

**Real estate fund “Samruk-Kazyna” JSC**

**Consolidated financial statements**

*For the year ended 31 December 2016,  
with independent auditors' report*

**CONTENTS**

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Independent auditors’ report

**Consolidated financial statements**

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## Independent auditor's report

To the Shareholders and Management of Real estate fund Samruk-Kazyna JSC

### **Opinion**

We have audited the consolidated financial statements of Real estate fund Samruk-Kazyna JSC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.


As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

*Ernst & Young LLP*



  
Gulmira Turmagambetova  
Auditor / General Director  
Ernst and Young LLP

Auditor qualification certificate  
No. 0000374 dated 21 February 1998

77/7 building, Al-Farabi Ave.  
050060, Almaty, Republic of Kazakhstan  
28 February 2017



State audit license for audit activities on the  
territory of the Republic of Kazakhstan: series  
МФЮ-2 No. 0000003 issued by the Ministry of  
finance of the Republic of Kazakhstan on  
July 15, 2005

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****As at 31 December 2016**

<i>In thousands of tenge</i>	<b>Note</b>	<b>2016</b>	<b>2015*</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	6	1,379,107	4,620,740
Investment properties	7	3,879,247	832,712
Investment in associate	14	43,641	–
Advances given to construction companies	9	9,792,993	5,655,690
Intangible assets		28,511	55,793
Non-current financial assets	10	70,595,255	34,354,304
Amounts due from credit institutions	11	30,800,000	16,083,660
Other non-current assets	15	8,443,693	11,455,851
		<b>124,962,447</b>	<b>73,058,750</b>
<b>Current assets</b>			
Inventories		3,409	5,519
Inventory property	8	355,952	3,806,587
Advances given to construction companies	9	3,758,257	4,091,029
Trade accounts receivable	16	389,016	42,085
Loans receivable	17	11,313,062	10,586,290
Income tax prepaid		239,019	436,967
Current financial assets	18	4,492,019	4,460,860
Amounts due from credit institutions	11	16,209,274	23,410,149
Other current assets	12	112,536	81,126
Cash and cash equivalents	19	39,704,262	19,682,123
		<b>76,576,806</b>	<b>66,602,735</b>
Assets classified as held for sale	13	–	99,080
<b>Total assets</b>		<b>201,539,253</b>	<b>139,760,565</b>

*The accounting policies and explanatory notes on pages 7 to 45 are  
an integral part of these consolidated financial statements.*



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

<i>In thousands of tenge</i>	<b>Note</b>	<b>2016</b>	<b>2015*</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	19,990,162	19,990,162
Additional paid-in capital	20, 21	3,437,245	3,437,245
Available-for-sale financial assets revaluation reserve	18, 20	(455,110)	(188,267)
Retained earnings		13,633,382	9,764,194
<b>Total equity</b>		<b>36,605,679</b>	<b>33,003,334</b>
<b>Non-current liabilities</b>			
Non-current portion of Parent loans	21	19,844,472	–
Other non-current liabilities	22	1,574,648	1,397,660
Deferred income	25	19,563,866	198,984
Deferred tax liabilities	29	197,353	204,197
		<b>41,180,339</b>	<b>1,800,841</b>
<b>Current liabilities</b>			
Current portion of Parent loans	21	122,421,602	104,001,457
Accounts payable	23	275,924	145,720
Other current liabilities	24	1,055,709	801,168
		<b>123,753,235</b>	<b>104,948,345</b>
Liabilities directly associated with assets held for sale	13	–	8,045
<b>Total liabilities</b>		<b>164,933,574</b>	<b>106,757,231</b>
<b>Total equity and liabilities</b>		<b>201,539,253</b>	<b>139,760,565</b>

\* Some amounts shown in this column are not consistent with the financial statements for 2015 as they reflect the reclassification, details of which are disclosed in Note 5.

Acting Chairman of the Board

Kaldybayev T.N.

Managing finance director



Abenov G.A.

Chief accountant

Sipuldina B.K.

The accounting policies and explanatory notes on pages 7 to 45 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December 2016

<i>In thousands of tenge</i>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
Revenue	26	12,861,613	6,918,292
Cost of revenue	27	(12,777,428)	(5,500,046)
State subsidies	21	4,326,492	–
<b>Gross profit</b>		<b>4,410,677</b>	<b>1,418,246</b>
General and administrative expenses	28	(1,445,762)	(1,891,000)
Expenses on impairment of financial assets	12,17	(2,248,013)	–
Bad debt provision reversal	17	54	7,264
<b>Operating income/(loss)</b>		<b>716,956</b>	<b>(465,490)</b>
Finance income	29	6,998,763	4,314,706
Finance costs	29	(1,869,510)	(1,784,503)
Share of losses of the associate	14	(2,793)	–
Other income		129,814	170,273
Other expenses		(83,007)	–
<b>Profit before tax</b>		<b>5,890,223</b>	<b>2,234,986</b>
Income tax expense	30	(1,800,956)	(767,796)
<b>Profit for the year</b>		<b>4,089,267</b>	<b>1,467,190</b>
<b>Other comprehensive income to be reclassified to profit or loss in the subsequent periods</b>			
Net loss on available-for-sale financial assets		(266,843)	(124,493)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(266,843)</b>	<b>(124,493)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>3,822,424</b>	<b>1,342,697</b>

Acting Chairman of the Board

Kaldybayev T.N.

Managing finance director



Abenov G.A.

Chief accountant

Sipuldina B.K.

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2016

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Available-for-sale financial assets revaluation reserve (Note 20)	Retained earnings	Total
<b>At 31 December 2014</b>	19,990,162	3,437,245	(63,774)	8,556,947	31,920,580
Profit for the period	-	-	-	1,467,190	1,467,190
Other comprehensive income	-	-	(124,493)	-	(124,493)
<b>Total comprehensive income</b>	-	-	(124,493)	1,467,190	1,342,697
Dividends (Note 20)	-	-	-	(259,943)	(259,943)
<b>At 31 December 2015</b>	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 income	-	-	(266,843)	-	(266,843)
<b>Total comprehensive income</b>	-	-	(266,843)	4,089,267	3,822,424
Dividends (Note 20)	-	-	-	(220,079)	(220,079)
<b>At 31 December 2016</b>	19,990,162	3,437,245	(455,110)	13,633,382	36,605,679

Acting Chairman of the Board

Kaldybayev T.N.

Managing finance director



Abenov G.A.

Chief accountant

Sipuldina B.K.

