

**ANNUAL REPORT
OF “REAL ESTATE FUND” SAMRUK-KAZYNA” JSC
FOR 2016**

CONTENT

| | |
|----|--|
| 04 | PREFACE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS |
| 06 | PREFACE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD |
| 07 | INFORMATION ABOUT THE REAL ESTATE FUND |
| 08 | Mission, vision, strategic areas and goals |
| 09 | Main strategic areas of development |
| 10 | Assets in use in 2016 |
| 11 | Running projects |
| 13 | Designed projects |
| 14 | Implementation OF “NURLY ZHOL” program |
| 18 | Implementation of “green Quarter” project |
| 20 | Realization of residential and commercial premises |
| 21 | PROJECTION FOR THE YEAR OF 2017 |
| 23 | KEY PERFORMANCE INDICATORS AND FINANCIAL AND ECONOMIC INDICATORS IN 2016 |
| 23 | Financial Indicators |
| 24 | Performance Indicators |
| 27 | Financial and economic indicators |
| 30 | Funding |
| 31 | MARKET SITUATION AND REVIEW |
| 31 | Dynamics of indicators of Kazakhstan in the Rating of Doing Business |
| 32 | Key indicators of housing construction sector |
| 39 | Key indicators influencing housing construction sector |
| 44 | Measures of state support for housing construction |
| 46 | Information about significant deals |

47 STRUCTURE OF ASSETS "REAL ESTATE FUND "SAMRUK-KAZYNA" JSC

49 RISK MANAGEMENT

53 CORPORATE GOVERNANCE

- 53 System and principles of corporate governance
- 54 Report on the following principles of the corporate governance code "Fund for Real Estate "Samruk-Kazyna" JSC for 2016
- 87 Dividend policy
- 87 Corporate governance structure

89 BOARD OF DIRECTORS

- 90 Composition of board of directors
- 97 The criteria for independent directors
- 98 Remuneration of the directors
- 99 Board of directors performance assessment
- 99 Advance training for members of board of directors
- 101 Main issues considered by the Board of Directors
- 104 Calendar of corporate events for 2016

107 AUDIT COMMITTEE

- 107 Address of the chairman Of the Audit Committee
- 108 Members of the Audit Committee
- 108 Main issues considered by the Audit Committee

109 NOMINATION AND REMUNERATION COMMITTEE

- 109 Address of the chairman of the nomination and remuneration Committee

- 110 Members of the Remuneration and Nomination Committee (as of December 31, 2016):

- 110 Main issues considered by the Nomination and Remuneration Committee in 2016

111 STRATEGIC AND INVESTMENT ISSUES

- 111 Address of the chairman of the committee on strategic and investment issues
- 112 Members of the Committee on Strategic and Investment Issues (as of December 31, 2016)
- 112 Main issues considered by the Committee on Strategic and Investment Issues in 2016

113 MANAGEMENT BOARD

- 113 Members of the management board
- 116 Report on the activities Of the management board in 2016
- 118 Remuneration of the Management Board members

120 INTERNAL AUDIT SERVICE

121 EXTERNAL AUDIT

123 CONSOLIDATED FINANCIAL STATEMENTS

188 ABOUT REPORT



PREFACE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear readers!

2016 was a year of great achievements for the Real Estate Fund. It was the year when the Real Estate Fund was designated the runner of the State Program “Nurly Zhol” for the construction of commercial housing.

The Real Estate Fund's accumulated experience and business reputation as a reliable partner were the determining factors that made the Real Estate Fund the runner of this Program.

Due to the well-coordinated work of the Real Estate Fund divisions a record volume of the house property pool for the last five years - 324.6 thousand square meters - was contracted during 8 months of last year!

In 2016, the Real Estate Fund received a record net profit of over 4 billion tenge, and exceeded the EBITDA margin of 2015 significantly - the growth over the reporting period was from 26.2% to 41.6%. This is illustrative of the high efficiency of the Real Estate Fund.

In addition, as of today, the Real Estate Fund is one of the most successful examples of public-private partnership in the Republic of Kazakhstan. Under two existing programs - the “Development of Regions” Program and the “Nurly Zhol” Program - the Real Estate Fund made investments in the amount of about 100 billion tenge and attracted private investments in the amount of 20.4 billion tenge.

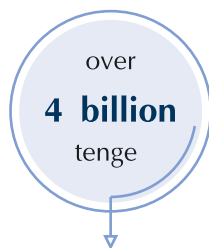
In 2016 there was another joyful event - more than 1,000 families in 6 regions of the country received the keys from their new apartments. On behalf of the Real Estate Fund, I would like to wish the new apartment owners prosperity and coziness in their homes.

The Real Estate Fund is undertaking a number of activities aimed at improving of its performance efficiency. In order to prepare for the Transformation Program, to the perimeter of which the Real Estate Fund will be included in 2018, a new position - the Managing Director for Transformation - has been added to the Management Board.

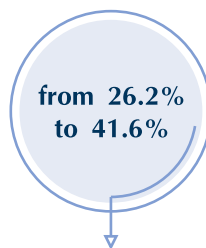
In order to increase the apartment vendee post-sales service a call-center was activated on the part of the Real Estate Fund in the fourth quarter.



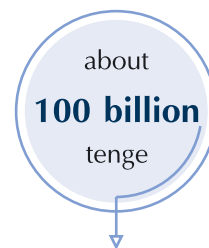
record volume of the
house property pool



the Real Estate Fund
received record net profit



the EBITDA margin
growth



the Real Estate Fund
made investments

In 2017, the Real Estate Fund faces new tasks that will require new solutions.

The Board of Directors plans to work out a Development Strategy that will set a dynamic development vector for the next 10 years. To give a new impetus to the development of the Real Estate Fund, Arman Zhetpisbai joined our team as a Chairman of the Management Board, who has considerable experience in the field of construction and development. I am sure that the next evolutionary turn will allow the Real Estate Fund to reach new heights and successes.

The commitment of the Board of Directors to increasing the level of corporate governance remains unaltered. A number of studies have proven a positive correlation between the indicator of corporate governance and the financial result of the companies. While the degree of correlation may vary in different reports, the fact of the impact of clear and understandable corporate governance processes on financial indicators remains unchanged.

The Board of Directors of the Real Estate Fund takes an active part in improving corporate governance. In connection with the transition to the new Code of Corporate Governance, we have approved the Medium-Term Plan for the Improvement of the Corporate Governance System for 2016-2018.

THE LEVEL OF CORPORATE GOVERNANCE REMAINS

It should be noted that in 2016 all planned activities under the Medium-Term Plan were implemented, which shows the Company's desire to comply with best practice.

I would also like to note the success of the Real Estate Fund in the disclosure of information - in 2016, we were awarded once again in the nomination "The best annual report in the financial sector" by the rating agency "RA Expert Kazakhstan".

Summarizing the results of 2016, I am grateful to the members of the Board of Directors, the team of the Real Estate Fund and its subsidiaries, as well as to our partners for their contribution to the Company's performance. I am sure that 2017 will be no less eventful and will bring good news.

On behalf of the Board of Directors, I wish everyone success and prosperity.

Zh. Munzhasarov



PREFACE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

In many respects 2016 was a landmark year for the Real Estate Fund. This is partly due to operational and financial indicators for the reporting period. First of all, this is connected with the participation of the Real Estate Fund in the “Nurly Zhol” Program. During the reporting period, the Real Estate Fund concluded contracts for investing in construction of 324.6 thousand square meters, which became possible due to the well-coordinated work of all divisions of the Real Estate Fund and the active participation of our Board of Directors.

A. Zhetpisbai

However, it is also important that 2016 was for the Real Estate Fund a period of rethinking and development. Significant efforts were made by our team in improving the transparency and accessibility of the Real Estate Fund information for citizens, real estate developers and all interested parties. With this view, we launched a new website, which, I hope, you will find more convenient not only for ease of use and navigation, but also for the information disclosure. Our plan is to continue enlarging of informative value of our official Internet resource.

In 2016, the Real Estate Fund implemented a large number of internal projects aimed at further development and success in subsequent periods. Such significant changes in the Company could not have occurred without the contribution of the Real Estate Fund's employees. Ultimately, it was their contribution that enabled the Real Estate Fund to achieve not only operational and financial successes that are visible to the community, but also to transform its internal processes. The study on the involvement index conducted by Samruk-Kazyna Corporate University in 2016 records a significant increase in comparison with previous periods. It is especially gratifying to realize that the employee loyalty index was 79%, and the employee support index was 74%, which is an objective indicator of trust of the employees to the Management Board and the planned development course of the Real Estate Fund.

In their turn, the Management Board, the Compensation and Nominating Committee and the Board of Directors have highlighted the outstanding successes and achievements of the Real Estate Fund employees through the creation of a succession pool.

In the next year of 2017, the Company faces the most important tasks. I am sure that we possess all the necessary tools for effective development and implementation of the strategic tasks set by the Government of the Republic of Kazakhstan and the Sole Shareholder. I would like to thank the team of the Real Estate Fund for the successful implementation of the tasks set for 2016.

Successful experience and practice of the implemented projects of the Company give us confidence that all strategic goals will be achieved and fulfilled.

INFORMATION ABOUT THE REAL ESTATE FUND



The Joint Stock Company “Real Estate Fund “Samruk-Kazyna” (hereinafter referred to as the Real Estate Fund) was established in accordance with the Government Resolution of the Republic of Kazakhstan of 06.03.2009 N°265 «Concerning the certain measures for solution of problems on the real estate market».

In accordance with the Charter, the Real Estate Fund carries out:

- ✓ creation of new assets in the form of residential and commercial premises;
- ✓ financing of construction projects, acquisition of residential and non-residential (commercial) premises in completed or under construction real estate;
- ✓ provision of real estate management (lease, including lease with subsequent purchase, sale of real estate, organization of work on maintenance, maintenance and repair, etc.).

The Real Estate Fund was registered with the registration authorities of the Ministry of Justice of the Republic of Kazakhstan on March 19, 2009. The sole shareholder of the Real Estate Fund is Samruk-Kazyna JSC.

As of December 31, 2016, the total number of authorized and outstanding shares was 16 247 541.

All shares are ordinary shares, including:

- 15 000 000 shares are with nominal value per one share of 1 000 tenge;
- 1 247 540 shares are with nominal value per one share of 4 000 tenge;
- 1 share is with nominal value per one share of 2 490 tenge.

Maintenance of the share register of the Real Estate Fund's security holders is carried out by the Integrated Securities Registrar JSC. As of December 31, 2016, the Charter Capital of the Real Estate Fund is 19 990 162 thousand tenge. Information on the activities of “Real Estate Fund “Samruk-Kazyna” JSC is available on the website www.fnsk.kz.

MISSION, VISION, STRATEGIC AREAS AND GOALS

*The development strategy of the Real Estate Fund for 2014-2023
was approved by the Resolution of the Board of Directors No. 80
of March 20, 2014.*

MISSION

Supporting the development of the 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.

VISION

A leading company for anchor development of megaprojects and implementation of innovations into the construction industry of the Republic of Kazakhstan.

The main strategic areas of the Real Estate Fund:

- Increasing the long-term value of the Real Estate Fund.
- Implementation of innovation into the construction industry.

Main goals of the first strategic area “Increasing the long-term value of the Real Estate Fund” are:

1. Become an anchor developer in implementation of megaprojects.
2. Commercial real estate development. The Real Estate Fund 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 Real Estate Fund, corporate governance system and effective personnel management.

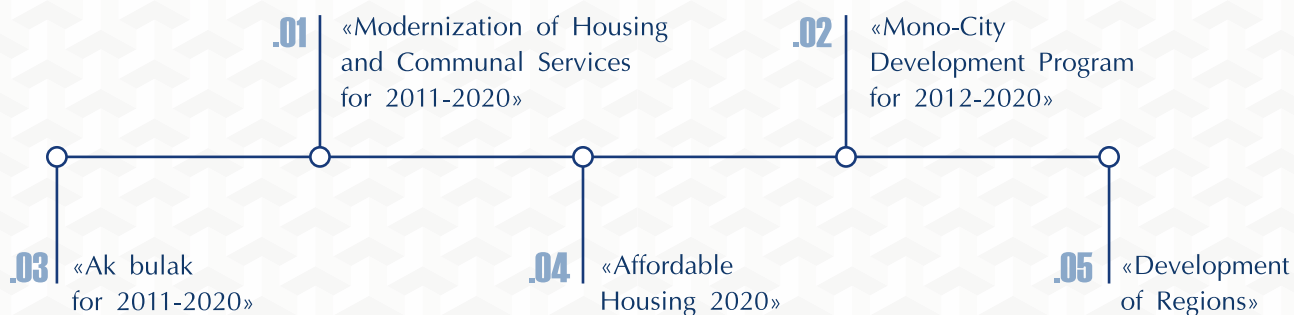
Main goals of the second strategic area “Implementation of innovation into the construction industry” are:

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 Real Estate Fund 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 Real Estate Fund intends to implement projects with partners holding expertise on innovation in construction, and then use the knowledge gained in the implementation of future projects.

MAIN STRATEGIC AREAS OF DEVELOPMENT

IMPLEMENTATION OF “DEVELOPMENT OF REGIONS” PROGRAM UNTIL 2020

THE “DEVELOPMENT OF REGIONS” PROGRAM



In 2012, the Real Estate Fund was designated one of the runners implementing the “Development of Regions” Program until 2020. In total, within the framework of the Program as of December 31, 2016, the Real Estate Fund concluded financing agreements for 16 housing projects in 12 regions of the country.

The total area of the premises exceeds 634 thousand square meters, including 505 thousand square meters of the Real Estate Fund's premises, which is 8.4 thousand apartments, 8.3 thousand square meters of commercial premises and 455 car parking slots.

In 2016, the Real Estate Fund concluded financing agreements for 4 facilities with a total floor space of at least 86.5 thousand square meters.

As of December 31, 2016, the Real Estate Fund has financed facilities at a cost of 62.2 billion tenge, including 8.1 billion tenge in 2016. To date, under the Program, the Real Estate Fund is implementing 7 projects.

ASSETS IN USE IN 2016

Residential Complex “Zheruyik”



Atyrau city

| | |
|-----------------------------|--|
| Developer | “ABE & K” LLP |
| Commissioning date | December 27, 2016 |
| Project | Consisting of eight 5-storey buildings |
| City | Atyrau city |
| REF SK invested amounts | 2.6 billion tenge |
| Number of REF SK apartments | 300 |
| REF SK apartments space | 15 717 m ² |

Residential Complex “Zhanuya”



Karaganda city

| | |
|-----------------------------|--------------------------------------|
| Developer | “KKK Engineering” LLP |
| Commissioning date | August 10, 2016 |
| Project | Consisting of two 9-storey buildings |
| City | Karaganda |
| REF SK invested amounts | 1.7 billion tenge |
| Number of REF SK apartments | 173 |
| REF SK apartments space | 12 927.29 m ² |

Residential house in I. Yessenberlin Street



Ust Kamenogorsk

| | |
|----------------------------------|--|
| General Contractor | “VK Technogroup” LLP |
| Commissioning date | October 26, 2016 |
| Project | Multi-family residential houses with commercial premises |
| City | Ust Kamenogorsk |
| REF SK invested amounts | 5.3 billion tenge |
| Number of REF SK apartments | 658 |
| REF SK apartments space | 39 337 m ² |
| REF SK commercial premises space | 1 215 m ² |

RUNNING PROJECTS

Residential Complex “Shyghys”



Astana city, 68.5% of project completion

| | |
|------------------------------------|-------------------------------|
| Developer | “Kaontech International” LLP |
| Commissioning date | August 31, 2017 |
| Project | Residential Complex “Shyghys” |
| City | Astana |
| REF SK invested amounts | 8.9 billion tenge |
| Number of REF SK apartments | 768 |
| REF SK apartments space | 53 331,35 m ² |
| REF SK commercial premises space | 5 195,46 m ² |
| Number of REF SK car parking slots | 75 |

Residential Complex “Adiya”



Shymkent city, 77% of project completion

| | |
|-----------------------------|---|
| Developer | “Adiya Group Turan” LLP |
| Commissioning date | June 30, 2017 |
| Project | 5-storey residential houses №2, 3, 4, 5, 6 for 495 apartments |
| City | Shymkent |
| REF SK invested amounts | 3,2 billion tenge |
| Number of REF SK apartments | 377 |
| REF SK apartments space | 24 067,75 m ² |

Parking lot for a residential house



Astana city, 65,7% of project completion

| | |
|--|--|
| General Contractor | “Zhilstroy – 2003” LLP |
| Commissioning date | July 31, 2017 |
| Project | Multi-family residential house with a detached parking lot |
| City | Astana |
| Total amount under the object construction contracts | 298,5 million tenge |
| Number of car parking slots | 164 |
| Total floor space | 5 500 m ² |

Residential houses in a residential neighborhood 32a



Aktau city, 5,2% of project completion

| | |
|--|---|
| General Contractor | "Eileen Group" LLP |
| Commissioning date | May 31, 2018 |
| Project | Multi-family 9-storey and 14-storey residential houses with commercial premises |
| City | Aktau |
| Total amount under the object construction contracts | 9 billion tenge |
| Number of REF SK apartments | 812 |
| REF SK apartments space | 48 964,44 m ² |
| REF SK commercial premises space | 1 920,8 m ² |

Residential house in Zhappasbay batyr Street



Kyzylorda city, 22,21% of project completion

| | |
|-----------------------------|---------------------------------|
| Developer | "Bak-Bereke 2030" LLP |
| Commissioning date | July 31, 2017 |
| Project | 170-apartment residential house |
| City | Kyzylorda |
| REF SK invested amounts | 1.2 billion tenge |
| Number of REF SK apartments | 136 |
| REF SK apartments space | 8 715,16 m ² |

Residential house in Zarap Temirbekov Street

Kokshetau city

| | |
|-----------------------------|--------------------------------|
| Developer | "OTAU-Kurylys" LLP |
| Commissioning date | October 31, 2017 |
| Project | Multi-family residential house |
| City | Kokshetau |
| REF SK invested amounts | 1.03 billion tenge |
| Number of REF SK apartments | 160 |
| REF SK apartments space | 7 619,1 m ² |

Residential Complex
with a parking lot

within Hussein Bin Talal and Enbekshiler Streets, Astana city

| | |
|---|---|
| Developer | “ASTI” LLP |
| Project | Multi-family residential complex with a parking lot |
| City | Astana |
| Total amount under the object construction contracts | 3.2 billion tenge |
| REF SK apartments space | 15 424,6 m ² |

DESIGNED PROJECTS

Residential house
with a parking lot

within Saryarka Avenue and Kenesary Street, Astana city

| | |
|---------|--------------------------------------|
| Project | Residential house with a parking lot |
| City | Astana |

Municipal residential facilities

within Abylai Khan Avenue and Kobda Lane, Astana city

| | |
|---------|----------------------------------|
| Project | Municipal residential facilities |
| City | Astana |

IMPLEMENTATION OF “NURLY ZHOL” PROGRAM

Under the instruction of the Head of the State, the “Nurly Zhol” Program was launched in 2016 to support private real estate developers and to develop the construction sector of the economy, taking into account the current difficult economic situation. The “Nurly Zhol” Program was approved by the Decree of the President of the Republic of Kazakhstan No. 1030 of April 6, 2015. One of the priority tasks of the Program is to increase the availability of housing for citizens.

In 2016, the Real Estate Fund became the runner of the “Nurly Zhol” Program, the State Program for Infrastructure development for 2015-2019. The expected effect from the implementation of the Program includes not only the construction of facilities of a higher comfort class and the creation of employment, but also ensuring the

prompt developers funds return that will be accumulated and used to support new projects. In connection therewith, 97 billion tenge were allocated from the National Fund of the Republic of Kazakhstan for the implementation of the Program in the line of “Real Estate Fund” Samruk-Kazyna” JSC.

These funds are used in the most in-demand housing projects, which are guaranteed to be popular among the population.

During the reporting period, the Real Estate Fund concluded 8 construction investment contracts at a cost of 95.6 billion tenge and of total housing floor space of 356.5 thousand square meters, including the share of the Real Estate Fund of 75.9 billion tenge and of 324.6 thousand square meters, respectively.



6,58 % of project completion

Residential houses in Zhibek Zholy Street, Ust-Kamenogorsk city (1-st stage development)

| | |
|-----------------------------|--|
| Developer | “VK Technogroup” LLP |
| Commissioning date | March 31, 2018 |
| Project | Residential houses 5, 6, 7 and commercial premises |
| City | Ust-Kamenogorsk |
| REF SK invested amounts | 3.3 billion tenge |
| Number of REF SK apartments | 276 |
| REF SK apartments space | 16 598,16 m ² |



1,77% of project
completion

Residential houses in Zhibek Zholy Street, Ust-Kamenogorsk city (2nd stage development)

| | |
|-----------------------------|--|
| Developer | “VK Technogroup” LLP |
| Commissioning date | March 31, 2018 |
| Project | Residential houses 1,2,3,4 and commercial premises |
| City | Ust-Kamenogorsk |
| REF SK invested amounts | 3.2 billion tenge |
| Number of REF SK apartments | 271 |
| REF SK apartments space | 16 175,98 m ² |



Residential Complex “Altyn Shar”, Astana city

| | |
|-----------------------------|---|
| Developer | “Shar-Kurylys” LLP |
| Project | Multi-family residential complex with built-in, attached premises and parking lot |
| Commissioning date | April 30, 2018 |
| City | Astana |
| REF SK invested amounts | 8.2 billion tenge |
| Number of REF SK apartments | 626 |
| REF SK apartments space | 34 020.32 m ² |



Residential Complex "Nova city", Astana city

| | |
|-----------------------------|--|
| Developer | "LUXOR.KZ COMPANY" LLP |
| Commissioning date | April 30, 2018 |
| Project | Multi-family residential complex with built-in premises and parking lot, 1 sector и 2 sector |
| City | Astana city |
| REF SK invested amounts | 18.1 billion tenge |
| Number of REF SK apartments | 1 667 |
| REF SK apartments space | 75 432,66 m ² |



Residential Complex "Alatau city", Almaty city

| | |
|-----------------------------|---|
| Developer | "Alatau City" LLP |
| Commissioning date | May 31, 2018 |
| Project | Multi-family residential houses with maintenance facilities and underground parking lots. (1st stage development, spots 1-11) |
| City | Almaty |
| REF SK invested amounts | 11.3 billion tenge |
| Number of REF SK apartments | 845 |
| REF SK apartments space | 47 443,76 m ² |



Residential Complex “Arena city”, Almaty city

| | |
|-----------------------------|--|
| Developer | “Baur Development Group” LLP |
| Commissioning date | June 30, 2018 |
| Project | Multi-purpose residential complex “Arena City” |
| City | Almaty |
| REF SK invested amounts | 16.5 billion tenge |
| Number of REF SK apartments | 1 507 |
| REF SK apartments space | 68 981 m ² |



Residential Complex at E369 and E430 Streets, Astana city

| | |
|-----------------------------|----------------------------------|
| Developer | “Yesil Sroy Invest” LLP |
| Commissioning date | June 30, 2018 |
| Project | Multi-family residential complex |
| City | Astana |
| REF SK invested amounts | 3.8 billion tenge |
| Number of REF SK apartments | 264 |
| REF SK apartments space | 18 189,5 m ² |



Residential Complex in a residential area “Komsomolskiy”, Astana c.

| | |
|-----------------------------|---|
| Developer | “TM Engineering Group” LLP |
| Commissioning date | July 30, 2018 |
| Project | Multi-family residential complex with built-in premises and parking lot |
| City | Astana |
| REF SK invested amounts | 11.5 billion tenge |
| Number of REF SK apartments | 856 |
| REF SK apartments space | 47 768,8 m ² |

IMPLEMENTATION OF “GREEN QUARTER” PROJECT

The Real Estate Fund was designated the main runner of the Project for construction of the administrative and residential complex “Green Quarter” in Astana with application of advanced environmental and energy-efficient technologies.

“Green quarter” is a pilot project in the field of transition to the concept of “green” construction and will be presented in the framework of the upcoming international specialized exhibition EXPO-2017.

The “Green Quarter” Project is the construction project to create residential, office, retail real estate, and social infrastructure with total floor space of 208.000 m² with the use of advanced environmental and energy-efficient technologies. “Green quarter” is located near the shopping and entertainment center “Khan Shatyr” in Astana city.

The architectural concept of the “Green Quarter” Project was developed by the British company AHR. The Project will have the town image of the city of future and will become a bright, stable, ultra-modern and socially united residential community in our capital.

The concept provides the use of innovative green technologies - energy-efficient lighting, comfort technologies, separate collection of waste, increased insolation due to intelligent design, reuse of sewage, balanced system of ventilation with recovery, etc. Within the territory an exclusive landscape design of the adjacent territory, a picturesque clean lake, a park with running and bicycle lanes, a fitness center, a winter ice rink, a medical center, a children's center will be created.

**The Project consists of 10 residential and 3 commercial blocks.
All objects are divided into 4 stages development:**

| STAGE 1 | STAGE 2 | STAGE 3 | STAGE 4 |
|---|--|---|--|
| residential blocks B8, B9 и B10 | residential blocks B1, B12, B13 and office block B11 | residential blocks B4, B5, B6 и B7 | office blocks T4 и T5 |
| Commissioning date May 31, 2017 | Commissioning date May 31, 2017 | Commissioning date May 31, 2017 | Commissioning date December 31, 2017 |

It is planned to certify the buildings of the “Green Quarter” Project in accordance with the LEED (Leadership in Energy and Environmental Design) standards of the US Green Building Council. The certification will confirm the uniqueness of this Project corresponding to the motto of the International Exhibition Astana EXPO 2017 – “Energy of the Future”.

The total estimated cost of construction according to the report of the state expertise is 43.9 billion tenge. The residential floor space of the apartments is 49 181 m², the total floor space of commercial premises is 74 406 m². The number of apartments in the residential complex is 620. Technical supervision during the construction of the Project facilities is carried out by the company - Bereke KAB LLP.



Residential Complex “Green Quarter”

| | |
|--|-----------------------|
| Developer | “EXPO Village” LLP |
| City | Astana |
| Total amount under the object construction contracts | 43.9 billion tenge |
| Number of apartments | 620 |
| Total apartments floor space | 49 181 m ² |
| Total commercial premises floor space | 74 406 m ² |

REALIZATION OF RESIDENTIAL AND COMMERCIAL PREMISES

Anti-Crisis Program

Within the framework of the Anti-Crisis Program, the Real Estate Fund sold 4.7 thousand m² in 2016. Sold residential property as of December 31, 2016 compared to the total stated pool of residential real estate under the Anti-Crisis Program is 99.58%, of commercial real estate is 95.32%.

Residential complexes “Akkent” and “Edelweiss” conveyed and transferred under the trust agreement from “Samruk-Kazyna” JSC

In accordance with the approved terms of sale as of December 31, 2016 through the mechanism of direct sale and lease purchase there were realized:

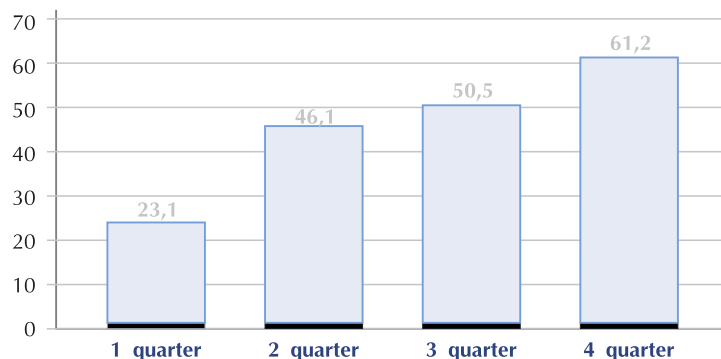
Residential complexes “Akkent” and “Edelweiss” premises realization status as of December 31, 2016

| Project | Lease purchase | | Direct sale | |
|----------------|----------------|----------------|-------------|----------------|
| | Quantity | m ² | Quantity | m ² |
| RC “Akkent” | 60 | 4 238 | | |
| RC “Edelweiss” | 30 | 13 421 | 4 | 2 089 |
| TOTAL | 90 | 17 658 | 4 | 2 089 |

“Development of Regions” Program until 2020

According to the results of 2016, the real estate sold under the “Development of Regions” Program until 2020 amounted to 61.2 thousand m², of which 39.3 thousand m² were sold for lease purchase, 21.8 thousand m² were sold through direct sale.

**The dynamics of realization
in 2016 under the “Development
of Regions” Program until 2020
with an increase in breakdown
by quarters (thousand m²)
as of December 31, 2016**



PROJECTION FOR THE YEAR OF 2017



In 2017, the Real Estate Fund will continue to implement the “Development of Regions” Program until 2020 and the “Nurly Zhol” Program.

Until the end of 2017, it is planned to commission and complete the project in the field of “green” construction - the administrative and residential complex “Green Quarter” in Astana.

The realization of this Project will allow us to acquire appropriate experience in the development of housing construction with the use of innovative “green” technologies, the adaptation of international standards for sustainable construction in Kazakhstan.

In accordance with the Letter of Expectations of the Sole Shareholder, the Real Estate Fund will update the Development Strategy in 2017, which will define a new vector of the Company's development.

In reliance upon the updated Development Strategy, in 2017, the Real Estate Fund plans to develop long-term maps of key performance indicators of executives. Long-term KPI of

executives will form an understandable motivational system in accordance with the strategic objectives of the Real Estate Fund and the Sole Shareholder.

One of the key tasks for the next year is the reengineering of business processes, which will ensure an increase in internal efficiency, will reduce the costs and time expenditures associated with primary and auxiliary activities. With reference to optimized business processes, further improvement of the system of risk management and internal control from the process level to the corporate level is planned.

In 2017, the Real Estate Fund will implement the principles of sustainable development in accordance with the requirements of the Corporate Governance Code. Our plan for the coming year is to issue the first for the history of the Real Estate Fund a separate report on sustainable development in accordance with the standards of GRI. The Real Estate Fund is aware of the importance of its influence on the economy, the ecology and society and, while increasing the long-term value, aims at ensuring its sustainable development, keeping the balance of interests of the parties concerned. In this regard, in the future, we will continue the practice of issuing a report on sustainable development on an annual basis.

In the coming year, the Real Estate Fund will continue to improve the corporate governance system, and will pay special attention to the conducting of corporate governance diagnostics in accordance with the new Methodology, which will provide an objective assessment of the maturity of the corporate management in the Real Estate Fund. In 2016, the Company moved to a new model of corporate governance, and we took significant measures in this direction. In 2017, we plan to consolidate the success and develop it further.

Moreover, in 2017, the introduction of an automatic accounting system for leases and other payments will be integrated. It will improve the efficiency of procedures and will ensure transparency of operational and financial payments. The application of automatic accounting of payments will provide an opportunity to increase labor productivity, speed of tasks related to accounting, and to reduce labor costs significantly.

The Real Estate Fund is aware of the importance of attracting and retaining of talented employees. The coming year will also be noteworthy in that the Real Estate Fund plans to take several measures on the succession pool. One such event will be a face-to-face meeting of the Board of Directors with members of the succession pool.

KEY PERFORMANCE INDICATORS AND FINANCIAL AND ECONOMIC INDICATORS IN 2016



KPI DATA

The Board of Directors carries out strategic management of the Real Estate Fund by developing quantified KPI, which allows regular assessment of the level of effectiveness of the Real Estate Fund performance.

By virtue of the approved by the Board of Directors action area plan in reliance upon the Letter of Expectations of the Shareholder, a business plan and maps of the executives KPI are formed. The maps of executives KPI include activities that are expected by the Sole Shareholder to be executed. Thus, the activities carried out by the Management Board and the Board of Directors are aimed at fulfilling the expectations of the Sole Shareholder.

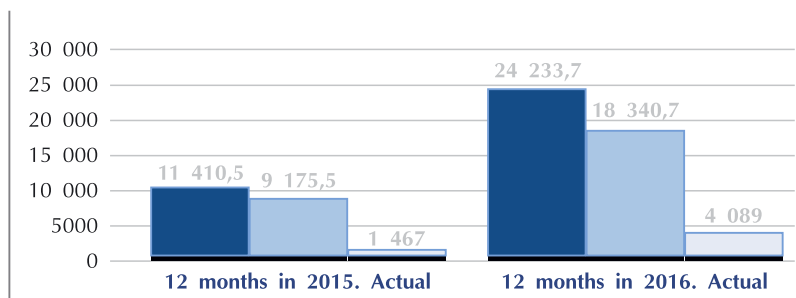
FINANCIAL INDICATORS

| Description | Unit | 2014 | 2015 | 2016 |
|---------------|---------------|---------|---------|---------|
| Net income | Million tenge | 1 732,9 | 1 467,2 | 4 089,3 |
| ROACE | % | 2,39 | 2,15 | 3,54 |
| EBITDA margin | % | -22,2 | 26,19 | 41,57 |

Net income was 4 billion tenge. The dynamics of net income reflects the cyclical nature of the Company's activities related to the specific financing of the construction industry, which is characterized by a long production cycle. The growth of income from the primary activity is observed after the commissioning of objects and the realization of the constructed real estate.

Dynamics of total revenues, total expenditures and net income (million tenge)

- Total revenues
- Total expenditures
- Net income

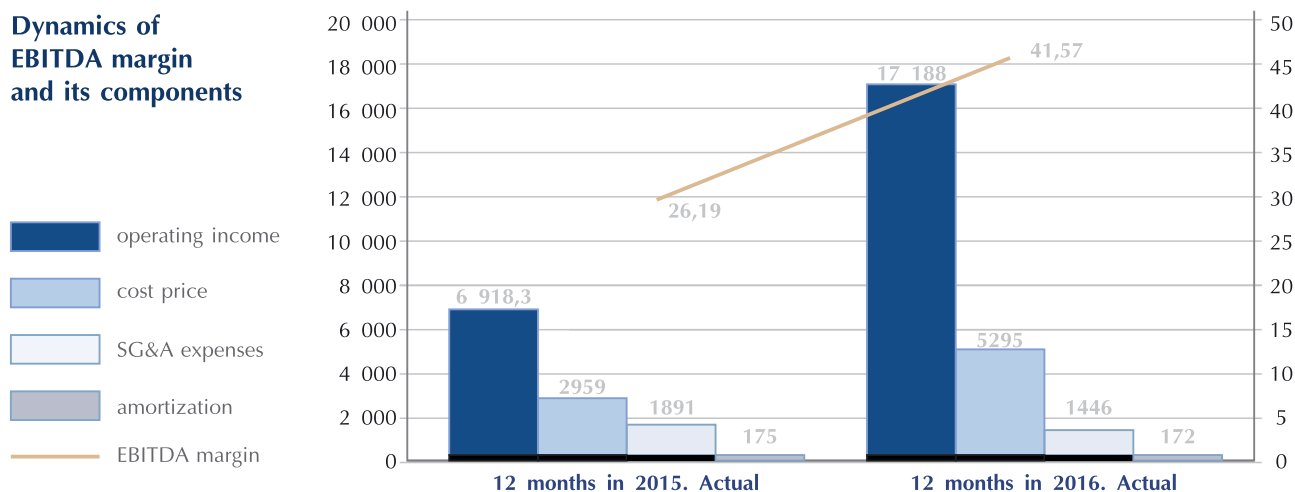


Compared to 2015, net income increased by 179%, which is due to the growth of income from the real estate sales within the framework of the “Development of Regions” Program until 2020, the implementation of the “Green Quarter” Project, the growth of non-operating revenue, and in connection with the launch of the “Nurly Zhol” Program: taking into account loans received and granted at fair value, reduction of SG&A expenses in comparison with 2015 by 24%. At the same time during the reporting period upon the decision of the Company’s Management Board an allowance for doubtful accounts for the amount of 1.6 billion tenge in Kazinvestbank JSC was made and is reflected as an impairment loss.

