted to the Group at an interest rate below the market rate, the loan is recognised at fair value.

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During 2016, the Group received a loan under this program in the amount of 42,875,500 thousand tenge, the initial discount of 23,706,680 thousand tenge was recognised as deferred income, 4,326,492 thousand tenge of which were recognised as income from government subsidies (Note 23).

In September 2017 the Group signed addendum to the agreement which provides the new credit terms of the agreement and states that the Group's obligation is to make early repayments of the loan on a quarterly basis not later than 30 calendar days following the reporting period if invested funds are returned by construction companies. This condition involves the revision of certain assumptions used to recognise a loan at fair value, in particular, changes in the calculation of the amount of cash flows discounted at the market interest rate. As the revised fair value was significantly different from the fair value at initial recognition, the Group derecognised the original loan and recognised the new loan.

Due to the new credit terms, which exclude reinvestment of funds, the Group derecognised the tranches of the loan recognised under the previous terms of the Loan agreement and recognised the new loan at fair value from the date of additional agreement based on assumptions above.

Fair value of tranches obtained comprised 50,913,339 thousand tenge and discount – 4,070,464 thousand tenge. At recognition of this loans under new terms the Group recognised discount as interest income received and amortise it through interest expenses during corresponding maturity period for each tranche received.

The amount of amortisation of discount for 2017 was 5,650,967 thousand tenge including unamortised discount of 3,047,263 thousand tenge recognised earlier (2016: 675.653 thousand tenge) (Note 25).

All funds obtained are not secured by guaranties or collateral.

Financial aid

In December 2014, the Group concluded an agreement with the Parent on provision of temporary financial aid dated 31 December 2014 in the amount of 3,300,000 thousand tenge for SK Development LLP for the purpose of placing funds on current accounts with second tier banks. The funds will be used as collateral for the loan obtained by EXPO Village LLP for further financing and implementation of the Green Quarter project. On 31 December 2017 the financial aid from the Parent company was fully repaid by the Group.

20. Other non-current liabilities

In thousands of tenge	2017	2016
Guarantee payments	**1,624,297**	1,574,648
	1,624,297	1,574,648

Guarantee payments represent amounts contributed by lessees to secure obligations of the Group under finance lease agreements. The Group uses guarantee payments to settle the obligations of lessees under the finance lease agreements at the end of the rent period.

21. Accounts payable

As at 31 December 2017 and 2016 the accounts payable comprised payables to suppliers of goods, works and services for operating activities of the Group. Accounts payable are denominated in tenge and non-interest bearing.

22. Other current liabilities

In thousands of tenge	2017	2016
Guarantee obligations	**275,457**	174,524
Payments for operator services of Ayt Housing Complex LLP	**176,597**	191,557
Deferred revenue	**174,360**	15,306
Taxes payable other than income tax	**142,201**	71,799
Advances received	**118,988**	39,839
Salary payable	**105,328**	153,409
Other current liabilities	**523,059**	409,275
	1,515,990	1,055,709

The guarantee obligations represent Group's repayment obligations to construction companies that had completed construction of facilities upon the expiry of one year period since the commissioning date.

23. Deferred Revenue

Deferred revenue is represented by government grants, which were given for the period up to 10 years with interest rate of 0.15% per annum, for support to the private constructors of commercial residential property under the Government program of infrastructure development of "Nurly Zher" (Note 19). The discount of loan received is initially recognised as deferred revenue.

In 2017, due to the revision of the terms under the Loan Agreement and the conclusion of an additional agreement under the Nurly Zher Program, the commercial direction, under which the Group early repaid the credit line, the Group revised the fair value of the financial instrument and ceased recognizing the loan received under the old terms through deferred income (Note 19). Remaining part of deferred income under "Nurly zher" program, commercial direction, amounted to 159,054 thousand tenge was transferred to other current liabilities.

In 2017 the Group recognised income from the discount amortization as income from the government subsidy in the amount of 4,653,544 thousand of tenge (2016: 4,326,492 thousand tenge).

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24. Revenue

In thousands of tenge	2017	2016
Amortisation of discount (Note 15)	**4,704,372**	1,618,930
Revenue from finance lease	**4,253,329**	4,087,695
Interest income on interest bearing financing of construction companies	**2,297,270**	908,575
Interest income on deposit Green Quarter	**1,357,089**	260,108
Compensation for property management	**425,941**	304,307
Sale of residential and commercial premises	**318,310**	3,954,439
Revenue from operating lease	**273,372**	289,852
Revenue from sale of construction in progress	**–**	829,979
Other	**54,394**	607,728
	13,684,077	12,861,613

In 2017 sales of residential and commercial premises comprise revenue from sale of residential premises (apartments) in Almaty, Astana and Taraz under "Nurly Zher" – rental housing program in the amount of 283,050 thousand of tenge and revenue from sale of parking lots and commercial premises in the amount of 35,260 thousand tenge. In 2016 the Group sold residential premises (apartments) in Almaty, Astana and Taraz under "Regional development program – 2020" in the amount of 3,917,990 thousand of tenge and parking lots and commercial premises in the amount of 36,449 thousand tenge.