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**CONSOLIDATED STATEMENT OF CASH FLOWS****For the year ended 31 December 2016**

<i>In thousands of tenge</i>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>			
Profit before tax		<b>5,890,223</b>	2,234,986
<b>Adjustments for:</b>			
Depreciation and amortisation		<b>172,425</b>	174,541
Write-off of property and equipment		<b>19,165</b>	19
Finance income	29, 26	<b>(7,907,338)</b>	(4,820,628)
Finance costs	29, 27	<b>2,296,077</b>	2,010,988
Recognition of discount		<b>-</b>	2,540,606
Recognition of discount on the loan given under "Nurly zhol"		<b>6,806,459</b>	-
Accrual of allowance for impairment	11	<b>2,247,929</b>	-
Financial assets impairment provision reversal	17	<b>(54)</b>	(8,249)
Share of losses of the associate	14	<b>2,793</b>	-
Amortisation of discount on loans received	27	<b>675,653</b>	-
Amortisation of discount on loans given	26	<b>(1,618,930)</b>	(583,465)
Other non-operational income		<b>(3,408)</b>	-
<b>Working capital adjustments</b>			
Change in inventories		<b>2,110</b>	4,295
Change in trade accounts receivable		<b>(868,467)</b>	238,563
Change in inventory property		<b>3,038,519</b>	2,385,527
Change in long-term assets		<b>371,634</b>	-
Change in other current assets		<b>(1,676,998)</b>	(29,787)
Change in current financial assets		<b>(421,549)</b>	1,820,358
Change in accounts payable		<b>(53,722)</b>	236,245
Change in other current liabilities		<b>(1,008,160)</b>	265,929
		<b>7,964,361</b>	6,469,928
Income taxes paid		<b>(428,189)</b>	-
Interest paid		<b>(2,053,142)</b>	(1,758,362)
<b>Net cash flows from operating activities</b>		<b>5,483,030</b>	4,711,566
<b>Investing activities</b>			
Prepayments for acquisition of real estate properties		<b>(8,102,975)</b>	(7,541,471)
Bank deposits placed		<b>(33,887,953)</b>	(33,670,116)
Return of bank deposits		<b>26,422,007</b>	35,890,924
Loans given to third parties		<b>(37,783,626)</b>	-
Purchase of property and equipment and intangible assets		<b>(25,872)</b>	(87,606)
Proceeds from sale of a subsidiary		<b>-</b>	48,321
Transactions with securities, net		<b>-</b>	1,000,001
Return of borrowings from third parties		<b>375,248</b>	99,146
Interest received		<b>6,709,278</b>	4,004,546
<b>Net cash flows used in investing activities</b>		<b>(46,293,893)</b>	(256,255)

*The accounting policies and explanatory notes on pages 7 to 45 are an integral part of these consolidated financial statements.*

**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of tenge</i>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
<b>Financing activities</b>			
Proceeds from Parent loans		<b>92,677,830</b>	8,878,713
Repayment of Parent loans		<b>(31,624,749)</b>	(5,415,121)
Dividends paid	20	<b>(220,079)</b>	(259,943)
<b>Net cash flows from financing activities</b>		<b>60,833,002</b>	3,203,649
<b>Net change in cash and cash equivalents</b>		<b>(20,022,139)</b>	7,658,960
Cash and cash equivalents as at 1 January		<b>19,682,123</b>	12,053,995
<b>Cash and cash equivalents as at 31 December</b>	19	<b>39,704,262</b>	19,712,955

Acting Chairman of the Board

Kaldybayev T.N.

Managing finance director



Abenov G.A.

Chief accountant

Sipuldina B.K.

*The accounting policies and explanatory notes on pages 7 to 45 are an integral part of these consolidated financial statements.*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the year ended 31 December 2016**

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**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 “Samruk-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 announced plans to sell 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 in completed property, and property under construction.
- Property management.

The strategic areas for the Company’s activities:

- I. Increase in long-term added value of the Company.
- II. Implementation of innovations in the construction industry.

The main goals of the first strategic area “Increase in long-term added value of the Company” are:

1. Become an anchor developer in implementation of megaprojects. The Company plans to invest in megaprojects within urban agglomerations development policy (“Development of Regions” programme) as well as in the framework of the government programme of forced industrial-innovative development of Kazakhstan.
2. Commercial real estate development. The Company plans to engage in the commercial projects only in those market segments where private capital is active insufficiently.
3. Increasing performance efficiency. A critical success factor for the implementation of projects is to improve the internal processes of the Company, corporate governance system and effective personnel management.

The main goals of the second strategic area “Implementation of innovations in the construction industry” are:

1. Real estate development with the use of green technologies. This goal involves the construction of Green Quarter as part of the preparation for the exhibition EXPO-2017 as well as green residential complexes, certified in accordance with the standards of green construction. The Company becomes the first developer in the country, forming a new segment of the real estate market.
2. Transfer of leading practices in the real estate development. The Company intends to implement projects with partners holding expertise on innovation in construction, and then use the knowledge gained in the implementation of future projects.

The development strategy is executed within two stages:

1. In 2014-2016: Completion of current commitment undertaken in regards to “Regional development – 2020” Programme till 2016. Additionally, the implementation of Green Quarter – a pilot green project is planned.
2. In 2017-2023: Implementation of projects towards new strategic areas. In the second stage, the Company will implement megaprojects, projects in the green property development, commercial real estate development and will actively introduce innovations into the construction industry by using the latest technology and through forming partnerships with the industry experts and technology suppliers.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**1. CORPORATE INFORMATION (continued)**

These financial statements represent, on a consolidated basis, the financial results of the Group for the year ended 31 December 2016 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 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 2016 were authorised for issue by the management of the Group on 28 February 2017.

**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 2016. 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, non-controlling 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****2. BASIS OF PREPARATION (continued)****Basis of consolidation (continued)***Subsidiaries & associates*

As at 31 December 2016, the Group had the following subsidiaries and associates included into these consolidated financial statements:

Name	Country of residence	Principal activities	Ownership	
			2016	2015
FN Management LLP	Kazakhstan	Sale and rent of real estate	49%	100%
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.

**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 2016, average discounting rate amounted to 15% (2015: 7%) 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)****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.

**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 7*.

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****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 2016. 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. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

*Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New standards, interpretations and amendments thereof (continued)***Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

*Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply, after initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are applied retrospectively and do not have any impact on the Group as it does not have any bearer plants.

*Amendments to IAS 27 Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

**Annual improvements 2012-2014 cycle**

These improvements include:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

*IFRS 7 Financial Instruments: Disclosures**(i) Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

*(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

*IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****New standards, interpretations and amendments thereof (continued)***Annual improvements 2012-2014 cycle (continued)**IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively. These amendments do not have any impact on the Group.

*Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments do not have any impact on the Group's consolidated financial statements.

*Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

**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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***IFRS 9 Financial Instruments (continued)*

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

*(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 with gains and losses recorded in other comprehensive income will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently presented as accumulated other comprehensive income will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through other comprehensive income under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in other comprehensive income, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

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. Thus, the Group expects that these will continue to be measured at amortized cost under IFRS 9. However, the Group will analyze the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

*(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 expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

*(c) Hedge accounting*

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized 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. The Group will assess the effects of IFRS 15 in 2017.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***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 recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized 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.

*IAS 7 Disclosure Initiative – Amendments to IAS 7*

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's *Disclosure Initiative* and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

*IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses – Amendments to IAS 12*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group's consolidated financial statements.