ROACE. Compared to 2015, this indicator increased by 64% due to the increase in net income: in 2016 it was 179% compared to 2015; the growth of financial expenses by 5%.

EBITDA margin was 41.57%. The improvement was due to the growth in operating income (income from sales and interest income), as well as a 24% decrease in the total amount of SG&A expenses.

Dynamics of EBITDA margin and its components



PERFORMANCE INDICATORS

| Description | Unit | 2014 | 2015 | 2016 |
|--|--------------------------|-------|-------|--------|
| Real estate pool within the framework of the “Development of Regions” Program until 2020 | thouthand m ² | 455 | 433,1 | 505 |
| Real estate pool within the framework of the “Nurly Zhol” Program | thouthand m ² | | | 324,61 |
| Annual real estate commissioning | thouthand m ² | 140,6 | 151,4 | 35,5 |
| Sold real estate | thouthand m ² | 59,4 | 157,9 | 65,9 |
| Involvement index | % | 75 | 66 | 85 |
| Corporate governance score | % | 71,21 | 75 | |

Real estate pool within the framework of the “Development of Regions” Program until 2020.

KPI reflects the floor space of premises under the concluded contracts within the framework of the “Development of Regions” Program until 2020 during the reporting period. The real estate pool during the reporting period amounted to 505 thousand m².

Real estate pool within the framework of the “Nurly Zhol” Program.

KPI reflects the floor space of the Real Estate Fund premises under the contracts for investing in construction projects concluded during the reporting period within financing commercial housing to support private developers.

The real estate pool under the program of private developers support (“Nurly Zhol” Program) as of December 31, 2016 amounted to 324.61 thousand m².

Annual real estate commissioning.

KPI reflects the real estate commissioning under all programs and projects of the Real Estate Fund.

During the reporting period floor space of real estate commissioned was 35.5 thousand m² within the framework of the “Development of Regions” Program until 2020.

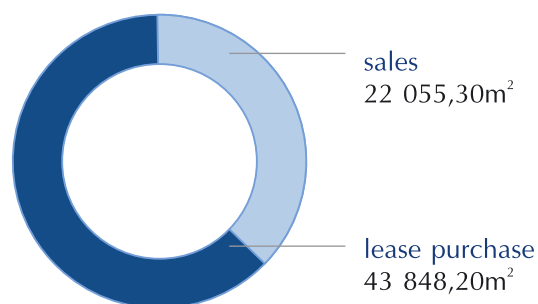
Sold real estate.

During the reporting period 65.9 thousand m² of housing were sold, including 61.2 thousand m² under the “Development of Regions” Program until 2020. Within the framework of the “Development of Regions” Program until 2020, during the reporting period were sold:

- through sales 21 842.9 m².
- through lease purchase 39 343.2 m².

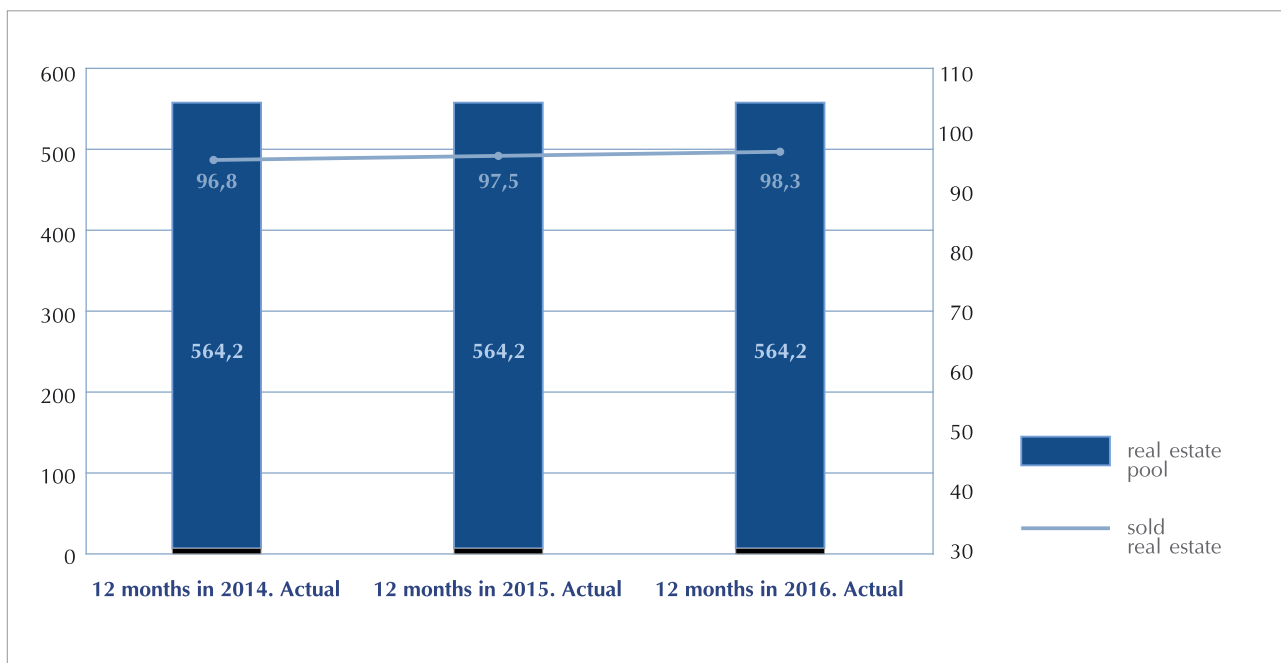
Realization of real Estate by methods of sale in 2016

Within the framework of Anti-Crisis Program during the reporting period 212.4 m² (3 commercial premises) through sales method and 4.505 m² through lease purchase (balance at the end of the period) were sold. Continuous monitoring of the trust manager activities was carried out in order to conduct effective realization of the Real Estate Fund premises within the framework of the Anti-Crisis Program.



For the year ended on December 31, 2016, the sale of 43,848 m² was mainly carried out using a lease purchase method. Realization of premises by the method of sale amounted to 22,055 m².

Dynamics of real estate sales



Involvement index

The indicator reflects the employees' satisfaction of the basic characteristics of their work; general attitude of the employees to the Company's brand, the Company's support of the employees initiative, readiness to make significant efforts to achieve high results, personal involvement in the results of the Real Estate Fund and some others.

During the reporting period, the Involvement index was 85%, and is in the positive zone. All indices that make up the involvement index are in the positive zone with values of at least 70%. In 2016 the involvement of the employees increased by 19%, which shows significant strengthening in comparison with 2015.

Corporate governance score.

The indicator reflects the compliance of corporate governance practices in the Real Estate Fund with leading international standards of corporate governance, calculated in accordance with the methodology of the Sole Shareholder. In connection with the transition to a new model of corporate governance in 2016, the indicator was not calculated.

FINANCIAL AND ECONOMIC INDICATORS

Key financial and economic indicators structure, million tenge

| Description | 2014 | 2015 | 2016 | | | |
|--|---------|-----------|----------|----------|--------------|--------------|
| | actual | actual | plan | actual | as % of plan | at % of 2015 |
| Total revenue | 6 886,1 | 11 410,5 | 23 417,8 | 24 233,7 | 103% | 212% |
| Operating income | 2 794,8 | 6 918,3 | 19 353 | 17 188,2 | 89% | 248% |
| Sales income | 780,8 | 3 386,4 | 3 961,8 | 5 422 | 137% | 160% |
| Interest income | 2 014 | 2 948,4 | 5 933 | 5 820,7 | 98% | 197% |
| Other operating incomes | - | 583,5* | 9 458,1 | 5 945,4* | 63% | 1019% |
| Impairment losses recovery | 0,133 | 7,2 | - | 0,05 | - | 1% |
| Financing income | 4 010,9 | 4 314,7 | 4 064,8 | 6 998,8 | 172% | 162% |
| Other non-operating incomes | 80,3 | 170,3 | - | 46,8 | - | 27% |
| Total expenditure | 4 733,8 | 9 175,5 | 20 048,2 | 18 340,7 | 91% | 200% |
| Costs price | 1 264,1 | 2 959,4** | 4 789,4 | 5 295,3 | 111% | 179% |
| Other operating expenses | | 2 540,6* | | 7 482,1* | - | 295% |
| SG&A expenses | 1 868,1 | 1 891 | 1 800 | 1 445,8 | 80% | 76% |
| Finance expenses | 1 601,5 | 1 784,5 | 1 740,4 | 1 869,5 | 107% | 105% |
| Assets impairment loss | - | - | 613,7 | 2 248 | 366% | - |
| Share in income of associated companies and joint ventures | - | - | 4,9 | -2,8 | -57% | - |
| Income tax expense | 419,4 | 767,8 | 1 003,3 | 1 801 | 179% | 235% |
| Net income | 1 732,9 | 1 467,2 | 2 371,3 | 4 089,3 | 172% | 279% |

*In 2016, revenues of 7.5 billion tenge related to the loans under the “Nurly Zhol” Program at fair value (a discount on loans to developers for the construction in the amount of 6.8 billion tenge and amortization of the discount on the loan granted by the Sole Shareholder within the credit line in the amount of 0.685 billion tenge) were allocated from the item “Cost of sales” into the item “Other operating expenses”.

* In 2015, expenses in the amount of 2.5 billion tenge related to the recognition of the fair value of the loan granted for the construction of RC “Akkent” were allocated from the item “Costs price” into the item “Other operating expenses”

FINANCIAL AND ECONOMIC INDICATORS

Consolidated total revenue, for the reporting period, amounted to 24.2 billion tenge, which was 112% higher than in 2015. The increase in revenues is due to the real estate realization within the framework of the “Development of Regions” Program until 2020, as well as the launch of the “Nurly Zhol” Program and the “Green Quarter” Project.

Financing income. The increase in financing income is due to a change in the amount of cash placed into deposits and current accounts in second-tier banks, an increase in interest rates on deposits and current accounts.

Consolidated total expenditures, for the reporting period, amounted to 18.3 billion tenge, which was 100% higher than in 2015. The increase is due to the loans under the “Nurly Zhol” Program at fair value. There was an increase in costs price (by 79%), financing expenses (by 5%), recognized as impairment of assets. At the same time, SG&A expenses decreased by 24%.

Costs price. The increase in costs price in 2016 as compared to 2015 is related to the real estate realization within the framework of the “Development of Regions” Program until 2020, including sales method, increase in operating taxes, and changes in the accounting of expenses for the administrative building of the Company since 2016.

Selling, General & Administrative expenses. The reduction in SG&A expenses in 2016 was achieved due to a change in the organizational structure, as well as a change in the accounting of expenses for the administrative building since 2016.

Also, in connection with the sale by the Real Estate Fund of 51% of share of participation in “FN Management” LLP in a competitive environment, the consolidation of the financial results of “FN Management” LLP is carried out by the equity method.

Expenses for development: acquisitions and internal projects. Investments in construction, for the reporting period, were 60.6 billion tenge, which was 3 times higher than in the previous year. From this amount, during the reporting period, 8.1 billion tenge were allocated for financing under the “Development of Regions” Program until 2020, 14.7 billion tenge were placed on the specific deposit under the “Green Quarter” Project, investments under the “Nurly Zhol” Program amounted to 37.8 billion tenge.

Financing expenses. The growth of financial expenses in 2016 compared to 2015 amounted to 85 million tenge. The increase in financing expenses was due to the dynamics of attracting and paying off loans from the parent company.

Assets impairment loss. The cost of creating provisions for impairment of assets in 2016 amounted to 2 248 013 thousand tenge, including:

- reserved expenses for the land plot in the city of Aktau with reference of the court decision of transfer the land plot to the local executive bodies in the amount of 613 704 thousand tenge, which, in fact, are reflected as a impairment of receivables of "Caspian Development Center" LLP before the Company;
- During the reporting period, by the decision of the Management Board in view of the information message from the National Bank of the Republic of Kazakhstan dated December 27, 2016 on the decertification of "KazInvestBank" JSC to conduct banking and other transactions and operations on the securities market according to the Decision of the Board of the National Bank of the Republic of Kazakhstan dated December 26, 2016 and appeared, in connection with it, the well-founded doubts in the possibility of receiving funds deposited on the current account in the "KazInvestBank" JSC and the forthcoming bankruptcy of the bank, under the requisition of Corporate Accounting Policies a Provision for Bad and Doubtful Accounts in "KazInvestBank" in the amount of 1.612 billion tenge was created and was reflected as an impairment loss. As well as during December 2016 "KazInvestBank" JSC estimated fees on the above accounts of the Company in the amount of 11.4 million tenge, which were also reflected as an impairment loss.
- During the reporting period, "SK Development" LLC were also reserved as Bad and Doubtful Accounts in "Kazinvestbank" JSC in the amount of 10,084 thousand tenge due to the bank's decertification to conduct banking and other

transactions and operations on the securities market in accordance with the Decision of the Board of the National Bank of the Republic of Kazakhstan dated December 26, 2016.

Assets. As of December 31, 2016, the share of long-term assets increased by 71%, amounting to 125 billion tenge. The growth of long-term assets was due to the increase in long-term financial assets, increase in the placed specific deposit under the "Green Quarter" Project, increase in advances to construction companies and increase in investment real estates. Short-term assets amounted to 76.6 billion tenge. In the structure of short-term assets, cash and cash equivalents increased by 102% due to the receipt of income from the real estate sales and loans under the "Development of Regions" Program until 2020, the "Nurly Zhol" Program and the "Green Quarter" Project.

Shareholders' funds amounted to 36.6 billion tenge. The increase in equity is due to the receipt of net income for 2016 in the amount of 4 089 267 thousand tenge. There are no significant changes in the structure of equity.

Commitments. 86% of all liabilities of the Real Estate Fund Group are short-term liabilities for loans of the parent company. At the end of the reporting period, these liabilities amounted to 142.3 billion tenge. At the same time, the principal debt for the parent company's loans was 164.2 billion tenge.

Within the framework of the "Nurly Zhol" Program, a loan agreement was concluded on May 27, 2016 and in accordance with IFRS the loan under this loan agreement is accounted for at fair value. At the same time, it should be noted that the discount on the loan received under this program at initial recognition is accounted through the Company's balance sheet as a government grant, as revenues of future periods.

FUNDING

Debt commitments (principal debt) of the Real Estate Fund as of December 31, 2016 amounted to 164.2 billion tenge. The credit lines are provided by the Sole Shareholder:

- for completion of construction projects within the framework of the Anti-Crisis Program (Credit Agreement No. 10/FN of August 18, 2009). Under the terms of this agreement, a credit line of 155 billion tenge is made available in tranches. The loan term is 15 years, of which the grace period for the payment of the principal debt is 36 months, after which the principal debt is paid in equal semi-annual installments. At the end of the reporting period, 98.4 billion tenge were received, of which 78.4 billion tenge were repaid, the balance of the principal debt was 20 billion tenge.
- for the implementation of pilot projects under the Housing Construction Program for 2011-2014 (Credit Agreement No. 157-i of March 14, 2012), a credit line of 17.1 billion tenge with a maturity of up to 2021 was granted. The grace period for the payment of the principal debt is 2.5 years. As of December 31, 2016, 5 billion tenge were received and 5 billion tenge were repaid.
- for the implementation of Housing Construction Projects under the “Development of Regions” Program until 2020 (Credit Agreement No. 187-i of September 5, 2012). A credit line of 99.053 billion tenge was granted. The maturity of the credit line is until 2032. The grace period for the payment of the principal debt is 48 months. As of December 31, 2016, 76.62 billion tenge were received, and 4.3 billion tenge were repaid.
- for the implementation of the project for the construction of the administrative and residential complex “Green Quarter”, Line of Credit Agreement No. 575-i of March 31,

2016 at a cost of 29 billion tenge was concluded. The term of the credit is 18 years from the date of transfer of the tranche. At the end of the reporting period, a loan of 29 billion tenge was made.

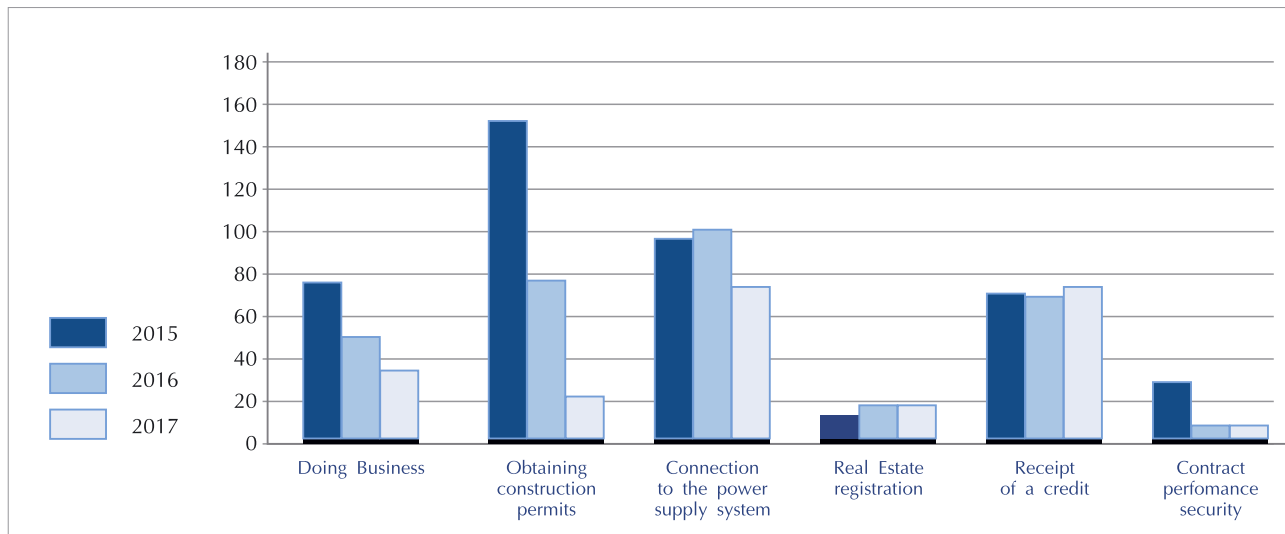
- In addition to the loans, the Sole Shareholder provided financial assistance in the amount of 3.3 billion tenge under the “Green Quarter” Project (Agreement No. 463-i of December 29, 2014). On July 1, 2016, the Real Estate Fund repaid temporary financial assistance in the amount of 3.3 billion tenge to the Sole Shareholder.
- for the implementation of the State Program for Infrastructure Development “Nurly Jol”, the Line of Credit Agreement No. 581-i at a cost of 97 billion tenge was concluded on May 27, 2016 to finance the construction of commercial housing. The term of the credit is 10 years. As of December 31, 2016, 42.88 billion tenge were received.

MARKET SITUATION AND REVIEW



DYNAMICS OF INDICATORS OF KAZAKHSTAN IN THE RATING OF DOING BUSINESS

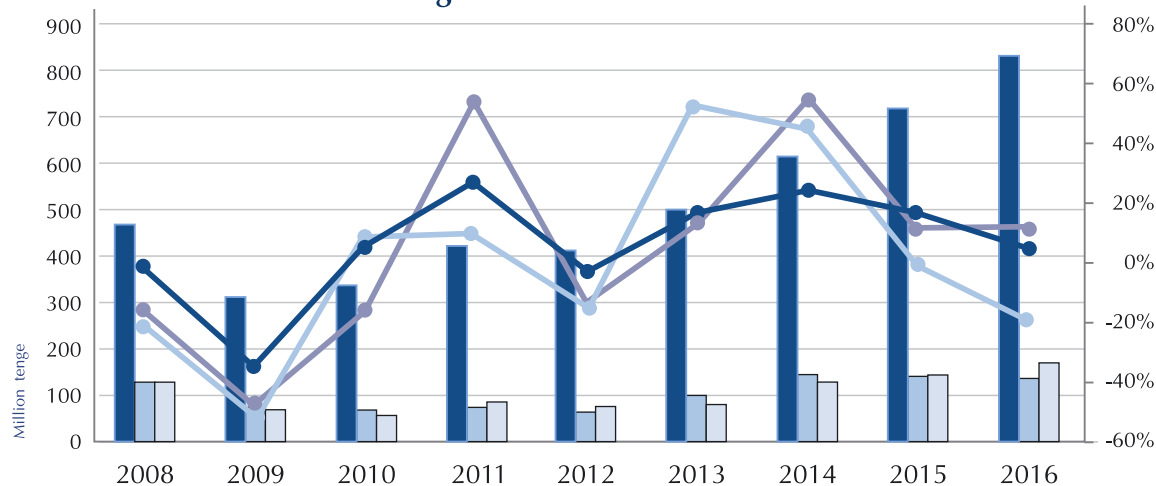
Kazakhstan came up to the rank 35 in the Doing Business ranking of the World Bank and the International Finance Corporation in 2017. Last year the country had the rank 41. Thus, in a recent report of comfort, the Republic of Kazakhstan is located between Japan and Romania, ahead of Russia, Belgium, Italy and Luxembourg. In addition, Kazakhstan was among the countries that carried out the largest number of reforms. The Doing Business ranking is measured by several indicators. Among them there are the simplicity of a new business / enterprise setting up, obtaining a construction permit, property registration, receiving loans, paying taxes and etc. In terms of obtaining construction permits, Kazakhstan is 22nd out of 190 positions, thus it showed an increase by 56 points, in terms of registration of property it is the 18th position, in terms of ensuring the execution of contracts the Republic of Kazakhstan is on line 9 in the rating. In terms of receiving credits, it was in 70th place in 2016, and fell to the 75th position in 2017. In terms of connection to the power supply system, Kazakhstan occupies 75th place, showing a positive change from 102nd place and having outstripped 27 countries. In general, the Government of the Republic of Kazakhstan is taking consistent and systematic measures to increase the competitiveness of business and attract investment in the country.



KEY INDICATORS OF HOUSING CONSTRUCTION SECTOR

In 2016, 829.6 billion tenge were allocated for housing construction, which is 6.7% more than in the same period of 2015. In the regional context, during the reporting period, 137.4 and 168.3 billion tenge were allocated in Almaty and in Astana, respectively.

Housing Construction Investments



| | | | | | | | | | | |
|--|------------|------|------|------|-----|--------|-------|-------|-------|--------|
| | Kazakhstan | 468 | 311 | 336 | 421 | 428 | 498 | 613 | 719,2 | 830 |
| | Astana | 129 | 63 | 69 | 75 | 64 | 99 | 143 | 140,5 | 137 |
| | Almaty | 127 | 67 | 56 | 86 | 74 | 83 | 129 | 142,8 | 168 |
| | Kazakhstan | -5% | -34% | 8% | 25% | 1,7% | 16,3% | 23,2% | 17,2% | 6,7% |
| | Astana | -20% | -51% | 9% | 9% | -14,2% | 53,0% | 44,8% | -1,6% | -19,5% |
| | Almaty | -14% | -47% | -16% | 54% | -14,3% | 12,6% | 54,8% | 10,5% | 11,6% |

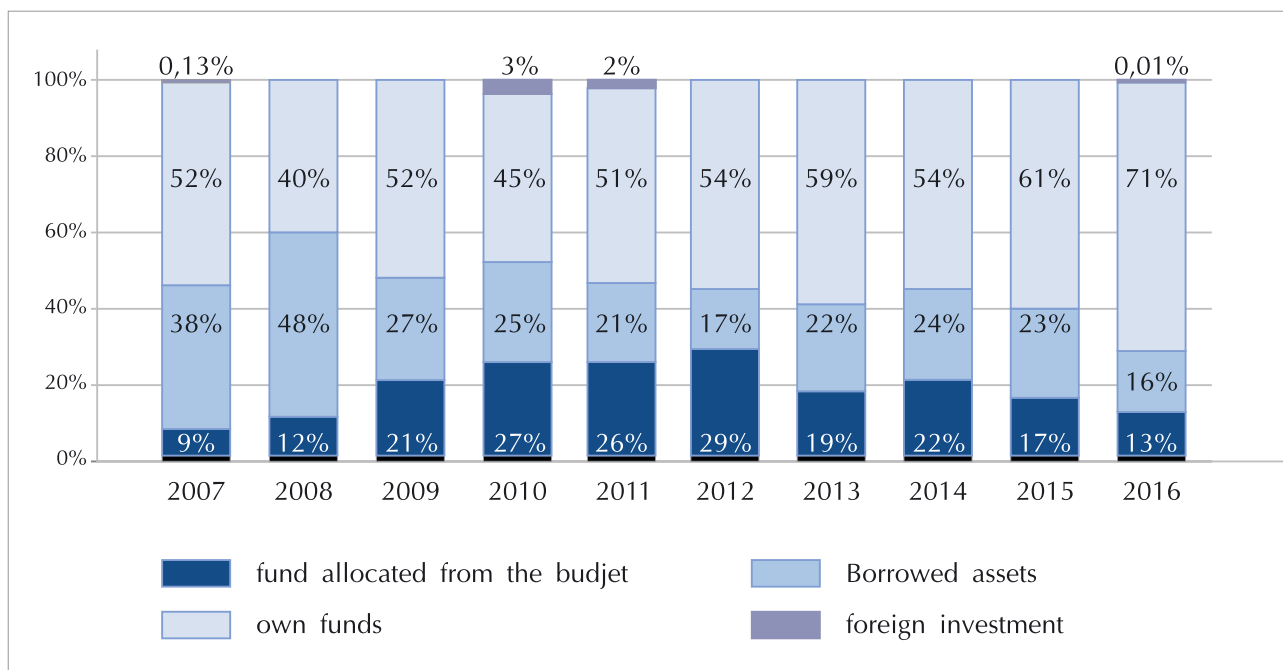
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

The prevailing sources of investment in housing construction within Kazakhstan for 12 months of 2016 are the own funds of developers and population (71% versus 60.6% at the same period of 2015). There is a downward trend in the structure of funding sources: the share of funds allocated from the budget reduced (13% versus 16.6% at the same period of 2015). The share of funds allocated by banks for housing construction was 16%.

Other borrowed assets (excluding bank loans) during the reporting period amounted to 0.1%.

In Astana, the share of other borrowed assets (excluding bank loans) was 29%, own and budgetary funds accounted for 58% and 7% respectively. In Almaty, investments at the population expense and loan funds of banks for the 12 months of 2016 amounted to 26% and 42% respectively.

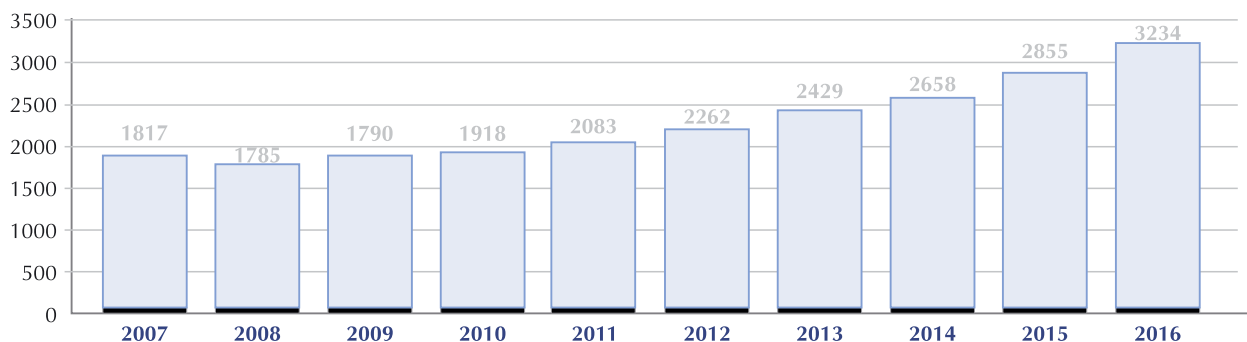
Source of Investment for Housing Construction



Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

During the reporting period, the volume of construction works amounted to 3 233.6 billion tenge, which was 7.9% more than in 2015. The largest volume of the total volume of construction works in the Republic was executed by private construction organizations and accounted for 68.7%, 30.9% by foreign construction organizations, and 0.3% by state construction organizations. The increase in the volume of construction work is observed in ten regions of the Republic. At the same time, significant growth was recorded in Atyrau and East Kazakhstan regions (by 1.4 times).

Total of executed construction works

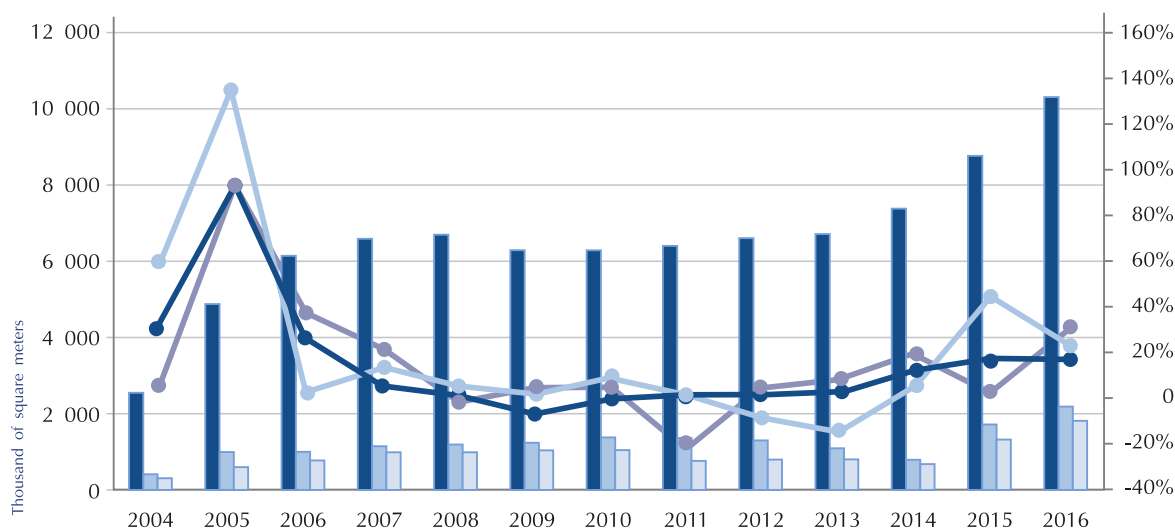


Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

The total floor space of new buildings commissioned amounted to 13 873.7 thousand square meters. The total floor space of commissioned residential buildings increased by 17.6% compared to 2015. It amounted to 10 512.7 thousand square meters.

Most of the housing – 7 808.5 thousand square meters, which is 86.9%, commissioned by private developers, among them 5,200.6 thousand square meters were by the population, which in the total amount of commissioned housing is 49.7%. The increase in housing commissioning is recorded in fifteen regions of the Republic. Significant growth was registered in Akmola region (by 1.3 times), South Kazakhstan, North Kazakhstan and Kyzylorda regions (by 1.2 times), in Astana (by 1.3 times) and in Almaty (by 1.4 times).

Commissioning of total floor space of residential houses

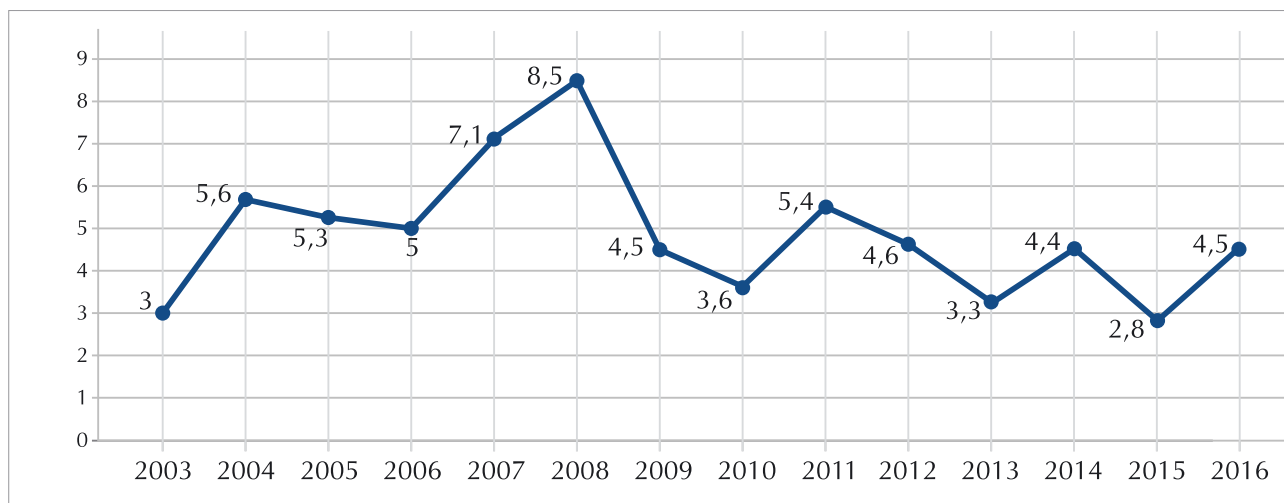


| | | | | | | | | | | | | | |
|------------|-------|-------|-------|-------|------|-------|------|-------|-------|--------|-------|-------|-------|
| Kazakhstan | 2591 | 4992 | 6245 | 6679 | 6848 | 6398 | 6408 | 6533 | 6742 | 6844 | 7516 | 8940 | 10513 |
| Astana | 421 | 1007 | 1024 | 1152 | 1212 | 1 | 1382 | 1404 | 1293 | 1101 | 789 | 1759 | 2257 |
| Almaty | 311 | 605 | 833 | 983 | 1010 | 1 | 1056 | 775 | 786 | 832 | 717 | 1374 | 1863 |
| Kazakhstan | 22,7% | 92,7% | 25,1% | 6,9% | 2,5% | -6,6% | 0,2% | 1,9% | 3,2% | 1,5% | 11,8% | 18,9% | 17,6% |
| Astana | 61,3% | 139,2 | 1,7% | 12,5% | 5,2% | 4,0% | 9,7% | 1,6% | -7,9% | -14,8% | 4,4% | 45,8% | 28,3% |
| Almaty | 6,5% | 94,5% | 37,7% | 18,0% | 2,7% | 4,0% | 0,6% | -26,6 | 1,5% | 5,8% | 20,2% | 3,2% | 35,6% |

Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

The price index in the construction sector was 104.5% as compared to December of the previous year. Prices of construction and installation work increased by 4.7%, machinery and equipment went up by 2.8%, other work and costs - by 5.5%. Average actual construction costs of 1 square meter of housing in multi-family residential houses in January-December 2016 amounted to 121.3 thousand tenge and in residential houses built by the population this cost was 76.6 thousand tenge.

