Real Estate Fund "Samruk-Kazyna" JSC

Consolidated financial statements

Year ended 31 December 2015
with Independent Auditors' Report

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Independent auditors' report

To the Shareholders of JSC "Real Estate Fund "Samruk-Kazyna",

We have audited the accompanying consolidated financial statements of JSC "Real Estate Fund "Samruk-Kazyna" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the JSC "Real Estate Fund "Samruk-Kazyna" and its subsidiaries as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Gulmira Turmagambetova
Auditor

Auditor qualification certificate
No. 0000374 dated 21 February 1998

26 February 2016

Evgeny Zhemaletdinov
General director
Ernst & Young LLP

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 15 July 2005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

In thousands of tenge	Note	2015	2014
Assets			
Non-current assets			
Property and equipment	5	**4,620,740**	4,714,767
Investment properties	6	**832,712**	1,006,551
Advances paid to construction companies	8	**5,655,690**	19,755,111
Intangible assets		**55,793**	55,557
Non-current financial assets	9	**34,354,304**	15,453,247
Amounts due from credit institutions	10	**16,083,660**	–
Other non-current assets	12	**11,455,851**	11,378,807
		73,058,750	52,364,040
Current assets			
Inventories		**5,519**	9,814
Inventory property	7	**3,806,587**	1,024,276
Advances paid to construction companies	8	**4,091,029**	8,907,559
Trade accounts receivable	13	**42,085**	401,263
Accounts receivable under "repo" agreements		**–**	1,000,001
Loans receivable	14	**10,586,290**	12,105,371
Income tax prepaid		**436,967**	614,354
Current financial assets	15	**4,460,860**	3,941,523
Amounts due from credit institutions	10	**23,410,149**	41,820,224
Other current assets		**81,126**	51,340
Cash and cash equivalents	16	**19,682,123**	12,053,995
		66,602,735	81,929,720
Assets classified as held for sale	11	**99,080**	–
Total assets		**139,760,565**	134,293,760
Equity and liabilities			
Equity			
Share capital	17	**19,990,162**	19,990,162
Additional paid-in capital	17, 18	**3,437,245**	3,437,245
Available-for-sale financial assets revaluation reserve	15, 17	**(188,267)**	(63,774)
Retained earnings		**9,764,194**	8,556,947
Total equity		**33,003,334**	31,920,580
Non-current liabilities			
Parent loans	18	**–**	619,688
Other non-current liabilities	19	**1,596,644**	717,272
Deferred tax liabilities	26	**204,197**	257,554
		1,800,841	1,594,514
Current liabilities			
Current portion of Parent loans	18	**104,001,457**	99,691,692
Accounts payable	20	**145,720**	75,382
Other current liabilities	21	**801,168**	1,011,592
		104,948,345	100,778,666
Liabilities directly associated with assets held for sale	11	**8,045**	–
Total liabilities		**106,757,231**	102,373,180
Total equity and liabilities		**139,760,565**	134,293,760

Chairman of the Management Board — Mamytaliyev B.D.

Chief accountant — Sipuldina B.K.

The accounting policies and explanatory notes on pages 5 to 39 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

In thousands of tenge	**Notes**	**2015**	2014
Revenue	22	**6,918,292**	2,794,752
Cost of revenue	23	**(5,500,046)**	(1,264,123)
Gross profit		**1,418,246**	1,530,629
General and administrative expenses	24	**(1,891,000)**	(1,868,130)
Bad debt provision reversal	14	**7,264**	133
Operating loss		**(465,490)**	(337,368)
Finance income	25	**4,314,706**	4,010,908
Finance costs	25	**(1,784,503)**	(1,601,545)
Other income		**170,273**	80,329
Profit before tax		**2,234,986**	2,152,324
Income tax expense	26	**(767,796)**	(419,369)
Profit for the year		**1,467,190**	1,732,955
Other comprehensive income to be reclassified to profit or loss in the subsequent periods:			
Net loss on available-for-sale financial assets		**(124,493)**	(33,383)
Other comprehensive loss for the year, net of tax		**(124,493)**	(33,383)
Total comprehensive income for the year, net of tax		**1,342,697**	1,699,572

Chairman of the Management Board Mamytaliyev B.D.

Chief accountant Sipuldina B.K.

The accounting policies and explanatory notes on pages 5 to 39 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

In thousands of tenge	Share capital	Additional paid-in capital	Available-for-sale financial assets revaluation reserve *(Note 17)*	Retained earnings	Total
At 31 December 2013	19,990,162	3,437,245	(30,391)	7,057,376	30,454,392
Profit for the period	–	–	–	1,732,955	1,732,955
Other comprehensive income	–	–	(33,383)	–	(33,383)
Total comprehensive income	–	–	(33,383)	1,732,955	1,699,572
Dividends (*Note 17*)	–	–	–	(233.384)	(233,384)
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 17*)	**–**	**–**	**–**	**(259,943)**	**(259,943)**
At 31 December 2015	**19,990,162**	**3,437,245**	**(188,267)**	**9,764,194**	**33,003,334**

Chairman of the Management Board Mamytaliyev B.D.