*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 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 recognize 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 recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Standards issued but not yet effective (continued)***IFRS 16 Leases (continued)*

Lessees will be also required to re-measure 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 recognize the amount of the re-measurement 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 2017 the Group will assess the impact of IFRS 16 on its consolidated financial statements.

**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 2016 was KZT 333.29 to USD 1 (in 2015: KZT 340.01 to USD 1). As at 28 February 2017 the exchange rate amounted to KZT 312.76 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

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 is 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 33* and *Note 7*, 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.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 recognized 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 recognized 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 as related to financing of construction companies and in finance income as related to other interest income.

**Expense recognition**

Expenses are recognized 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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Income tax (continued)***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:

- 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. Unrecognized 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 recognized outside profit or loss is recognized 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 recognized 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 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 recognized 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial assets (continued)***Subsequent measurement (continued)**Financial investments available-for-sale (continued)*

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 recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized 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 recognizes 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets (continued)***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 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial liabilities (continued)***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.

**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 recognized 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investment properties (continued)**

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.

**Non-current assets held for sale**

Non-current assets and groups of disposal classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property and equipment, investment property and intangible assets once classified as held for sale are not depreciated or amortised.

**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 non-current 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 the capitalized costs for development of products, are not capitalized and the related expense is recognized 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 recognized 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 amortized on a straight-line basis over their estimated useful lives of five to ten years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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:

	<b>Years</b>
Building	46-50
Office equipment	3-10
Vehicles	4-7

An item of property and equipment initially recognized is derecognized 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.

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.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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 recognized 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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.

**5. RECLASSIFICATION FOR PRESENTATION PURPOSES**

Comparative information for 2015 in consolidated statement of financial position as at 31 December 2016 includes amendments on classification for achievement of comparability to the presentation of a financial position for 31 December 2016. Reclassifications did not have any impact on a financial position of Group.

<i>In thousands of tenge</i>	<b>Initial presentation</b>	<b>Reclassification amount</b>	<b>Presentation taking into account amendments</b>
<b>Consolidated statement of financial position as at 31 December 2015</b>			
Other long-term liabilities	1,596,644	(198,984)	1,397,660
Deferred revenues	–	198,984	198,984

Reclassification represents deferred income on additional space in the real estate property received after construction, which will be recognized as income after signing the relevant documents.

**6. PROPERTY AND EQUIPMENT**

Movement of property and equipment in 2016 and 2015 is presented as follows:

<i>In thousands of tenge</i>	<b>Land</b>	<b>Buildings</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
<b>Initial cost</b>					
<b>At 31 December 2014</b>	26,101	4,882,767	272,200	6,365	5,187,433
Additions	–	–	69,232	–	69,232
Disposals	–	–	(564)	–	(564)
Reclassifications	–	–	363	(363)	–
Transfer to assets held for sale	–	–	(22,605)	(6,002)	(28,607)
<b>At 31 December 2015</b>	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 7)	–	(3,541,637)	–	–	(3,541,637)
<b>At 31 December 2016</b>	26,101	1,341,130	371,792	–	1,739,023
<b>Accumulated depreciation</b>					
<b>At 31 December 2014</b>	–	(334,628)	(136,039)	(1,999)	(472,666)
Depreciation charge for the year	–	(106,092)	(47,590)	(1,498)	(155,180)
Depreciation on disposal	–	–	545	–	545
Transfer to assets held for sale	–	–	17,050	3,497	20,547
<b>At 31 December 2015</b>	–	(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 investment property (Note 7)	–	320,800	–	–	320,800
<b>At 31 December 2016</b>	–	(149,019)	(210,897)	–	(359,916)
<b>Net book value</b>					
<b>At 31 December 2015</b>	26,101	4,442,047	152,592	–	4,620,740
<b>At 31 December 2016</b>	26,101	1,192,111	160,895	–	1,379,107

On 31 December 2016 the Group transferred to the investment property main part of the building “Kazyna Tower” with the net book value of 3,220,837 thousand tenge was due to the change in the nature of use of the property.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****7. INVESTMENT PROPERTIES**

Movement of investment property for 2016 and 2015 is presented as follows:

<i>In thousands of tenge</i>	<b>Buildings</b>	<b>Commercial premises</b>	<b>Parking lots</b>	<b>Total</b>
<b>Initial cost</b>				
<b>At 31 December 2014</b>	–	401,977	702,000	1,103,977
Transferred to property for realization (Note 8)	–	(73,377)	(96,000)	(169,377)
<b>At 31 December 2015</b>	–	328,600	606,000	934,600
Transferred to inventory property (Note 8)	–	(81,696)	(8,000)	(89,696)
Transferred from property plant and equipment (Note 6)	3,541,637	–	–	3,541,637
<b>At 31 December 2016</b>	<b>3,541,637</b>	<b>246,904</b>	<b>598,000</b>	<b>4,386,541</b>
<b>Accumulated amortization and impairment</b>				
<b>At 31 December 2014</b>	–	(28,394)	(69,032)	(97,426)
Write-off of impaired property	–	(1,781)	(2,681)	(4,462)
<b>At 31 December 2015</b>	–	(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 6)	(320,800)	–	–	(320,800)
<b>At 31 December 2016</b>	<b>(397,792)</b>	<b>(26,774)</b>	<b>(82,728)</b>	<b>(507,294)</b>
<b>Net book value</b>				
<b>At 31 December 2015</b>	–	298,425	534,287	832,712
<b>At 31 December 2016</b>	<b>3,143,845</b>	<b>220,130</b>	<b>515,272</b>	<b>3,879,247</b>

In 2016 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 2016 the fair value of the Group’s real estate properties amounted to 7,479,628 thousand tenge (2015: 2,721,950 thousand tenge).

**8. INVENTORY PROPERTY**

<i>In thousands of tenge</i>	<b>Apartments</b>	<b>Commercial premises</b>	<b>Parking lots</b>	<b>Total</b>
<b>At 31 December 2014</b>	1,024,276	–	–	1,024,276
Additions of property (Note 9)	5,643,525	–	–	5,643,525
Transferred from investment property (Note 7)	–	73,377	96,000	169,377
Sold property (Note 27)	(2,321,117)	(62,410)	(2,000)	(2,385,527)
Leased out	–	(73,377)	(94,000)	(167,377)
Transferred to other non-current assets (Note 15)	(540,097)	62,410	–	(477,687)
<b>At 31 December 2015</b>	<b>3,806,587</b>	<b>–</b>	<b>–</b>	<b>3,806,587</b>
Additions of property (Note 9)	493,020	–	–	493,020
Transferred from investment property (Note 7)	–	81,696	8,000	89,696
Sold property (Note 27)	(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 15)	(933,173)	28,037	–	(905,136)
<b>At 31 December 2016</b>	<b>260,634</b>	<b>95,318</b>	<b>–</b>	<b>355,952</b>

In 2016 as part of “Regional development program-2020” Group received accommodations in “Shygys” residential complex in Astana for further sale.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****9. 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 2017.