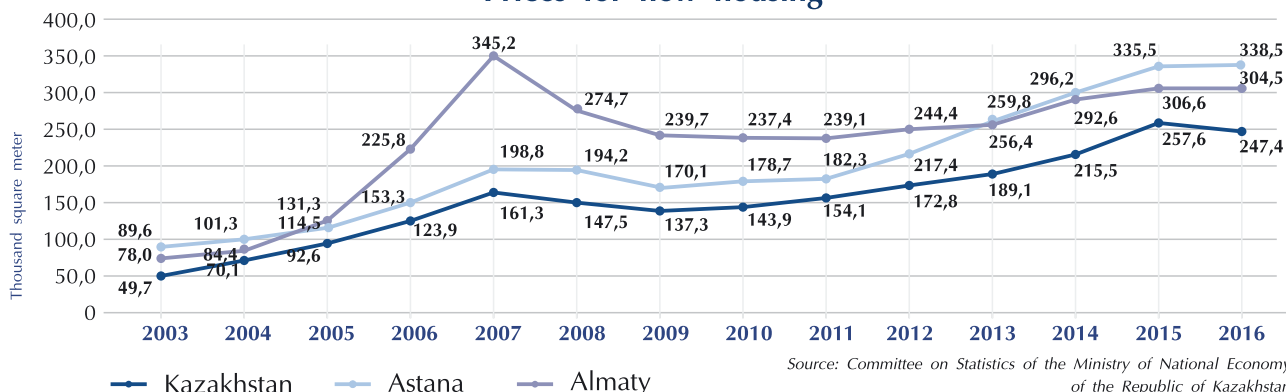
Houses construction prices change, in %



Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

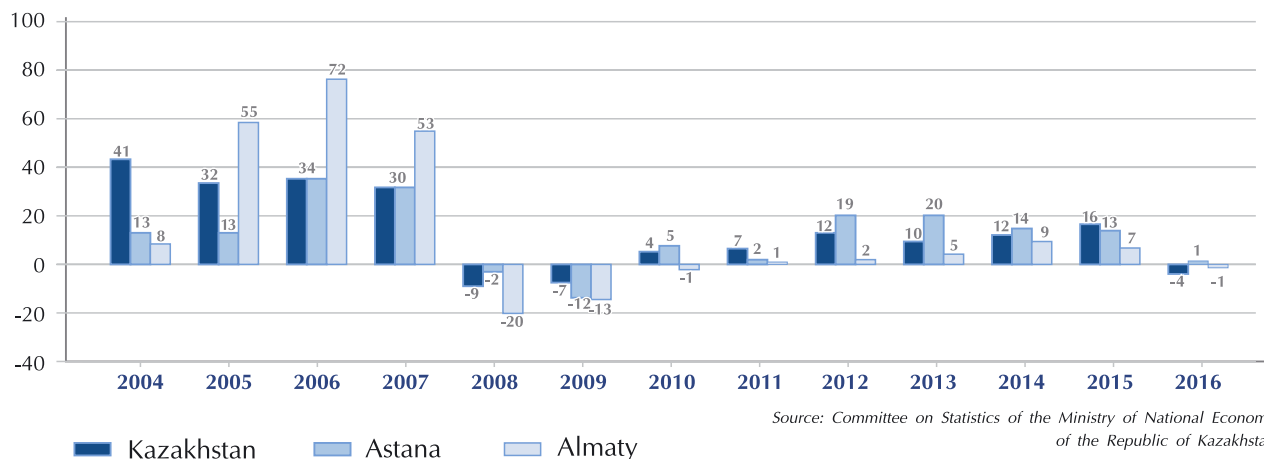
In 2016, the change in prices on the housing market was very slight. At the end of the reporting period, the average price of 1 square meter of new housing in the country was 247.4 thousand tenge (as compared to December 2015 it was lower by 3,6%), eventual sale value of living space with amenities was 188.6 thousand tenge (as compared to December 2015 it was lower by 0.7%). At the same time, the rental price of real estate increased compared to December 2015. The average rental price for living space with amenities for 12 months of 2016 was 1 278 tenge per 1 square meter (an increase by 1.6% as compared to December 2015). The increase in average prices for new housing in comparison with January-December 2015 is recorded in the cities of Pavlodar (+ 34.5%), Ust-Kamenogorsk (+ 19.7%), Atyrau (+ 16.2%) , Astana (+ 15.1%), Aktau (+ 11.2%), Shymkent (+ 9%), Almaty (+ 7%). In the cities of Astana, Atyrau, Aktau, Almaty and Shymkent, the price of 1 square meter of new housing was 338.4 thousand tenge, 326.2 thousand tenge, 297.1 thousand tenge, 304.5 thousand tenge and 267.5 thousand tenge, respectively. In other large cities of Kazakhstan, this indicator is below the national average.

Prices for new housing



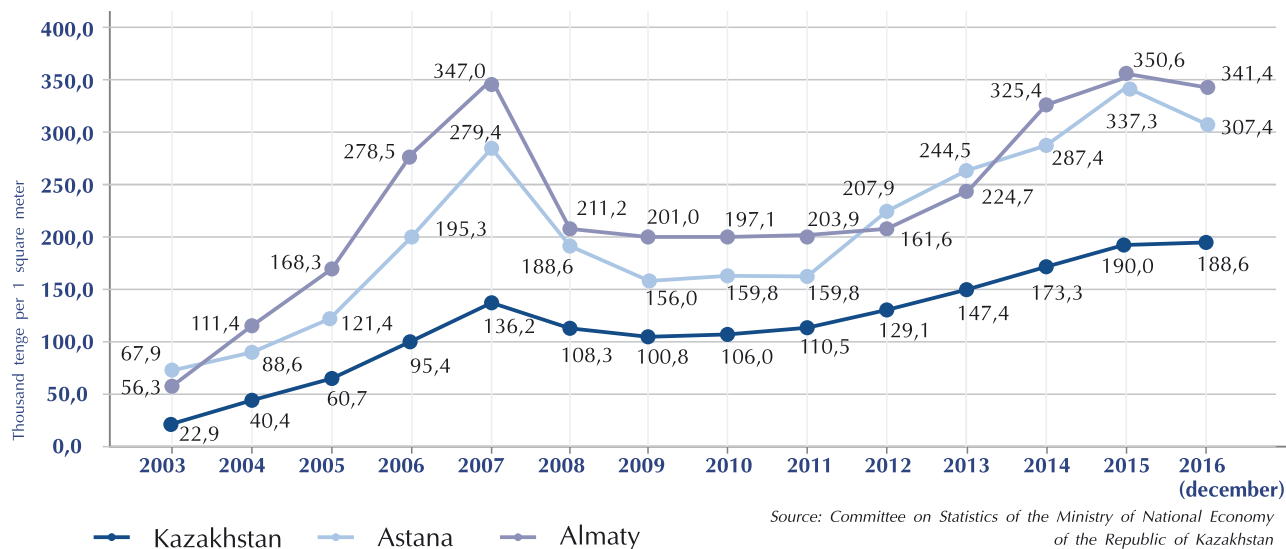
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

Price changes in new housing sold (in % compared to December of previous year)

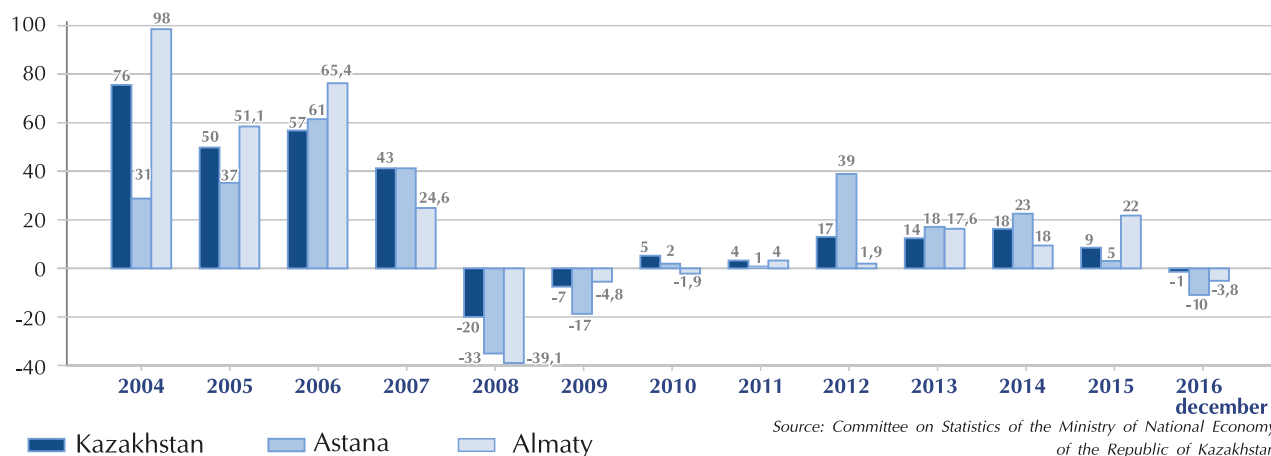


The highest price for 1 square meter on the secondary real estate market was registered in Almaty (337.3 thousand tenge), Aktau (324.1 thousand tenge), Astana (307.4 thousand tenge), and the largest growth of the above prices in comparison with the corresponding period of 2015 was recorded in the city of Atyrau (+ 40.4%), Taldykorgan (+ 23.9%), Zhezkazgan (+ 21.2%), Almaty (+ 16.6%).

Prices for of a secondary housing

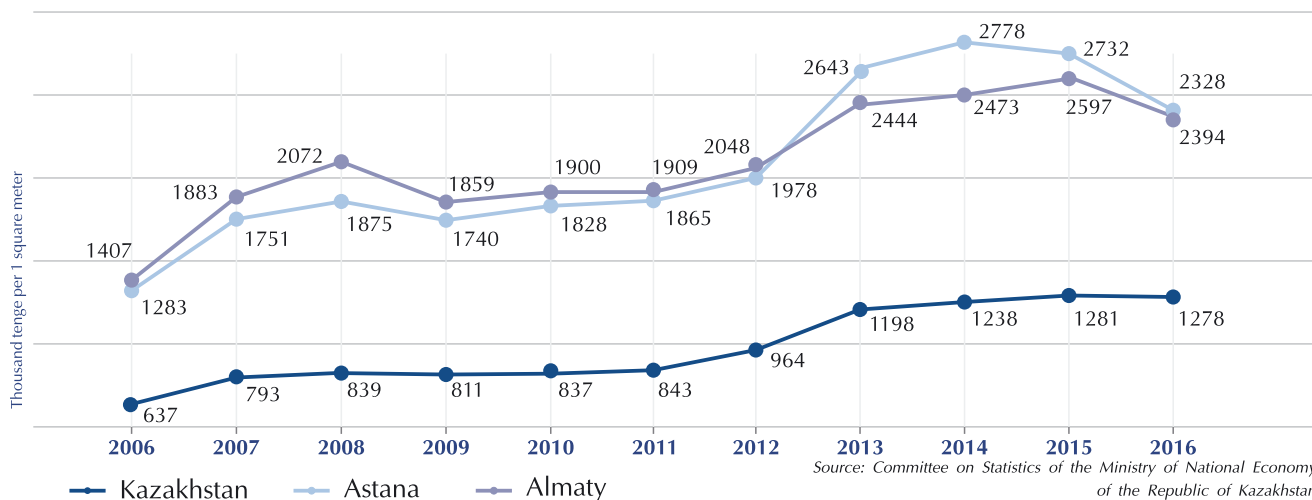


Changes in the prices of a secondary housing (in % compared to December of previous year)

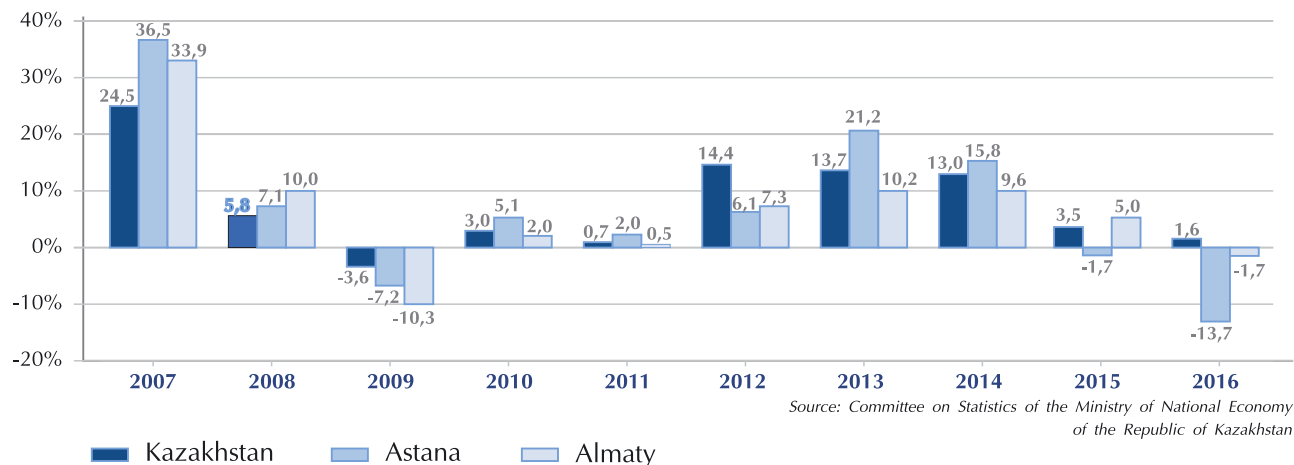


The average rental price of living space with amenities in December 2016 was 1 278 tenge per 1 square meter, and growth in comparison with the corresponding period of 2015 was 1.6%. The highest rental price was fixed in Astana (2 394 tenge per 1 m²), Almaty (2 328 tenge per 1 m²), Aktau (2 016 tenge per 1 m²), Atyrau (1 658 tenge per 1 m²), Karaganda (1 552 tenge per 1 m²), Aktobe (1 312 per 1 m²). In other large cities this indicator was below the national average. The highest growth in rental prices in comparison with January-December 2015 was recorded in the cities of Taldykorgan (+ 13.5%), Taraz (+ 8.5%), Shymkent (+ 7.6%), Atyrau (+ 7.2%), Aktobe (+ 7.2%). At the same time prices in Astana and Almaty decreased as compared to 2015.

Rental Prices

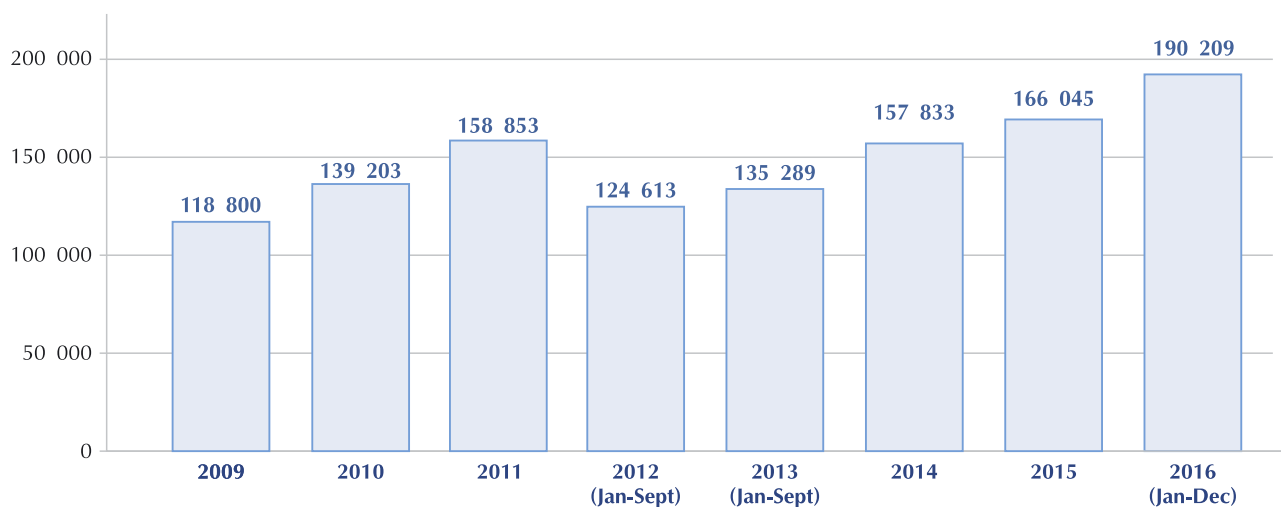


Changes in rental prices compared to December of the previous year



The number of registered transactions of housing purchase and sale in September 2016 was 190 209 and, compared to the same period of last year, increased by 14.6%.

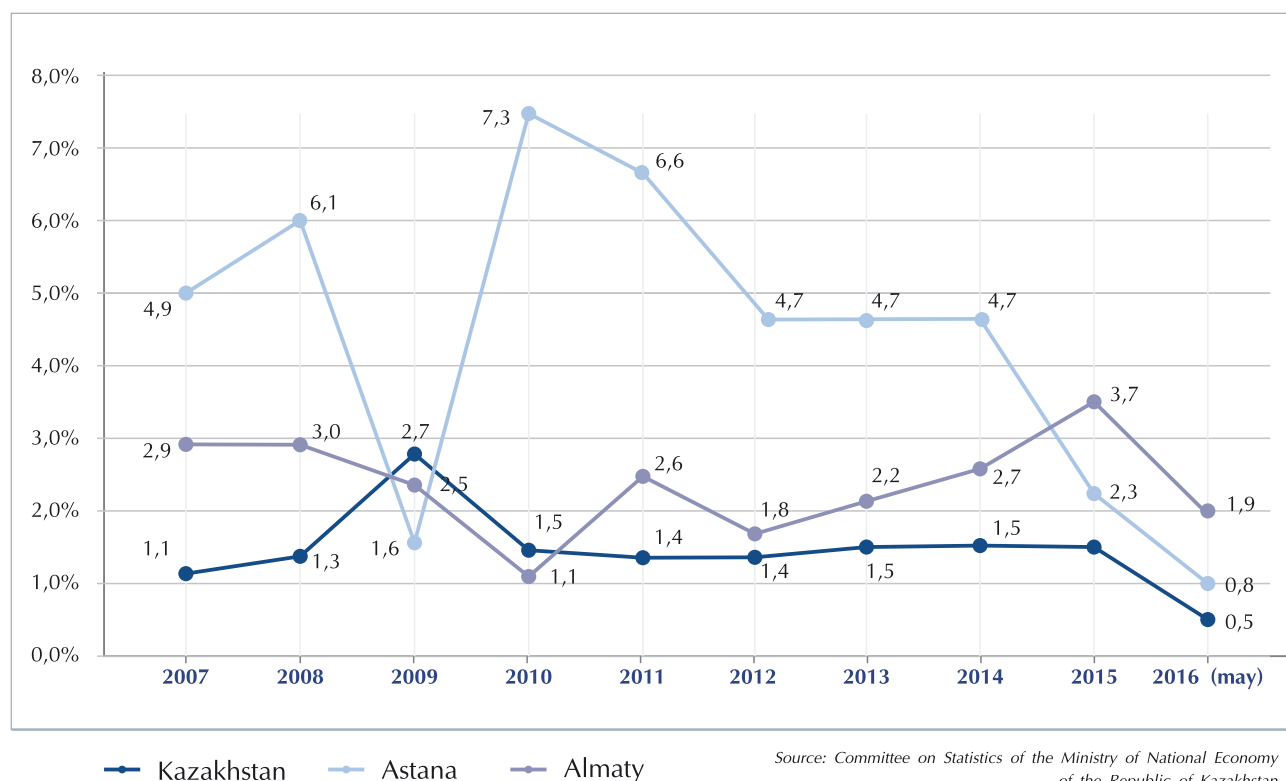
The number of purchase and sales transactions of housing



KEY INDICATORS INFLUENCING HOUSING CONSTRUCTION SECTOR

The rate of population growth across the country has changed slightly. As of May 1, 2016, the population of the Republic of Kazakhstan increased by 0.47% compared with January 1, 2016 and amounted to 17 753.9 thousand people, including Astana city with 880.2 thousand people and Almaty city with 1 722 thousand people.

Rate of population increase

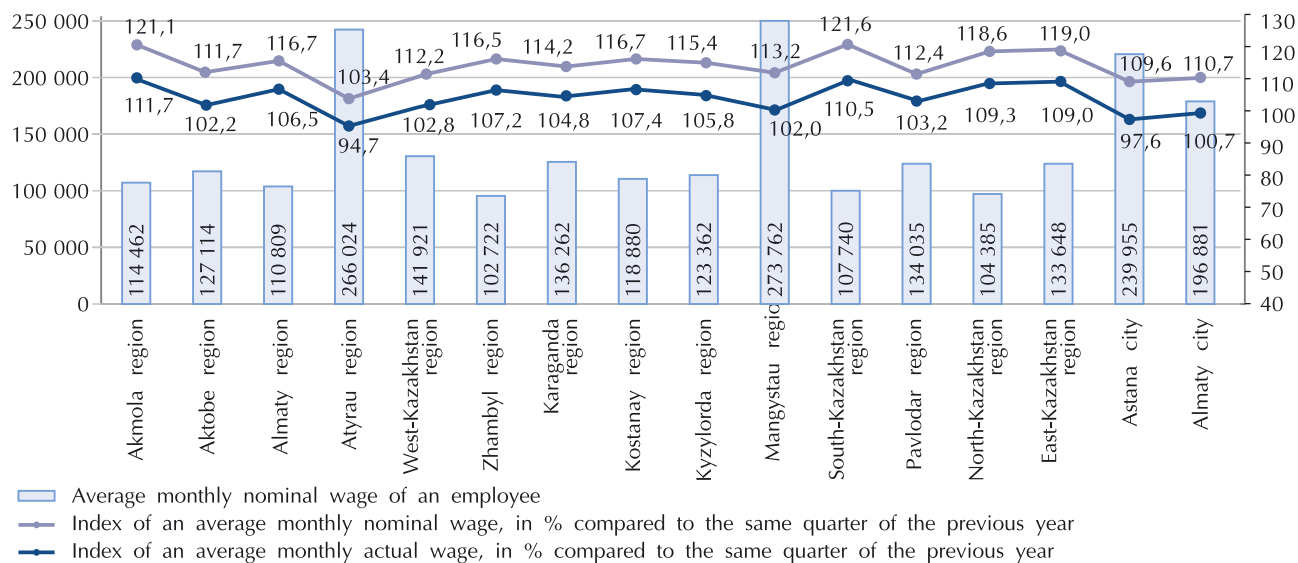


The average per capita nominal cash income of the population in the fourth quarter of 2016 was 77 106 tenge, which was 5.8% higher than in the fourth quarter of 2015.

Real cash income for the above period decreased by 6.6%.

In the fourth quarter of 2016 the average monthly nominal wage of one employee was 154 632 tenge. The index of nominal wages compared with the fourth quarter of 2015 amounted to 113.7%, and of real one amounted to 103.8%.

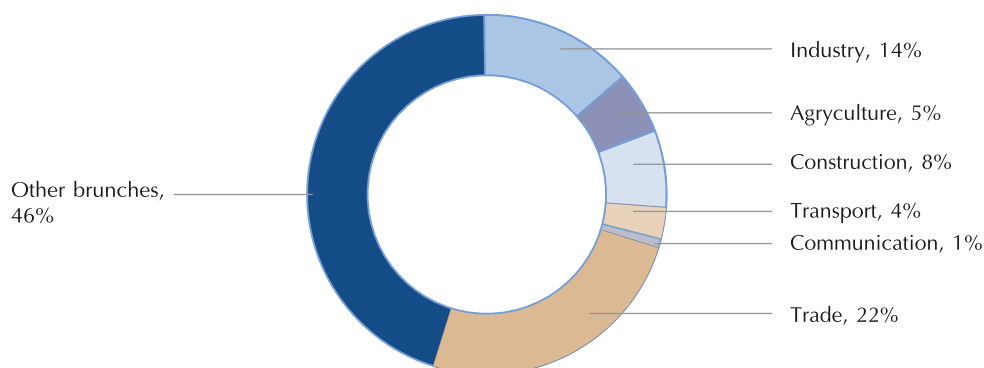
Average monthly nominal wage of an employee in different regions in the fourth quarter of 2016



Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

Construction industry remains one of the main industries credited by second-tier banks. There is a slight change in the share of construction in the loan portfolio of STB. The construction as of December 31, 2016 in the loan portfolio of STB was 8%, or 956.2 billion tenge. As of December 31, 2015, it was 7.8% or 991.7 billion tenge.

Bank credits in the context of branches of the economy, as of January 1, 2017



Source: National Bank of the Republic of Kazakhstan Bulletin of Statistics of the National Bank of Kazakhstan

Analysis of the mortgage lending programs offered by the second-tier banks shows that the situation in the mortgage market remains without any special changes in the rates. Effective rates for mortgage lending in tenge range from 7.6% to 20.5%. Some STBs provide the possibility of obtaining a loan without an initial contribution if there is additional collateral in the form of real estate.

| Bank | Minimum lending rate | | Minimum down payment | Maximum period of loan | Loan currency |
|-------------------|----------------------|-------|----------------------|------------------------|---------------|
| | KZT | USD | | | |
| Halyk Bank | 14%* | | 10% | 30 years | KZT |
| Bank CenterCredit | 7,6%* | | 25% | 20 years | KZT |
| Eurasian Bank | 13%* | | 30% | 20 years | KZT |
| Tsesnabank | 20,5%* | | 40%** | 10 years | KZT |
| Sberbank | 13,6%* | 8.1%* | 30% | 20 years | KZT, USD |

*annual effective rate of return

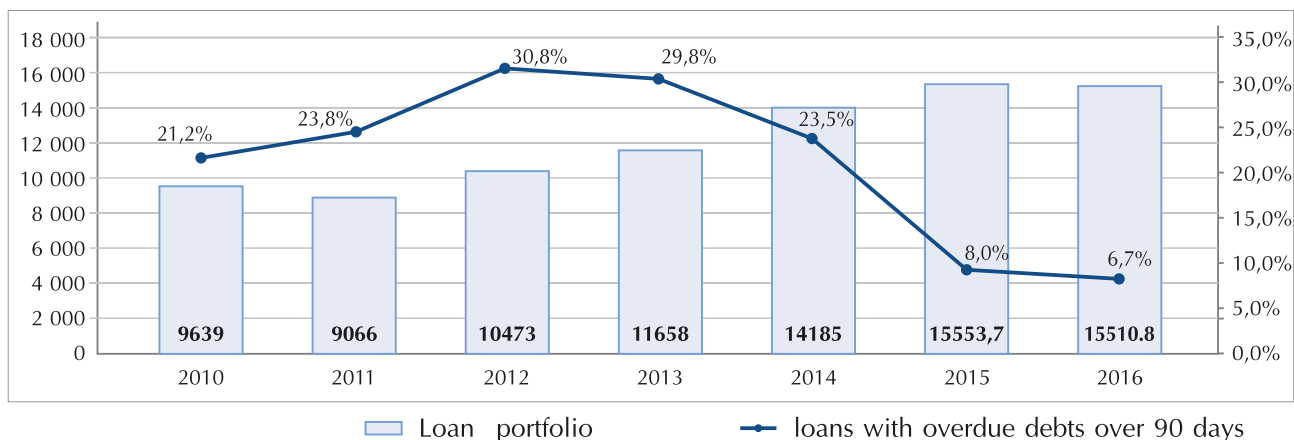
Source: STB data

**from the cost of the real estate purchased

The loan portfolio of the banking sector of the Republic of Kazakhstan as of January 1, 2017 amounted to 15 510.8 billion tenge, having decreased by 42.9 billion tenge or 0.3% as compared to the beginning of the year.

Loans with overdue debts exceeding 90 days as of January 1, 2017 amount to 1 042.1 billion tenge or 6.7% of the loan portfolio (as of January 1, 2016, it was 1 236.9 billion tenge or 8% of the loan portfolio).

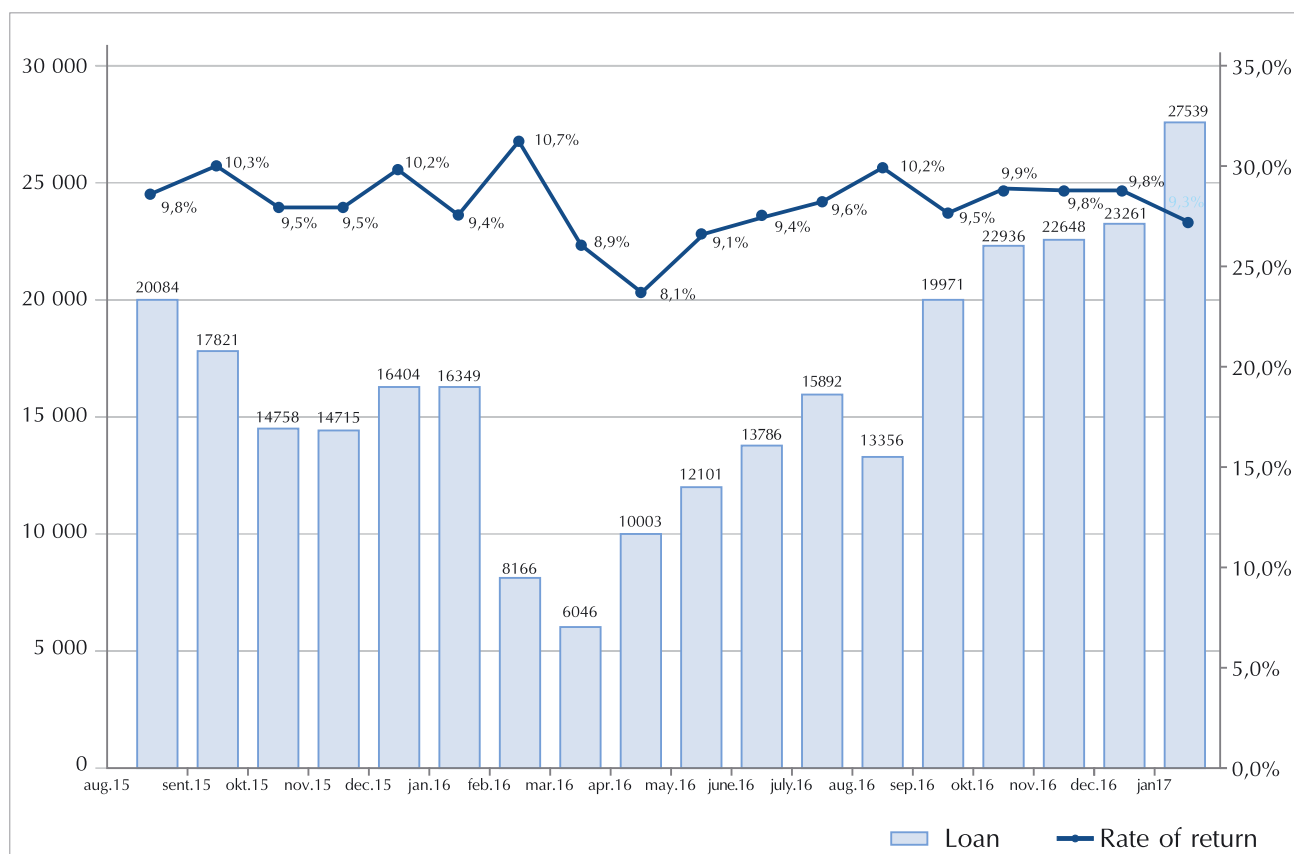
Dynamics of loan portfolio and loans with overdue debts over 90 days (at the end of period)



Source: National Bank of the Republic of Kazakhstan

There is an increase in lending by STBs to private individuals for the construction and purchase of real estate. Loans to individuals for the purchase and construction of housing for 12 months of 2016 amounted to 195.1 billion tenge, which was lower by 9% of the same period of the previous year. The average weighted interest rate of return on mortgage loans as of January 2017 was 9.3%.

Loan of STB granted to individuals for construction and acquisition of real estate

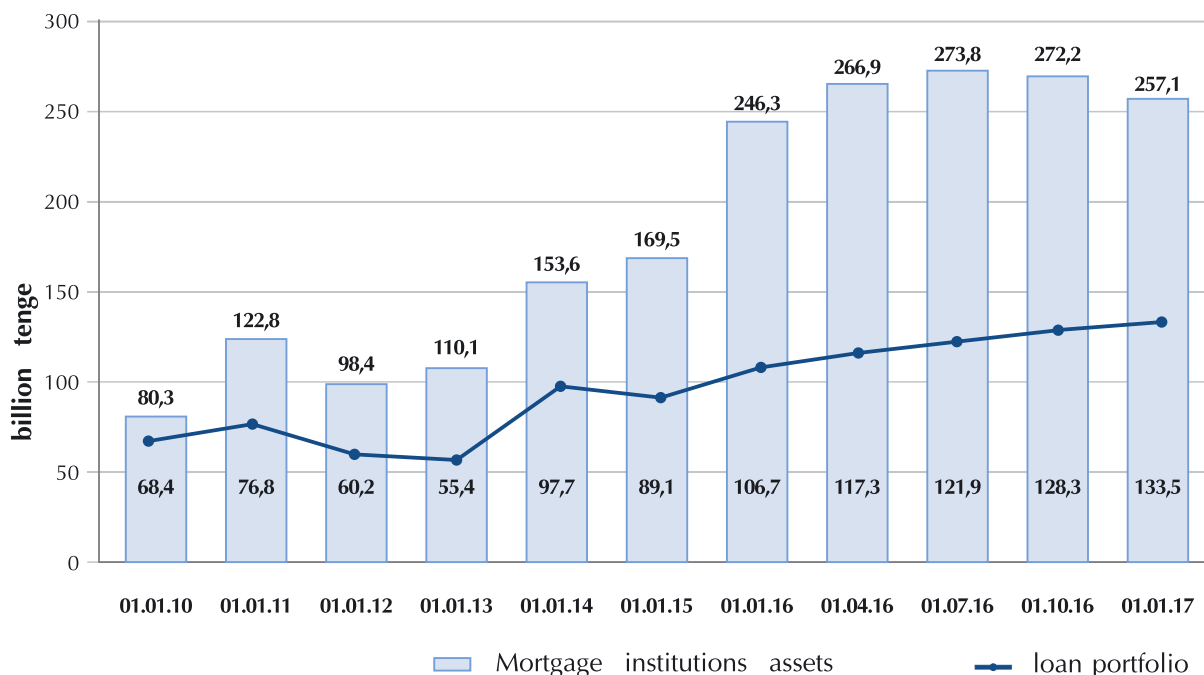


Source: National Bank of the Republic of Kazakhstan

As of January 1, 2017, on the financial market of the Republic, there were 3 mortgage organizations and 5 organizations carrying out certain types of banking operations. The largest share in the aggregate loan portfolio of mortgage organizations is loans granted by “Mortgage Organization “Kazakhstan Mortgage Company” JSC.

As of January 1, 2017 the aggregate amount of assets of mortgage organizations amounted to 257.1 billion tenge, which was by 10.8 billion tenge or by 4.4% more than the same indicator at the beginning of the year.

Dynamics of assets and loan portfolio of different mortgage institutions in the Republic of Kazakhstan, billion tenge



Source: National Bank of the Republic of Kazakhstan

As of January 1, 2017 the aggregate loan portfolio of mortgage organizations amounted to 133.5 billion tenge, which was by 26.8 billion tenge or 25.1% more than the indicator that was formed at the beginning of 2016. As of the reporting date, the amount of provisions formed was 4.1 billion tenge (share of the formed provisions in the loan portfolio of mortgage organizations was 3.1%).

The share of loans with overdue debts in the aggregate loan portfolio of mortgage organizations as of January 1, 2017 amounted to 5.5% (or 7.4 billion tenge). At the same time, there is an improvement in the quality of the loan portfolio of mortgage organizations: loans with overdue debts with a maturity of over 90 days as of the reporting date amounted to 2.1 billion tenge or 1.6% of the loan portfolio (as of October 1, 2016, it was 2.5 billion tenge or 1.9% of the loan portfolio).

MEASURES OF STATE SUPPORT FOR HOUSING CONSTRUCTION

In order to maintain economic activity, to ensure the multiplier effect through the development of related industries, the main areas of housing construction and infrastructure will be activated, including the construction of rental, credit and commercial housing, as well as the mechanical, electrical and plumbing systems infrastructure. These areas are designed to provide a growing demand among the population with rental and credit housing, as well as to provide support to private developers in order to stimulate housing construction. In turn, the rental housing will be provided to vulnerable social groups of population from the waiting list of the local executive authorities.

Within the framework of the “Nurly Zhol” Program, new commercial housing will be built on the principles of public-private partnership, the runner of which will be “Real Estate Fund” Samruk-Kazyna” JSC. The Real Estate Fund carries out constant monitoring of the construction of facilities. The Real Estate Fund finances the construction of housing with the provision of repayment of allocated funds every 2 years for the subsequent financing of housing construction for 10 years. Over the period of the Program implementation in 2015-2019, over 800 thousand square meters of housing will be built through the Real Estate Fund.