Chief accountant Sipuldina B.K.

The accounting policies and explanatory notes on pages 5 to 39 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

In thousands of tenge	Note	2015	2014
Operating activities			
Profit before tax		**2,234,986**	2,152,324
Adjustments for:			
Depreciation and amortisation		**174,541**	180,427
Write-off of property and equipment		**19**	768
Finance income	22, 25	**(4,820,628)**	(4,010,908)
Finance costs	23, 25	**2,010,988**	1,828,030
Recognition of discount	23	**2,540,606**	456,888
Bad debt provision reversal	14, 15	**(8,249)**	(133)
Amortisation of discount	22	**(583,465)**	(21,775)
Income from option recognition	22	**–**	(378,618)
Working capital adjustments			
Change in inventories		**4,295**	(901)
Change in trade accounts receivable		**238,563**	(541,994)
Change in inventory property		**2,385,527**	–
Change in other current assets		**(29,787)**	(27,142)
Change in current financial assets		**1,820,358**	1,541,680
Change in accounts payable		**236,245**	(192,319)
Change in other current liabilities		**265,929**	654,600
		6,469,928	1,640,927
Income taxes paid		**–**	(65,943)
Interest paid		**(1,758,362)**	(1,601,545)
Net cash flows from / (used in) operating activities		**4,711,566**	(26,561)
Investing activities			
Purchase of other non-current assets		**–**	(1,645,380)
Prepayments for acquisition of real estate properties		**(7,541,471)**	(14,169,966)
Funds returned by contractors		**–**	4,127
Bank deposits placed		**(33,670,116)**	(59,984,020)
Return of bank deposits		**35,890,924**	58,371,870
Purchase of property and equipment and intangible assets		**(87,606)**	(16,203)
Proceeds from sale of a subsidiary	11	**48,321**	–
Transactions with securities, net		**1,000,001**	(1,000,001)
Return of borrowings from third parties		**99,146**	–
Interest received		**4,004,546**	3,803,043
Net cash flows used in investing activities		**(256,255)**	(14,636,530)
Financing activities			
Proceeds from Parent loans		**8,878,713**	15,900,000
Repayment of Parent loans		**(5,415,121)**	(4,957,903)
Dividends paid		**(259,943)**	(233,384)
Net cash flows from financing activities		**3,203,649**	10,708,713
Net increase / (decrease) in cash and cash equivalents		**7,658,960**	(3,954,378)
Cash and cash equivalents as at 1 January		**12,053,995**	16,008,373
Cash and cash equivalents as at 31 December	16	**19,712,955**	12,053,995

Chairman of the Management Board Mamytaliyev B.D.

Chief accountant Sipuldina B.K.

The accounting policies and explanatory notes on pages 5 to 39 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION

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

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

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

The development strategy will be executed within two stages:

1. In 2014-2016: Completion of current commitment undertaken in regards to "Affordable Housing – 2020" Programme in 2016. Additionally, by the end of 2016 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 2015 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 2015 were authorised for issue by the management of the Group on 26 February 2016.

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 subsidiaries as at 31 December 2015. 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.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 (OCI) 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.

Subsidiaries

As at 31 December 2015, the Group had the following subsidiaries included into these consolidated financial statements:

Name	Country of residence	Principal activities	Ownership 2015	Ownership 2014
FN Management LLP	Kazakhstan	Sale and rent of real estate	**100%**	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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Impairment of non–financial assets

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

Classification of financial assets held for sale or available for sale

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When 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.

Advances paid to construction companies

Advances paid 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 2015, average discounting rate amounted to 7% (2014: 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 – 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Cost of investment property and inventory property

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, interpretations and amendments thereof

The accounting policies adopted are consistent with those of the previous financial year, except for the following new or amended IFRS and IFRIC interpretations effective as of 1 January 2015. However, they have no effect on the consolidated financial statements. The nature and impact of each new standard or an amendment are described below:

Amendments to IAS 19 Defined Benefit Plans: Employee benefits

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

Annual Improvements Cycle - 2010-2012

Apart from the amendment related to IFRS 2 *Share-based Payment*, which is applied to share-based payment, effective on or after 1 July 2014, all other amendments are effective for reporting periods beginning on or after 1 July 2014.

IFRS 2 Share–based Payment

This amendment is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. This amendment had no impact on the Group's consolidated financial statements.

IFRS 3 Business combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment had no impact on the Group's consolidated financial statements.

IFRS 8 Operating Segments

Amendments are applied on a retrospective basis and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- „The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

This amendment had no impact on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, it clarifies that the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment had no impact on the Group's consolidated financial statements.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and it clarifies that the holding company (the entity that provides key management personnel services) is the related party and related party disclosure requirements are applied to such entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements Cycle - 2011-2013

These amendments become effective for the reporting periods beginning on or after 1 July 2014. The Group applied these amendments in these consolidated financial statements for the first time: They include:

IFRS 3 Business combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

This amendment had no impact on the Group's consolidated financial statements.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. This amendment had no impact on the Group's consolidated financial statements.