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 2016 and 2015 is presented as follows:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
<b>Beginning of the year</b>	<b>9,746,719</b>	28,662,670
Advances paid for the year	<b>8,102,975</b>	7,548,206
Purchased real estate objects	<b>(3,878,281)</b>	(26,533,893)
Transfer of rights	<b>(471,176)</b>	–
Guarantee payments	<b>51,013</b>	69,736
<b>Ending of the year</b>	<b>13,551,250</b>	9,746,719
Less: advances for objects under construction, which will be sold / transferred to ownership of the Group within 12 months after the reporting date	<b>(3,758,257)</b>	(4,091,029)
<b>Advances for objects under construction, which will be leased out</b>	<b>9,792,993</b>	5,655,690

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

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Other non-current assets (Note 15)	<b>3,337,168</b>	20,890,368
Inventory property (Note 8)	<b>493,020</b>	5,643,525
Paid VAT for other long-term assets	<b>48,093</b>	–
	<b>3,878,281</b>	26,533,893

**10. NON-CURRENT FINANCIAL ASSETS**

Non-current financial assets are as follows:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Finance lease receivables	<b>37,820,240</b>	33,960,457
Loans issued for construction companies under the program “Nurly zhol”	<b>32,369,914</b>	–
Option at fair value	<b>352,105</b>	352,477
Financing of construction companies	<b>52,996</b>	41,370
	<b>70,595,255</b>	34,354,304

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. NON-CURRENT FINANCIAL ASSETS (continued)***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:

<i>In thousands of tenge</i>	2016		2015	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	5,850,248	1,894,091	5,063,749	1,585,861
More than 1 year but less than 5 years	23,331,101	8,554,914	20,179,643	7,047,984
Over five years	42,767,017	29,265,326	40,205,818	26,912,473
<b>Total minimum lease payments</b>	<b>71,948,366</b>	<b>39,714,331</b>	<b>65,449,210</b>	<b>35,546,318</b>
Less financial income	(32,234,034)	–	(29,902,892)	–
<b>Present value of minimum lease payments</b>	<b>39,714,332</b>	<b>39,714,331</b>	<b>35,546,318</b>	<b>35,546,318</b>
Less: amounts due for settlement within 12 months ( <i>Note 18</i> )		(1,894,091)		(1,585,861)
<b>Amounts due for settlement after 12 months</b>		<b>37,820,240</b>		<b>33,960,457</b>

In 2016 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 “Khan Tengri” in Almaty, “Sovremenniy” and “Shygys” in Astana, “Zhanuya” in Karaganda, and “Dva 25 kvartyrnyh doma” in Taraz under the “Regional development program -2020”.

*Loans to construction companies under the program “Nurly Zhol”*

In 2016 the Group became a participant of Government program of infrastructure development “Nurly Zhol” 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 recognized at fair value.

For the year ended 31 December 2016 the Group gave loans to construction companies for a total amount of 37,783,626 thousand tenge, with the initial discount of 6,806,459 thousand tenge (*Note 27*). The amortization of the discount for the year 2016 amounted to 978,857 thousand tenge (2015: nil) (*Note 26*), and the amount of accrued interest – 413,890 thousand tenge (2015: nil).

*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.

As at 31 December 2016 the short-term portion of financing of construction companies with interest accrued amounted to 165,629 thousand tenge (2015: 165,629 thousand tenge) (*Note 18*).

*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 2016 the Group placed 30,800,000 thousand tenge (2015: 16,083,660 thousand tenge) (*Note 11*).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****10. NON-CURRENT FINANCIAL ASSETS (continued)***Option at fair value (continued)*

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.

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 recognized at its fair value in the consolidated financial statements of the Group.

As at 31 December 2016 the Group reassessed fair value of the option for 352,105 thousand tenge (2015: 352,477 thousand tenge). For determining the fair value of the option the Group applied Black Scholes' model.

**11. AMOUNTS DUE FROM CREDIT INSTITUTIONS**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Deposits with Delta Bank	<b>5,000,000</b>	6,000,000
Deposits with other Kazakhstani banks	<b>41,800,000</b>	33,352,342
Interest accrued	<b>209,274</b>	141,467
	<b>47,009,274</b>	39,493,809
Deposits placed for a period of more than 1 year	<b>(30,800,000)</b>	(16,083,660)
<b>Short-term deposits</b>	<b>16,209,274</b>	23,410,149

The short-term deposits comprise term deposits maturing during 2016 placed with second-tier banks in Kazakhstan with an interest rate of 3.5% to 14% per annum (2015: 3.5% to 9% per annum).

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

As of 31 December 2016 the Group had financial assets in deposit account at Delta Bank JSC in the amount of 5,000,000 thousand tenge. Management believes that these deposits are fully recoverable (*Note 33*).

**12. OTHER CURRENT ASSETS**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents with KazInvestBank JSC	<b>1,634,309</b>	–
Other current assets	<b>112,536</b>	81,126
Provision for impairment of cash	<b>(1,634,309)</b>	–
<b>Short-term deposits</b>	<b>112,536</b>	81,126

Other current assets represent debt on claims, and also cash and cash equivalents on the current account of second tier bank Kazinvestbank JSC for 1,634,309 thousand tenge with an interest rate of 10% per annum for which the Group created provision for impairment due to revocation of the bank license for conducting banking and other operations.

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

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
<b>Balance at the beginning of the year</b>	–	–
Accrual	<b>1,634,309</b>	–
<b>Balance at the end of the year</b>	<b>1,634,309</b>	–

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****13. ASSETS CLASSIFIED AS HELD FOR SALE**

In 2015 the Group declared an intention to sell 51% share in FN Management LLP. The management determined that disposal of subsidiary corresponds to classification as a group of assets held for sale due to the following reasons:

In accordance with the Decree of Government of the Republic of Kazakhstan dated 31 March 2014 No. 280 *On Certain Privatisation Matters* and *On Approval of Complex Privatisation Plan for 2014-2016*, the Board of Directors decided to approve the transfer of 51% share of FN Management LLP owned by Real estate fund “Samruk-Kazyna” JSC to competitive environment.

On 17 July 2015 the Group signed an agreement of purchase and sale of 51% participation interest in the charter capital of FN Management LLP with KAN Group LLP for 48,321 thousand tenge.

On 30 December 2015 the Board of Directors approved the Charter of the Partnership and the Foundation Agreement to the agreement of purchase and sale.

The net assets of the subsidiary were classified as held for sale at 31 December 2016 in the consolidated statement of financial position and comprised the following:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Property plant and equipment	–	8,060
Intangible assets	–	3,239
Accounts receivable	–	25,617
Cash and cash equivalents	–	30,832
Deferred tax assets	–	923
Other assets	–	30,409
<b>Assets, classified as held for sale</b>	<b>–</b>	<b>99,080</b>
Accounts payable	–	2,364
Deferred tax liabilities	–	89
Other liabilities	–	5,592
<b>Liabilities, directly associated with assets held for sale</b>	<b>–</b>	<b>8,045</b>

On 15 January 2016, due to sale of ownership of 51% of share in FN Management LLP, the re-registration of property rights was carried out in judicial authorities.