The total amount of financing from the National Fund of the Republic of Kazakhstan to support private developers through the Real Estate Fund is 97 billion tenge.

Under Decree of the Government of the Republic of Kazakhstan dated December 31, 2016 No. 922 the Housing Construction Program “Nurly Zher” was approved.

The Housing Construction Program “Nurly Zher” (hereinafter referred to as the Program) is designed to fulfill the instruction of the Head of the State and is aimed at developing new approaches to stimulate housing construction in order to increase the affordability of housing for the general population and to integrate housing issues from existing programs into it.

In the state housing policy, accents will be moved from direct to extrabudgetary funding. Means in the sphere of housing construction, allocated within the framework of the State Program “Nurly Zhol” for 2015-2019 (hereinafter - the State Program “Nurly Zhol”) and the “Development of Regions” Program until 2020 will be concentrated and redistributed in this Program.

The goal of the Program is to increase the affordability of housing for the population.

The program will be implemented in the following areas:

- 1) increasing the availability of mortgage lending;
- 2) stimulating the construction of housing by private developers;
- 3) construction of credit housing through the system of housing savings;
- 4) creation of a rental housing fund for vulnerable social groups of population;
- 5) development of individual housing construction;
- 6) implementation of housing construction in the framework of previously adopted state and government programs.

Within the framework of the Program, the implementation of housing construction areas under the State Program “Nurly Zhol” and the “Development of Regions” Program until 2020 is to be completed:

- 1) rental housing for waiting people who are registered with the local executive authorities and for young families;
- 2) rental housing with the purchase of “Mortgage Organization “Kazakhstan Mortgage Company” JSC;
- 3) rental and credit housing of “Baiterek Development” JSC;
- 4) commercial and rental housing with a purchase of the Real Estate Fund.

The further implementation of the previously envisaged housing construction mechanisms for the protection of equity deposits, the financing of housing construction projects by House Construction Saving Bank with private developers and the pilot project of demolition of emergency housing in the city of Astana is also in progress.

INFORMATION ABOUT SIGNIFICANT DEALS

Essential deals of the Real Estate Fund are related party deals and major deals. According to the Charter of the Real Estate Fund, a major transaction in "Real Estate Fund "Samruk-Kazyna" JSC is recognized:

1. A deal or a set of interrelated deals, as a result of which (the real estate fund acquires or alienates (may be acquired or alienated) property, the value of which is 10,427,703,100 (ten billion four hundred twenty-seven million seven hundred three thousand one hundred) tenge and more.

At the same time, the Board of Directors of the Real Estate Fund has the right to submit a proposal to the sole shareholder to reduce the above-mentioned amount of large transactions, with a view to subsequent fixing in the Charter of the Real Estate Fund.

2. A deal or a set of interrelated deals, as a result of which the Real Estate Fund may redeem its placed securities or sell the securities of the Real Estate Fund purchased by it in the amount of twenty five and more percent of the total number of one type placed securities;

3. Other deal recognized by the Charter of the Real Estate Fund as a major transaction.

In 2016, the Real Estate Fund concluded the following significant deals:

- On February 26, 2016, the Trust Management Agreement was concluded for all facilities in Astana for the anti-crisis program;
- On February 26, 2016, the Trust Management Agreement for "Zhygys" HC was concluded;
- On March 9, 2016, the Trust Management Agreement for "Sovremenny" HC was signed;
- On March 9, 2016, the Trust Management Agreement for "Etalon" HC was concluded;

- On March 9, 2016, the Trust Management Agreement for the "Khan Tengri" YHC was concluded;
- On May 27, 2016 loan agreement No. 581-i was signed with "Samruk-Kazyna" JSC (a major transaction, in which there is an interest);
- On June 17, 2016, the Trust Management Agreement for immovable property No. 8 was concluded (28 apartments in the facility of "Two 25-apartment houses on Mayakovskogo Street in Taraz);
- September 13, 2016, , the agreement No. 1 with the JSC "Samruk-Kazyna" to the Loan Agreement No. 581-I dd. May 27, 2016 (within the framework of the "Nurly Zhol" state program) was canceled on the exclusion of the right, Lenders required early repayment of the loan by the borrower in any time, as well as the time for the return and receipt of the remuneration in full (no later than April 1, 2026);
- On November 1, 2016, "Kazakhtelecom" JSC concluded an agreement No. 4932 / ss for telecommunications services;
- On November 11, 2016, with the Directorate of Information Systems - branch of "Kazakhtelecom" JSC, contract No. 592-11KB was signed for the services "Microsoft Project on the SaaS model" (Service for the use of software products "Aris" and "MSProject" that are remote access).
- On November 24, 2016, an agreement on investing in the construction and sale of real estate in Facility No. 24 / 11-1 with TM Engineering Group LLP was signed.

STRUCTURE OF ASSETS

"REAL ESTATE FUND

"SAMRUK-KAZYNA" JSC



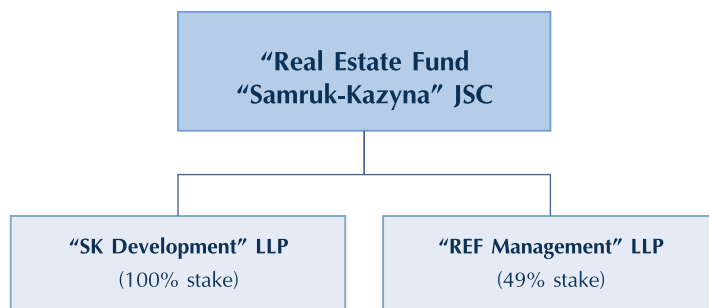
GROUP OF COMPANIES

OF "REAL ESTATE FUND

"SAMRUK-KAZYNA" JSC

STRUCTURE

(По состоянию на 31 декабря 2016 года)



*In July 2015 an agreement was concluded on the sale of a 51% stake by the Real Estate Fund. The re-registration of property rights in the bodies of justice was carried out on January 15, 2016.

OVERVIEW OF "SAMRUK-KAZYNA

DEVELOPMENT" LLP

ACTIVITIES

"Samruk-Kazyna Development" LLP (hereinafter referred to as the Partnership) was created by the decision No. 71 of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC dated March 20, 2013. The Charter of the Partnership, approved on May 6, 2013, the main activities of the Partnership for 2014-2018 are identified:

1. Development of housing construction using eco-and green technologies;
2. Investing in housing for profit;
3. Development of industrial zones and business parks;
4. Investing in the construction of infrastructure projects in Kazakhstan and abroad;
5. Increase of activity efficiency;
6. Increase the value of the company.

The prerequisite for the establishment of the Partnership was the new tasks assigned to the Real Estate Fund in the framework of "Law on Energy Saving and Improving Energy

OVERVIEW OF "REF MANAGEMENT" LLP OPERATION

Efficiency" and preparations for the International Specialized Exhibition EXPO-2017 in Astana. The main task for the Partnership is to fulfill the assignment of the Republic of Kazakhstan president, given to "Samruk-Kazyna" JSC (minutes of the meeting No. 01-7.1 dd. January 23, 2013) for the design and construction of the "Green Quarter" in the capital.

When implementing investment projects, the Partnership has a wide range of financial and other tools: the creation of a joint project company, a loan, the redemption of bonds, investment contracts, a target deposit in second-tier banks, etc.

For the "Green Quarter" a special deposit mechanism was chosen in the amount of 44 billion tenge in second-tier banks, which will finance the "Expo village" LLP project company for the construction of project facilities.

"REF Management" LLP (hereinafter - REF Management) was established by Resolution No. 17 of the Board of Directors of the Real Estate Fund dd. December 10, 2009. At the moment the participants of the Partnership are:

1. "Real Estate Fund" Samruk-Kazyna" JSC with 49% stake.
2. "KAN Group" LLP with 51% stake.

The main area of activity is the realization of the premises belonging to the Real Estate Fund for rent with purchase, rent and sale method, collection and monitoring of lease payments, complex maintenance of facilities and maintenance services, management of real estate managed by REF Management.

RISK MANAGEMENT

The Real Estate Fund is aware of the importance of risk management as a key element contributing to long-term financial sustainability and development. The risk management system is one of the main components of the corporate governance system aimed at the timely identification, assessment and monitoring of significant risks, as well as taking measures to reduce the level of risks that can adversely affect the Company cost and reputation.

STRUCTURE OF RISKS

| EFFICIENCY | Risks and impacts | How we manage risks |
|--|--|---|
| Strategic risks | | |
| Implementation of the Program for regions development until 2020 Implementation of Nurly Zhol Program Real estate development using "green technologies" | Untimely commissioning of real estate | <ol style="list-style-type: none"> 1. Qualitative selection of projects taking into account the financial condition of the Developer. 2. A request from the Developer for supporting information regarding the timing of LEB engineering networks. 3. Keeping of the cumulative register, the coordination of registers of payments for the building goods. 4. Monitoring of the financing process in accordance with the financing schedule. 5. Implementation of construction monitoring by way of departure to construction sites, etc. |
| | Delays in taking ownership of real estate | <ol style="list-style-type: none"> 1. Monitoring of accounts payable and other financial obligations of the Developer. 2. Establishment of encumbrance (collateral) on the erected property. 3. Implementation of monitoring the work quality. 4. Monitoring of signing the Commissioning Act process. |
| | Implementation of premises below the planned level for 2017 in the Business Plan of the Real Estate Fund | <ol style="list-style-type: none"> 1. Independent evaluation / internal evaluation of investment projects is the subject of attractiveness and liquidity of future premises. 2. Signing an appropriate cooperation agreement with LEB. 3. Conducting additional information work (PR, advertising) to raise public awareness about the conditions of the Company programs. |

| Efficiency | Risks and impacts | How we manage risks |
|---|--|--|
| Financial risks | | |
| Increase of the long-term added value of the Real Estate Fund | Distortion of financial statements | <ol style="list-style-type: none"> 1. Conducting an annual audit of financial statements. 2. Directing reminders (memos) about the close of the period and providing all information on the operations of the financial and economic activities of the Real Estate Fund to all interested structural units. |
| Operational risks | | |
| Increase of the long-term added value of the Real Estate Fund | Malfunctions in IT work (hardware / software part) | <ol style="list-style-type: none"> 1. Monitoring of depreciation of technical equipment; Submission of proposals to the Commission on write-offs. 2. Organizational measures (preventive work of sources of uninterrupted operation - UPS); |
| | Inefficient purchase and use of purchased equipment and software | <ol style="list-style-type: none"> 1. Drawing up and presentation to Committee under the Board and the Joint Directorate of detailed substantiation of the need for acquisition, including analysis of current state of technology and software, comparative analysis / review of analogues (comparative tables, commercial proposals), implementation / acquisition effect or efficiency of work before and after introduction / acquisition. 2. Consideration and consideration of internal and external auditors recommendations at initiation of purchase. |
| | Damage / loss / theft of property / information | <ol style="list-style-type: none"> 1. Inclusion of instructions / rules of access regime and safety in contracts with security agencies. 2. Carry out activities in the field of information security. 3. Compliance with fire safety regulations. |
| Правовые риски | | |
| Increase of the long-term added value of the Real Estate Fund | Violation of the legislation of the Republic of Kazakhstan requirements, internal rules of the Real Estate Fund, mistakes in the legal support of contracts. | <ol style="list-style-type: none"> 1. Harmonization of internal regulatory documentation with interested structural units. 2. Monitoring realization of changes in the legislation of the Republic of Kazakhstan concerning the activities of the Real Estate Fund. |

| Efficiency | Risks and impacts | How we manage risks |
|------------|---|--|
| | Adverse change in the legislation of the Republic of Kazakhstan | <ol style="list-style-type: none"> 1. Participation in the work of Committees / collegial bodies working on changes in legislation. 2. Active participation in the development of regulatory legal acts regulating the issues of housing construction. 3. Initiation of amendments to the Republic of Kazakhstan legislation. |

RISK MANAGEMENT PROCESS

The main document reflecting the vision, goals and objectives of the corporate risk management system in the Real Estate Fund is the Risk Management Policy of "Real Estate Fund "Samruk-Kazyna" JSC. The risk management policy defines the structure of risk management, the main components of the risk management system, it provides a systematic and consistent approach in the implementation of the risk management process.

The structure of the risk management system in the Real Estate Fund is represented by risk management at several levels involving the management bodies and units of the Real Estate Fund, including the Board of Directors, the Management Board, the Risk Management Committee, the structural division responsible for risk management, the Internal Audit Service, and other structural units.

The main goal of risk management is to ensure the maximum safety of assets and capital by reducing (eliminating) possible losses through effective procedures and an effective risk management mechanism that allows management to identify, to measure, to monitor, and to minimize the impact of certain types of risk.

Annually the Internal Audit Service evaluates the effectiveness of the risk management system. Based on the results of the assessment, the effectiveness of the risk management system in 2016 was 72,92%, which shows the increase over the 2015 estimate, which was 68,83%.

RISK MANAGEMENT COMMITTEE

The Chairman of the Risk Management Committee is the Chairman of the Management Board. The structure of the committee includes the heads of the Company structural divisions.

The Risk Management Committee prepares recommendations to the Management Board for making decisions on risk management issues, as well as monitoring the effectiveness of the risk management system and making recommendations to structural units in order to minimize risks, to improve the efficiency of business processes and to achieve strategic goals.

In 2016, 4 meetings of the Risk Management Committee were held, which addressed the following issues:

- Levels of risk appetite and tolerance for key risks for 2017;
- Key risk indicators for 2017;
- Register and risk map for 2017;
- Development of business process flowcharts within the framework of implementation of the process approach;
- Risk management reports and other issues.

EARLY REACTION TO POTENTIAL THREATS

Key risk indicators are indicators that provide organizations with early signals of changing risk factors in various areas of activity. Key risk indicators are defined for each of the major risks of the Real Estate Fund and allow us to detect potential risks and to take early measures to avoid risk events or to minimize their impact on the Company operations.

In order to promptly respond to possible events, the Key Risk Indicators report is reviewed on a monthly basis by the Real Estate Fund Board and it is submitted on a quarterly basis to the Risk Committee, the Management Board and the Board of Directors.

Information coming from the bottom up provides the Board of Directors and the Board of the Real Estate Fund with information on current activities, identified risks, their evaluation, control, and measures taken to minimize these risks.

MAIN RISKS AND MEASURES ON THEIR MINIMIZATION

In the Real Estate Fund, an integrated identification and risk assessment is carried out on the annual basis, following which a Register and a risk map are drawn up, which are approved by the Board of Directors.

The main risks of the Company are related to the specific activities, and include the risks associated with the construction process, such as the risk of untimely commissioning of real estate, the risk of delay in taking ownership of real estate and others. For each risk, the detailed action plan is drawn up with an indication of the objectives of the measures, the timing of implementation, and the structural unit responsible for undertaking risk minimization activities. Risk management activities include both preventive and reactive measures.

INTERNAL CONTROL

The internal control system (hereinafter referred to as "ICS") is a tool that allows management to make decisions aimed at promptly identifying and preventing risks, and to provide reasonable confidence in achieving the company strategic goals.

When creating an internal control system, the Real Estate Fund adheres to the methodology of COSO (the Committee of Sponsoring Organizations of the Treadway Commission). The main document that defines the concepts, objectives and principles of building the internal control system in the Real Estate Fund is the Regulation on the Internal Control System. The Regulation on the internal control system determines the basic principles and requirements for the creation and functioning of the ICS, consisting of five interdependent components:

- Control environment;
- Risk assessment;
- Procedures for internal control;
- Information support and information exchange system;
- Monitoring and evaluation of the internal control system effectiveness.

One of the most important conditions for the effective functioning of the ICS is its constant evaluation and improvement, both at the level of individual business processes and general system as a whole. In 2016, for the first time in the Company, all business processes of the Company have been described, identified Process risks, milestones, and to develop a matrix of risks and controls. The Internal Audit Service on an annual basis assesses the effectiveness of the internal control system, based on the results of the audit, recommendations are presented for improving the ICS. Taking into account the recommendations of the IAS, the plan is being developed to improve the internal control system.

CORPORATE GOVERNANCE



SYSTEM AND PRINCIPLES OF CORPORATE GOVERNANCE

The basic principles of corporate management of the Real Estate Fund are fixed in the Code of Corporate Governance of "Real Estate Fund "Samruk-Kazyna" JSC.

The Code provides for seven sections of corporate governance, which should adhere to the Real Estate Fund:

- The government as a shareholder of the Fund (this principle applies only to the Sole Shareholder);
- Interaction between the Foundation and organizations. The role of the Fund as a national holding manager;
- Sustainable development;
- Rights of shareholders (participants) and fair treatment of shareholders (participants);
- Effectiveness of the Board of Directors and the executive body;
- Risk management, internal control and audit;
- Transparency.

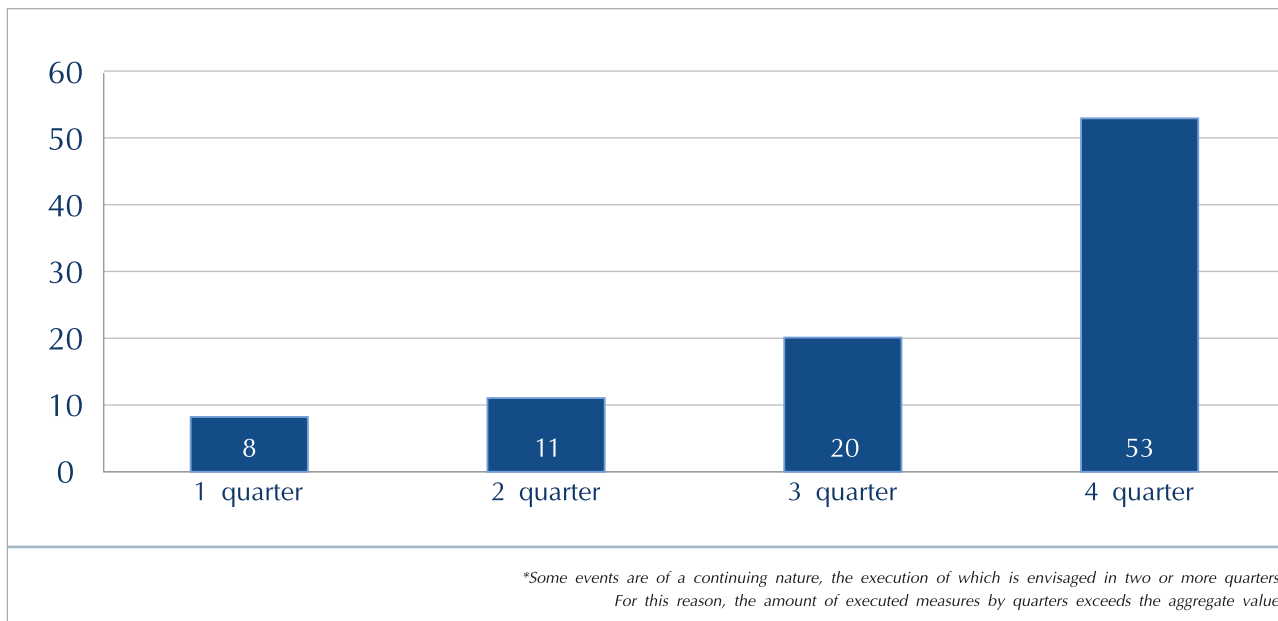
In order to ensure compliance with the new Code, the Board of Directors of the Real Estate Fund has developed and approved a Medium-Term Plan for the Improvement of Corporate Governance for 2016-2018, which contains a list of necessary activities, responsible structural units and the timing of the activities implementation.

On a quarterly basis, the Management Board reports to the Board of Directors on the implementation of the Medium-Term Plan activities. In 2016, the Real Estate Fund planned 74 events, which were fully and timely executed during the year.

Below there are some of the activities of the Medium-Term Plan for 2016:

- Amendments to the Charter of the Real Estate Fund;
- Amendments to the Regulations on the Board of Directors;
- Appointment of a Senior Independent Director from among independent directors;
- Improving the quality of management information by including key risk indicators in monthly management reporting;
- Approval of the Disclosure Policy in accordance with the requirements of the Corporate Governance Code;
- Carrying out a detailed assessment of the corporate website and disclosing the list of information required by the Code;
- Introduction of changes and additions to the Rules for the evaluation of the activities of managers;
- Amendments and additions to the Provisions on the Corporate Secretary;
- Conducting an independent evaluation of the Internal Audit Service;
- Approval of the Order on distribution of functions among the members of the Management Board.

Implementation of the Medium-Term Plan activities for the improvement of the corporate system for 2016