In 2016 the Group sold construction in progress in Kyzylorda to Bereke KZ LLP in the amount of 829,979 thousand tenge.

25. Cost of revenue

In thousands of tenge	2017	2016
Amortization of discount (Note 19)	**5,650,967**	675,653
Interest expense	**880,418**	426,567
Recognition of discount on a loan issued (Note 15)	**711,475**	6,806,459
Maintenance of real estate properties	**295,437**	324,991
Operating taxes	**267,673**	596,835
Cost of residential and commercial premises sold (Note 7)	**258,926**	3,038,519
Depreciation and amortisation	**84,660**	84,605
Cost of construction in progress sold	**–**	803,975
Other	**49,402**	19,824
	8,198,958	12,777,428

26. General and administrative expenses

In thousands of tenge	2017	2016
Salaries and related taxes	**890,809**	854,373
Professional services	**288,798**	115,746
Other taxes and obligatory payments to the budget	**74,584**	15,607
Depreciation and amortisation	**64,859**	87,820
VAT expenses	**53,621**	83,530
Maintenance of administrative building	**46,623**	46,452
Board of Directors maintenance expenses	**46,401**	50,998
Rent	**19,121**	19,125

In thousands of tenge	**2017**	2016
Travel expenses	**16,758**	13,656
Repair and maintenance	**15,033**	51,350
Advertising and publishing	**14,298**	15,083
Communication	**12,619**	10,570
Materials	**9,362**	9,374
Bank charges	**5,748**	3,647
Other	**99,818**	68,431
	1,658,452	1,445,762

27. Finance income / (finance costs)

In thousands of tenge	**2017**	2016
Finance income		
Interest income on bank deposits and current bank accounts	**2,988,181**	6,832,366
Income on government bonds	**166,649**	166,397
	3,154,830	6,998,763
Finance costs		
Interest expenses on loans from the Parent	**(1,548,873)**	(1,869,138)
Loss on change in fair value of the option	**–**	(372)
	(1,548,873)	(1,869,510)

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28. Income tax expenses

Income tax expenses for 2017 and 2016 are as follows:

In thousands of tenge	2017	2016
Current income tax expenses	**1,111,171**	1,807,800
Deferred income tax expenses/(benefit) relating from origination and reversal of temporary differences	**374,779**	(6,844)
	1,485,950	1,800,956

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at 31 December 2017 and 2016 is as follows:

In thousands of tenge	2017	2016
Profit before taxation	**5,323,077**	5,890,223
Statutory tax rate	**20%**	20%
Income tax at statutory income tax rate	**1,064,615**	1,178,045
Revenue from coupon on government securities	**(33,331)**	(33,280)
Recognition of discount on loans issued	**142,295**	1,361,292
Amortization of discount on loan received	**1,130,193**	135,130
Allowance for doubtful debts	**1,013,581**	324,845
Income from government subsidy	**(930,709)**	(865,298)
Amortisation of discount on financial instruments	**(940,874)**	(323,786)
Other non-deductible expenses	**40,180**	24,008
	1,485,950	1,800,956

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As at 31 December 2017 components of deferred tax assets and liabilities are as follows:

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
In thousands of tenge	**2017**	**2016**	**2017**	2016
Deferred tax assets				
Provisions on loans issued, current financial assets and accounts receivable	**218,202**	218,206	**(4)**	122,730
Taxes	**2,847**	1,645	**1,202**	501
Capitalized interest	**32,452**	3,011	**29,441**	3,011
Deferred revenue	**36,736**	39,797	**(3,061)**	(3,061)
Other	**25,247**	32,605	**(7,358)**	(14,125)
	315,484	295,264	**20,220**	109,056
Deferred tax assets offset against liabilities	**(315,484)**	(295,264)	**(20,220)**	(109,056)
Deferred tax assets	**–**	–	**–**	–
Deferred tax liabilities				
Property and equipment	**(431,763)**	(409,839)	**(21,924)**	(19,434)
Expected interest on loans given	**(455,853)**	(82,778)	**(373,075)**	(82,778)
	(887,616)	(492,617)	**(394,999)**	(102,212)
Offset of deferred tax assets	**315,484**	295,264	**20,220**	109,056
Deferred tax liabilities	**(572,132)**	(197,353)		
Net deferred tax benefit/ (expenses)			**(374,779)**	6,844

Reconciliation of net deferred tax liabilities:

In thousands of tenge	**2017**	2016
Balance at 1 January	**197.353**	204.197
Income tax expense/(benefit) recognised in profit or loss	**374.779**	(6.844)
Balance at 31 December	**572.132**	197.353

As at 31 December 2017 and 2016 the Group had no unrecognised deferred tax assets.