After the re-registration of the property right of 51% of share in FN Management LLP, investment is considered as investment in associate.

**14. 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:

<i>In thousands of tenge</i>	<b>2016</b>
<b>Balance at 1 January</b>	<b>–</b>
Additional contribution	–
Disposals	–
Acquisition of associated companies	46,434
Loss of control	–
Share of net profit	(2,793)
Impairment of investments	–
Other changes	–
<b>Balance at 31 December</b>	<b>43,641</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****14. INVESTMENTS IN ASSOCIATE (continued)**

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

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Long-term assets	<b>6,493</b>	–
Short-term assets	<b>94,935</b>	–
Long-term liability	–	–
Short-term liability	<b>12,365</b>	–
<b>Capital</b>		
Ownership	<b>49%</b>	–
Net assets for the end of the period	<b>89,063</b>	–
<b>The current value of the investment as of December 31</b>	<b>43,641</b>	–

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Revenues from sales and services rendered	<b>270,725</b>	–
Loss/profit for the year from continuing operations	<b>(5,700)</b>	–
Other comprehensive income	–	–
Total comprehensive income	<b>(5,700)</b>	–
The unrecognized share of losses	–	–

**15. OTHER NON-CURRENT ASSETS**

<i>In thousands of tenge</i>	<b>Real estate property</b>	<b>Land plots</b>	<b>Construction in progress</b>	<b>Others</b>	<b>Total</b>
<b>As of 31 December 2014</b>	9,069,522	613,661	1,695,624	–	11,378,807
Additions of property	–	–	87,218	–	87,218
Transfer of finished construction objects from advances given (Note 9)	20,890,368	–	–	–	20,890,368
Transferred from inventory property (Note 8)	477,687	–	–	–	477,687
Leased out	(21,479,579)	–	–	–	(21,479,579)
Cancellation of lease contracts	95,690	–	–	–	95,690
Other additions	–	–	5,660	–	5,660
<b>As at 31 December 2015</b>	9,053,688	613,661	1,788,502	–	11,455,851
Additions of property	<b>9,617</b>	–	<b>81,355</b>	–	<b>90,972</b>
Transfer of finished construction objects from advances given (Note 9)	<b>2,122,768</b>	–	<b>1,214,400</b>	–	<b>3,337,168</b>
Transfer from construction in progress	<b>1,945,455</b>	–	<b>(1,945,455)</b>	–	–
Transferred from inventory property (Note 8)	<b>905,136</b>	–	–	–	<b>905,136</b>
Realization of construction in progress (Note 27)	–	–	<b>(371,634)</b>	–	<b>(371,634)</b>
Leased out	<b>(6,458,554)</b>	–	–	–	<b>(6,458,554)</b>
Cancellation of lease contract	<b>41,070</b>	–	–	–	<b>41,070</b>
Internal transfers	–	<b>43</b>	<b>(14,411)</b>	<b>14,368</b>	–
Transfer to loan issued (Note 17)	–	<b>(613,704)</b>	–	–	<b>(613,704)</b>
Other additions	–	–	–	<b>57,388</b>	<b>57,388</b>
<b>As at 31 December 2016</b>	<b>7,619,180</b>	–	<b>752,757</b>	<b>71,756</b>	<b>8,443,693</b>

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.

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****15. OTHER NON-CURRENT ASSETS (continued)**

In 2016 the Group transferred apartments and commercial premises in residential complexes “Asyl Arman”, “Two 25 apartment residential complexes in Taraz”, “Sovremenny”, “Shygys” and “Khan Tengri” to inventory property for sale in amount of 154,009 thousand tenge due to intention of the Group to realize current property within one year.

Construction in progress represented residential complex object under construction in Ust-Kamenogorsk, Aktau and Astana, where the Group is a customer. The expected year of construction completion is 2017.

**16. TRADE ACCOUNTS RECEIVABLE**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Trade accounts receivable	<b>397,746</b>	50,815
Less: allowance for impairment	<b>(8,730)</b>	(8,730)
	<b>389,016</b>	42,085

Trade accounts receivable of the Group represent receivables from operating lease and direct sale of commercial and residential premises. In 2016 the Group sold residential premises in residential complexes “Asyl Arman”, “Khan-Tengri”, “Sovremennyi”, “Shygys” and “Two 25 apartment residential complexes” under the “Regional development program – 2020”.

Trade accounts receivable are neither past due nor impaired. At 31 December 2016 and 2015 accounts receivable were denominated in tenge.

	<b>Total</b>	<b>Neither past due nor impaired</b>	<b>Past due but not impaired</b>				
			<b>&lt;30 days</b>	<b>30-60 days</b>	<b>61-90 days</b>	<b>91-120 days</b>	<b>&gt;120 days</b>
<b>At 31 December 2016</b>	<b>389,016</b>	<b>389,016</b>	–	–	–	–	–
At 31 December 2015	42,085	42,085	–	–	–	–	–

There was no movement in allowance for impairment in 2016.

**17. LOANS GIVEN**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Loan to Ayt Housing Complex LLP	<b>11,313,062</b>	10,586,290
Loans to other companies	<b>1,082,299</b>	468,649
Impairment provision	<b>(1,082,299)</b>	(468,649)
	<b>11,313,062</b>	10,586,290

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 in the course of construction of real estate properties. As at 31 December 2016 the discounted amount is 11,257,275 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 calculated 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 issued. On 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 facilities 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 issued 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 expense in the cost. The unamortised discount amounted to 1,746,632 thousand tenge as at 31 December 2016 (2015: 2,386,705 thousand tenge). The amortised discount amounted to 640,073 thousand tenge as at 31 December 2016 (Note 26).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****17. LOANS GIVEN (continued)**

As at 31 December 2016 loans issued comprised receivables from Caspian Centre of Development LLP in the amount 613,704 thousand tenge, Omiruzak & Co LLP in the amount of 296,724 thousand tenge, Capitalstroysservice LLP in the amount of 144,889 thousand tenge and Alyansstroyinvest LLP in the amount of 26,983 thousand tenge (2015: 296,778 thousand tenge from Omiruzak & Co LLP, 144,889 thousand tenge from Capitalstroysservice LLP and 26,983 thousand tenge from Alyansstroyinvest LLP).

In November 2010 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 contract 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 allocation of land to be illegal on the basis of the statement of claim Prosecutor’s Office of Aktau. The Group appealed the decision to the supervisory authority of the Supreme Court, but the claims of the Group were not met. During 2016 the Group created a 100% allowance for impairment in the amount of 613,704 thousand tenge.

Loans issued as at 31 December 2016 and 2015 were denominated in tenge.