REPORT ON THE FOLLOWING PRINCIPLES OF THE CORPORATE GOVERNANCE CODE "FUND FOR REAL ESTATE "SAMRUK-KAZYNA" JSC FOR 2016

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|--|---|---|---|
| 1. Government as a shareholder of the Fund | | | |
| 1.1 | The main strategic goal of the Foundation and organizations is the growth of long-term value and sustainable development of the Fund and organizations, which is reflected in the development strategy of the Fund and companies. All taken decisions and actions must be consistent with the development strategy. | Observed | These strategic objectives are reflected in the Development Strategy of the Real Estate Fund for the period 2014-2023, approved by the decision of the Board of Directors dd. 20.03.2014, No. 80. The acting documents of the Company are given in accordance with the Development Strategy, the competence of the governing bodies is determined by the Charter. The plan for the development of the society for 2016-2020 is developed on the basis of strategic goals and tasks defined in the Development Strategy. |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|-----|--|---|---|
| 1.2 | <p>The Government of the Republic of Kazakhstan is the sole shareholder of the Fund.</p> <p>Organizations carry out their activities within the framework of their primary (core) activities. Implementation of new activities is allowed provided that there is no competition in this market or the participation of the Fund and organizations will promote the development of small and medium-sized businesses.</p> | Observed partially | <p>The Real Estate Fund carries out its activities within the framework of its primary (core) activity in accordance with the Company Charter. This condition is set in the Development Strategy of the Federal Public Fund for 2014-2023 and it enforcements in practice in decision-making. The Real Estate Fund is the operator of the Program for the Development of Regions and the Nurly Zhol Program, which are implemented through public-private partnership. The Real Estate Fund Group includes one subsidiary in the form of a private limited company, whose activities are aimed at the implementation of the "Green Square" project. The sole shareholder of the Real Estate Fund is "Samruk-Kazyna" JSC.</p> <p>In 2016, the Board of Directors of the Real Estate Fund decided to update the Development Strategy of the Real Estate Fund.</p> |
| 1.3 | <p>The government participates in the management of the Fund and organizations solely through the exercise of the powers of the sole shareholder of the Fund provided for by the Law on the National Welfare Fund and the charter of the Fund and representation in the Board of Directors of the Fund. The main principles and issues of interaction between the Government and the Fund are regulated in the Agreement on Cooperation between the Government of the Republic of Kazakhstan and the Fund approved by Decree No. 1599 of the Republic of Kazakhstan Government dd. December 14, 2012 (hereinafter - the Interaction Agreement). In relation to the Government as a shareholder, the principles of section 4 are applied. "The rights of shareholders (participants) and fair treatment of shareholders (participants)" of this Code in a part that does not contradict the Law of the Republic of Kazakhstan "On the National Welfare Fund".</p> | Not applicable | |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 1.4 | <p>With a view to stable socio-economic development of the country, ensuring the stability of the economy and protection from the impact of possible unfavorable external factors, the management issues of the Fund are considered at the meeting of the Fund Management Council (hereinafter referred to as the FMC) headed by the President of the Republic of Kazakhstan. FMC carries out its activities in accordance with the Regulations approved by the Decree of the President of the Republic of Kazakhstan dd. December 6, 2010 No. 1116.</p> | Not applicable | |
| 1.5 | <p>The Government grants full operational independence to the Fund and the Organizations and it does not allow interference by the Government and state bodies in the operational (current) and investment activities of the Fund and Organizations except for cases provided for by laws, acts and instructions of the President of the Republic of Kazakhstan. The Board of the Foundation, the Chairman of the Board of the Foundation, the bodies of the Organizations are completely substantive and independent in making decisions and implementing any actions within their competence.</p> | Observed | <p>The REFSK is guided by the Charter and internal documents. Resolutions of the Government of the Republic of Kazakhstan regulate the requirements / parameters to facilities within the framework of state programs. However, the REFSK decision-making procedure is determined independently, without state intervention.</p> |
| 1.6 | <p>Relationships (interaction) between the Government and the Fund, organizations are carried out through the Board of Directors of the Fund in accordance with the principles of good corporate governance. The role and functions of the Chairman of the Board of Directors and the Chairman of the Board of the Fund are clearly delineated and fixed in the documents of the Fund.</p> | Observed | <p>The Charter clearly defines the powers and responsibilities of the Board of Directors and the Management Board. Members of the Government and other public servants (representatives of state bodies) are not members of the Board of Directors of the Real Estate Fund. The Board of Directors is elected by the Sole Shareholder. The Charter defines a ban on combining the positions of the Chairman of the Board of Directors and the Chairman of the Management Board.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 1.7 | <p>The Fund discloses to the Government, as a shareholder and the Board of Directors of the Fund, all necessary information on the activities of the Fund in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter of the Fund, the Agreement on Cooperation and ensure the transparency of the activities of the Fund and organizations.</p> | Observed | <p>The Management Board of the Real Estate Fund, at least once a quarter, reports by submitting consolidated results of the Real Estate Fund for consideration by the Board of Directors.</p> |
| 1.8 | <p>The investment activity of the Fund or organization is carried out on market principles in accordance with the strategy of the Fund or the organization and it is aimed at increasing the value and optimal structure of assets.</p> <p>The cases of implementation by the Fund or organization of low-profitable and socially significant projects should be disclosed in the annual report of the Fund or organization, indicating the sources of financing for such projects.</p> | | <p>The distribution of net income in favor of the Sole Shareholder is carried out in the form of dividends on the basis of a formalized and transparent dividend policy.</p> <p>The participation of the Real Estate Fund in public housing programs is disclosed in the Annual Reports, indicating the sources of funding for the programs.</p> <p>The investment activity of the Real Estate Fund is carried out within the framework of the development strategy and it is aimed at increasing the value and optimal structure of assets. Unified approaches to the organization of investment activities are defined in the internal documents of the Real Estate Fund, which regulate investment activities.</p> <p>The REFSK implements the "Affordable Housing - 2020" program, a large-scale project within the framework of EXPO-2017, and also completes the implementation of the anti-crisis program. All program data are socially significant. The FNSK JSC describes the activities in these areas in detail.</p> |
| 1.9 | <p>The Board of Directors of the Fund, the Management of the Fund, the committees of the Board of Directors of the Fund, the Corporate Secretary and the Internal Audit Service (hereinafter - IAS) of the Fund carry out their activities in accordance with the principles of sections 5 "The effectiveness of the Board of Directors and the executive body" and 6 "Risk management, internal control and Audit" in the part that does not contradict the Law of the Republic of Kazakhstan "On the National Welfare Fund".</p> | Not applicable | |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 1.10 | For more in-depth and qualitative elaboration of issues, the Board of Directors of the Foundation creates committees: on audit, appointments and remunerations, a specialized committee. Other committees can be established at the discretion of the Board of Directors of the Fund. | Observed | <p>These requirements are enshrined in the Charter and the Regulations on the Board of Directors. Under the Board of Directors:</p> <ol style="list-style-type: none"> 1) Audit Committee; 2) Remuneration and Nomination Committee; 3) Committee on Strategic and Investment Issues. <p>Committees consist of 3 members. The audit committee of the Foundation or organization consists exclusively of independent directors. Members of the Committees have the necessary professional knowledge to work in a particular committee. The Chairmen of the Committees are independent directors.</p> |
| 1.11 | The Foundation appoints a corporate secretary. The Board of Directors decides on the appointment of a corporate secretary, determines the term of its powers, functions and procedures. The main duties of the corporate secretary include assisting in the timely and qualitative adoption of corporate decisions by the Board of Directors, the sole shareholder, acting as an adviser to the members of the Board of Directors on all matters related to their activities and applying the provisions of this Code, and monitoring the implementation of this Code and participation in improving Corporate governance in the Fund and organizations. | Not applicable | |
| 1.12 | The Foundation creates IAS. The Board of Directors of the Fund determines the number of members, terms of office, appoints its leader, and early termination of its powers, determines the procedure for its work, the amount and terms of remuneration and bonuses for IAS employees, as well as the IAS budget. | Not applicable | |
| 1.13 | The Fund creates a collegial executive body in the form of government. The Management Board is accountable to the Board of Directors and it carries out its activities within the competencies defined by the Charter of the Fund. | Not applicable | |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | The Board of Directors of the Fund monitors the effectiveness of the Board of the Fund, including the implementation of decisions of the sole shareholder and the Board of Directors of the Fund. | | |
| 1.14 | <p>The foundation and organizations must adhere to high ethical standards and implement the necessary procedures to ensure the permanent application of these standards by all employees and partners of the Fund and organizations.</p> <p>Notifications of alleged violations must be sent directly to the IAS or the Board of Directors of the Foundation or organization. The executive body and all its structural units, including the security service, should not prevent the transmission of notices of alleged violations of the IAS or the Board of Directors.</p> | Observed | <p>The Real Estate Fund approved the Code of Business Ethics (decision of the Board of Directors dd. April 21, 2010, № 26, with changes dd. April 15, 2014, № 81), with which all employees are acquainted and regularly confirm their knowledge of the code.</p> <p>In accordance with the Policy on dealing with reports of possible or known facts of fraud, abuse and other unlawful actions in the Real Estate Fund, the messages are transmitted to:</p> <ol style="list-style-type: none"> 1) the Board of Directors of the Company; 2) the Chairman of the Management Board of the Company; 3) Advisers to the Chairman; 4) Internal Audit Service 5) The Ombudsman or the Head of the Security Department; 6) Heads of their structural units or leaders of a higher level. |
| 1.15 | In order to comply with the principles of business ethics and optimal regulation of social and labor disputes arising in the Fund and organizations, an ombudsman is appointed. | Observed | <p>The Institute of the Ombudsman functions in the Real Estate Fund.</p> <p>The Ombudsman is appointed by decision of the Board of Directors and it is subject to re-election every two years.</p> <p>Powers of the acting Ombudsman, A.A. Gabdullin, were prolonged for 2 years by the decision of the Board of Directors of the Company dd. May 20, 2014, No. 92.</p> <p>The Ombudsman has an impeccable business reputation, high authority and he has the ability to make impartial decisions.</p> <p>The Ombudsman sends an annual report to the Board of Directors on an annual basis. The Ombudsman submits a report on the results of the work to the Audit Committee of the Board of Directors at least once a year, who assesses the results of his activities. The Board of Directors evaluates the results of the Ombudsman activities and decides on the extension or termination of powers.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 2. Interaction of the Foundation and organizations. The role of the Fund as a national holding manager | | | |
| 2.1 | The corporate governance system in the Fund and organizations ensures proper management and control over their activities and it is aimed at the growth of long-term value and sustainable development. | Observed | The Fund interaction with the Real Estate Fund is carried out on the basis of a built-in corporate governance system and in accordance with the Regulation on managing the SA of "Samruk-Kazyna" JSC. |
| 2.2 | The system of corporate governance of the Fund and organizations is a set of processes that ensure the management and control of the activities of the Fund and organizations, as well as the system of relationships between the executive body, the Board of Directors, shareholders and stakeholders. The competence of bodies and the decision-making procedure must be clearly defined and fixed in the charter. | Observed | The Fund interaction with the Real Estate Fund is carried out on the basis of a built-in corporate governance system and in accordance with the Regulation on managing the SA of "Samruk-Kazyna" JSC. Competence of bodies and decision-making procedures are clearly defined and fixed in the charter. |
| 2.3 | The Fund participates in the management of companies through the exercise of the functions of a shareholder (participant), as well as through the Board of Directors, in accordance with the procedure established by the companies charters and this Code. | Observed partially | The Fund participates in the management of the REFSK through the implementation of the functions of the Shareholder / Participant, as well as through the Board of Directors, in accordance with the procedure specified in the REFSK charter. Representatives of the Sole Shareholder in the Board of Directors of the Real Estate Fund are Zh.A. Munzhasarov (Chairman of the BD of REFSK), Ye.B. Tutkushev (Member of the Board of Directors). Expectations of CS for 2017-2021 years were sent by letter dd. 20.10.2016, N 05-01-3-02/3455. The Board of Directors has independence in making decisions within its competence, established by the charter. The Fund position on certain issues is reported through the representatives of the Fund in the BD - Zh.A. Munzhasarov, Ye.B. Tutkushev. Issues within the exclusive competence of the general meeting of shareholders and the Board of Directors in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" were not transferred to the competence of the Board of Directors and the executive body of the company. In 2016, the full-time meeting of the CS Board with the participation of the members of the Board of REFSK on the results of REFSK activities for 2015 was not conducted. |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 2.4 | The Fund, taking into account discussions with companies, forms a single policies for companies, approves methodological recommendations and corporate standards for organizations. | Observed | |
| 2.5 | The executive bodies of the Fund and the Companies must cooperate in a spirit of cooperation in order to ensure sufficient ambitious and realistic Development Plans of Companies sent for approval to the Boards of Directors of the Companies, as well as their compliance with the Strategy and the Development Plan of the Fund. | Observed | The Fund presents the target parameters of long-term efficiency (financial and production) to ensure that the management of REFSK will achieve them. Constant interaction on implementation of the development strategy is supported, including on long-term and medium-term issues, planning, risk management, investment activities, personnel management, etc. |
| 2.6 | The distribution of net income in favor of the Fund as a shareholder is in the form of dividends on the basis of a formalized and transparent dividend policy. | Observed | The Fund approved the Dividend Policy in relation to its subsidiaries (Decision of the Board of the Foundation No. 39/12 dd. 02.10.2012). The Fund has brought the long-term efficiency "Expanded dividends", which in 2015-2018 must be at least 30%. |
| 2.7 | The management of organizations is carried out by the bodies of organizations in accordance with the competencies and procedures determined by the organization charter. This principle applies to organizations with several shareholders (participants). | Observed | The competences of the governing bodies are defined by the Charter, the provisions on the BD, the Management Board, the Regulation on the management of the ADC of the Fund. |
| 2.8 | The Fund, organizations and their officials are responsible for the growth of long-term value and sustainable development of the Fund and organizations, respectively, and decisions and actions/omissions, in accordance with the legislation of the Republic of Kazakhstan and internal documents. | Observed | REFSK and officials are responsible for the decisions and actions/omissions in accordance with the legislation of the Republic of Kazakhstan, the charter and other normative documents. The increase in the company long-term value is determined by the strategic direction of the REFSK. The growth of the long-term value of the company is defined in specific target values of long-term efficiency - EVA the increase in the value of the company, the responsibility for which is borne by the REFSK and its officials. Parameters of long-term strategic efficiency for 2016-2020 were submitted to CS to ensure their achievement |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|----------------------------|--|---|--|
| | | | <p>in the development of the Development Plan of REFSK for 2016-2020. Monitoring of the Development Plan implementation is carried out on a monthly and quarterly basis.</p> <p>Assessment of the strategic efficiency achievement is carried out within the framework of the report on the implementation of the Development Plan on a quarterly basis.</p> <p>The requirement that this assessment affects the remuneration of the head and members of the Executive bodies is taken into account when they are reelected, and may be grounds for their removal from office early, fixed in the Rules for evaluating the activities of the Company senior employees.</p> |
| 2.9 | <p>The board of directors of the holding company must ensure management effectiveness, long-term value growth and sustainable development in all legal entities that are part of its group. The results of effective management in the group of the holding company should be increased operational efficiency, improved reporting quality, improved standards of corporate culture and ethics, greater openness and transparency, risk reduction, proper internal control system.</p> | No applicable | |
| 3. Sustainable development | | | |
| 3.1 | <p>The Fund and organizations are aware of the importance of their influence on the economy, the environment and society and, in an effort to increase long-term value, it must ensure their sustainable development in the long term, respecting the balance of interests of the parties. The approach of responsible, thoughtful and rational interaction with stakeholders will contribute to the sustainable development of the Fund and organizations.</p> | Observed | <p>The Real Estate Fund in the course of carrying out its activities has influence or is under the influence of the Stakeholders. Interaction with stakeholders is regulated by internal regulatory documents (charter, Regulation on Disclosure of Information, Stakeholder Card, etc.).</p> <p>The Real Estate Fund has developed the Stakeholders Card (the Board decision of 15/05/2012 from N19 / 2012), where the list of stakeholders is determined, with the degree of influence possible, the Policy in the field of corporate social responsibility (decision of the Board of Directors dated</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | <p>29.08.2012 No. 65, modified And supplemented in 2015), which defines the principles of interaction with stakeholders, based on international standards of interaction organization with stakeholders AA1000. The Real Estate Fund develops and approves the Action Plan for interaction with interested parties for each year.</p> |
| 3.2 | <p>The Fund and organizations must ensure the coherence of their economic, environmental and social goals for sustainable development in the long term, which includes, among other things, the growth of long-term value for shareholders and investors. Sustainable development in the Fund and the organization consists of three components: economic, environmental and social.</p> | <p>Observed</p> | <p>Consistency of the goals is achieved in the long-term development strategy of the REFSK (for 2014-2023), which is implemented through the approval of the medium-term Development Plan, the implementation of the Policy in the field of corporate social responsibility, Environmental Policy and other internal documents of REFSK. REFSK Development Strategy aims to increase the long-term value of the company, provided the growth of investment, including in new areas of activity - the "green" construction, the introduction of innovations in the construction industry and others. The environmental policy was approved by the decision of the Board dd. 27.06.2012, No. 26/2012. The policy in the field of labor protection and industrial safety was approved by the decision of the Board dd. 11.06.2011, N 26/2011. REFSK carries out a personnel policy (dd. 11.04.2011, the protocol of the decision of the Board of Directors, No. 44) and also in accordance with the Rules for evaluating the activity and remuneration of senior employees, with amendments and additions (Decisions of the Board of Directors dd. July 10, 2013, No. 76 and 02.07.2014, N 84) and the Rules for evaluating the activities of administrative employees (the Board decision dd. 2012, No. /2012) aimed at providing employees with decent wages, social guarantees, conditions for self-fulfillment and development.</p> <p>In accordance with the Rules for the provision of social support (from July 27, 2009, the protocol of the decision of the BD No. 6), the Fund employees are</p> |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | provided with the provision of material assistance for health improvement in the provision of annual paid leave, in connection with the birth/adoption of the child, payment of maternity leave, leave for employees who adopted a newborn child (newborn children), due to the death of an employee/relatives, to pay for medical treatment/employee operations, compensatory allowance insurance, medical insurance. |
| 3.3 | The Fund and Organizations must analyze their activities and risks in these three aspects, and seek to avoid or to reduce the negative impact of their performance on the Stakeholders. | Observed | The public annual report of the REFSK is an integrated report and it is prepared in accordance with the requirements of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), version 3.1, and sectoral annexes to the Guide for the Financial Services Sector. The report contains an analysis of the company activities in the economic, social and environmental aspects and meets the criteria for the level of application of the "C". |
| 3.4 | Principles in the field of sustainable development are openness, accountability, transparency, ethical behavior, respect for the interests of stakeholders, the rule of law, respect for human rights, intolerance to corruption, the conflict inadmissibility of interest, personal example. | Observed | <p>In its activities, the Real Estate Fund is aware and bears corporate social responsibility to all stakeholders. Disclosure of principles and priorities in the field of corporate social responsibility and sustainable development:</p> <p>1. Transparency.</p> <p>Activities, including those in the field of corporate social responsibility should be clear and understandable, any information, except confidential, should be available to the public.</p> <p>The activities are carried out on the basis of dialogue with all interested parties.</p> <p>2. In the field of labor relations: support for freedom of association and the real recognition of the right to collective bargaining; elimination of all forms of forced and compulsory labor; the complete eradication of child labor; elimination of discrimination in the world of work and employment.</p> |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | <p>3. In the field of environmental protection: support for a precautionary approach to environmental issues; adoption of initiatives aimed at increasing responsibility for the state of the environment; promoting the development and diffusion of environmentally sound technologies.</p> <p>4. In the field of human rights: support and respect for the protection proclaimed at the international level of human rights; non-participation in human rights violations.</p> <p>5. In the field of fighting corruption: opposition to all forms of corruption, including extortion and bribery.</p> <p>6. Relevance and relevance. Implemented projects should be timely and in demand.</p> <p>7. Efficiency. Financing projects should be effective and subject to regular evaluation and accounting.</p> |
| 3.5 | <p>The Fund and the organization should have a sustainable development management system that includes, but is not limited to, the following elements:</p> <p>1) adherence to the principles of sustainable development at the level of the Board of Directors, the executive body and employees;</p> <p>2) analysis of the internal and external situation in three components (economy, ecology, social issues);</p> <p>3) identification of risks in the field of sustainable development in social, economic and environmental spheres;</p> <p>4) creation a stakeholder map;</p> <p>5) definition of goals and efficiency in the field of sustainable development, development of an action plan and identification of responsible persons;</p> <p>6) integration of sustainable development into key processes, including risk management, planning, human resources management, investments, reporting, operational activities and others,</p> | Observed | <p>1) The Charter, the Regulations on the Board of Directors, and the Regulations on the Management Board set out the competence of the Company management bodies in the field of sustainable development. By the decision of the Board of Directors No. 113 dd. December 7, 2016, amendments and additions were made to the Regulation on the Committee on Strategic and Investment Issues, which competence includes issues related to the sustainable development of the Real Estate Fund. The Chairman of the Board approved the Order on the distribution of functions among the members of the Management Board, including the consolidation of the functional responsibilities for sustainable development.</p> <p>2) The report on sustainable development is prepared annually in accordance with the GRI Guidelines within the framework of the integrated annual report, which includes this analysis.</p> <p>3) Risks in economic, social, environmental spheres are included in the register of risks.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | <p>as well as in development strategy and decision-making processes;</p> <p>7) professional development of officials and employees in the field of sustainable development;</p> <p>8) regular monitoring and evaluation of activities in the field of sustainable development, assessment of the achievement of goals and efficiency, taking corrective measures, introducing a culture of permanent improvement.</p> | | <p>4) The Stakeholders Fund of the Real Estate Fund was approved by the decision of the Board dd 15.05.2012, No. 19/2012.</p> <p>5) The goals, Efficiency and action plan with the definition of responsible persons are defined in the Policy in the field of corporate social responsibility, approved by the decision of the Board of Directors dd. 29.08.2012, No. 65, as well as the Development Strategy for 2014-2023, and also annual plans for implementing the Development Plan, motivational efficiency of leading employees.</p> <p>6) The principles of sustainable development are integrated into key processes: risk management (the risk register contains risks in the field of sustainable development), planning (efficiency in sustainable development), human resources management (social policy implementation), investments (implementation of the "Affordable Housing-2020" program, Projects using "green" technologies), sustainability reporting in accordance with the GRI guidelines, operational activities (monitoring the quality of CIW, creating new jobs at sites with Support of official content in procurement of developers, etc.), development strategy (strategic efficiency).</p> <p>7) On December 20-21, CSR Central Asia conducted a seminar on sustainable development for employees of the Real Estate Fund.</p> <p>8) A sustainability report with a self-evaluation of the company is produced once a year in preparation for an integrated annual report.</p> |
| 3.6 | <p>The Fund and the companies annually publish their reports in the field of sustainable development in order to ensure clarity and transparency of their activities for interested parties, taking into account the protection of information constituting official, commercial and other secret protected by law.</p> | Observed partially | <p>The annual report of the Real Estate Fund for 2015 contains the section "Sustainable Development", which discloses such indicators as: Interaction with the community, Charity and Sponsorship, Interaction with Personnel, and Environmental Responsibility.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | Reporting in the field of sustainable development is approved by the Board of Directors. | | <p>The annual report for 2015 is posted on the Internet resource of the Real Estate Fund.</p> <p>The Internet resource of the Real Estate Fund contains a separate section - "Sustainable Development".</p> <p>According to the Code of Corporate Governance, the requirement to publish reports on sustainable development is applied from January 1, 2017.</p> <p>In 2017, the Real Estate Fund plans to prepare its first report on sustainable development. This event is included in the Work Plan of the Board and the Work Plan of the Board of Directors for 2017.</p> <p>The approved report on sustainable development will be posted on the Internet resource.</p> |
| 3.7 | The Fund and organizations should take measures to adopt and adhere to the principles of sustainable development in their relations with partners. | Observed | <p>1) The Real Estate Fund in its relations with partners seeks to comply with the principles of sustainable development.</p> <p>2) Contracts concluded with the developer, general contractor for the construction of facilities financed with the participation of the Real Estate Fund, include measures for sustainable development.</p> <p>3) Agreements of the Real Estate Fund with developers are provided the event of termination related to the misuse of funds, poor implementation of construction works, not the elimination of identified defects, the criminal case on officials of the developer, etc.</p> |
| 4. Rights of shareholders (participants) and fair treatment of shareholders (participants) | | | |
| 4.1 | Observance of the rights of shareholders (participants) is a key condition for attracting investments to the Fund and organizations. The organization must ensure the enforcement of the rights of shareholders (participants). If there are several shareholders (participants) in the organization, a fair treatment must be provided to each of them. | Observed | <p>"Samruk-Kazyna" JSC is a Sole shareholder of the Real Estate Fund. Enforcement of the rights of the shareholder is carried out in accordance with the legislation of the Republic of Kazakhstan, constituent documents.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 4.2 | <p>Rights, duties and competencies of the shareholders (participants) are defined pursuant to the applicable legislation, constituent documents and are enshrined in them. Rights of the shareholders (participants) shall include, but not be limited to timely receipt of information sufficient for making a decision, in accordance with the procedure established by the legislation of the Republic of Kazakhstan, Charter and company's internal documents on information disclosure; participation in the general meeting of shareholders (participants) and voting on issues within the scope of their competence; taking part in determination of the number of members, term of office of the Board of Directors (Supervisory Board and executive body), election of its members and termination of their powers, as well as determination of the amount and terms of remuneration payment; receipt of dividends in the amount and at times determined by the resolution of the general meeting of shareholders (participants) based on the clear and transparent dividend policy.</p> | Observed | <p>Rights, duties and competencies of the shareholders are enshrined in the Charter of the Company. Pursuant to the Charter and Regulations on information disclosure of the Real Estate Fund "Samruk-Kazyna", as well as the Fund's internal documents the shareholder obtains the necessary information, including through the annual; report, website, information materials, briefings, requests, etc.</p> <p>Interaction between the Sole shareholder and the Real Estate Fund is subject to Subsidiaries and Affiliates Governance Regulations of the Fund.</p> <p>Decisions on issues attributed by the laws of the Republic of Kazakhstan and the Charter of the Organization to the competence of the general meeting of shareholders are taken by the Sole shareholder at his sole discretion and should be executed in written form.</p> <p>Procedure for the selection of independent directors is regulated by the Rules for the selection of independent directors of the companies of JSC "Samruk-Kazyna". Remuneration of independent directors is governed by the Rules for payment of remuneration and compensation for expenses of independent directors of the Companies of "Samruk-Kazyna" JSC.</p> <p>Distribution of net profit and payment of dividends by the Companies, more than fifty percent of shares (equity shares) of which belong to the fund on the basis of the right of ownership or trust management, is carried out in compliance with the dividend policy approved by the Fund for its subsidiaries.</p> |
| 4.3 | <p>In case of presence of several shareholders (participants) in the organization, including minority shareholders (participants), the corporate governance system must ensure fair treatment of all shareholders (participants) and full realization of their rights, which also should be reflected in the Charter of the organization.</p> | Not applicable | |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 5. Effectiveness of the Board of Directors and executive body | | | |
| 5.1 | <p>The Board of Directors is a governing body accountable to the general meeting of shareholders, which provides strategic managing of the organization and control over activities of the executive body. The Board of Directors ensures implementation of all provisions of this Code.</p> <p>Executive body is accountable to the Board of Directors, it manages the daily operations of the organization and ensures its compliance with the strategy, development plans and decisions made by the general meeting of shareholders and the Board of Directors.</p> | Observed | <p>These functions are enshrined in the Charter of the Real Estate Fund "Samruk-Kazyna".</p> |
| 5.2 | <p>The Board of Directors shall have an authority, which is sufficient for governance of the Organization and controlling the activities of the Executive body. The Board of Directors carries out its functions under the Charter and pays special attention to the following issues:</p> <ol style="list-style-type: none"> 1) definition of the development strategies (directions and results); 2) setting and monitoring of key performance indicators of the development plan; 3) organization and supervision of the effective functioning of the system of risk management and internal control; 4) approval and monitoring of the effective implementation of major investment projects and other key strategic projects within the competency of the Board of Directors; 5) election, remuneration, succession planning and control over the activities of head and members of the executive body; 6) corporate governance and ethics; 7) compliance with the provisions of this Code in the organization and corporate standards of the Fund in the field of business ethics (Business Ethics Code). | Partially observed | <p>These functions are enshrined in the Charter of the Real Estate Fund "Samruk-Kazyna", Regulation of the Board of Directors and are implemented in practice.</p> <p>The draft amendments and additions to the Regulation of the Board of Directors has been approved by the resolution of the Board of Directors of the Company No. 110 on 08.10.16 and submitted for approval by the Sole shareholder.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 5.3 | | Observed | These functions are enshrined in the Charter and Regulation of the Board of Directors of the Real Estate Fund "Samruk-Kazyna". |
| 5.4 | The Board of Directors and its committees should have a balance of skills, experience and knowledge to ensure independent, objective and effective decisions in the interests of the organization and with regard to equitable treatment of all shareholders and principles of the sustainable development. | Partially observed | This function is enshrined in the Regulation of the Board of Directors of the Real Estate Fund "Samruk-Kazyna".* * The draft amendments and additions to the Regulation of the Board of Directors has been approved by the resolution of the Board of Directors of the Company No. 110 on 08.10.16 and submitted for approval by the Sole shareholder. |
| 5.5 | It is necessary to provide a variety of experience, personal characteristics and gender composition in the composition of the Board of Directors. The Board of Directors shall consist of independent directors, in an amount sufficient to ensure the independence of decision-making and fair treatment of all shareholders. Recommended number of independent directors on the Board of Directors of the company is up to fifty percent of the total number of members of the Board of Directors. | Partially observed | These requirements are enshrined in the Regulation of the Board of Directors of the Real Estate Fund "Samruk-Kazyna".* In fact, the Company has 3 independent directors out of 6 members of the Board of Directors. In accordance with the Regulation of the Board of Directors and Charter, the Board of Directors consists of not less than five members. In fact, the Board of Directors consists of 6 members. The Regulation of the Board of Directors stipulates that number of members of the Board of Directors is set individually with due regard to the range of activity, business needs, current tasks, development strategy and financial capabilities. The number of members of the Board of Directors should allow to establish the required number of committees. Three Committees have been established under the Board of Directors: Remuneration and Nomination Committee, Audit Committee and Committee on Strategic and Investment Issues.. * The draft amendments and additions to the Regulation of the Board of Directors has been approved by the resolution of the Board of Directors of the Company No. 110 on 08.10.16 and submitted for approval by the Sole shareholder. |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 5.6 | <p>The general meeting of shareholders shall elect the members of the Board of directors on the basis of clear and transparent procedures taking into account competencies, skills, achievements, business reputation and professional experience of the candidates. In case of re-election of individual members of the Board of Directors or its whole composition for the new term, their contribution to the effectiveness of the Board of Directors of the organization is taken into account.</p> | <p>Partially observed</p> | <p>Procedure for the election of members of the Board of Directors is provided in the Rules for the selection of independent directors of the companies of JSC "Samruk-Kazyna", and the Subsidiaries and Affiliates Governance Regulations as well. Chairman of the Board of Directors is elected by the decision of the Sole shareholder. The Regulation of the Board of Directors is supplemented by term "Senior Independent Director". * By the decisions of the Board of Directors of the Company No. 110 dated 08.10.16 Azirbayev M.B. was elected as Senior Independent Director. There are no members of the Government or public servants among the members of the Board of Directors. Term of office of the members of the Board of Directors coincides with the term of office of the entire Board of Directors and expires at the time of adoption by the general meeting of shareholders of the decision to elect new members of the Board of Directors. Members of the Board of Directors are elected for the period of up to three years, and thereafter, subject to satisfactory performance, may be re-elected for another period of up to three years. Any period of election to the Board of Directors for a period of more than six years in a row (for example, two 3-year terms) shall be subject to special consideration in view of the necessary update of the qualitative composition of the Board of Directors. Independent director cannot be elected to the Board of directors for a period of more than nine years in a row. In exceptional cases, the election for more than nine years is allowed, the election of independent director to the Board of Directors shall take place each year with a detailed explanation of the need to elect this member of the Board of Directors and influence of this factor on the independence of the decision. No person shall be involved into decision making related to his own nomination, election and re-election.</p> <p><i>* The draft amendments and additions to the Regulation of the Board of Directors has been approved by the resolution of the Board of Directors of the Company</i></p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | <p>No. 110 on 08.10.16 and submitted for approval by the Sole shareholder.</p> <p>The succession plans for the members of the Board of Directors have not been approved yet. Consideration of succession planning for the members of the Board of Directors is scheduled by the Nomination and Remuneration Committee of the Board of Directors of the Real Estate Fund "Samruk-Kazyna" in 2017.</p> |
| 5.7 | <p>The Board of Directors approves the induction program for newly elected members of the Board of Directors and a professional development program for each member of the board of Directors. Corporate Secretary shall ensure the implementation of these programs.</p> | Observed | <p>Induction policy was approved by the decision of the Board of Directors of the Real Estate Fund "Samruk-Kazyna" No. 65 dated 29.08.2012. In 2016, the induction program was conducted for newly appointed members of the Board of Directors: Mamytaliyev B.D. and Tutkusheva Ye.B.</p> |
| 5.8 | <p>Chairman of the Board of Directors is responsible for overall management of the Board of Directors, ensures the full and effective implementation of its main functions and constructive dialogue between members of the Board of Directors, major shareholders and the executive body.</p> | Observed | <p>These requirements are enshrined in the Charter and Regulation of the Board of Directors.</p> |
| 5.9 | <p>The role and functions of the Chairman of the Board of Directors and head of the executive body shall be clearly separated and fixed in the Charter of the organization, Regulations of the Board of Directors and executive body.</p> | Observed | <p>These requirements are enshrined in the Charter and Regulation of the Board of Directors.</p> |
| 5.10 | <p>The level of remuneration of the Board of Directors members should be sufficient to attract, retain and motivate each member of the Board of Directors at the level required for successful management of the organization. Setting of remuneration for a member of the Board of Directors of the organization should be made in accordance with the methodology developed by the Fund, and in this case the expected positive effect to the organization of participation in the Board of Directors of this particular member should be taken into account. In organizations with several shareholders the relevant rules of the remuneration of members of the Board of Directors are developed based on the methodology of</p> | Partially observed | <p>Practically, members of the Board of Directors are appointed by the decision of the Sole Shareholder. Every year the Sole Shareholder collects information on the effectiveness of independent directors. The Nomination and Remuneration Committee of the Board of Directors of the organization submits its proposals on the size of remuneration of candidates for independent directors. No person shall be involved in decision making related to his own remuneration. These requirements are not fixed in the Rules for payment of remuneration and compensation for expenses to independent directors of the Real Estate Fund "Samruk-Kazyna".</p> |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | the Fund and approved by the general meeting of shareholders. The Nomination and Remuneration Committee of the Board of Directors of the organization submits its proposals related to the size of remuneration of candidates for independent directors. | | |
| 5.11 | Committees of the Board of Directors promote deep and careful consideration of matters within the competence of the Board of Directors and increase in the quality of decisions made, especially in such areas as audit, risk management, proper and effective application of the Rules for procurement of goods, works and services of the Fund and organizations, appointment and remuneration of members of the Board of Directors and the executive body, sustainable development, including safety and security of work and environment. The existence of the committees shall not relieve members of the Board of Directors from responsibility for decisions made within the competence of the Board of Directors. | Observed | <p>These requirements are enshrined in the Charter and Regulation of the Board of Directors. The following committees was established under the Board of Directors:</p> <ol style="list-style-type: none"> 1) Audit Committee; 2) Remuneration and Nomination Committee; 3) Committee on Strategic and Investment Issues. <p>The Committees consist of 3 members. Independent directors are their chairmen.</p> |
| 5.12 | Preparation and conduction of meetings of the Board of Directors should promote maximum effectiveness of its activities. In order to perform their duties, members of the Board of Directors should have access to complete, relevant and timely information. | Observed | <p>These requirements are enshrined in the Regulation of the Board of Directors. The Board of Directors holds regular meetings to perform its functions effectively. Meetings of the Board of Directors are held in accordance with the work plan approved before the beginning of the calendar year. Meetings of the Board of Directors and its committees are carried out by voting in person or in absentia, while the number of meetings with voting in absentia should be minimized. Consideration and adoption of decisions of important and strategic character are made only at meetings of the Board of Directors with voting in person. In special cases, a combination of both forms of meeting of the Board of Directors and its committees might be possible. Meetings of the Board of Directors and its committees are duly minuted by the Corporate Secretary with the results of discussions and decisions taken specified.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 5.13 | <p>The Board of Directors, committees and members of the Board of Directors shall be assessed on an annual basis as part of structured process approved by the Board of Directors of the organization. This process should be in compliance with the methodology of the Fund. At the same time, at least once in every three years, assessment is carried out by involving independent professional organization.</p> | <p>Partially observed</p> | <p>In the Real Estate Fund, the Regulation on assessment of effectiveness of work of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors was approved by the decision of the Board of Directors (No. 67 dated 24.10.2012). In accordance with the Regulation, an annual assessment of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors, including independent directors and shareholders' representatives is made. Assessment with the involvement of independent professional organization was made in 2015. In 2016, the assessment was conducted using its own resources. As of today, the Fund does not have a methodology for assessment of the Board of Directors, committees and members of the Board of Directors.</p> |
| 5.14 | <p>Assessment should allow to determine the contribution of the Board of Directors and each of its members to the growth of long-term value and sustainable development of the organization, as well as to identify trends and recommend measures for improvement. The assessment results are taken into account when re-electing or early terminating of office of the members of the Board of Directors.</p> | <p>Partially observed</p> | <p>Provisions stating that the assessment results are taken into account in case of re-election or early termination of office of members of the Board of Directors are fixed in the Regulation on assessment of effectiveness of work of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors of the Real Estate Fund "Samruk-Kazyna".</p> <p>Assessment does not determine the contribution of the Board of Directors and each of its members to the growth of long-term value and sustainable development of the organization. It is planned to update the Regulation on assessment of effectiveness of work of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors of the Real Estate Fund "Samruk-Kazyna".</p> |
| 5.15 | <p>For the efficient organization of the Board of Directors' operations and interaction between the Board of Directors, executive body and the shareholders; the Board of Directors appoints the Corporate Secretary.</p> | <p>Observed</p> | <p>These requirements are fixed in the Charter, Regulation of the Board of Directors, Regulation on the Corporate Secretary. The Corporate Secretary is accountable to the Board of Directors and independent of the executive body of the company. Principal duties of the Corporate Secretary include assistance in a timely and high-quality adoption of corporate decisions by the Board of Directors,</p> |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|------|--|---|---|
| | | | <p>the Sole Shareholder, exercising functions of advisor to the members of the Board of Directors on all matters relating to their activities and application of provisions of the Code, as well as monitoring of implementation of the present Code and participation in the improvement of corporate governance in the Fund and organization.</p> <p>Corporate Secretary also prepares a report on compliance with the principles and provisions of this Code, which should be included in the annual report of the Fund.</p> |
| 5.16 | <p>Collegial Executive Body is established in the companies, in other organizations, and in case of creation of a company - a joint venture Executive Body may be collegial or individual at the discretion of the shareholders (participant). The head and members of the Executive Body should have high professional and personal characteristics, and have impeccable business reputation and follow high ethical standards.</p> | Observed | <p>1) According to clause 39 of the Charter of the Real Estate Fund, management of current operations is carried out by the executive body of the Company - Management Board.</p> <p>2) The list of criteria for assessment of candidates for the Management Board of the Real Estate Fund "Samruk-Kazyna" was approved (decision of the Board of Directors dated 24.05.2016, minutes No. 103) for assessment and approval of candidates for the position of the Chairman and members of the management Board by the Nomination and Remuneration Committee of the Board of Directors.</p> |
| 5.17 | <p>Executive Body is accountable to the Board of Directors and manages the daily operations of the organization; it is responsible for implementation of the strategy, development plan and decisions taken by the Board of Directors and the general meeting of shareholders.</p> | Observed | <p>These requirements are enshrined in the Charter of the Company.</p> |
| 5.18 | <p>The Board of Directors elects the head and members of the executive body, defines the terms of office, the size of salary, the conditions of their remuneration.</p> <p>The Nomination and Remuneration Committee plays a key role in the search and selection of candidates for the executive body, determination of their remuneration.</p> | Partially observed | <p>These requirements are enshrined in the Charter of the Company. Candidate for the post of the head of executive body shall be preliminary agreed upon by the Management Board of the Fund.</p> <p>The Board of Directors may at any time terminate the powers of head and members of the executive body. The Head and members of the executive body of the organization are elected for the period of three years. The terms of office of the head and members of the executive body coincide with the terms of office of the executive body as a whole.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | Requirement stating that the Nomination and Remuneration Committee of the Board of Directors of the organization shall play a key role in the search and selection of candidates for the executive body, determination of their remuneration is not fixed in the internal documents of the Company. It is planned to introduce amendments to the Regulation on the Remuneration and Nomination Committee of the Board of Directors of the Real Estate Fund "Samruk-Kazyna". |
| 5.19 | The candidature for the position of the head of the company is agreed with the President or the Administration of the President of the Republic of Kazakhstan, in case of inclusion of the company in the relevant list, approved by the Decree of the President of the Republic of Kazakhstan. | Not applicable | |
| 5.20 | The head and members of the executive body are assessed by the Board of Directors. The main assessment criterion is the achievement of the set KPIs. | Observed | This requirement is enshrined in the Charter of the Company. Motivational KPIs for the head and members of the Management Board of the Real Estate Fund "Samruk-Kazyna" are approved by the Board of Directors pursuant to the Rules for assessment of activity and remuneration of the senior officials of the Real Estate Fund "Samruk-Kazyna". KPI scorecards for senior officials are developed by the Nomination and Remuneration Committee together with the working group and are agreed upon with the employees for the optimality of the number (3-7), arrangement of weights and adequacy of target values. Assessment results affect the amount of remuneration, promotion, re-election (appointment) or early termination of powers. |
| 5.21 | In case of violation of the Business Ethics Code by the members of the executive body, the head should notify the Board of Directors. Member of the executive body who committed violation of norms of the Business Ethics Code cannot be a member of the executive body of any other organization. | Observed | According to the Business Ethics Code (decision of the Board of Directors No. 26 dated 21.04.2010, introduction of amendments and additions No. 44 dated 11.04.2011 and No. 81 dated 15.04.2014), the employees shall notify Ombudsman and the Board of Directors about violations committed by the Management Board. Such cases have not been registered yet. |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 5.22 | <p>In the event of corporate conflicts, participants shall seek ways to resolve them through negotiations, in order to ensure effective protection of the interests of the organization and stakeholders. Corporate conflicts with the assistance of the Corporate Secretary shall be considered by the Chairman of the Board of Directors of the organization. If the Chairman of the Board of Directors is involved in the corporate conflict, such cases are considered by the Nomination and Remuneration Committee.</p> | Partially observed | <p>This provision is fixed in the Policy on conflict of interest management of the Real Estate Fund "Samruk-Kazyna".</p> <p>Norms on consideration of corporate conflicts by the Chairman of the Board of Directors, and the competencies of the Nomination and Remuneration Committee in cases that involve the Chairman of the Board of Directors are not provided. It is planned to introduce amendments to internal documents of the company.</p> |
| 6. Risk management, internal control and audit | | | |
| 6.1 | <p>The Fund and Organizations should establish an efficiently functioning system of risk management and internal control aimed at provision of reasonable assurance in achievement of strategic and operating objectives by the Fund and Organizations. This system should represent a set or organizational policies, procedures, norms of conduct and actions, methods and mechanisms of management that are established by the Board of Directors and the executive body of the Fund and Organizations to ensure:</p> <ul style="list-style-type: none"> - optimal balance between growth of the organization's value, profitability and related risks; - efficiency of financial and economic activity and achievement of financial sustainability of the company; - soundness of assets and effective use of the company's resources; - completeness, reliability and accuracy of financial and management reporting; - compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents; - appropriate internal control to ensure the prevention of fraud and to provide effective support for main and supporting business processes and performance analysis. | Observed | <p>Risk management in the Real Estate Fund "Samruk-Kazyna" on a consolidated basis is exercised by implementing Corporate risk management system at all levels of the Real Estate Fund "Samruk-Kazyna".</p> <p>The Real Estate Fund "Samruk-Kazyna" shall supervise the implementation of risk management system to its subsidiaries, provide methodological, consultative assistance, and coordinate the development and improvement of Corporate risk management system in the Real Estate Fund "Samruk-Kazyna". As part of monitoring of the development of risk management system in the Real Estate Fund "Samruk-Kazyna" on a consolidated basis, the Real Estate Fund "Samruk-Kazyna" submits risk reports for consideration by the Board of Directors. The Real Estate Fund "Samruk-Kazyna" has Risk management policy approved by the Board of Directors of the Real Estate Fund "Samruk-Kazyna", which was developed in accordance with the Concept for development of corporate risk management system of the Real Estate Fund "Samruk-Kazyna" and methodology of the Sole Shareholder. The structure of risk management system in the Real Estate Fund "Samruk-Kazyna" is represented by risk management at several levels with the involvement of the following bodies and divisions of the Fund: Boards of Directors, Management Board, Risk management committee, structural division responsible for risk management, Internal audit service, other structural divisions. The Board of Directors approved the following documents defining the principles and approaches to the organization</p> |

| N ^o | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | <p>of effective system of risk management and internal control, demonstrating the company's commitment to the best practices in risk management and internal control (integrated concept of building an internal control system COSO, Concept (COSO) "Organizations Risk Management":</p> <ul style="list-style-type: none"> - Risk management policy (minutes of the Board of Directors No. 85 dd 01.10.2014). - Rules for risk identification and assessment (minutes of the Board of Directors No. 13 dd 19.10.2009). - Rules for operational risk assessment and management (minutes of the Board of Directors No. 13 dd 19.10.2009). - Liquidity risk management rules (minutes of the Board of Directors No. 13 dd 19.10.2009). - Rules for setting limits on balance sheet and off-balance sheet commitments for counterparty banks (minutes of the Board of Directors No. 13 dd 19.10.2009). |
| 6.2 | <p>The Board of Directors of the Fund and organizations must define the principles and approaches to the organization of risk management and internal control system based on the tasks of this system and taking into account best practices of the work and methodology of the Fund in the field of risk management and internal control.</p> | Observed | <p>Activity of the Real Estate Fund "Samruk-Kazyna" is aimed at creating internal environment that increases the understanding of risks by the employees and increases their responsibility for risk management. Internal environment should support the following operating principles of the Real Estate Fund "Samruk-Kazyna":</p> <ul style="list-style-type: none"> - identification and consideration of all forms of risks in decision-making and support of comprehensive risk assessment by the management personnel of the Real Estate Fund "Samruk-Kazyna"; - creation and assessment of such risk profile at the level of the Real Estate Fund "Samruk-Kazyna" that best meets the objectives of the Real Estate Fund "Samruk-Kazyna" in general; - support of a sense of ownership and responsibility for risks and risk management at the appropriate levels of management hierarchy (Real Estate Fund "Samruk-Kazyna", subsidiaries, structural divisions, etc). At the same time, risk management does not mean the transfer of responsibility to others; - monitoring the compliance with internal policies and procedures of the Real Estate Fund "Samruk-Kazyna" and the state of corporate governance system; - timely information on significant (critical) risks and risk management system weaknesses; - understanding that the Risk management policy and procedures are mandatory. |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 6.3 | <p>The executive bodies of the Fund and organizations should ensure the establishment and support of the effective function of risk management and internal control system. The risk management process should be integrated with the planning processes (strategy and development plan, annual budget) and operation's evaluation of the organization (management reporting).</p> | <p>Partially observed</p> | <p>Risk management in the Real Estate Fund "Samruk-Kazyna" on a consolidated basis is exercised by implementing Corporate risk management system at all levels of the Real Estate Fund "Samruk-Kazyna". The structure of risk management system in the Real Estate Fund "Samruk-Kazyna" is represented by risk management at several levels with the involvement of the following bodies and divisions of the Fund: Boards of Directors, Management Board, Risk management committee, structural division responsible for risk management, Internal audit service, other structural divisions.</p> <p>In line with the best practices of the corporate governance, regular risk reporting by the executive body was introduced.</p> <p>Risk management processes are integrated with the planning processes (strategy and development plans, annual budget). The objectives of activities of the Real Estate Fund "Samruk-Kazyna" are defined at the strategic level and set the basis for the development of operating objectives. The process of development of strategic plans provides among other things identification and assessment of risks that can affect the achievement of the strategic goals.</p> <p>In order to ensure horizontal communication and effective implementation of Corporate risk management system, there is a Risk management committee, which is a consultative and advisory body under the Management Board of the Fund, that makes proposals for the risk management. Management Board and the Board of Directors receive periodic information on risk situation, including risk map and risk reports.</p> <p>Besides, as and when necessary, the Management Board and the Board of Directors of the Fund are provided with the information on significant changes of risks.</p> <p>According to the Risk management policy of the Real Estate Fund "Samruk-Kazyna", the Internal Audit Service makes the assessment of the risk management system effectiveness on the yearly base.</p> |