29. Related party transactions

The category "Entities under the Parent's control" comprises organisations controlled by the Parent.

Related party transactions were made on terms agreed to between the parties. Purchases and sales transactions are made on market terms. Outstanding balances at the year-end are unsecured, short-term and settlement occurs in cash, except as discussed below.

As at 31 December 2017 and 2016 the Group did not record any impairment of accounts receivables relating to amounts owned by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Major transactions with related parties for 2017 and 2016 are as follows:

In thousands of tenge	2017	2016
Entities under the Parent's control		
Income from operating lease	**21,997**	21,148
Sales to related parties	**667,610**	530,891
Purchases from related parties	**181,547**	155,754
	871,154	707,793

As a result of the above transactions, the Group had the following amounts due from related parties (due to related parties) as at 31 December 2017 and 2016:

In thousands of tenge	2017	2016
Entities under the Parent's control		
Trade accounts receivable	**758**	658
Accounts payable	**(13,271)**	(13,498)

Loans from the Parent

Details of loans obtained from the Parent are disclosed in Note 19.

Compensation to the key management personnel

In 2017 key management personnel consisted of seven persons (2016: eight persons). Total compensation to the key management personnel included in payroll expenses amounted to 126,180 thousand tenge for the reporting period (2016: 139,840 thousand tenge). Compensation to the key management personnel mainly consists of contractual salary and year-end bonus.

The Group performed additional procedures to determine related parties with respect to the key management personnel. As a result of these procedures no related parties were identified.

30. Financial commitments and contingencies

Contractual commitments

As at 31 December 2017 the Group had contractual obligations in the amount of 47,281,136 thousand tenge (2016: 73,739,216 thousand tenge) under agreements with construction companies.

The Green Quarter project

As disclosed in Note 9, in December 2013 the Group entered into the agreement for joint implementation of the project with BI Corporation LLP. In accordance with this agreement, the Group finances the Project for the total amount of 44 billion tenge, of which own funds of the Group amount to 15 billion tenge.

As at 31 December 2017 the Group financed this Project in the amount of 41,450,537 thousand tenge. The Group expects to finance the remaining portion during 2018.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Fines are generally 50% of any taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2017. The management believes that as at 31 December 2017 its interpretation of the relevant legislation is appropriate and that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

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31. Financial risk management objectives and policies

The main financial liabilities of the Group comprise loans from the Parent, payables and other current liabilities. The main purpose of these financial liabilities is to finance operating activities of the Group. The Group also has various financial assets such as cash and cash equivalents, finance lease receivables, trade receivables, bank deposits and government bonds.

The main risks arising from these financial instruments are liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. As at 31 December 2017 the Group's current liabilities exceeded its current assets by 71,183,480 thousand tenge (2016: 47,176,429 thousand tenge). This excess has developed mainly due to the classification of the Parent loans in the amount of 163,974,691 thousand tenge as current due to the Parent's right to demand early repayment of these loans. Management covers liquidity requirements by expanding its operating activities, as well as through funding from the Parent.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 and 31 December 2016 based on contractual undiscounted payments.

	On demand	Less than 3 months	3–12 months	1–5 years	Over 5 years	Total
31 December 2017						
Loan from the Parent	**112,867,060**	**–**	**51,111,985**	**1,071,968**	**–**	**165,051,013**
Accounts payable	**–**	**351,385**	**–**	**–**	**–**	**351,385**
Other current liabilities	**–**	**–**	**1,149,474**	**–**	**–**	**1,149,474**
	112,867,060	**351,385**	**52,261,459**	**1,071,968**	**–**	**166,551,872**

	On demand	Less than 3 months	3–12 months	1–5 years	Over 5 years	Total
31 December 2016						
Loan from the Parent	122,405,523	16,077	–	–	19,844,473	142,266,073
Accounts payable	–	275,924	–	–	–	275,924
Other current liabilities	–	–	790,662	–	–	790,662
	122,405,523	292,001	790,662	–	19,844,473	143,332,659

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Credit risk

Financial instruments that potentially expose the Group to credit risk consists of cash on deposits and current bank accounts, accounts receivable and issued loan. The maximum exposure to credit risk is represented by the balance sheet value of each financial asset.

The Group exposed to credit risk from its operating activities and some investing activities. In the course of investing activities, the Group mainly places deposits at Kazakhstan banks.