Movements in allowance for impairment of loans issued were as follows:

<i>In thousands of tenge</i>	2016	2015
<b>Beginning of the year</b>	<b>468,649</b>	475,913
Recovery	(54)	(7,264)
Accrual	613,704	–
<b>Ending of the year</b>	<b>1,082,299</b>	468,649

**18. CURRENT FINANCIAL ASSETS**

<i>In thousands of tenge</i>	2016	2015
Available-for-sale financial assets	2,277,324	2,540,120
Finance lease receivables (Note 10)	1,894,091	1,585,861
Interest bearing financing of construction companies (Note 10)	165,629	165,629
Other	154,975	169,250
	<b>4,492,019</b>	4,460,860
Less: impairment provision	–	–
	<b>4,492,019</b>	4,460,860

Financial assets available for sale represent government bonds with the annual interest rate of 6.7%. In 2016 unrealised losses on government bonds amounted to 266,843 thousand tenge (2015: 124,493 thousand tenge). Current financial assets as at 31 December 2016 and 2015 were denominated in tenge.

**19. CASH AND CASH EQUIVALENTS**

<i>In thousands of tenge</i>	2016	2015
Short-term deposits	3,095,000	5,000,000
Accounts with banks	36,609,262	14,682,123
	<b>39,704,262</b>	19,682,123

As at 31 December 2016 and 2015 cash and cash equivalents comprised current bank accounts in tenge. Interest is accrued on balance of cash in current bank accounts at various rates from 2.5% to 10%.

Short-term deposits comprise deposits with maturity not more than 3 months placed with second-tier banks with an interest rate of 10.5-11.95%.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. 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 21*, in 2009 and 2010 the Group received a loan from the Parent. The Group discounted the obtained amount using the rates of return on government bonds with similar terms as at the dates of tranches. Accordingly, the difference between the amounts of obtained funds and their fair value totalling 11,356,866 thousand tenge was recorded 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 reconsidered 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 conditions. At 31 December 2016 and 2015, unamortised discount amounted to 3,437,245 thousand tenge.

*Dividends*

In 2016 the Group declared and paid dividends on its ordinary shares in the amount of 220,079 thousand tenge (2015: 259,943 thousand tenge).

*Available-for-sale instruments revaluation reserve*

Available-for-sale instruments revaluation reserve is used to record changes in the fair value of financial assets available for sale.

**21. PARENT LOANS**

<i>In thousands of tenge</i>	<b>% rate</b>	<b>Repayment</b>	<b>2016</b>	<b>2015</b>
<b>Credit facility No. 1</b>	0.02-2%	2024		
Balance, beginning			<b>40,884,744</b>	45,406,713
Interest accrued			<b>711,424</b>	846,173
Payments			<b>(20,518,451)</b>	(5,368,142)
<b>Balance, ending</b>			<b>21,077,717</b>	40,884,744
<b>Credit facility No. 2</b>	2.0%	2022		
Balance, beginning			<b>4,000,000</b>	4,666,667
Interest accrued			<b>55,796</b>	86,481
Payments			<b>(4,055,796)</b>	(753,148)
<b>Balance, ending</b>			<b>–</b>	4,000,000
<b>Credit facility No. 3</b>	2.0%	2022		
Balance, beginning			<b>55,816,713</b>	46,938,000
Loans obtained			<b>20,802,330</b>	8,878,713
Interest accrued			<b>1,323,580</b>	1,051,455
Payments			<b>(5,614,817)</b>	(1,051,455)
<b>Balance, ending</b>			<b>72,327,806</b>	55,816,713
<b>Credit facility No. 4</b>	2.0%	2018		
Balance, beginning			<b>–</b>	–
Loans obtained			<b>29,000,000</b>	–
Interest accrued			<b>178,644</b>	–
Payments			<b>(178,644)</b>	–
<b>Balance, ending</b>			<b>29,000,000</b>	–

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****21. PARENT LOANS (continued)**

<i>In thousands of tenge</i>	<b>% rate</b>	<b>Repayment</b>	<b>2016</b>	<b>2015</b>
<b>Credit facility No. 5</b>	0.15%	2025		
Balance, beginning			–	–
Loans obtained			<b>42,875,500</b>	–
Interest accrued			<b>26,261</b>	–
Discount			<b>(23,706,680)</b>	–
Amortization of discount			<b>675,653</b>	–
Interest paid			<b>(10,183)</b>	–
<b>Balance, ending</b>			<b>19,860,551</b>	–
<b>Financial aid (Note 10)</b>	0%	2017		
Balance, beginning			<b>3,300,000</b>	3,300,000
Receipt of loans			–	–
Repayment of borrowings			<b>(3,300,000)</b>	–
<b>Balance, ending</b>			–	3,300,000
			<b>142,266,074</b>	104,001,457
Current portion of loans			<b>122,421,602</b>	104,001,457
Non-current portion of loans			<b>19,844,472</b>	–

**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. Also, 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 the obtained amount using the rate of return on similar government bonds as at the dates of tranches. Correspondingly, the discount presented as the difference between all the amounts of obtained funds and their fair value was recorded 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 conditions. At 31 December 2016 and 2015 unamortised discount amounted to 3,437,245 thousand tenge.

In December 2013 additional changes in the credit facility terms were introduced. The significant change is the right of the Parent to demand at any time early repayment of amounts withdrawn under this credit facility.

In 2016 the Group early repaid current portion of a loan in the amount of 20,033,512 thousand tenge and interest accrued in the amount of 484,939 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 2016 interest rate on balance of withdrawn amounts was 2% (2015: 2%). Interest is paid on a semi-annual basis.

**Credit facility No. 2**

This credit facility was opened in 2012 to the total amount of 17,100,000 thousand tenge to finance pilot projects in Astana and Shymkent with the Housing Construction Program in Kazakhstan for 2011-2014. According to the terms of agreement the Parent has the right to demand early repayment of withdrawn amounts. 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 remainder of 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****21. PARENT LOANS (continued)****Credit facility No. 3**

This credit facility was opened in 2012 to the total amount of 99,053,000 thousand tenge to finance housing construction projects within the “Regions 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 withdrawn amounts. Interest is paid on an annual basis. The remainder of unused amounts under this credit facility was 22,433,957 thousand tenge as at 31 December 2016.

**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 from the remuneration rate of 2% per annum. Under the terms of the agreement the Parent Company has the right to demand early payment of issued funds. During 2016 the Group received the entire amount of the loan and paid interest payment in the amount of 178,644 thousand tenge.

**Credit facility No. 5**

In 2016, the Group became a participant of the State program of infrastructure development “Nurly Zhol” in terms of support to private commercial housing builders. Under this program, the Group receives a loan from the Parent Company in the amount of 97 billion tenge terms 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, the loan is recognised at fair value.

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 recognized as deferred income, 4,326,492 thousand tenge of which were recognized as income from government subsidies (*Note 25*). For 2016 the discount amortized amounted to 675,653 thousand tenge (2015: nil) (*Note 27*).