| N ^o | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | <p>Internal Audit Service conducts the assessment of risk management system effectiveness in compliance with the Corporate risk management system assessment methodology. In addition, once every three years the assessment of the Corporate risk management system effectiveness is conducted by an independent company.</p> <p>An Individual development plan for Risk management officers is approved yearly with due account for recommendations given by the Internal Audit Service. As part of the approved schedule plan of professional training and development of the employees of the Real Estate Fund "Samruk-Kazyna", appropriate measures for training of the employees in the field of risk management are also envisaged.</p> <p>The risk management process is not fully integrated with the processes of organization performance assessment.</p> <p>The Real Estate Fund "Samruk-Kazyna" is planning to take actions to implement this approach in the Company.</p> |
| 6.4 | <p>The system of risk management and internal control of the Fund and organizations must be based on a strong culture of risk management, led by the executive body that provides mandatory procedures for the identification, assessment and monitoring of all significant risks, and takes timely and appropriate measures to reduce the risks level that may negatively affect the achievement of strategic objectives, implementation of operational tasks and the company's reputation.</p> | Observed | <p>These procedures are governed by the following documents:</p> <ul style="list-style-type: none"> - Risk management policy of the Real Estate Fund "Samruk-Kazyna" (Minutes of the Board of Directors No. 85 dd 01.10.2014); - Regulation on the internal control system of the Real Estate Fund "Samruk-Kazyna" (Minutes of the Board of Directors No. 32 dd 21.06.2010); <p>The Real Estate Fund "Samruk-Kazyna" performs identification and assessment of risks on the yearly base, on the basis of which risk register and risk map is drawn up. At the same time, risk register and map may be revised or supplemented during the year as new information about risks provided by the structural divisions of the Real Estate Fund "Samruk-Kazyna" becomes available in the process of identification of new and change of status of the existing risks, including due to changes in the internal and external market.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| | | | Information about risks is provided to the Board of Directors as part of the quarterly report on risk management and to the Executive Body as part of the monthly report on monitoring of the key risk indicators and the quarterly report on risk management. |
| 6.5 | The Fund and organizations should develop, approve, formalize and document control procedures in three key areas: operating activities, preparation of financial statements and compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents. | Observed | <p>The Real Estate Fund "Samruk-Kazyna" has a map of business processes, as part of operating activities of separate structural divisions. Main business processes and milestones for operational processes are recorded in these maps. It also has the Rules for the selection and consideration of housing projects, Rules for the development and consideration of investment projects.</p> <p>As to the financial statements, there are Corporate regulations for the preparation of consolidated financial statements and Regulations governing the activities of accounting department.</p> <p>As to the observance of the requirements of the legislation of the Republic of Kazakhstan and internal documents, there is Regulation on the work of the Real Estate Fund "Samruk-Kazyna" which stipulates the main business processes of the Fund's operation</p> |
| 6.6 | The Fund and organizations should have implemented transparent principles and approaches in the field of risk management and internal control, the practice of training employees and officials about the risk management system, as well as the process of identification, documentation and timely communication of necessary information to the officials. | Observed | The Real Estate Fund "Samruk-Kazyna" has approved the internal documents regulating the scope of risk management on the basis of transparent principles and approaches and in accordance with the standard documents of the Sole Shareholder. With the purpose of maintaining and increasing risk culture, training is conducted to new employees and is conducted periodically to all employees of the Fund (at least on the yearly base) to familiarize them with the current Corporate risk management system. In 2016, under the Plan for the improvement of corporate governance system and Plan for the improvement of internal control system effectiveness, two internal seminars in the field of risk management were delivered to the employees of the Real Estate Fund "Samruk-Kazyna". |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 6.7 | <p>The Board of Directors of the Fund and organizations are required to take relevant actions in order to ensure that existing risk management and internal control system complies with principles and approaches to its arrangement defined by the Board of Directors and works effectively. Risk reports should be received and fully discussed by the Board of Directors at least once a quarter.</p> | Observed | <p>The Real Estate Fund "Samruk-Kazyna" has a Corporate risk management system assessment methodology (hereinafter - "Methodology") (Minutes of the Board of Directors No. 68 dd 22.11.2012), and Internal control system assessment methodology (Minutes of the Board of Directors No. 68 dd 22.11.2012).</p> <p>Assessment of the reliability and effectiveness of the internal control sets main approaches to assessing the effectiveness of internal control system. This assessment includes the analysis and evaluation of factors affecting the effectiveness of the internal control system in the context of each of its five components: 1) Control environment; 2) Risk assessment; 3) Control procedures; 4) Information and its transfer; 5) Monitoring. The above mentioned components.</p> <p>Assessment of reliability and effectiveness of risk management system in accordance with the Methodology approved by the decision of the Board of Directors No. 68 from 22.11.2012. This document establishes basic approaches to the assessment of effectiveness of corporate risk management system. This assessment includes the analysis and evaluation of factors affecting the effectiveness of the risk management system in the context of each of its five components: 1) organization of risk management processes; 2) risk identification; 3) risk assessment; 4) risk management; 5) monitoring.</p> <p>Risk management reports are considered and fully discussed at the meetings of the Board of Directors on a quarterly basis.</p> |
| 6.8 | <p>The Internal Audit Service must be established in the Fund and organizations for a systematic independent evaluation of reliability and effectiveness of risk management and internal control system as well as corporate governance practices.</p> | Observed | <p>This requirement is enshrined in the Charter, Regulation on Internal Audit Service of the Company.</p> <p>The Internal Audit Service was established by the decision of the Board of Directors (Minutes of the Board of Directors No 9 dd. 14.09.2009).</p> |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
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| 6.9 | <p>The internal audit in the Fund and Organizations should be carried out by establishment of a separate structural unit - the Internal Audit Service (in the limited liability partnerships the internal audit functions may be assigned to the Audit commission / auditor accountable to the Supervisory Board; at that, the purposes, functions and tasks of the Audit commission / auditor, the order of its interaction with the bodies of the Organization should be established with due account for the principles set out in this Code in relation to the internal audit service). The goals, authorities and responsibility of the IAS, qualification requirements (requirements for the professionalism of internal auditors) must be defined in the internal document of the company (the Regulation on the IAS). The Regulation on the IAS must be developed and approved in accordance with International professional standards of internal audit and corporate standards of the Fund in the field of internal audit.</p> | Observed | <p>The Company's Board of Directors approved the Regulation on IAS (Minutes of the Board of Directors No. 26 dd. 21.04.2010), which establishes the procedure of work, tasks, functions, rights, qualification requirements and responsibilities of the IAS, as well as interaction of the IAS with the Management Board of the Company. Activity of the IAS is supervised by the Audit Committee (hereinafter - AC) in conformity with the Regulation on Audit Committee (minutes of the Board of Directors No. 57 dd. 29.12.2011) with supplements from 29.08.2012 (Minutes of the Board of Directors No. 65), by approving preliminary the IAS's reports and other issues of activity, after that the Board of Directors considers and approves them. The IAS is accountable to the Board of Directors of the Company.</p> |
| 6.10 | <p>In order to ensure the independence and objectivity of the internal audit, the IAS should be organizationally and functionally subordinated to the Board of Directors. The Board of Directors makes decisions on approval of action plans and strategy of the IAS, budget of the IAS, determines the composition of the IAS, size and terms of salary payments and remuneration of the IAS staff.</p> | Observed | <p>According to the Regulation on the IAS, it reports directly to the Board of Directors, submits activity report considered by the Audit Committee in advance to the Board of Directors. The Board of Directors of the Company approves the action plan of the IAS and this approval is not formal. The Board of Directors of the Company approves the appointment of the Head and employees of the IAS, and also approves the structure and size of remuneration of the Head and the employees of the IAS (under consideration of achievement of quarter KPIs by the IAS and its Head). Budget of the IAS is reviewed at the meeting of the Audit Committee with subsequent approval at the meeting of the Board of Directors of the Company. The Board of Directors determines the number of members, size and terms of salary payments and remuneration of the IAS employees. Strategic development plan of the IAS for 2015-2017 was approved at the meeting of the Board of Directors (Minutes of the Board of Directors No. 85 dd. 01.10.2014).</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|------|--|---|---|
| 6.11 | The Head of the IAS in the organizations should develop internal documents regulating activities of the unit based on the corporate standards of the Fund in the field of internal audit and ensure their review and approval by the Audit Committee and the Board of Directors. | Observed | <p>Internal documents regulating the activities of the IAS of the Real Estate Fund "Samruk-Kazyna" should be developed by the Head of the IAS in accordance with the corporate standards of the Fund and approved by the Board of Directors after preliminary consideration by the Audit committee. The following documents have been approved:</p> <ol style="list-style-type: none"> 1) The Regulation on the IAS (Minutes of the Board of Directors No.26 dd. 21.04.2010), 2) Rules for organization of internal audit in the Real Estate Fund "Samruk-Kazyna" (Minutes of the Board of Directors No. 35 dd. 04.10.2010); 3) Methodology for assessment of effectiveness of the Internal Audit Service and its head (Minutes of the Board of Directors No. 66 dd. 24.09.2012); 4) Methodology for assessment of effectiveness of the corporate risk management system (Minutes of the Board of Directors No. 68 dd. 22.11.2012); 5) Methodology for assessment of effectiveness of the Internal Control System (Minutes of the Board of Directors No. 68 dd. 22.11.2012). |
| 6.12 | The IAS operates on the basis of a risk-oriented annual audit plan approved by the Board of Directors. The results of the audit reports and key findings should be quarterly submitted to the Board of Directors for consideration. | Observed | <p>When planning the Annual auditor plan, the IAS takes into account the Company's risk maps, requests of the members of the Board of Directors, comments of the Company's Management, and performs its own risks analysis.</p> <p>The IAS submits quarterly reports on audits performed for consideration of the Board of Directors.</p> |
| 6.13 | In carrying out its activities, the IAS should assess the effectiveness of the internal control and risk management systems, assess corporate governance with the use of common standards of activities in the field of internal audit and corporate standards and recommendations of the Fund in the field of assessment of corporate governance, effectiveness of internal control and risk management system. | Observed | <p>According to the Annual audit plan, in 2015 the IAS conducted an assessment of effectiveness of the ICS, and in 2016 - assessment of the effectiveness of the Corporate risk management system. In 2015, assessment of the corporate governance was conducted by independent expert - "Pricewaterhouse Coopers" LLP. The above mentioned assessments were conducted on the basis of the approved Methodologies. In 2017, an independent assessment of the ICs and CRMS is scheduled.</p> |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|------------------------|--|---|---|
| 6.14 | The Head of the IAS must develop and maintain the quality assurance and improvement program that covers all types of activity of the internal audit and provides for the obligatory internal and external assessment of the IAS performance. | Observed | <p>Internal assessment of the IAS performance is carried out on the scheduled basis by the IAS of "Samruk-Kazyna" JSC and the Audit and Control Department of "Samruk-Kazyna" JSC. Since the beginning of the 2012, the IAS sends a template for the review on the quality of audit conducted by the IAS to all structural units, which contains eight questions and where the audited unit can comment on the work done by the IAS.</p> <p>Independent external assessment of the IAS was conducted by the external consultant "Dostyk Advisory" in 2016.</p> <p>Assessment of the IAS performance, its Head and employees is carried out by the Board of Directors through the consideration of the IAS's reports on a quarterly basis. After that, assessment of achievement of quarter KPI by the IAS and its Head "Number of comments from the Audit Committee, the Board of Directors of the Company on quarterly and annual reports of the IAS" is made.</p> |
| 7. Transparency | | | |
| 7.1 | In order to serve interests of the interested parties, the Fund and organizations timely and fairly disclose information about all the important aspects of their activities, including financial situation, performance results, ownership and management structure. | Соблюдается | Disclosure of information about the Company is carried out in conformity with the legislation of the Republic of Kazakhstan, internal documents of the Company, such as Information Disclosure Policy approved by resolution No. 111 of the Board of Directors of the Company on November 3, 2016. |
| 7.2 | The Fund and organization timely disclose information, as required by the laws of the Republic of Kazakhstan and internal documents. The Fund and organization must have internal documents approved, which define the principles and methods of disclosure and protection of information, as well as the list of data to be disclosed to interested parties. The Fund and organization determine the procedure for assignment of information to access categories, conditions of storage and usage of information, including the group of persons entitled to free access to information, which constitutes trade and business secrets, and take measures to protect its confidentiality. | Observed | Disclosure of information about the Company is carried out in conformity with the legislation of the Republic of Kazakhstan, internal documents of the Company, such as Information Disclosure Policy approved by resolution No. 111 of the Board of Directors of the Company on November 3, 2016. |

| № | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|-----|--|---|--|
| 7.3 | Fund, company or organizations, whose shares or bonds are traded on the stock exchange, must timely post on their website an audited annual financial statements prepared in accordance with International Financial Reporting Standards (hereinafter referred to as IFRS), and IFRS-compliant financial statements for the first quarter, half year and the first nine months of the reporting period. In addition to main forms of financial reporting, it is recommended to disclose additional information on financial position of the Fund, companies and organizations, whose shares or bonds are traded on the stock exchange. | Not applicable | |
| 7.4 | Fund and organizations should conduct annual audit of financial statements by engaging an independent and qualified auditor, who, as an external person, provides interested parties with objective opinion on the fairness of financial statements and its compliance with IFRS. Norms relating to annual audit are applied, if the conduct of audit of annual financial statements is provided for by the legislation of the Republic of Kazakhstan and/or organization's internal documents. | Observed | <p>Real Estate Fund "Samruk-Kazyna" conducts an annual audit of financial statements by engaging an independent and qualified auditor (E&Y). The contract No. I&C-2016-00198 was concluded on 28.06.2016 (timeline for provision of services is 3 years). An external auditor is selected through the open tender in accordance with the Procedure for the selection of audit organization for "Samruk-Kazyna" JSC and organizations, more than fifty percent of voting shares (equity shares) directly or indirectly belong to "Samruk-Kazyna" JSC on the basis of the right of ownership or trust management, approved by resolution No. 49/13 of the Board of "Samruk-Kazyna" JSC on 10.09.13.</p> <p>Members of the Audit Committee of the Board of Directors are members of the tender committee. Information about external auditor is posted on website and in the Annual report as well.</p> |
| 7.5 | Fund, Companies or Organizations, whose shares are traded on a stock exchange, should prepare an annual report in accordance with the provisions of the present Code and best practices of information disclosure. Annual report should be approved by the Board of Directors. | Observed | <p>The annual report is well structured and has human-perceivable form (from conclusion of RA "Expert RA Kazakhstan"). The annual report of the Real Estate Fund was acknowledged as one of the best in nomination "Best annual report in the financial sector".</p> <p>Annual report is published in the state, Russian and English languages.</p> <p>Annual report is posted after approval</p> |

| Nº | Corporate governance principles | Compliance with the principle of corporate governance | Information on compliance / non-compliance with the provisions of the Code |
|-----|--|---|---|
| | | | by the Board of Directors (No. 99 dated 18.03.2016) prior to hearing by the Sole shareholder. |
| 7.6 | Website should be well-structured, easy to navigate and contain information necessary for interested persons to understand the activities of Fund and organizations. | Observed | 1) Website is well-structured, easy to navigate and is accessible to all Interested parties. 2) Update of the website is carried out as required, on a regular basis. 3) Disclosure of information on the website of the Real Estate Fund "Samruk-Kazyna" is carried out in conformity with the legislation of the Republic of Kazakhstan, Company's internal documents, such as Information Disclosure Policy approved by resolution No. 111 of the Board of Directors of the Company on November 3, 2016. |

The revealed facts of non-observance of norms and requirements within the principles of the Code mostly involve the inconsistency of a number of internal documents of the Real Estate Fund with the provisions of the Code, as well as incomplete compliance of corporate procedures with the norms set forth in the Code. The Sole Shareholder expects full compliance with the Code from the Real Estate Fund by 2018. As a measure for elimination of current inconsistencies with the principles of the Code, a Medium-term plan for the improvement of corporate governance for 2016-2018 approved by the decision of the Board of Directors No. 97 on February 3, 2016, was developed.

DIVIDEND POLICY

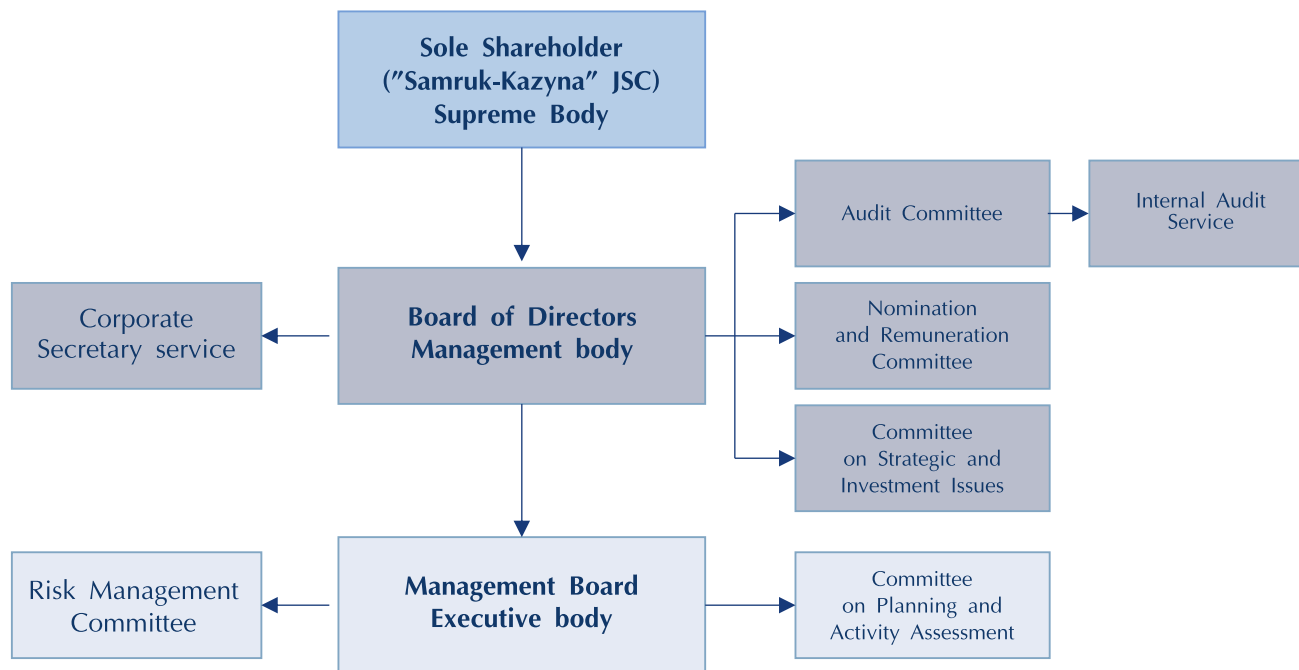
When it comes to paying dividends to the Sole Shareholder, the Real Estate Fund is guided by the Dividend policy of "Samruk-Kazyna" JSC in relation to its subsidiaries. The amount of dividends to be paid is determined on the basis of financial stability and liquidity indices. The Sole Shareholder makes the final decision on the amount of dividends to be paid. The amount of dividends for payment is determined depending on the company's degree of maturity and its financial and economic performance. According to the Dividend policy, the Real Estate Fund, being defined as a growing company, pays 15% of dividends to a shareholder of the consolidated net profit on a regular basis. In 2015, payment of dividends on common stocks was 220 million tenge. 70% of net income in the amount of 1 027 million tenge was directed to partial early repayment of principal debt on the parent company's loan. 15% of the net income remained at the disposal of the Company for further development.

CORPORATE GOVERNANCE STRUCTURE

The Real Estate Fund's corporate governance system is a set of processes ensuring the management and control over the Company's activities, as well as the system of relationships between the executive body, the Board of Directors, the Sole shareholder and interested parties.

Competencies of the bodies and decision-making procedure are defined and enshrined in the Charter. Pursuant to the Charter of the Real Estate Fund, the bodies of the Company are the following:

1. Supreme body - the Sole shareholder;
2. Management body - the Board of Directors;
3. Executive body - Management Board;



SOLE SHAREHOLDER OF THE REAL ESTATE FUND

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

The list of competencies of the Sole shareholder is determined by the Charter of the Real Estate Fund and corporate documents and are given below:

- Approval of the Corporate Governance Code of the Real Estate Fund;
- determination of the number of members, term of office of the Board of Directors, election of its members and early termination of their powers, election of the Chairman of the Board of Directors, as well as determination of the amount and terms of payment of remuneration to the members of the Board of Directors;
- introduction of amendments and additions to the Charter of the Real Estate Fund or approval of the Charter in its new version;
- approval of appointment and early termination of powers of the Chairman of the Management Board;
- approval of the annual financial statements;
- approval of the procedure for distribution of net profit of the Real Estate Fund for the reporting financial year, decision making on payment of dividends on common stocks and approval of rates of dividends per an common stock of the Real Estate Fund.

In 2016, the Sole shareholder considered the following key issues:

1. Approval of the annual financial statements of "Real Estate Fund "Samruk-Kazyna" JSC for 2015.
2. Approval of the procedure for distribution of net profit for 2015 and the rate of dividends per one common stock.
3. Approval of amendments to the Charter of "Real Estate Fund "Samruk-Kazyna" JSC.

BOARD OF DIRECTORS

The Board of Directors is a management body accountable to the Sole shareholder, who provides strategic management of the organization and control over the activities of the executive body, except for matters falling within the exclusive competence of the Sole shareholder.

The activity of the Board of Directors and its members is based on the principles of efficiency and responsibility, strict compliance and implementation of interests of the Sole shareholder and the Real Estate Fund, professionalism, prudence, integrity and objectivity.

The activities of the Board of Directors are regulated by the Charter, Corporate Governance Code, Regulation on the Board of Directors.

Key issues that fall within the exclusive competence of the Board of Directors are:

- determination of priority activities and approval of the development strategy of the Real Estate Fund;
- making decisions on placement (sale), including on the number of placed (sold) shares within the number of authorized shares, method and price of their placement (sale);
- determination of the number of members, term of office of the Management Board of the Real Estate Fund;
- approval of the business plan of the Real Estate Fund and monitoring of its implementation;
- approval of the accounting policy of the Real Estate Fund;
- approval of the annual audit plan of the Internal Audit Service;

- approval of motivational key performance indicators for the members of the Management Board of the Real Estate Fund, managerial and other staff of the Real Estate Fund in accordance with the list approved by the Board of Directors of the Real Estate Fund, as well as monitoring of their achievements;
- approval of the report on sustainable development;
- approval of internal procedures of the Real Estate Fund for risk management (except for matters attributed by the internal documents of the Real Estate Fund to the competence of other bodies of the Real Estate Fund);
- making decisions on conclusion of major transactions and transactions in which the Real Estate Fund is interested in accordance with the procedure established by this Charter and legislative acts of the Republic of Kazakhstan, except for approval of conclusion of major transactions attributed by this Charter to the competence of the Sole shareholder of the Real Estate Fund;
- approval of the Credit policy;
- approval of the External audit policy;
- assessment of effectiveness of the Internal Audit Service;
- assessment of effectiveness of the internal control system of the Real Estate Fund;
- approval of the HR policy;
- approval of the Business Ethics Code;
- ensuring compliance with the internal control system of the Real Estate Fund and approval of internal documents regulating the internal control systems of the Real Estate Fund.

COMPOSITION OF BOARD OF DIRECTORS

The Regulation on the Board of Directors defines the status, procedure for establishment and activity, composition of the Board of Directors and cooperation order with other bodies of the Real Estate Fund, the rights, duties and responsibilities of members of the Board of Directors, as well as procedure for election and early termination of their authorities.

The Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC was formed in March 2009 in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies".

By decision No. 30/14 of the Management Board of "Samruk-Kazyna" JSC dated July 9, 2014 the Board of Directors was re-elected for a new term. The term of office of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC is 3 years.

By decision No. 97 of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC dated February 3, 2016 the authorities of the Chairman of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC Palymbetov B.A. were early terminated from February 1, 2016.

By the same decision with the agreement of the Sole shareholder, Mamytaliyev B.D. was elected the Chairman of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC as of February 3, 2016. By decision No. 12/16 of the Management Board of "Samruk-Kazyna" JSC dated April 18, 2016, Mamytaliyev B.D. was elected a member of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC until the expiration of the term of office of the Board of Directors.

Composition of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC in the number of 6 people was appointed. Tutkushev Ye.B. was elected a member of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC as a representative of "Samruk-Kazyna" JSC for a period until the expiration of the term of office of the Board of Directors as a whole.

By decision No. 110 of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC dated October 8, 2016, Azirbayev Mukhit Bakytovich was elected a Senior Independent Director.

Composition of the Board of Directors (as of December 31, 2016):

| Nº | Full name | Position | First elected to the Board of Directors: |
|----|--|---|--|
| 1. | Munzhassarov Zhumagali Akhmetgaliyevich | Chairman of the Board of Directors, Representative of the Sole Shareholder | February 14, 2012 |
| 2. | Tutkushev Yerzhan Beksultanovich | Member of the Board of Directors, Representative of the Sole Shareholder | September 26, 2016 |
| 3. | Azirbayev Mukhit Bakytovich | Member of the Board of Directors, Senior Independent Director | February 21, 2014 |
| 4. | Abdykarimova Zhanar Muratovna | Member of the Board of Directors, Independent Director | October 30, 2012 |
| 5. | Adrian Ian Houwink | Member of the Board of Directors, Independent Director | February 21, 2014 |
| 6. | Mamytaliyev Baurzhan Dzhaiburzhanovich | Member of the Board of Directors, Chairman of the Management Board | April 18, 2016 |

**MUNZHASSAROV
ZHUMAGALI
AKHMETGALIYEVICH**

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



Date of birth: 30.05.1977

Nationality: Republic of Kazakhstan

Date of the first election to the Board of Directors:
February 14, 2012

Elected as the Chairman of the Board of Directors:
May 29, 2012

Education:

- Higher education in Economics, Law;
- Completed the curriculum of the program Executive MBA "Euromanagement - Master of Business Administration for Managers" at the Russian Presidential Academy of National Economy and Public Administration under the President of the Russian Federation, Moscow.

Place of employment and positions held in organizations over the past five years:

- 02.2012 to 01.2016 - "Samruk-Kazyna" JSC, Managing Director
- 02.2017 - to the present day - "Samruk-Kazyna" JSC, Head of Control and Security Services.

He does not own shares in the Company, shares of its suppliers and competitors.

**TUTKUSHEV
YERZHAN
BEKSULTANOVICH**

Representative
of the Sole
shareholder



Date of birth: 10.12.1981

Nationality: Republic of Kazakhstan

Date of the first election to the Board of Directors:
September 26, 2016

Education:

- Saint Petersburg State University of Economics and Finance, the Russian Federation, "Financial Analysis and Accounting", 2004;
- University of Illinois, Urbana-Champaign, the USA, "Master of Finance", 2007.

Place of employment and positions held in organizations over the past five years:

- 08.2014 - to the present day - Co-managing Director for the development of new industries, "Samruk-Kazyna" JSC.
- 11.2012-08.2014 - PricewaterhouseCoopers Tax and Advisory, Astana, Assessment and Business process modeling, manager.
- 04.2011-07.2012 - Director of Investment Projects Department, "Samruk-Kazyna Invest" JSC.
- 03.2008-04.2011 - Senior Consultant, Corporate finance/ Assessment and Business Process Modeling, Ernst & Young.

Place of employment and positions held in organizations over the past five years:

- 02.2012 to 01.2016 - "Samruk-Kazyna" JSC, Managing Director
- 02.2017 - to the present day - "Samruk-Kazyna" JSC, Head of Control and Security Services.

Joint appointment and membership in Boards of Directors:

- Member of the Supervisory Board of "Samruk-Kazyna Invest" JSC,
- Member of the Supervisory Board of "United Chemical Company" LLP,
- Member of the Board of Directors of "National Company "Kazakhstan Engineering" JSC,
- Member of the Board of Directors of "Tau-Ken Samruk" National Mining Company JSC.

He does not own shares in the Company, shares of its suppliers and competitors.

**AZIRBAYEV
MUKHIT
BAKYTOVICH**

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



Date of birth: 18.09.1974

Nationality: Republic of Kazakhstan

Date of the first election to the Board of Directors:
February 21, 2014

Education:

- Kazakh State Academy of Management (currently Kazakh Economic University named after T. Ryskulov).

Place of employment and positions held in organizations over the past five years:

- In August 2009, he was appointed the Chairman of the Supervisory Board of "Global Building Contract" LLP.

Awards:

- 2015, State award - Medal "Yeren Yenbegi ushin"
- 2011, Jubilee medal "20 years of Independence of the Republic of Kazakhstan"
- 2016, "25 years of Independence of Kazakhstan"
- 2011, Certificate of Honour of Akim of the city of Almaty
- 2013, Certificate of Honour of the Committee for Construction and Housing Affairs of the Ministry of Regional Development of the Republic of Kazakhstan 2013 r.
- 2014, Badge of Honour "Dankty Kurylysshy" of the Ministry of National Economy of the Republic of Kazakhstan

Joint appointment and membership in Boards of Directors:

- Chairman of the Supervisory Board of "Global Building Contract" LLP

He does not own shares in the Company, shares of its suppliers and competitors.

**ABDYKARIMOVA
ZHANAR
MURATOVNA**

Independent Director,
Chairman of the Remuneration
and Nomination
Committee



Date of birth: 25.02.1966

Nationality: Republic of Kazakhstan

Date of the first election to the Board of Directors:
October 30, 2012

Date of election to the current Board of Directors:
July 9, 2014

Education:

- Pavlodar Industrial Institute, specialty: "Production of building products and structures" (civil engineer-technologist).
- Karaganda State University named after Ye.A. Buketov, specialty: "Accounting and audit" (economist).
- Kazakh Humanitarian Law University (Bachelor of Jurisprudence).
- Degree CCGD - Certified Corporate Governance Director.

Awards:

- For significant contribution to the development of financial sector of the Republic of Kazakhstan she was awarded 3 Government medals.

Additional trainings, courses, seminars, internship programs in recent times:

- Program for financiers of the banking sector Agence de Transfert de Technologie Financial, Luxembourg, 2007;
- Certification program for independent directors: International practices of the Corporate Governance. The Singapore Experience, 2013;
- Certificate No. AST/0056/12-13 of Kazakhstan Association of Independent Directors - conferment of a degree - Certified Corporate Governance Professional (CCGP™) 2013;
- Training seminar for the members of the Board of Directors of the Real Estate Fund: «Management of certification process of building environmental assessment» 2015;
- Program for senior managers by Ichak Kalderon Adizes "Mastering Change", 2015;
- Program for senior managers by Ichak Kalderon Adizes "Effective Management Styles", 2015.

Place of employment and positions held in organizations over the past five years:

- 2012 - to the present day - Deputy Council Chairman of the Association of legal entities "Financial Institutions' Association of Kazakhstan";
- Member of Kazakhstan Association of Independent Directors.

He does not own shares in the Company, shares of its suppliers and competitors.

**ADRIAN
IAN
HOUWINK**

Independent Director,
Chairman of the Audit
Committee



Date of birth: 29.11.1957

Nationality: Kingdom of the Netherlands

Date of the first election to the Board of Directors:
February 21, 2014

Education:

- 1978-1983 – The University of Groningen, the Netherlands, MBA (Master of Business Administration)
- 1977-1978 – Erasmus University Rotterdam, School of Economics

Additional trainings, courses, seminars, internship programs in recent times:

- Master classes in corporate law, international taxation, taxation in Europe and IFRS (International financial Reporting Standards), University of Amsterdam (200-2010).
- Program for senior managers "Corporate Performance Management", Harvard Business School, Boston, the USA (2008).

Place of employment and positions held in organizations over the past five years:

- Since 2014 - Ayursundra B.V., Independent Director, Amsterdam / Guwahati.
 - Since 2013 - a member of "PGGM Advisory Board Alternative Funds", Zeist.
 - Since 2012 - affiliated with "Bishopsfield Capital Partners" Ltd, London.
 - Since 2010 - Independent financial and strategy consultant.
- Joint appointment and membership in Boards of Directors:
- Independent Director of Kazpost JSC.

He does not own shares in the Company, shares of its suppliers and competitors.

**MAMYTALIYEV
BAURZHAN
DZHAIMURZYNOVICH**

Member of the Board
of Directors,
Chairman of the Management
Board*



Date of birth: 01.10.1975

Nationality: Republic of Kazakhstan

Date of the first election to the Board of Directors:
April 18, 2016

Education:

- 1992 – 1997 - Zhambyl Institute of Technology (engineer-economist)
- 1999 – 2002 - L.N. Gumilyov Eurasian University (lawyer)
- 2012 – 2016 - Lomonosov Moscow State University (Master of Business Administration)

Place of employment and positions held in organizations over the past five years:

- Since 03.02.2016 - 25.01.2017 - Chairman of the Board in "Real Estate Fund "Samruk-Kazyna" JSC.
- 27.06.2013 - 02.2016 - Deputy Chairman of the Board in "Real Estate Fund "Samruk-Kazyna" JSC.
- 05.2011 - 06.2013 - Managing Director for Financial Administration in "BI-Holding" LLP.

He does not own shares in the Company, shares of its suppliers and competitors.

**On January 25, 2017 employment contract with Mamytaliyev B.D. was terminated upon mutual agreement of the parties, pursuant to item 1 of the extract from the minutes of the in-person meeting of the Board of Directors of JSC "Real Estate Fund "Samruk-Kazyna" dated January 25, 2017, minutes № 115.*

THE CRITERIA FOR INDEPENDENT DIRECTORS

In accordance with the Law "On Joint Stock Companies", Charter and Corporate Governance Code of the Real Estate Fund, an "independent director" is defined as a member of the Board of Directors who:

- shall not be an affiliated person of the Company and was not in within three years preceding his election to the Board of Directors (except in the case of his tenure as Independent Director of the Company);
- shall not be an affiliated person in relation to the affiliated persons of the Company;
- shall not be subordinated to the Officials of the Company or organizations - affiliates of the Company and was not subordinated to these persons within three years preceding his election to the Board of Directors;
- shall not be an auditor of the Company and did not held this position within three years preceding his election to the Board of Directors;
- does not participate in the audit of the Company as an auditor working in an audit organization, and did not take part in such audits within three years preceding his election to the Board of Directors;
- shall not be a public servant;
- shall not be a representative of the Sole shareholder in the meetings of the Company's bodies and was not a representative within three years preceding to his election to the Board of Directors.

Members of the Board of Directors of the Company shall notify the Board of Directors of the Company in advance of combination of work in other organizations with positions of members of the Board of Directors.

Members of the Company's Board of Directors may not be members of the Board of Directors and replace executive positions in organizations - competitors of the Company.

Independent Directors of the Real Estate Fund Abdykarimova Zh.M., Azirbayev M.B. and A. Houwink, as of the date of this report fully met the independence criteria set forth in the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter and Corporate Governance Code of "Real Estate Fund "Samruk-Kazyna" JSC.

REMUNERATION OF THE DIRECTORS

Representatives of the Sole shareholder and the Chairman of the Management Board are not paid remuneration for the work in the Board of Directors. Remuneration is paid only to independent directors.

Remuneration of the members of the Board of Directors does not include options or other elements related to the performance results of the Real Estate Fund. In accordance with the Regulation on the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC, independent directors of the Fund may be paid remuneration and / compensation for expenses associated with their functions as members of the Board of Directors.

Issues on determination of the amount and terms of remuneration payment to the members of the Board of Directors fall within the exclusive competence of the Sole shareholder.

The manner of payment of remuneration and (or) compensation for expenses to independent directors is governed by the Rules for payment of remuneration and compensation for expenses to independent directors of the Companies of "Samruk-Kazyna" JSC.

In accordance with the abovementioned Rules, Independent Directors of the Real Estate Fund are paid:

- fixed remuneration - for performance of the Board of Directors member's obligations, remunerations are paid by the Real Estate Fund in cash once a half year, equal to the work period of the Director in the relevant half of the calendar year;
- additional remuneration - for participation in the Committee meetings of the Board of Directors, which is paid by the Real Estate Fund within a month following the date of holding in-person meeting of the Board of Directors Committee.

The Independent Director is also compensated for expenses related to departure to the Board of Directors meetings (travel, accommodation, daily allowance), held outside the permanent place of residence of the Independent Director.

The amount of remunerations paid to the Independent Directors is determined by the decision of the Sole shareholder, without setting of maximum limits.

Remuneration to the Independent Directors in the form of shares was not paid, other benefits are not provided.

In 2016, the remuneration paid to the Independent Directors amounted to 43,7 million tenge.

BOARD OF DIRECTORS PERFORMANCE ASSESSMENT

The Board of Directors performance assessment is conducted in accordance with the Policy on performance assessment of the Board of Directors, Board of Directors Committees and each member of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC. In accordance with that policy, decision on assessing the performance of the Board of Directors, Board of Directors Committees and each member of the Board of Directors is made by the Board of Directors.

The Board of Directors is able to conduct assessment:

- with the involvement of the consultant;
- by means of questionnaires, interviews and etc.;
- by using mixed approach: using its own resources under coordination of the process by the consultant.