The following table shows the balance of cash, bank deposits placed in banks at the reporting date using the "Standard & Poor's" and "Fitch" agencies' credit ratings, net of provisions:

In thousands tenge	Location	Ratings 2017	Ratings 2016	31 December 2017	31 December 2016
"ATF Bank" JSC	Kazakhstan	**B/Negative**	B/Negative	**44,142,640**	33,001,803
"Halyk Bank" JSC	Kazakhstan	**BB/Negative**	BB/Negative	**10,456,411**	1,327,792
"Forte Bank" JSC	Kazakhstan	**B/Positive**	B/Stable	**6,308,511**	194,200
"Tsesna Bank" JSC	Kazakhstan	**B+/ Negative**	B+/Stable	**3,958,736**	603,241
"Kazkommetcbank" JSC	Kazakhstan	**B+/Negative**	B-/Negative	**3,093,102**	2,143,355
"Alfa Bank JSC	Kazakhstan	**BB-/Stable**	BB-/Stable	**64**	–
"Nurbank" JSC	Kazakhstan	**B-/Negative**	B/Negative	**33**	28,343,114
"Bank RBK" JSC	Kazakhstan	**CCC**	B-/Stable	**–**	16,091,739
"Delta Bank" JSC	Kazakhstan	**D**	D	**–**	5,000,005
"Centr Credit bank" JSC	Kazakhstan	**B/Stable**	B/Stable	**–**	8,109
"Sber bank" JSC	Kazakhstan	**BB+/Positive**	B-/Negative	**–**	128
"Eurasian Bank" JSC	Kazakhstan	**B/Negative**	B/Stable	**–**	39
"Bank Astani" JSC	Kazakhstan	**B-/Stable**	B/Stable	**–**	10
"Asia credit Bank" JSC	Kazakhstan	**B-/Stable**	B/Negative	**–**	1
Total				**67,959,497**	86,713,536

"KazInvestBank" JSC credit risk

In December 2016 the National Bank of Republic of Kazakhstan revoke license of "KazInvestBank" to conduct banking and other operations and activities on the securities market and has appointed an interim administration. As of 31 December 2017 the Group created 100% provision on cash deposit in amount of 1,634,309 thousand tenge and reflected this provision in the statement of other comprehensive income provision as impairment loss (Note 11).

During 2017 the Group accrued additional impairment provision of interest income received from Kazinvestbank JSC in amount of 75,845 thousand tenge.

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On 19 May 2017 the temporary administration of Kazinvest Bank and DB Alfa bank concluded an agreement on transfer of assets and liabilities of Kazinvest Bank. In June 2017 the Group, acting as a pledger for a pool of loans transferred from Kazinvestbank, signed contracts on pledges in amount of 247,273 thousand tenge. As at 31 December 2017 the amount of 11,084 thousand tenge was returned to the Group.

"Delta Bank" JSC credit risk

On 31 December 2017 the Group held deposits in the total amount of 5,067,902 thousand tenge in Delta Bank. On 30 December 2016 the Standard & Poor's long-term/short-term of Delta Bank's credit rating was downgraded from "B/B" to "CCC+/C" then to "D/D" on 16 February 2017 following its default on the principal bond payment amount of 9,800,000 thousand tenge.

On 3 November 2017 the National Bank of the Republic of Kazakhstan revoked Delta Bank JSC a license to conduct banking and other transactions and activities on security market and created temporary administration.

During 2017 the Group accrued the provision on deposit placed in Delta Bank JSC in the amount of 5,067,902 thousand of tenge which reflected as impairment loss in other comprehensive income (Note 11).

Fair value of financial instruments

As at 31 December 2017 financial assets at fair value comprised public debt securities and the right to buy a participatory interest. These financial assets are categorised within Level 1 and Level 3 of fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Management has determined that the fair value of cash and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximately equal to their carrying amount, mainly due to the short-term nature of these instruments.

The Group determined the fair value of the right to buy a participatory interest in Expo Village LLP, which allows to assess the fair value of this financial instrument. Accordingly, this right to buy a participatory interest was recognised in the consolidated financial statements of the Group as satisfying to the assets recognition criteria according to IFRS.

The fair value of the financial assets and liabilities included in the financial statements represent an amount for which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics incidental to the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2017 the carrying amounts of such receivables, net of allowances, are not materially different from their fair values.
- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of available-for-sale financial assets is determined based on the price quotations in active markets.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were introduced in objectives, policies or processes from the date of formation through 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes loans from the Parent and accounts payable within net debt.

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The gearing ratio at 31 December 2017 and 2016 is presented in the following table:

In thousands of tenge	2017	2016
Loans from the Parent	165,051,013	142,266,074
Accounts payable	351,385	275,924
Net debt	165,402,398	142,541,998
Equity	39,995,285	36,605,679
Debt-to-equity ratio	4.14	3.89