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 2016 the financial aid from the Parent company was fully repaid by the Group.

**22. OTHER NON-CURRENT LIABILITIES**

<i>В тысячах тенге</i>	<b>2016</b>	<b>2015</b>
Guarantee payments	<b>1,574,648</b>	1,397,660
	<b>1,574,648</b>	1,397,660

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.

**23. ACCOUNTS PAYABLE**

As at 31 December 2016 and 2015 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****24. OTHER CURRENT LIABILITIES**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Payments for operator services of Ayt Housing Complex LLP	<b>191,557</b>	192,473
Guarantee obligations	<b>174,524</b>	123,511
Salary payable	<b>153,409</b>	149,338
Taxes payable other than income tax	<b>71,799</b>	52,665
Advances received	<b>39,839</b>	50,920
Deferred revenue	<b>15,306</b>	15,306
Other current liabilities	<b>409,275</b>	216,955
	<b>1,055,709</b>	801,168

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.

**25. 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 housing under the Government program of infrastructure development of “Nurly zhol” (*Note 21*). The discount of loan received is initially recognised as deferred revenue.

In 2016 the Group recognized income from the discount amortization as income from the government subsidy in the amount of 4,326,492 thousand of tenge (2015: nil) (*Note 21*).

**26. REVENUE**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Revenue from finance lease	<b>4,087,695</b>	2,140,236
Sale of residential and commercial premises	<b>3,954,439</b>	2,869,531
Amortisation of discount ( <i>Notes 10, 17</i> )	<b>1,618,930</b>	583,465
Interest income on interest bearing financing of construction companies	<b>908,575</b>	505,922
Revenue from sale of construction in progress	<b>829,979</b>	–
Compensation for property management	<b>304,307</b>	61,955
Revenue from operating lease	<b>289,852</b>	324,737
Other	<b>867,836</b>	432,446
	<b>12,861,613</b>	6,918,292

In 2016 sales of residential and commercial premises comprise revenue from sale of residential premises (apartments) in Almaty, Astana and Taraz under “Regional development program – 2020” in the amount of 3,917,990 thousand of tenge and revenue from sale of 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.

**27. COST OF REVENUE**

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Recognition of discount on a loan issued ( <i>Note 10</i> )	<b>6,806,459</b>	2,540,606
Cost of residential and commercial premises sold ( <i>Note 8</i> )	<b>3,038,519</b>	2,385,527
Cost of construction in progress sold	<b>803,975</b>	–
Amortization of discount ( <i>Note 21</i> )	<b>675,653</b>	–
Operating taxes	<b>596,835</b>	237,856
Interest expense	<b>426,567</b>	226,485
Maintenance of real estate properties	<b>324,991</b>	22,622
Depreciation and amortisation	<b>84,605</b>	4,462
Other	<b>19,824</b>	82,488
	<b>12,777,428</b>	5,500,046



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****28. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In thousands of tenge</i>	2016	2015
Salaries and related taxes	854,373	1,025,504
Professional services	115,746	161,874
Depreciation and amortisation	87,820	170,079
VAT expenses	83,530	37,382
Repair and maintenance	51,197	9,926
Board of Directors maintenance expenses	50,998	31,766
Maintenance of administrative building	46,452	158,215
Rent	19,125	37,427
Other taxes and obligatory payments to the budget	15,607	117,510
Advertising and publishing	15,100	17,723
Travel expenses	13,656	15,287
Communication	10,570	13,432
Materials	9,528	10,464
Bank charges	3,647	4,871
Other	68,413	79,540
	<b>1,445,762</b>	<b>1,891,000</b>

**29. FINANCE INCOME / (FINANCE COSTS)**

<i>In thousands of tenge</i>	2016	2015
<b>Finance income</b>		
Interest income on bank deposits and current bank accounts	6,832,366	4,114,249
Income on government bonds	166,397	166,159
Other	–	34,298
	<b>6,998,763</b>	<b>4,314,706</b>
<b>Finance costs</b>		
Interest expenses on loans from the Parent	(1,869,138)	(1,758,362)
Loss on change in fair value of the option	(372)	(26,141)
	<b>(1,869,510)</b>	<b>(1,784,503)</b>

**30. INCOME TAX EXPENSES**

Income tax expenses for 2016 and 2015 are as follows:

<i>In thousands of tenge</i>	2016	2015
Current income tax expenses	1,807,800	821,153
Correction of deferred income tax of prior periods	–	(48,981)
Deferred income tax benefit relating from origination and reversal of temporary differences	(6,844)	(4,376)
	<b>1,800,956</b>	<b>767,796</b>

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 2016 and 2015 is as follows:

<i>In thousands of tenge</i>	2016	2015
<b>Profit before taxation</b>	<b>5,890,223</b>	<b>2,234,986</b>
Statutory tax rate	20%	20%
<b>Income tax at statutory income tax rate</b>	<b>1,178,045</b>	<b>446,997</b>
Coupon on government securities	(33,280)	(30,753)
Recognition of discount on loans issued	1,361,292	508,121
Amortization of discount on loan received	135,130	–
Allowance for doubtful debts	324,845	–
Income from government subsidy	(865,298)	–
Amortisation of discount on financial instruments	(323,786)	(116,693)
Correction of deferred income tax of prior periods	–	(48,981)
Other non-deductible expenses	24,008	9,105
	<b>1,800,956</b>	<b>767,796</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. INCOME TAX EXPENSES (continued)**

As at 31 December 2016 components of deferred tax assets and liabilities are as follows:

<i>In thousands of tenge</i>	<b>Consolidated statement of financial position</b>		<b>Consolidated statement of comprehensive income</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Deferred tax assets</b>				
Loans issued, current financial assets and accounts receivable	<b>218,206</b>	95,476	<b>122,730</b>	(1,650)
Taxes	<b>1,645</b>	1,144	<b>501</b>	(239)
Deferred revenue	<b>39,797</b>	42,858	<b>(3,061)</b>	42,858
Other	<b>35,616</b>	46,730	<b>(11,114)</b>	14,674
	<b>295,264</b>	186,208	<b>109,056</b>	55,643
Deferred tax assets offset against liabilities	<b>(295,264)</b>	(186,208)	<b>(109,056)</b>	(55,643)
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<i>In thousands of tenge</i>	<b>Consolidated statement of financial position</b>		<b>Consolidated statement of comprehensive income</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Deferred tax liabilities</b>				
Property and equipment	<b>(409,839)</b>	(390,405)	<b>(19,434)</b>	(2,286)
Expected interest on loans given	<b>(82,778)</b>	-	<b>(82,778)</b>	-
	<b>(492,617)</b>	(390,405)	<b>(102,212)</b>	(2,286)
Offset of deferred tax assets	<b>295,264</b>	186,208	<b>109,056</b>	55,643
<b>Deferred tax liabilities</b>	<b>(197,353)</b>	(204,197)		
<b>Net deferred tax benefit</b>			<b>6,844</b>	53,357

Reconciliation of net deferred tax liabilities:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
<b>Balance at 1 January</b>	<b>204,197</b>	257,554
Correction of deferred income tax of prior periods	-	(48,981)
Income tax benefit recognized in profit or loss	<b>(6,844)</b>	(4,376)
<b>Balance at 31 December</b>	<b>197,353</b>	204,197

As at 31 December 2016 and 2015 the Group had no unrecognised deferred tax assets.