By decision No. 111 of the Board of Directors dated November 3, 2016, it was decided to conduct assessment of performance of the Board of Directors, the Board of Directors Committees and each member of the Board of Directors for 2016 by using its own resources. The Corporate Secretary carried out corresponding work on arrangement of this process.

According to the results of assessment, pursuant to the Policy on performance assessment of the Board of Directors, Board of Directors Committees and each member of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC, the overall assessment of performance of the Board of Directors for 2016 was 4.67 points (out of 5).

ADVANCE TRAINING FOR MEMBERS OF BOARD OF DIRECTORS

By decision No. 65 of the Board of Directors dated August 29, 2012, the Policy of advance training for members of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC and involvement of external experts was approved by the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC.

This Policy defines rights and duties of Board of Directors members in terms of their qualification improvement and involvement of external experts, regulates the order of planning and decision making on improvement of qualification and involvement of external experts by the Board of Directors members.

The Policy also consolidated the commitment of Independent Directors at least once every three years to participate in the events aimed at improvement of their qualifications on issues of the Board of Directors competence and related issues, to participate in external and internal educational programs, seminars (trainings), conferences, roundtable discussions, forums, to use other accepted forms of advance trainings.

Introduction of a mechanism for improvement of skills and qualifications of Board of Directors members will promote the increasing of performance effectiveness of the Board of Directors of the Real Estate Fund. Moreover, members of the Board of Directors are provided with the possibility to exercise their rights, in particular through involvement of external experts in cases, when issues considered by the Board of Directors require external professional and independent expertise.

Information about participation of members of the Board of Directors of the Real Estate Fund in activities on qualification improvement over the last four years:



On September 6, 2013

the Independent Directors N. Stapleton⁴ and Zh. Abdykarimova took part in seminar "Program of Long-Term Motivation" (Astana);

during the period from November 24 to November 30, 2013

the Independent Director Zh. Abdykarimova took part in training tour in Singapore (Republic of Singapore) on the theme "International Corporate Governance Practices. Experience of Singapore";

On November 12, 2014

members of the Board of Directors took part in risk management seminar for members of Board of Directors held by KPMG;

On June 15, 2015

members of the Board of Directors took part in seminar organized by PricewaterhouseCoopers on theme "New Corporate Governance Code of "Samruk-Kazyna" JSC;

On September 8-9, 2015

Independent Directors Zh. Abdykarimova, A. Houwink and M. Azirbayev completed training and received certificates of the seminar: "Introduction to the Method of Environmental Assessment of the Effectiveness of BREEAM Buildings" and "Analysis of Assessment Criteria and Main Requirements of Certification Process";

in 2015

Independent Director Zh. Abdykarimova took part in training seminar: "Management of certification process of building environmental assessment";

in 2015

Independent Director Zh. Abdykarimova took part in the Program for senior managers by Ichak Kalderon Adizes "Mastering Change", "Effective Management Styles";

Independent Director A. Houwink took part in master class in corporate law, international taxation, taxation in Europe and IFRS (International Financial Reporting Standards), University of Amsterdam;

Independent Director A. Houwink took part in the program for senior managers "Corporate Performance Management", Harvard Business School, Boston, the USA.

⁴As of the date of the training, N. Stapleton was an independent director of the Real Estate Fund

ACTIVITY OF THE BOARD OF DIRECTORS IN 2016

The number of meetings and attendance of meetings by members of the Board of Directors

In 2016, 18 meetings of the Board of Directors were held, including 15 in-person meetings and 3 meetings in absentia. In total, 189 issues regarding the key aspects of activity of the Real Estate Fund were considered, and 298 decisions were made on them.

| Member of the Board of Directors, Committee | Independent | Board of Directors | Audit Committee | Nomination and Remuneration Committee | Committee on Strategic and Investment Issues |
|---|-------------|--------------------|-----------------|---------------------------------------|--|
| Munzhssarov Zh.A. | no | 18/18 | - | - | - |
| Tutkusheva Ye.B.* | no | 5/5 | - | - | - |
| Abdykarimova Zh.M. | yes | 18/18 | 11/11 | 11/11 | 14/14 |
| Azirbayev M.B. | yes | 18/18 | 11/11 | 11/11 | 14/14 |
| Houwink A.I. | yes | 17/18 | 10/11 | 11/11 | 13/14 |
| Mamytaliyev B.D.** | no | 13/13 | - | - | - |

* elected to the Board of Directors on 26.09.2016

** elected to the Board of Directors on 18.04.2016

Main issues considered by the Board of Directors in 2016

Strategic, financial and economic, investment issues

- Development plan implementation report for 2015, quarterly reports on implementation of Development plan for 2016 were approved;
- revision of Development plan, business plan for 2017-2021 was approved;
- Corporate Accounting Policy was approved in a new version;
- Information Disclosure Policy, Anti-Fraud and Anti-Corruption Policy were approved;
- matter of updating the Development strategy of "Real Estate Fund "Samruk-Kazyna" JSC for 2016-2026 was submit for consideration;
- the annual financial statements, procedure for distribution of consolidated net income and detailed analysis of financial statements for 2015 were preliminary approved;
- report on implementation of "Green Quarter" project was considered;

Corporate governance issues, risks:

- Rules for selection and consideration of housing construction projects as part of the mechanism of private developers support of "Real Estate Fund "Samruk-Kazyna" JSC, Rules for the sale of assets of "Real Estate Fund "Samruk-Kazyna" JSC in the framework of State Program of Infrastructure Development "Nurly Zhol" for 2015-2019 were approved;
- a number of new housing construction projects within the framework of program "Nurly Zhol" in Astana, Almaty, Karaganda, Ust-Kamenogorsk was approved.

- Annual report for 2015, Board of Directors working plan, Annual audit plan of the Internal Audit Service was approved;
- key performance indicators scorecards for managers, Corporate Secretary, cards of targets of the Corporate Secretary were approved;
- quarterly reports for 2016 on major transactions and transactions in which the Company is interested were approved;
- quarterly reports on risk management, risk register and maps for 2016 and 2017, overall risk appetite, levels of tolerance in respect of each risk and key risk indicators were approved;
- matrix of risks and controls of "Real Estate Fund "Samruk-Kazyna" JSC;
- quarterly reports on implementation of Medium-term plan for improvement of corporate governance, report of the Ombudsman, report on transparency and effectiveness of information disclosure processes for 2015 were considered.

HR-related issues:

- By decision No. 97 of the Board of Directors dated February 3, 2016, the authorities of the Chairman of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC B. Palymbetov were terminated associated with his application, Mamytyliyev Baurzhan Dzhaiburzynovich was appointed new Chairman of the Management Board of the Real Estate Fund from February 3, 2016.
- By decision No. 110 of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC dated October 8, 2016, Azirbayev Mukhit Bakytovich was elected a Senior Independent Director.

- Within the framework of the Transformation program, the Board of Directors approved new organization structure. As a result, new Management Board of "Real Estate Fund "Samruk-Kazyna" JSC in the number of 4 (four) persons was appointed.

New members of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC were elected:

Dzhaboldinov Askar Sergeyevich - Project Managing Director of "Real Estate Fund "Samruk-Kazyna" JSC;

Dossayev Talgat Beibitovich - Managing Director for Legal Support and HR of "Real Estate Fund "Samruk-Kazyna" JSC;

Kaldybayev Timur Nurlanovich - Managing Director for Marketing and Development of "Real Estate Fund "Samruk-Kazyna" JSC.

The authorities of the following members of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC were terminated early:

Akhmerov A.Sh. - Deputy Chairman of the Management Board and Kusherov A. - Managing Director - member of the Management Board.

- By decision No. 113 of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC dated December 7, 2016, Ishbayev A.A. was elected the Head of the Internal Audit Service of "Real Estate Fund "Samruk-Kazyna" JSC from December 21, 2016.
- Succession plan for key positions in "Real Estate Fund "Samruk-Kazyna" JSC was approved.

**Amendments and supplements
to the following internal
documents**

- to the Charter of "Real Estate Fund "Samruk-Kazyna" JSC;
- to the Annual audit plan of the Internal Audit Service for 2016;
- to the Regulation on Audit Committee of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC;
- to the Regulation on Management Board of "Real Estate Fund "Samruk-Kazyna" JSC;
- to the Regulation on Internal Audit Service of "Real Estate Fund "Samruk-Kazyna" JSC;
- to the Regulation on Corporate Secretary of "Real Estate Fund "Samruk-Kazyna" JSC.

CALENDAR OF CORPORATE EVENTS FOR 2016

FEBRUARY

- 10/02** "Real Estate Fund "Samruk-Kazyna" JSC was appointed one of the operators for implementation of the Program of Infrastructure Development "Nurly Zhol". Under this program the Real Estate Fund concluded 8 contracts for financing of housing construction in Almaty, Astana, Ust-Kamenogorsk.



JUNE

- 8/06** Press conference at the Central Communications Service with the participation of the management of "Real Estate Fund "Samruk-Kazyna" JSC on the Real Estate Fund's performance results in 2015.
- 27/06** Working visit of the Prime Minister of the Republic of Kazakhstan Karim Massimov to the city of Karaganda related to the start of multifunctional residential complex "Zhanuya".



JULY

- 8/07** Working visit of the management of "Real Estate Fund "Samruk-Kazyna" JSC to the city of Shymkent associated with construction of residential complex "Adiya", Shymkent.
- 14/07** Working visit of the management of "Real Estate Fund "Samruk-Kazyna" JSC to the city of Atyrau associated with construction of residential complex "Zheruiyk", Atyrau.
- 22/07** Meeting of the management of the Real Estate Fund with Akim of Aktyubinsk region B. Saparbayev and Akim of the city of Aktobe I. Ispanov concerning the implementation of the Program of regional development by 2020 and "Nurly Zhol".
- 27/07** Working visit of the management of "Real Estate Fund "Samruk-Kazyna" JSC to the city of Ust-Kamenogorsk related to the construction of multi-apartment residential building in Ust-Kamenogorsk, on I. Yessenberlin avenue (residential buildings № 76/1, 76/2).
- 30/07** The Program of regional development by 2020 was amended and supplemented by decree of the Government of the Republic of Kazakhstan № 449.



AUGUST

18/08 Employees of "Real Estate Fund "Samruk-Kazyna" JSC took part in a charity event.

20/08 Employees of "Real Estate Fund "Samruk-Kazyna" JSC took part in a volunteer action of the group of companies "Samruk-Kazyna".

22/08 Formal start of construction of residential complex "Yertis City" under the program "Nurly Zhol" in the city of Ust-Kamenogorsk in the presence of the management of the Real Estate Fund.

30/08 Formal ceremony of handing keys to new settlers in the residential complex "Zhanuya" in the city of Karaganda in the presence of the management of the Real Estate Fund.



SEPTEMBER

9-11 /09 Работники АО «Фонд недвижимости «Самрук-Қазына» приняли участие в IV Спартакиаде группы компаний «Самрук-Қазына»

14/09 Подписание договора по строительству многоквартирного жилого комплекса «Алатау Сити» в г. Алматы с участием руководства Фонда недвижимости

30/09 В рамках реализации программы развития регионов до 2020 года Фондом недвижимости «Самрук-Қазына» заключен договор инвестирования в жилищное строительство в городе Кызылорда



OCTOBER

26-28 /10 Formal start of construction of residential complexes "Arena City" and "Alatau City" in Almaty in the presence of the management of the Real Estate Fund.

28/10 Within the framework of the Program of regional development by 2020, the Real Estate Fund concluded a contract for investment in the housing construction in Kokshetau.

November

28/11 Contract on long-term procurement of complex design and construction works in the city of Astana under the program of regional development by 2020 was concluded.



DECEMBER

14/12 Round tables with the representatives of construction companies - developers on implementation of state Programs of regional development by 2020 and "Nurly Zhol".

27/12 Real estate Fund "Samruk-Kazyna" was awarded in the nomination "Best Annual report in Financial Sector" by the Rating Agency "Expert RA Kazakhstan".

31/12 Program of housing construction "Nurly Zher" was approved by Decree of the Government of the Republic of Kazakhstan No. 922.





ADDRESS OF THE CHAIRMAN OF THE AUDIT COMMITTEE

The year 2016 was not easy due to macroeconomic situation in Kazakhstan and in the world as well. While the Government is taking active measures to stabilize the real estate market, there is substantial risks in the financial sector that could negatively affect the development of the economy. In this regard we carried out comprehensive work to conduct thorough analysis of the Real Estate Fund situation, which allowed to identify significant risks for the Company and to start methodic work on their management.

A.I. Houwink

We establish overall risk appetite as an indicator characterizing the degree of readiness of the Real Estate Fund to take risk. We still maintain conservative approach, and our risk appetite remain low in 2016.

In 2016 considerable amount of work on improving effectiveness of risk management system was done. In particular, the approach to risk identification and risk register development has been revised. Upon the recommendation of the Audit Committee, the total number of risks in the register was reduced, which indicates the Company's comprehensive approach to risk management. These and some other measures resulted in the growth of maturity of risk management system. According to the results of assessment conducted by the Internal Audit Service, in 2016 the effectiveness of the risk management system was 73%, which demonstrates an increase over the 2015 assessment of 69%.

In 2017 the Committee plans, among other things, to focus on the improvement of corporate governance, reengineering of business processes and implementation of sustainable development. In 2016 the Real Estate Fund started the transition to a new model of corporate governance, and in 2017 we are planning to run a diagnostic of corporate governance. This measure will provide the objective assessment of efforts made by the Real Estate Fund, and will set a new vector for development. Another important initiative includes reengineering of business processes and increase of internal control, which will further allow to enhance the effectiveness of the Real Estate Fund. Moreover, in 2017 the Audit Committee plans to devote much attention to the issues of sustainable development. We hope to issue Report on sustainable development, which is going to be the first in the history of the Real Estate Fund.

In general, the year 2016 was very productive, and the Committee will make every effort to press the achieved success in 2017. I wish to thank my colleagues, members of the Board of Directors, and the management Board of the Real Estate Fund for their contributions.

Members of the Audit Committee (as of December 31, 2016):

| Nº | Full name | Position | Member of the Committee since: |
|----|-------------------------------|--|--------------------------------|
| 1. | Adrian Ian Houwink | Chairman of the Committee, Independent | March 20, 2014 |
| 2. | Abdykarimova Zhanar Muratovna | Member of the Committee, Independent Director | December 28, 2013 |
| 3. | Azirbayev Mukhit Bakytovich | Member of the Committee, Senior Independent Director | February 26, 2015 |

In 2016, there were held 11 in-person meetings of the Audit Committee. In total, 90 issues on the key Committee competencies were considered, and 113 decisions were made upon them and appropriate recommendations to the Real Estate Fund Board of Directors were issued.

Working plan of the Audit Committee for 2016 has been assigned and Report on Audit Committee Performance in 2015 has been approved.

During the reporting period, the Audit Committee considered issues related to the activities falling within its competence in accordance with approved Working plan for 2016.

In general, for the reporting period the Audit Committee supervised the work of the Internal Audit Service, on a scheduled basis, and held meetings with external auditor and with the representatives of companies providing audit and consulting services.

Main issues considered by the Audit Committee in 2016:

Regarding the financial statements were considered the following: reports of external auditor "Ernst & Young" LLP, annual financial statements, detailed analysis of financial statements, procedure for distribution of consolidated net income for 2015.

Regarding internal control and risk management were considered the following: quarterly reports on risk management, risk register and map for 2016 and 2017, overall risk appetite, levels of tolerance in respect of each risk and key risk indicators, report on business processes description results and matrix of risks and controls, report on compliance with the principles of corporate governance, quarterly information on implementation of Medium-term plan for improvement of corporate governance system for 2016-2018, report of the Ombudsman.

Regarding external audit were considered the following: key terms of the draft contract (including related services) with external auditor for the audit of financial statements for 2016-2018, results of the corporate governance system diagnostics conducted by "PricewaterhouseCoopers" LPP, report on implementation of recommendations of external auditors "Ernst & Young" LLP.

Regarding internal audit were considered the following: annual report of the Internal Audit Service, as well as quarterly reports of the IAS, annual audit plan of the Internal Audit Service, composition of the Internal Audit Service, budget of the Internal Audit Service.



ADDRESS OF THE CHAIRMAN OF THE NOMINATION AND REMUNERATION COMMITTEE

2016 was reach in events both in the external environment and in the corporate system of the Company. In the reporting period a number of important appointments took place in the Real Estate Fund. In particular, new members of the Management Board were elected, Corporate Secretary and the Head of the Internal Audit Service were appointed.

Zh. Abdykarimova

In the 3rd quarter of 2016, by the results of comparative analysis of the Board of Directors composition with companies of similar scale, the Committee recommended to appoint Tutkushev Yerzhan Beksultanovich as a representative of the Sole shareholder for election to the Real Estate Fund Board of Directors.

The changes also affected the work with personnel reserve: in the second quarter the Committee approved Criteria for evaluation of candidates for the Management Board, the List of key positions and Succession plan.

In the fourth quarter, the Committee took action for formation of the personnel reserve. Careful work on succession planning will allow the Real Estate Fund in future to timely fill vacant positions with trained managers of required level of qualification, with relevant knowledge, experience and leadership qualities to ensure stable management in the Company.

In 2017 the Committee will continue the work on implementation of the succession planning process, in particular - it is planned to arrange a meeting of the Committee and the Board of Directors with the members of personnel reserve.

Besides, once the development strategy is approved, the Committee will begin to develop long-term KPIs for managerial staff, which will allow the Management Board to focus its efforts not only on achievement of short-term goals, but also on long-term ones.

In general, the year 2016 was a year of large-scale changes, and we expect that as a result of such changes the Real Estate Fund will increase its operational efficiency and implement all challenging goals set.

Members of the Remuneration and Nomination Committee (as of December 31, 2016):

| Nº | Full name | Position | Member of the Committee since: |
|----|-------------------------------|--|--------------------------------|
| 1. | Abdykarimova Zhanar Muratovna | Chairman of the Committee, Independent Director | November 22, 2012 |
| 2. | Adrian Ian Houwink | Member of the Committee, Independent Director | March 20, 2014 |
| 3. | Azirbayev Mukhit Bakytovich | Member of the Committee, Senior Independent Director | February 26, 2015 |
| 4. | Raissova Gulmira Bolatovna | Expert (nonvoting) | February 20, 2012 |

In 2016, there were held 11 in-person meetings of the Remuneration and Nomination Committee. In total, 46 issues on the key Committee competencies were considered, and 67 decisions were made upon them and appropriate recommendations to the Real Estate Fund Board of Directors were issued.

Working plan of the Remuneration and Nomination Committee for 2016 has been assigned and Report on Remuneration and Nomination Committee Performance in 2015 has been approved.

During the reporting period, the Remuneration and Nomination Committee considered issues related to the activities falling within its competence in accordance with approved Working Plan for 2016, following which appropriate recommendations were given to the Board of Directors.

Main issues considered by the Nomination and Remuneration Committee in 2016:

Regarding personnel issues were considered the following: issues on early termination of authorities of the Chairman of the Management Board and appointment of the Chairman of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC, approval of number of members of the Management Board, early termination of powers of members of the Management Board and election of new members of the Management Board, appointment of Corporate Secretary, Head of the IAS, list of key positions and Succession plan for key positions, List of criteria for assessment of candidates for the Management Board, establishment of Audit commission of "FN Management" LLP and election of its members.

At meeting No. 37 of the Nomination and Remuneration Committee of the Real Estate Fund Board of Directors dated September 2, 2016 the candidacy of Tutkushev Yerzhan Beksultanovich was considered and recommended for election to the Board of Directors of the Real Estate Fund.

Regarding remuneration were considered the following: key performance indicators scorecards for senior officials with actual values for 2015 and decision on payment of remuneration to senior officials according to the results of 2015, card of targets of the Corporate Secretary and staff of the Corporate Secretary Service for 2016, KPI scorecards for senior officials for 2016.



ADDRESS OF THE CHAIRMAN OF THE COMMITTEE ON STRATEGIC AND INVESTMENT ISSUES

In the Republic of Kazakhstan, construction industry is one of the socially and economically important and rapidly growing sectors of economy. According to tentative forecasts, about 7% of Kazakhstan's GDP falls within the construction industry and this figure is growing steadily since 2013.

M. Azirbayev

The state takes systematic steps to provide the population with affordable housing and stabilize the situation in the real estate market. Appointment of the Real Estate Fund as one of the operators of the State program of infrastructure development "Nurly Zhol", which is aimed at supporting of private developers and development of construction sector of the economy, became a milestone event in this area. The Real Estate Fund was elected one of the operators for implementation of this program, which is evidence of the confidence and recognition of the Company's achievements by the Head of the state.

For the purpose of implementation of the Program "Nurly Zhol", the Committee on Strategic and Investment Issues considered and approved preliminary a number of housing construction projects during the reporting period, according to which it is planned to put into operation about 324 thousand m² of residential space.

The Committee also discussed the issue on updating the Development strategy of the Real Estate Fund, resulting in decision to perform it in 2017. In November 2016, we invited representatives of leading consulting companies, who presented their vision on the Company's priority directions for development. We expect that up-to-date Strategy will facilitate the transition of the Real Estate Fund to a qualitatively new level of development.

In 2016, despite significant external challenges, the Real Estate Fund once again achieved substantial financial and operational performance indicators. The Company increased its profitability along with remained stable level of housing affordability. In a broad sense, the Real Estate Fund remains one of the leading real estate development companies in Kazakhstan, which strengthens the economy by providing the population with housing and relieving social strain through creation new vacancies.

In 2017, the Committee plans to continue the work on selection and consideration of projects under the program "Nurly Zhol", as well as on completion of projects under the Program of regional development.

Today we can state with assurance that for the achievement of strategic goals and challenging tasks set by the Sole shareholder, the Real Estate Fund uses all tools that will lead us to the positive results in future.

Members of the Committee on Strategic and Investment Issues (as of December 31, 2016):

| Nº | Full name | Position | Член Комитета с: |
|----|-------------------------------|--|-------------------|
| 1. | Azirbayev Mukhit Bakhytovich | Chairman of the Committee, Senior Independent Director | February 26, 2015 |
| 2. | Abdykarimova Zhanar Muratovna | Member of the Committee, Independent Director | February 26, 2015 |
| 3. | Adrian Ian Houwink | Member of the Committee, Independent Director | February 26, 2015 |

In 2016, there were held 14 in-person meetings of the Committee on Strategic and Investment Issues. In total, 113 issues on the key Committee competencies were considered, and 138 decisions were made upon them and appropriate recommendations to the Real Estate Fund Board of Directors were issued.

Working plan of the Committee on Strategic and Investment Issues for 2016 has been assigned and Report on Performance of the Committee on Strategic and Investment Issues in 2015 has been approved.

Amendments and supplements to the Regulation on the Committee on Strategic and Investment Issues of the Board of Directors were approved preliminary.

Main issues considered by the Committee on Strategic and Investment Issues in 2016:

Regarding strategic issues were considered the following: report on implementation of the Development plan for 2015, quarterly reports on implementation of Development plan for 2016, business plan for 2017-2021, annual report for 2015, report on the activities of the Board of Directors and Corporate Secretary Service for 2015 and quarterly reports for 2016, new organization structure, letter of expectations of the Sole shareholder for 2017-2021, decision on updating Development strategy for 2016-2026.

Regarding investment issues were considered the following: number of housing construction projects under the programs "Regional development by 2020" and "Nurly Zhol", quarterly reports on implementation of housing construction projects for 2016, report on implementation of the project "Green Quarter".

MANAGEMENT BOARD

Executive Body - the Management Board manages the current activity of the Company, decides on the activities that are not within the competence of other bodies and officers of the Company. The Executive Body is accountable to the Board of Directors, manages the daily activities of the organization and ensures its compliance with the strategy, development plan and decisions taken by the general meeting of shareholders and the Board of Directors. The exclusive competence of the Management Board shall include the following issues:

- selection of information about the Company or its activities, which constitutes business, commercial and other secrets protected by the law;
- approval of staff schedule of the Real Estate Fund;
- conclusion of transactions on behalf of the Real Estate Fund in accordance with the procedure established by the legislation and this Charter;
- approval of documents executed for the purpose of arranging the activities of the Real Estate Fund, unrelated to documents approved by the Sole shareholder or the Board of Directors*;
- making decisions on activities falling within the exclusive competence of the general meeting of shareholders (participants) of the legal entity, ten or more percent of shares (equity shares in the authorized capital) of which belong to the Company, except for issues attributed to the exclusive competence of the Real Estate Fund Board of Directors.

MEMBERS OF THE MANAGEMENT BOARD

MAMYTALIYEV BAURZHAN DZHAIMURZYNOVICH

Chairman of the Management
Board



Date of birth: 01.10.1975

Nationality: Republic of Kazakhstan

Date of election to the Board: 26.06.2013

Education:

- MBA – Lomonosov Moscow State University. Engineer-economist, lawyer.

Professional experience:

- Has extensive working experience in managerial positions at state authorities, financial institutions, national and large private companies. He worked in Tax Committee of the Ministry of Finance of the Republic of Kazakhstan, Committee for State Control over Production and Turnover of Excisable Products of the Ministry of State Revenues of the Republic of Kazakhstan, was the chairman of the Tax Committee for the city of Shymkent in South Kazakhstan region, Counselor to the Chairman of Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan.
- Prior to the appointment to the position of the Chairman of the management Board of "Real Estate Fund "Samruk-Kazyna" JSC, he worked as a Deputy Chairman of the Management Board of Real Estate Fund.

He does not own shares in the Company, shares of its suppliers and competitors.

DZHABOLDINOV ASKAR SERGEYEVICH

Project Managing
Director



Date of birth: 08.01.1981
Nationality: Republic of Kazakhstan
Date of election to the Board: 01.04.2016

Education:

- Kazakh-British Technical University - Management, Master's Degree
- Loughborough university, UK - Information Technology, Master of Science

Professional experience:

- He started his labour activity in 2004. He worked in an insurance company, has experience working in National Bank of Kazakhstan JSC. He worked in the sphere of information technology, as IT specialist, Director of IT system support department, Managing Director - member of the Board of "SK- Pharmaceuticals"LLP in different periods of time.
- In 2012-2014, he held the position of the Chairman of the Board of "Ulytau Holding" JSC.

He does not own shares in the Company, shares of its suppliers and competitors.

KALDYBAYEV TIMUR NURLANOVICH

Managing Director for
Marketing and Development



Date of birth: 20.02.1978
Nationality: Republic of Kazakhstan
Date of election to the Board: 01.04.2016

Education:

- MBA - International Academy of Business, Master of Business Administration in specialty "Management", lawyer, financier.

Professional experience:

- He began his career in 1998, practiced teaching, worked as a lawyer, ran his own business, worked in the field of marketing and management in largest companies of Kazakhstan for more than 12 years.
- Has experience in the field of law, finances, management, marketing, PR, branding, corporate development, project management, real estate sales, was involved in public housing programs development, administered corporate development-related issues.
- Was the head of marketing in largest financial and investment companies, headed a number of departments in the Group "Real Estate Fund "Samruk-Kazyna" JSC.

He does not own shares in the Company, shares of its suppliers and competitors.

DOSSAYEV TALGAT BEIBITOVICH

Managing Director
for Legal Support
and HR



Date of birth: 20.11.1977

Nationality: Republic of Kazakhstan

Date of election to the Board: 01.04.2016

Education:

- Kostanay Law Institute, lawyer
- Postgraduate course at Academy of the Committee on the Penitentiary System, Candidate of Juridical Sciences
- The London School of Economics and Political Sciences, Master in Economics and Business

Professional experience:

- Started his labour activity in 1994, worked in law enforcement authorities and judicial authorities for more than 15 years. Served in the capacity of the head of the department, deputy head of law institute of the Academy of the Ministry of Justice of the Republic of Kazakhstan.
- From 2013 till 2016 he held the position of a corporate secretary - head of the Corporate secretary service of "Real Estate Fund "Samruk-Kazyna" JSC.
- He is an active member of Kazakhstan Association of Independent Directors. Has a degree of CCGP as certified corporate governance professional. Underwent CIMA program training: performance management, PWC PricewaterhouseCoopers.
- In 2015, he was included in the list of candidates Top-25 Talents of the group of companies of "Samruk-Kazyna" JSC.

He does not own shares in the Company, shares of its suppliers and competitors.

DZHANGAZIYEVA ADIYA ARKHIMEDOVNA

Managing Director
for Transformation



Date of birth: 11.08.1984

Nationality: Republic of Kazakhstan

Date of election to the Board: 08.10.2016

Education:

- Abai Kazakh National Pedagogical University, Faculty of Finance and Economics / Specialization: International Economics
- Kazakhstan Institute of Management, MBA Economics and Strategic Research (KIMEP), Master of Business Administration / Specialization: Accounting and Audit

Professional experience:

- Started her career in 2004, worked in the sphere of audit and accounting in Ernst & Young LLP, Astana-Millennium, "Alem communication Holding" for more than 12 years. Worked as the Head of Internal Audit Service, accountant.
- She is an active member of International Institute of Internal Auditors (IIA), has the certificate THE CERTIFIED PROFESSIONAL INTERNAL AUDITOR DIPLOMA.

Certification:

- Diploma in Internal Audit,
- Certified Professional Internal Auditor Diploma (DipCPIA). Since February 10, 2010 she is a member of International Institute of Internal Auditors (IIA).

She does not own shares in the Company, shares of its suppliers and competitors.

REPORT ON THE ACTIVITIES OF THE MANAGEMENT BOARD IN 2016

During the reporting period
the Real Estate Fund
Management Board consisted of 5 members.

In 2016, 59 in-person meetings
of the Management Board were held,
where decisions
on 332 issues were taken.

Main decisions taken by the Management Board in 2016:

- *on investment and implementation of construction projects;*
- *on issues arising in the process of implementation of investment projects;*
- *on placement of temporarily redundant cash;*
- *on conclusion of contracts on fiduciary management of residential and non-residential premises;*
- *on approval and endorsement of internal documents regulating the activities of the Real Estate Fund and its subsidiaries, including:*
 - Procedure for conduction of legal review of the projects;
 - Counterparty verification methodology;
 - Procedure for conduction of technical expertise of housing construction projects under the State program of infrastructure development "Nurly Zhol" for 2015-2019 and Program of regional development by 2020;
 - Rules of payment for implementation of housing construction projects under the State program of infrastructure development "Nurly Zhol" for 2015-2019;
 - Guidance on conducting marketing expertise of the projects under the State program of infrastructure development "Nurly Zhol" for 2015-2019;
 - Procedure for sale of assets under the State program of infrastructure development "Nurly Zhol" for 2015-2019;

- Rules and procedures for the selection of organizations for technical audit of construction in progress;
- Rules of professional training and development of the employees in a new version;
- Procedure for drafting, agreeing, approving and monitoring the implementation of the Business Plan of the Fund and its subsidiaries;
- Procedure for development, approval, amendment and/ or supplementation and withdrawal of internal regulatory documents;
- Instructions on conducting assessment of the quality of website;
- Methodology of the internal control system;
- Instructions on arrangement and carrying out of purchases of goods, works and services.

The Management Board preliminary considers issues that will be subsequently submitted to the Board of Directors for consideration. Thus, the following issues were approved preliminary:

- Organization structure of "Real Estate Fund "Samruk-Kazyna" JSC;
- Annual report for 2015;
- Amendments and supplements to the Charter;
- Annual financial statements for 2015;
- Procedure for distribution of consolidated net income in 2015;

- Annual report on transparency and effectiveness of information disclosure processes for 2015;
- Issue on selection of audit organization providing audit of "Real Estate Fund "Samruk-Kazyna" JSC for 2016-2018 and on determining the amount of payment for its services;
- Business plan for 2017-2021;
- a number of new housing construction projects under the program "Nurly Zhol" in Astana, Almaty, Karaganda, Ust-Kamenogorsk.

It also approved internal regulatory documents, including:

- Rules for selection and consideration of housing construction projects as part of the mechanism of private developers support;
- Rules for sale of assets under the State program of infrastructure development "Nurly Zhol" for 2015-2019;
- Information disclosure policy.

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

Payment of remuneration to the members of the Management Board of the Company is made in accordance with the Rules of performance assessment and remuneration of senior officers of "Real Estate Fund "Samruk-Kazyna" JSC.

The Rules regulates the procedure for assessing performance effectiveness and terms of remuneration payment to senior officers of the Company.

For these purposes, on an annual basis the Board of Directors approves KPI scorecards for senior officers by March 31 of the planning year.

Assessment of performance effectiveness is carried out on the basis of key performance indicators (hereinafter - KPI), which characterize the effectiveness of the Company's financial and economic activities (corporate KPIs) and level of achievement of results by a member of the Management Board in functional areas of activity (motivational KPIs). Corporate KPIs are common for all Management Board members. Functional KPIs are motivational KPIs, which are set individually for each employee, and as a rule, aimed at achieving goals in the areas supervised by him.

Corporate and functional KPIs have limit and target values, and value "Challenge" as well. Limit values define minimum expectations from operating results, which with high probability could be achieved by fulfilling official duties in good faith.

Target values define the expected high level of operating results. KPI's value "Challenge" defines outstanding results of KPIs promoting the achievement of ambitious goals of the Real Estate Fund and "Samruk-Kazyna" JSC.

Depending on the position of employee,
Corporate and Functional KPIs get different weight:

| Job title | Corporate KPI | Functional KPI |
|---|---------------|----------------|
| Chief executive officer | 80% | 20% |
| Managing Director – member of the Management Board | 50% | 40% |

Nomination and Remuneration Committee conducts monitoring of KPI fulfillment every three months. Performance-based remuneration is paid in proportion to the degree of effectiveness of each managerial worker. However, the amount of payments to managerial staff may not exceed the budgeted value.

Nomination and Remuneration Committee of the Real Estate Fund shall be entitled to decide on non-payment of remuneration based on the operating results in case of:

- failure to meet limit values of certain corporate KPIs;
- total efficiency of functional KPIs fulfillment - less than 50% (inclusive).

Besides, according to the introduced amendments and supplements to the Rules of performance assessment and remuneration of managerial staff of "Real Estate Fund "Samruk-Kazyna" JSC, the actual achievement of KPI by the Real Estate Fund is assessed in comparison with the approved KPI plan values every year. This assessment affects the remuneration of the head and members of the Management Board, is taken into account in case of re-election, and may also be a reason for early termination of their authorities.

Payment of remuneration to the management Board members for 2015 was not made.

INTERNAL AUDIT SERVICE

Internal Audit Service carries out control over financial and economic activities, assessment of internal control, risk management, execution of documents in the field of corporate governance and consulting in order to improve the Company's operation.

Internal Audit Service is directly subordinated to the Board of Directors. Employees of the Internal Audit Service may not be elected to the Board of Directors and / or Management Board.

Main tasks of the Internal Audit Service are:

- assessment and assistance in improving the internal control systems;
- assessment and assistance in improving risk management systems;
- evaluation of the risk of fraud and effectiveness of fraud risk management in the Company;
- assessment and assistance in improving corporate governance system in the Company;
- assessment of reliability, completeness, objectivity of the accounting system and reliability of financial reporting;
- evaluation of compliance with requirements of the legislation of the Republic of Kazakhstan, requirements of regulatory documents (compliance control);
- evaluation of the rationality and efficiency of use of the Real Estate Fund's resources and methods (approaches) used to ensure the Fund's assets protection.

In 2016, Internal Audit Service performed 9 audits of 10 scheduled. Audit engagement related to the evaluation of processes of sale and monitoring of the Real Estate Fund's assets was extended to the 1st quarter of 2017. Unscheduled inspections were not implemented.

Main tasks of the inspections performed:

- Evaluation of security systems, including soundness of assets;
- Verification of fulfillment of contractual obligations by developers;

- Evaluation of correctness of KPI calculation of senior officers and managerial staff, existence of facts and documents confirming the proper performance of KPIs for 2015;

- Review of the Unified plan of measures for elimination of mistakes during the preparation of financial reporting;

- Verification of transactions with fixed assets, intangible assets and material assets;

- Analysis of the interest of key persons in the activities of the Internal Audit Service;

- Verification of processes of procurement of goods, works and services; Проверка процессов закупки товаров, работ и услуг;

- Analysis of the risk map of the Real Estate Fund for 2017;

- Assessment of the effectiveness of Corporate risk management system.

Following the results of the audit, recommendations aimed at increasing the effectiveness of the group of companies of the Real Estate Fund, minimizing risks, improving internal control systems, risk management and corporate governance were elaborated.

Also in 2016, an independent consultant performed an external assessment of performance of the Internal Audit Service. Based on the results of the external independent assessment, it was concluded that the Internal Audit Service is consistent with the definition of internal audit, Code of Ethics and Standards of the Institute of Internal Auditors. The external consultant issued a number of recommendations aimed at further improvement of Internal Audit Service activities. On the basis of recommendations issued the plan of measures was developed, works for compliance with recommendations are carried out.

EXTERNAL AUDIT

External audit of the Company's financial statements is carried out by independent audit company Ernst & Young LLP, a member of the Big Four. Procedure for the selection of audit organization is performed in accordance with the Practice of the selection of audit organization for "Samruk-Kazyna" JSC and organizations, more than fifty percent of voting shares (equity shares) directly or indirectly belong to "Samruk-Kazyna" JSC on the basis of the right of ownership or trust management, in the form of an open tender.

Tender committee for the selection of external audit is composed of the members of the Audit Committee, who are involved in evaluation of tender results and direct their recommendations to the Board of Directors and the Sole shareholder.

In order to regulate the provision of consulting services not related to the audit of financial statements and other information by the audit organization, the Policy on attracting the services of audit organizations was approved.

Ernst & Young LLP carries out:

- audit of consolidated annual financial statements of the Real Estate Fund, prepared in accordance with IFRS;
- audit of the package of consolidated financial statement, prepared in accordance with the forms of the Sole shareholder.

In 2016, the external auditor did not provide non-audit services.

Amount of remuneration of external auditor

| Period | Audit scope | Amount of remuneration, including VAT, tenge |
|--------|--|--|
| 2016 | Audit of annual separate and consolidated financial statements | 20 160 000 |
| 2017 | Audit of annual separate and consolidated financial statements | 21 280 000 |
| 2018 | Audit of annual separate and consolidated financial statements | 23 520 000 |

CLEARING OF CONFLICTS OF INTERESTS

Practice directed on prevention of conflict of interests is strictly observed by all employees regardless of their status and position, and covers all aspects of the Company's activity, including recruitment of personnel and procurement.

In order to inform employees, Business Ethics Code and Policy on clearing of conflicts of interests, which regulates the procedures and practices of clearing of conflict of interests were developed.

In order to comply with the requirements of the Business Ethics Code and Policy on clearing of conflicts of interests, the Company has created a hotline and special e-mail, information about which is published on website and in the office of the Real Estate Fund.

On December 14, 2016, the Real Estate Fund hosted round tables devoted to the implementation of state Program of regional development by 2020 and Program "Nurly Zhol" with the participation of the management of the Real Estate Fund and representatives of construction companies. Based on the results of discussion of topical issues on implementation of state housing construction programs, the participants in the round tables developed proposals and recommendations on increasing performance efficiency and companies' responsibility during construction of facilities; Memorandum on cooperation was concluded between the Real Estate Fund "Samruk-Kazyna" and real estate developers in anti-corruption sphere.

As per decision of the Real Estate Fund Board of Directors an Ombudsman was appointed. Its main functions include confidential resolution of conflicts between the participants of corporate relationships, enforcement of observance of the Business Ethics Code and Corporate governance code by the employees of the Real Estate Fund, provision of assistance to the management bodies

in dealing with reports on illegal actions and for prevention or resolution of corporate disputes, consulting Real Estate Fund employees, officials of the Real Estate Fund on provisions of the Corporate governance code, initiation of consideration of disputes related to the violation of provisions of the Corporate governance code.

Every year the Ombudsman shall prepare a report for the Board of Directors that contains the received information about possible or well-known facts of fraud, abuse and other unlawful actions.

In order to receive explanation of requirements of the Policy and/or arising ethical issues, to inform about non-compliance with the requirements of the Policy, corruption and other unlawful actions, employees and officials of the Real Estate Fund, business partners and interested parties are entitled to direct to:

- direct supervisor;
- Ombudsman;
- Internal Audit Service;
- Corporate Secretary Service (facts of violation of principles of business ethics are considered by the Board of Directors of the Real Estate Fund),
- Security Department of the Real Estate Fund.

In order to prevent conflicts of interests in the Company, the list of affiliated persons shall be made, which is brought to the notice of the members of the Board of Directors and Management Board of the Fund, and is also published on the Real Estate Fund's website.

In 2016, there were no cases of conflict of interests in the Fund.

Real estate fund
“Samruk-Kazyna” JSC

CONSOLIDATED FINANCIAL STATEMENTS

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

CONTENT

| | |
|-----|--|
| 125 | INDEPENDENT AUDITORS' REPORT |
| 128 | CONSOLIDATED STATEMENT OF FINANCIAL POSITION |
| 130 | CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME |
| 131 | CONSOLIDATED STATEMENT OF CHANGES IN EQUITY |
| 132 | CONSOLIDATED STATEMENT OF CASH FLOWS |
| 134 | NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS |

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the accompanying separate financial statements present fairly, in all material respects the financial position of the Company 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 separate financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 Separate Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 Company to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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

Ernst & Young

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| In thousands of tenge | Note | 2016 | 2015* |
|--|------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| 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 | |
| Intangible assets | | 28.511 | 5.655.690 |
| Non-current financial assets | 10 | 70.595.255 | 55.793 |
| Amounts due from credit institutions | 11 | 30.800.000 | 34.354.304 |
| Other non-current assets | 15 | 8.443.693 | 16.083.660 |
| | | | 11.455.851 |
| | | 124.962.447 | 73.058.750 |
| Current assets | | | |
| 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 |
| | | 76.576.806 | 66.602.735 |
| Assets classified as held for sale | 13 | - | 99.080 |
| Total assets | | 201.539.253 | 139.760.565 |

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.

| In thousands of tenge | Note | 2016 | 2015 |
|---|--------|--------------------|-------------|
| Equity and liabilities | | | |
| Equity | 20 | 19,990.162 | 19,990.162 |
| Share capital | 20, 21 | 3,437.245 | 3,437.245 |
| Additional paid-in capital | | | |
| Available-for-sale financial assets revaluation reserve | 18, 20 | (455.110) | (188.267) |
| Retained earnings | | 13,633.382 | 9,764.194 |
| | | | 33,003.334 |
| Total equity | | 36,605.679 | |
| Non-current liabilities | | | |
| 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 | 30 | 197.353 | 204.197 |
| | | 41,180.339 | 1,800.841 |
| Current liabilities | | | |
| 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 |
| Total current liabilities | | 123,753.235 | 104,948.345 |
| Liabilities directly associated with assets held for sale | 13 | – | 8,045 |
| Total liabilities | | 164,933.574 | 106,757.231 |
| Total equity and liabilities | | 201,539.253 | 139,760.565 |

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

Managing finance director

Chief accountant

Kaldybayev T.N

Abenov G.A.

Sipuldina B.K.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

| In thousands of tenge | Note | 2016 | 2015* |
|--|--------|------------------|-------------|
| Revenue | 26 | 12.861.613 | 6.918.292 |
| Cost of revenue | 27 | (12.777.428) | (5.500.046) |
| State subsidies | 21 | 4.326.492 | - |
| Gross profit | | 4.410.677 | 1.418.246 |
| 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 |
| Operating income/(loss) | | 716.956 | (465.490) |
| 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) | - |
| Profit before tax | | 5.890.223 | 2.234.986 |
| Income tax expense | 30 | (1.800.956) | (767.796) |
| Profit for the year | | 4.089.267 | 1.467.190 |
| Other comprehensive income to be reclassified to profit or loss in the subsequent periods | | | |
| Net loss on available-for-sale financial assets | | (266.843) | (124.493) |
| Other comprehensive loss for the year, net of tax | | (266.843) | (124.493) |
| Total comprehensive income for the year, net of tax | | 3.822.424 | 1.342.697 |

Acting Chairman of the Board

Managing finance director

Chief accountant



Kaldybayev T.N

Abenov G.A.

Sipuldina B.K.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

| | Share capital | Additional paid-in capital | Available-for-sale financial assets revaluation reserve (Note 20) | Retained earnings | Total |
|-----------------------------------|------------------|----------------------------------|---|----------------------|------------|
| <i>In thousands of tenge</i> | | | | | |
| At 31 December 2014 | 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) |
| Total comprehensive income | – | – | (124.493) | 1,467.190 | 1,342.697 |
| Dividends (Note 20) | – | – | – | (259.943) | (259.943) |
| At 31 December 2015 | 19,990.162 | 3,437.245 | (188.267) | 9,764.194 | 33,003.334 |
| Profit for the period | – | – | – | 4,089.267 | 4,089.267 |
| Other comprehensive income | – | – | (266.843) | - | (266.843) |
| Total comprehensive income | – | – | (266.843) | 4,089.267 | 3,822.424 |
| Dividends (Note 20) | – | – | – | (220.079) | (220.079) |
| At 31 December 2016 | 19,990.162 | 3,437.245 | (455.110) | 13,633.382 | 36,605.679 |

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

| In thousands of tenge | Notes | 2016 | 2015 |
|--|--------|--------------|--------------|
| Operating activities | | | |
| Profit before tax | | 5.890.223 | 2.234.986 |
| Adjustments for: | | | |
| Depreciation and amortisation | | 172.425 | 174.541 |
| Write-off of property and equipment | | 19.165 | 19 |
| Finance income | | (7.907.338) | (4.820.628) |
| Finance costs | 29, 26 | 2.296.077 | 2.010.988 |
| Recognition of discount | 29, 27 | – | 2.540.606 |
| Recognition of discount on the loan given under “Nurly zhol” | | 6.806.459 | – |
| Accrual of allowance for impairment | 11 | 2.247.929 | – |
| Financial assets impairment provision reversal | 17 | (54) | (8.249) |
| Share of losses of the associate | 14 | 2.793 | – |
| Amortisation of discount on loans received | 27 | 675.653 | – |
| Amortisation of discount on loans given | 26 | (1.618.930) | (583.465) |
| Other non-operational income | | (3.408) | – |
| Working capital adjustments | | | |
| Change in inventories | | 2.110 | 4.295 |
| Change in trade accounts receivable | | (868.467) | 238.563 |
| Change in inventory property | | 3.038.519 | 2.385.527 |
| Change in long-term assets | | 371.634 | – |
| Change in other current assets | | (1.676.998) | (29.787) |
| Change in current financial assets | | (421.549) | 1.820.358 |
| Change in accounts payable | | (53.722) | 236.245 |
| Change in other current liabilities | | (1.008.160) | 265.929 |
| | | 7.964.361 | 6.469.928 |
| Income taxes paid | | (428.189) | – |
| Interest paid | | (2.053.142) | (1.758.362) |
| Net cash flows from operating activities | | 5.483.030 | 4.711.566 |
| Investing activities | | | |
| Prepayments for acquisition of real estate properties | | (8.102.975) | (7.541.471) |
| Bank deposits placed | | (33.887.953) | (33.670.116) |
| Return of bank deposits | | 26.422.007 | 35.890.924 |
| Loans given to third parties | | (37.783.626) | – |
| Purchase of property and equipment and intangible assets | | (25.872) | (87.606) |
| Proceeds from sale of a subsidiary | | – | 48,321 |
| Transactions with securities, net | | – | 1,000,001 |
| Return of borrowings from third parties | | 375,248 | 99,146 |
| Interest received | | 6,709,278 | 4,004,546 |
| Net cash flows used in investing activities | | (46,293,893) | (256,255) |

За год, закончившийся 31 декабря 2016 года

| In thousands of tenge | Notes | 2016 | 2015 |
|--|-------|-------------------|-------------------|
| Financing activities | | | |
| Proceeds from Parent loans | | 92.677.830 | 8.878.713 |
| Repayment of Parent loans | | (31.624.749) | (5.415.121) |
| Dividends paid | 20 | (220.079) | (259.943) |
| Net cash flows from financing activities | | 60.833.002 | 3.203.649 |
| Net change in cash and cash equivalents | | 20.022.139 | 7.658.960 |
| Cash and cash equivalents as at 1 January | | 19.682.123 | 12.053.995 |
| Cash and cash equivalents as at 31 December | 19 | 39.704.262 | 19.712.955 |

Acting Chairman of the Board

Managing finance director

Chief accountant

Kaldybayev T.N

Abenov G.A.

Sipuldina B.K.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

АО «Фонд недвижимости «Самрук-Қазына» (далее по тексту – «Компания» или «Общество») было создано постановлением Правительства Республики Казахстан № 265 от 6 марта 2009 года.

Офис Компании находится по адресу: Республика Казахстан, г. Астана, ул. Орынбор, 10.

Государство осуществляет контроль над Компанией через АО «Фонд национального благосостояния «Самрук-Қазына» (далее по тексту – «Материнская компания»), в собственности которого находится 100% доли участия в Компании.

В 2010 году Компания основала дочернюю компанию – ТОО «ФН Менеджмент», а в 2013 году – ТОО «СК Девелопмент» (совместно именуемые – «Группа»). Основная деятельность дочерней и ассоциированной компаний раскрыта в *Примечании 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.

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.

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

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.

Operating lease commitments N° 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 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.

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

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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.

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.

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.

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 N° 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 N° 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 N° 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.

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.

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.

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

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

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

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

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

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

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

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

Revenue recognition

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

Sale of real estate properties

Revenue from the sale of real estate properties is usually 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.

Borrowing costs

Current income tax

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

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

Deferred income tax

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

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

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

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

- 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.

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.

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.

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.

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.

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.

Property and equipment

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

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

| | Years |
|------------------|-------|
| Building | 46-50 |
| Office equipment | 3-10 |
| Vehicles | 4-7 |

An item of property and equipment initially 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.

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.

Allowances

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.

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.

| In thousands of tenge | Initial presentation | Reclassification amount | Presentation taking into account amendments |
|--|----------------------|-------------------------|---|
| Consolidated statement of financial position as at 31 December 2015 | | | |
| Other long-term liabilities | - | (198.984) | 1.397.660 |
| Deferred revenues | 1.596.644 | 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:

| In thousands of tenge | Land | Buildings | Office equipment | Motor vehicles | Total |
|--|---------------|--------------------|------------------|----------------|--------------------|
| Initial cost | | | | | |
| At 31 December 2014 | 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) |
| At 31 December 2015 | 26.101 | 4.882.767 | 318.626 | – | 5.227.494 |
| Additions | – | – | 57.108 | – | 57.108 |
| Disposals | – | – | (3.942) | – | (3.942) |
| Transfer to investment property (Note 7) | – | (3.541.637) | – | – | (3.541.637) |
| At 31 December 2016 | 26.101 | 1.341.130 | 371.792 | – | 1.739.023 |
| Accumulated depreciation | | | | | |
| At 31 December 2014 | – | (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 |
| At 31 December 2015 | – | (440.720) | (166.034) | – | (606.754) |
| Depreciation charge for the year | – | (29.099) | (46.210) | – | (75.309) |
| Depreciation on disposal | – | – | 1.347 | – | 1.347 |
| Transfer to investment property (Note 7) | – | 320.800 | – | – | 320.800 |
| At 31 December 2016 | – | (149.019) | (210.897) | – | (359.916) |
| Net book value | | | | | |
| At 31 December 2015 | 26.101 | 4.442.047 | 152.592 | – | 4.620.740 |
| At 31 December 2016 | 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.

7. INVESTMENT PROPERTIES

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

| In thousands of tenge | Buildings | Commercial premises | Parking lots | Total |
|--|------------------|---------------------|-----------------|------------------|
| Initial cost | | | | |
| At 31 December 2014 | – | 401.977 | 702.000 | 1.103.977 |
| Transferred to property for realization (Note 8) | – | (73.377) | (96.000) | (169.377) |
| At 31 December 2015 | – | 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 |
| At 31 December 2016 | 3.541.637 | 246.904 | 598.000 | 4.386.541 |
| Accumulated amortization and impairment | | | | |
| At 31 December 2014 | – | (28.394) | (69.032) | (97.426) |
| Write-off of impaired property | – | (1.781) | (2.681) | (4.462) |
| At 31 December 2015 | – | (30.175) | (71.713) | (101.888) |
| Depreciation charge | (76.992) | – | (11.015) | (88.007) |
| Depreciation on disposal | – | 3.401 | – | 3.401 |
| Transferred from property plant and equipment (Note 6) | (320.800) | – | – | (320.800) |
| At 31 December 2016 | (397.792) | (26.774) | (82.728) | (507.294) |
| Net book value | | | | |
| At 31 December 2015 | – | 298.425 | 534.287 | 832.712 |
| At 31 December 2016 | 3.143.845 | 220.130 | 515.272 | 3.879.247 |

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

| In thousands of tenge | Apartments | Commercial premises | Parking lots | Total |
|---|--------------------|---------------------|----------------|--------------------|
| At 31 December 2014 | 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) |
| At 31 December 2015 | 3.806.587 | – | – | 3.806.587 |
| 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) |
| At 31 December 2016 | 260.634 | 95.318 | – | 355.952 |

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

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:

| In thousands of tenge | 2016 | 2015 |
|---|--------------------|--------------|
| Beginning of the year | 9.746.719 | 28.662.670 |
| Advances paid for the year | 8.102.975 | 7.548.206 |
| Purchased real estate objects | (3.878.281) | (26.533.893) |
| Transfer of rights | (471.176) | – |
| Guarantee payments | 51.013 | 69.736 |
| Ending of the year | 13.551.250 | 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 | (3.758.257) | (4.091.029) |
| Advances for objects under construction, which will be leased out | 9.792.993 | 5.655.690 |

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

| In thousands of tenge | 2016 | 2015 |
|-------------------------------------|------------------|------------|
| Other non-current assets (Note 15) | 3.337.168 | 20.890.368 |
| Inventory property (Note 8) | 493.020 | 5.643.525 |
| Paid VAT for other long-term assets | 48.093 | – |
| | 3.878.281 | 26.533.893 |

10. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are as follows:

| In thousands of tenge | 2016 | 2015 |
|--|-------------------|------------|
| Finance lease receivables | 37.820.240 | 33.960.457 |
| Loans issued for construction companies under the program “Nurly zhol” | 32.369.914 | – |
| Option at fair value | 352.105 | 352.477 |
| Financing of construction companies | 52.996 | 41.370 |
| | 70.595.255 | 34.354.304 |

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:

| In thousands of tenge | 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 |
| Total minimum lease payments | 71.948.366 | 39.714.331 | 65.449.210 | 35.546.318 |
| Less financial income | (32.234.034) | – | (29.902.892) | – |
| Present value of minimum lease payments | 39.714.332 | 39.714.331 | 35.546.318 | 35.546.318 |
| Less: amounts due for settlement within 12 months (Note 18) | | (1.894.091) | | (1.585.861) |
| Amounts due for settlement after 12 months | | 37.820.240 | | 33.960.457 |

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 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).

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

| In thousands of tenge | 2016 | 2015 |
|--|-------------------|-------------------|
| Депозиты в АО «Delta Bank» | 5.000.000 | 6.000.000 |
| Депозиты в прочих казахстанских банках | 41.800.000 | 33.352.342 |
| Начисленные проценты | 209.274 | 141.467 |
| | 47.009.274 | 39.493.809 |
| Депозиты, размещённые на срок более 1 года | | |
| (Примечание 10) | (30.800.000) | (16.083.660) |
| Краткосрочные депозиты | 16.209.274 | 23.410.149 |

Краткосрочные депозиты состоят из срочных депозитов со сроком погашения в течение года, размещённые в банках второго уровня на территории Казахстана с процентной ставкой от 3,5% до 14% годовых (2015 год: от 3,5% до 9% годовых).

Долгосрочные депозиты состоят из целевых депозитов по проекту «Зеленый квартал» в банках второго уровня с процентной ставкой 3,5% годовых.

По состоянию на 31 декабря 2016 года краткосрочные депозиты размещённые Группой в АО «Delta Bank» составляют 5.000.000 тысяч тенге. Руководство Группы считает что данные средства являются полностью возмещаемыми (Примечание 33).

12. OTHER CURRENT ASSETS

| In thousands of tenge | 2016 | 2015 |
|--|--------------------|--------|
| Cash and cash equivalents with KazInvestBank JSC | 1.634.309 | – |
| Other current assets | 112.536 | 81.126 |
| Provision for impairment of cash | (1.634.309) | – |
| Short-term deposits | 112.536 | 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:

| In thousands of tenge | 2016 | 2015 |
|---|------------------|------|
| Balance at the beginning of the year | – | – |
| Restoration | – | – |
| Accrual | 1.634.309 | – |
| Balance at the end of the year | 1.634.309 | – |

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:

| In thousands of tenge | 2016 | 2015 |
|--|------|--------|
| 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 |
| Assets, classified as held for sale | – | 99.080 |

| In thousands of tenge | 2016 | 2015 |
|---|------|-------|
| Accounts payable | - | 2.364 |
| Deferred tax liabilities | - | 89 |
| Other liabilities | - | 5.592 |
| Liabilities, directly associated with assets held for sale | - | 8.045 |

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:

| In thousands of tenge | 2016 |
|-------------------------------------|---------|
| Balance at 1 January | - |
| Additional contribution | - |
| Disposals | - |
| Acquisition of associated companies | 46.434 |
| Loss of control | - |
| Share of net profit | (2.793) |
| Impairment of investments | - |
| Other changes | 43.641 |

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

| В тысячах тенге | 2016 | 2015 |
|--|--------|------|
| Long-term assets | 6.493 | - |
| Short-term assets | 94.935 | - |
| Long-term liability | - | - |
| Short-term liability | 12.365 | - |
| Capital | | |
| Ownership | 49% | - |
| Net assets for the end of the period | 89.063 | - |
| The current value of the investment as of December 31 | 43.641 | - |

| In thousands of tenge | 2016 | 2015 |
|---|---------|------|
| Revenues from sales and services rendered | 270.725 | – |
| Loss/profit for the year from continuing operations | (5.700) | – |
| Other comprehensive income | – | – |
| Total comprehensive income | – | – |
| The unrecognized share of losses | – | – |

15. OTHER NON-CURRENT ASSETS

| In thousands of tenge | Real estate property | Land plots | Construction in progress | Others | Total |
|--|----------------------|------------|--------------------------|---------|--------------|
| As of 31 December 2014 | 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 |
| As at 31 December 2015 | 9.053.688 | 613.661 | 1.788.502 | 613.661 | 11.455.851 |
| Additions of property | 9.617 | – | 81.355 | – | 90.972 |
| Transfer of finished construction objects from advances given (Note 9) | 2.122.768 | – | 1.214.400 | – | 3.337.168 |
| Transfer from construction in progress | 1.945.455 | – | (1.945.455) | – | – |
| Transferred from inventory property (Note 8) | 905.136 | – | – | – | 905.136 |
| Realization of construction in progress (Note 27) | – | – | (371.634) | – | (371.634) |
| Leased out | (6.458.554) | – | – | – | (6.458.554) |
| Cancellation of lease contract | 41.070 | – | – | – | 41.070 |
| Internal transfers | – | 43 | (14.411) | 14.368 | – |
| Transfer to loan issued (Note 17) | – | (613.704) | – | – | (613.704) |
| Other additions | – | – | – | 57.388 | 57.388 |
| As at 31 December 2016 | 7.619.180 | – | 752.757 | 71.756 | 8.443.693 |

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.

In 2016 the Group transferred apartments and commercial premises in residential complexes “Asyl Arman”, “Two 25 apartment residential complexes in Taraz”, “Sovremennyi”, “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

| В тысячах тенге | 2016 | 2015 |
|--------------------------------|---------|---------|
| Trade accounts receivable | 397.746 | 50.815 |
| Less: allowance for impairment | (8.730) | (8.730) |
| | 389.016 | 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.

| | Total | Neither past due nor impaired | Past due but not impaired (days) | | | | |
|---------------------|---------|----------------------------------|-------------------------------------|-------|-------|--------|------|
| | | | <30 | 30-60 | 61-90 | 91-120 | >120 |
| At 31 December 2016 | 389.016 | 389.016 | – | – | – | – | – |
| At 31 December 2015 | 42.085 | 42.085 | – | – | – | – | – |

There was no movement in allowance for impairment in 2016.

17. LOANS GIVEN

| In thousands of tenge | 2016 | 2015 год |
|---------------------------------|-------------|------------|
| Loan to Ayt Housing Complex LLP | 11.313.062 | 10.586.290 |
| Loans to other companies | 1.082.299 | 468.649 |
| Impairment provision | (1.082.299) | (468.649) |
| | 11.313.062 | 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).

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, Capitalstroyervice 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 Capitalstroyervice 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.

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

| In thousands of tenge | 2016 | 2015 |
|------------------------------|------------------|---------|
| Beginning of the year | 468.649 | 475.913 |
| Recovery | (54) | (7.264) |
| Accrual | 613.704 | – |
| Ending of the year | 1.082.299 | 468.649 |

18. CURRENT FINANCIAL ASSETS

| In thousands of tenge | 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 |
| | 4.492.019 | 4.460.860 |
| Less: impairment provision | – | – |
| | 4.492.019 | 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

| In thousands of tenge | 2016 гoд | 2015 гoд |
|-----------------------|-------------------|-------------------|
| Short-term deposits | 3.095.000 | 5.000.000 |
| Accounts with banks | 36.609.262 | 14.682.123 |
| | 39.704.262 | 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%.

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

| In thousands of tenge | % rate | Repayment | 2016 | 2015 |
|-------------------------------------|----------------|-----------------|--------------------|--------------------|
| Credit facility № 1 | 0,02-2% | 2024 год | | |
| Balance, beginning | | | 40.884.744 | 45.406.713 |
| Interest accrued | | | 711.424 | 846.173 |
| Payments | | | (20.518.451) | (5.368.142) |
| Balance, ending | | | 21.077.717 | 40.884.744 |
| Credit facility № 2 | 2,0% | 2022 год | | |
| Balance, beginning | | | 4.000.000 | 4.666.667 |
| Interest accrued | | | 55.796 | 86.481 |
| Payments | | | (4.055.796) | (753.148) |
| Balance, ending | | | – | 4.000.000 |
| Credit facility № 3 | 2,0% | 2022 год | | |
| Balance, beginning | | | 55.816.713 | 46.938.000 |
| Loans obtained | | | 20.802.330 | 8.878.713 |
| Interest accrued | | | 1.323.580 | 1.051.455 |
| Payments | | | (5.614.817) | (1.051.455) |
| Balance, ending | | | 72.327.806 | 55.816.713 |
| Credit facility № 4 | 2,0% | 2018 год | | |
| Balance, beginning | | | – | – |
| Loans obtained | | | 29.000.000 | – |
| Interest accrued | | | 178.644 | – |
| Payments | | | (178.644) | – |
| Balance, ending | | | 29.000.000 | – |
| Credit facility № 5 | 0,15% | 2025 год | | |
| Balance, beginning | | | – | – |
| Loans obtained | | | 42.875.500 | – |
| Interest accrued | | | 26.261 | – |
| Discount | | | (23.706.680) | – |
| Amortization of discount | | | 675.653 | – |
| Interest paid | | | (10.183) | – |
| Balance, ending | | | 19.860.551 | – |
| Financial aid (Note 10) | 0% | 2017 год | | |
| Balance, beginning | | | 3.300.000 | 3.300.000 |
| Receipt of loans | | | – | – |
| Repayment of borrowings | | | (3.300.000) | – |
| Balance, ending | | | – | 3.300.000 |
| | | | 142.266.074 | 104.001.457 |
| Current portion of loans | | | 122.421.602 | 104.001.457 |
| Non-current portion of loans | | | 19.844.472 | – |

Credit facility № 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 № 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.

Credit facility № 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 № 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 № 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

| In thousands of tenge | 2016 | 2015 |
|-----------------------|-----------|-----------|
| Guarantee payments | 1,574,648 | 1,397,660 |
| | 1,574,648 | 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.

24. OTHER CURRENT LIABILITIES

| In thousands of tenge | 2016 | 2015 |
|---|------------------|---------|
| Payments for operator services of Ayt Housing Complex LLP | 191.557 | 192.473 |
| Guarantee obligations | 174.524 | 123.511 |
| Salary payable | 153.409 | 149.338 |
| Taxes payable other than income tax | 71.799 | 52.665 |
| Advances received | 39.839 | 50.920 |
| Deferred revenue | 15.306 | 15.306 |
| Other current liabilities | 409.275 | 216.955 |
| | 1.055.709 | 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

| In thousands of tenge | 2016 | 2015 |
|---|-------------------|-----------|
| Revenue from finance lease | 4.087.695 | 2.140.236 |
| Sale of residential and commercial premises | 3.954.439 | 2.869.531 |
| Amortisation of discount (Notes 10, 17) | 1.618.930 | 583.465 |
| Interest income on interest bearing financing of construction companies | 908.575 | 505.922 |
| Revenue from sale of construction in progress | 829.979 | — |
| Compensation for property management | 304.307 | 61.955 |
| Revenue from operating lease | 289.852 | 324.737 |
| Other | 867.836 | 432.446 |
| | 12.861.613 | 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

| In thousands of tenge | 2016 | 2015 |
|---|-------------------|-----------|
| Recognition of discount on a loan issued (Note 10) | 6.806.459 | 2.540.606 |
| Cost of residential and commercial premises sold (Note 8) | 3.038.519 | 2.385.527 |
| Cost of construction in progress sold | 803.975 | – |
| Amortization of discount (Note 21) | 675.653 | – |
| Operating taxes | 596.835 | 237.856 |
| Interest expense | 426.567 | 226.485 |
| Maintenance of real estate properties | 324.991 | 22.622 |
| Depreciation and amortisation | 84.605 | 4.462 |
| Other | 19.824 | 82.488 |
| | 12.777.428 | 5.500.046 |

28. ОБЩИЕ И АДМИНИСТРАТИВНЫЕ РАСХОДЫ

| In thousands of tenge | 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 | 51.350 | 9.926 |
| Board of Directors maintenance expenses | 50.998 | 31.766 |
| Maintenance of administrative building | 46.452 | 158.215 |
| Rent | 19.125 | 37.427 |

Общие и административные расходы (продолжение)

| In thousands of tenge | 2016 | 2015 |
|---|------------------|-----------|
| Other taxes and obligatory payments to the budget | 15.607 | 117.510 |
| Advertising and publishing | 15.083 | 17.723 |
| Travel expenses | 13.656 | 15.287 |
| Communication | 10.570 | 13.432 |
| Materials | 9.374 | 10.464 |
| Bank charges | 3.647 | 4.871 |
| Other | 68.431 | 79.540 |
| | 1.445.762 | 1.891.000 |

29. FINANCE INCOME / (FINANCE COSTS)

| In thousands of tenge | 2016 | 2015 |
|--|--------------------|-------------|
| Finance income | | |
| 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 |
| | 6.998.763 | 4.314.706 |
| Finance costs | | |
| 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) |
| | (1.869.510) | (1.784.503) |

30. INCOME TAX EXPENSES

Income tax expenses for 2016 and 2015 are as follows:

| In thousands of tenge | 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) |
| | 1.800.956 | 767.796 |

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:

| In thousands of tenge | 2016 | 2015 |
|--|------------------|-----------|
| Profit before taxation | 5.890.223 | 2.234.986 |
| Statutory tax rate | 20% | 20% |
| Income tax at statutory income tax rate | 1.178.045 | 446.997 |
| 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 |
| | 1.800.956 | 767.796 |

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

| In thousands of tenge | Consolidated statement of financial position | | Consolidated statement of comprehensive income | |
|---|---|-----------|---|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax assets | | | | |
| Loans issued, current financial assets and accounts receivable | 218.206 | 95.476 | 122.730 | (1.650) |
| Taxes | 1.645 | 1.144 | 501 | (239) |
| Deferred revenue | 39.797 | 42.858 | (3.061) | 42.858 |
| Other | 35.616 | 46.730 | (11.114) | 14.674 |
| | 295.264 | 186.208 | 109.056 | 55.643 |
| Deferred tax assets offset against liabilities | (295.264) | (186.208) | (109.056) | (55.643) |
| Deferred tax assets | — | — | | |
| Deferred tax liabilities | | | | |
| Property and equipment | (409.839) | (390.405) | (19.434) | (2.286) |
| Expected interest on loans given | (82.778) | — | (82.778) | — |
| | (492.617) | (390.405) | (102.212) | (2.286) |
| Offset of deferred tax assets | 295.264 | 186.208 | 109.056 | 55.643 |
| Deferred tax liabilities | (197.353) | (204.197) | | |
| Net deferred tax benefit | | | 6.844 | 53.357 |

Reconciliation of net deferred tax liabilities:

| In thousands of tenge | 2016 | 2015 |
|--|----------------|----------|
| Balance at 1 January | 204.197 | 257.554 |
| Correction of deferred income tax of prior periods | – | (48.981) |
| Income tax benefit recognized in profit or loss | (6.844) | (4.376) |
| Balance at 31 December | 197.353 | 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:

| In thousands of tenge | 2016 | 2015 |
|--|----------------|------|
| Entities under the Parent's control | – | – |
| Accrued interest on bank deposits | | |
| Income from operating lease | 21.148 | – |
| Purchases from related parties | 226.584 | – |
| | 247.732 | – |

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:

| In thousands of tenge | 2016 | 2015 |
|--|----------------|---------|
| Entities under the Parent's control | | |
| Trade accounts receivable | 100 | 100 |
| Accounts payable | (3.001) | (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.

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 |
|---------------------------|--------------------|--------------------|----------------|------------------|-------------------|--------------------|
| 31 December 2016 | 121.332.864 | – | 13.667 | 1.072.658 | 42.875.500 | 165.294.689 |
| Loan from the Parent | – | 275.924 | – | – | – | 275.924 |
| Accounts payable | – | – | 790.662 | – | – | 790.662 |
| Other current liabilities | – | – | – | – | – | – |
| | 121.332.864 | 275.924 | 804.329 | 1.072.658 | 42.875.500 | 166.361.275 |
| 31 December 2015 | | | | | | |
| 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.

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:

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

"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.

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:

| In thousands of tenge | 2016 | 2015 |
|-----------------------------|--------------------|-------------|
| Loans from the Parent | 165.294.689 | 104.001.457 |
| Accounts payable | 275.924 | 145.720 |
| Net debt | 165.570.613 | 104.147.177 |
| Equity | 36.605.679 | 33.003.334 |
| Debt-to-equity ratio | 4,52 | 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.

ABOUT REPORT

Real Estate Fund aims at provision of timely, true and accurate information about activity results. Following the current tendencies in the sphere of information disclosure, the Real Estate Fund is presents the report characterizing multifaceted approach to the assessment of performance results.

In 2017, the Real Estate Fund plans to issue special report on substantial development for 2016 in accordance with the GRI Guidelines.

SCOPE OF REPORT

This report summarizes the activities of the Real Estate Fund during the period from January 1, 2016 to December 31, 2016.

The report is prepared in accordance with the requirements of the Corporate governance code of "Real Estate Fund "Samruk-Kazyna" JSC.

Information disclosed in this report is presented in consolidated form and covers the activities of the entire Group of the Real Estate Fund.

Integrated report for 2016 in the Kazakh, Russian and English languages is published on the corporate website www.fnsk.kz.

Paper version of the report can be provided upon request if you contact us at the address specified below.