**31. RELATED PARTY TRANSACTIONS**

The category ‘parent-controlled entities’ comprises entities 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 2016 and 2015 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 2016 and 2015 are as follows:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
<b>Entities under the Parent's control</b>		
Accrued interest on bank deposits	-	-
Income from operating lease	<b>21,148</b>	-
Purchases from related parties	<b>226,584</b>	-
	<b>247,732</b>	-

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****31. RELATED PARTY TRANSACTIONS (continued)**

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 2016 and 2015:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
<b>Entities under the Parent's control</b>		
Trade accounts receivable	<b>100</b>	100
Accounts payable	<b>(3,001)</b>	(1,834)

**Loans from the Parent**

Details of loans obtained from the Parent are disclosed in *Note 21*.

**Compensation to the key management personnel**

In 2016 key management personnel consisted of eight persons (2015: fifteen persons). Total compensation to the key management personnel included in payroll expenses amounted to 139,840 thousand tenge for the reporting period (2015: 215,583 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.

**32. FINANCIAL COMMITMENTS AND CONTINGENCIES****Contractual commitments**

As at 31 December 2016 the Group had contractual obligations in the amount of 73,739,216 thousand tenge (2015: 8,666,393 thousand tenge) under agreements with construction companies.

*The Green Quarter project*

As disclosed in *Note 10*, 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 2016 the Group financed this Project in the amount of 30,800,000 thousand tenge. The Group expects to finance the remaining portion before 2017.

**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 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 2016. The management believes that as at 31 December 2016 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. 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 2016 the Group's current liabilities exceeded its current assets by 47,362,524 thousand tenge (2015: 38,345,610 thousand tenge). This excess has developed mainly due to the classification of the Parent loans in the amount of 122,421,602 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 2016 and 31 December 2015 based on contractual undiscounted payments.

	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>31 December 2016</b>						
Loan from the Parent	121,332,864	–	13,667	1,072,658	42,875,500	166,294,689
Accounts payable	–	275,924	–	–	–	275,924
Other current liabilities	–	–	790,662	–	–	790,662
	121,332,864	275,924	804,329	1,072,658	42,875,500	166,361,275

	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
<b>31 December 2015</b>						
Loan from the Parent	104,001,457	–	–	–	–	104,001,457
Accounts payable	–	145,720	–	–	–	145,720
Other current liabilities	–	–	548,245	–	–	548,245
	104,001,457	145,720	548,245	–	–	104,695,422

**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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

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:

<i>In thousands tenge</i>	<b>Location</b>	<b>Ratings</b>		<b>31 December</b>	<b>31 December</b>
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
“ATF Bank” JSC	Kazakhstan	<b>B/Negative</b>	B-/Stable	<b>33,001,803</b>	16,989,351
“Nurbank” JSC	Kazakhstan	<b>B/Negative</b>	B-/Stable	<b>28,343,114</b>	4,212,084
“Bank RBK” JSC	Kazakhstan	<b>B-/Stable</b>	B-/Positive	<b>16,091,739</b>	4,657,944
“Delta Bank” JSC	Kazakhstan	<b>D</b>	B-/Stable	<b>5,000,005</b>	6,921,309
“Kazkommetsbank” JSC	Kazakhstan	<b>B-/Negative</b>	B-/Negative	<b>2,143,355</b>	1,796,489
“Halyk Bank” JSC	Kazakhstan	<b>BB/Negative</b>	BB+/Stable	<b>1,327,792</b>	2,690,449
“Tsesna Bank” JSC	Kazakhstan	<b>B+/Stable</b>	B+/Stable	<b>603,241</b>	117,030
“Forte Bank” JSC	Kazakhstan	<b>B/Stable</b>	B-/Stable	<b>194,200</b>	191,461
“Centr Credit bank” JSC	Kazakhstan	<b>B/Stable</b>	B+/Stable	<b>8,109</b>	5,125,777
“Sber bank” JSC	Kazakhstan	<b>B-/Negative</b>	B-/Negative	<b>128</b>	4,017,753
“Eurasian Bank” JSC	Kazakhstan	<b>B/Stable</b>	B+/Negative	<b>39</b>	7,900,000
“Bank Astani” JSC	Kazakhstan	<b>B/Stable</b>	B-/Stable	<b>10</b>	800,000
“AsiaCredit Bank” JSC	Kazakhstan	<b>B/Negative</b>	B-/Stable	<b>1</b>	–
“Qazaq banki” JSC	Kazakhstan	<b>B-/Negative</b>	B-/C/Stable	<b>–</b>	2,000,000
“KazInvestBank” JSC	Kazakhstan	<b>D/D-</b>	B-/C/Stable	<b>–</b>	1,756,285
<b>Total</b>				<b>86,713,536</b>	<b>59,175,932</b>

*“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 (*Note 12*).

*“Delta Bank” JSC credit risk*

On 31 December 2016 the Group held deposits in the total amount of 5,000,000 thousand tenge in Delta Bank. On 30 December 2016 the Standard & Poor’s long-term/short-term counterparty 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 9.8 billion tenge. On 23 February 2017, Delta Bank has repaid the overdue the bonds and 27 February 2017 announced that it has received 45.6 billion tenge in loans after which the bank has redeemed an additional 18.4 billion tenge of bonds.

Based on the most recently published financial information of Delta Bank, actions taken by the state bodies of the Republic of Kazakhstan to date and expected future actions of those state bodies, the Company believes that no impairment allowance is currently required.

Continued support by the state bodies of the Republic of Kazakhstan is a key assumption in management’s conclusions that no impairment allowance is required, and is based on management’s review of all available information at the date of approval of the financial statements. In the event that financial support is not provided, the remaining balance of 5,000,000 thousand tenge may be impaired.

**Fair value of financial instruments**

As at 31 December 2016 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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Fair value of financial instruments (continued)**

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 2016 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 2016.

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.

The gearing ratio at 31 December 2016 and 2015 is presented in the following table:

<i>In thousands of tenge</i>	<b>2016</b>	<b>2015</b>
Loans from the Parent	<b>165,294,689</b>	104,001,457
Accounts payable	<b>275,924</b>	145,720
<b>Net debt</b>	<b>165,570,613</b>	104,147,177
<b>Equity</b>	<b>36,605,679</b>	33,003,334
<b>Debt-to-equity ratio</b>	<b>4.52</b>	3.16

**34. SUBSEQUENT EVENTS**

On 17 February 2017 the Group received the second tranche of the loan from the Parent in the amount of 4,500,000 thousand tenge under credit line No. 5.