Standards and interpretations issued but not yet effective

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards and interpretations issued but not yet effective up to the date of issuance of the Group’s consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective.

- IFRS 9 *Financial Instruments*
- IFRS 14 *Regulatory Deferral Accounts*
- IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to IAS 16 and IAS 41 Agriculture: *Bearer Plants*
- Amendments to IAS 27*: Equity Method in Separate Financial Statements*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Annual Improvements Cycle - 2012-2014

These amendment becomes effective for annual periods beginning on or after 1 January 2016. The document comprises the following amendments:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;*
- IFRS 7 *Financial Instruments:* Disclosures;
- IAS 19 *Employee benefits;*
- IAS 34 *Interim Financial Reporting*
- Amendments to IAS 1 *Disclosure Initiative*
- Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 28) *Applying the Consolidation Exception*

Foreign currency translation

The consolidated financial statements of the Group are presented in tenge, which is the functional currency of the Company and its subsidiaries 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 subsidiaries 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 2015 was KZT 340.01 to USD 1 (in 2014: KZT 182.35 to USD 1). As at 26 February 2016, the exchange rate amounted to KZT 349.82 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in joint operations (continued)

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

Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

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

Determination of fair value

The Group measures such financial instruments as derivatives at fair value at each date of the statement of financial position. Information on fair value of financial instruments measured at amortised cost and non-financial assets fair value of which shall be disclosed in the financial statements, is disclosed in *Note 30* and *Note 6*, respectively.

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

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

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determination of fair value (continued)

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

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

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

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

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

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

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

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

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

Revenue recognition

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

Sale of real estate properties

Revenue from the sale of real estate properties is usually 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income

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

Expense recognition

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

Borrowing costs

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

Income tax

Current income tax

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

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred income tax (continued)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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 Company 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is carried at a revalued amount. In this case the reversal is treated as a revaluation increase.

Inventories

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

Inventory property

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

5. PROPERTY AND EQUIPMENT

Movement of property and equipment in 2015 and 2014 is presented as follows:

In thousands of tenge	Land	Buildings	Office equipment	Motor vehicles	Total
Initial cost					
At 31 December 2013	26,101	4,882,767	277,435	6,365	5,192,668
Additions	–	–	9,235	–	9,235
Disposals	–	–	(14,470)	–	(14,470)
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**
Accumulated depreciation					
At 31 December 2013	–	(228,536)	(101,481)	(499)	(330,516)
Depreciation charge for the year	–	(106,092)	(48,260)	(1,500)	(155,852)
Depreciation on disposal	–	–	13,702	–	13,702
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)**
Net book value					
At 31 December 2014	26,101	4,548,139	136,161	4,366	4,714,767
At 31 December 2015	**26,101**	**4,442,047**	**152,592**	**–**	**4,620,740**

6. INVESTMENT PROPERTIES

Movement of investment property for 2015 and 2014 is presented as follows:

In thousands of tenge	Commercial premises	Parking lots	Total
Initial cost			
At 31 December 2013	580,666	794,000	1,374,666
Transferred to inventory property *(Note 7)*	(67,536)	(92,000)	(159,536)
Write-off of impaired property	(111,153)	–	(111,153)
At 31 December 2014	401,977	702,000	1,103,977
Transferred to inventory property *(Note 7)*	**(73,377)**	**(96,000)**	**(169,377)**
At 31 December 2015	**328,600**	**606,000**	**934,600**
Accumulated amortisation and impairment			
At 31 December 2013	(135,089)	(62,015)	(197,104)
Depreciation charge	(4,458)	(7,017)	(11,475)
Write-off of impaired property	111,153	–	111,153
At 31 December 2014	(28,394)	(69,032)	(97,426)
Depreciation charge	**(1,781)**	**(2,681)**	**(4,462)**
At 31 December 2015	**(30,175)**	**(71,713)**	**(101,888)**
Net book value			
At 31 December 2014	373,583	632,968	1,006,551
At 31 December 2015	**298,425**	**534,287**	**832,712**

In 2015 as a result of regular analysis of the fair value of investment properties, management of the Group came to conclusion that the carrying amount of its investment property did not exceed its fair value.

In 2014 the Group transferred the ownership of commercial premises to the participant of condominium free of charge under the agreement for compensation-free transfer dated 20 June 2014. As a result, the Group wrote off impaired properties in the amount of 111,153 thousand tenge.

As at 31 December 2015 the fair value of the Group's real estate properties amounted to 3,074,632 thousand tenge (2014: 2,721,950 thousand tenge).

7. INVENTORY PROPERTY

In thousands of tenge	Apartments	Commercial premises	Parking lots	Total
At 31 December 2013	–	–	–	–
Additions of property *(Note 8)*	2,101,604	–	–	2,101,604
Transferred from investment property (*Note 6*)	–	67,536	92,000	159,536
Sold property *(Note 23)*	(317,385)	(50,967)	(4,268)	(372,620)
Leased out	–	(67,536)	(90,000)	(157,536)
Transferred to other non-current assets *(Note 12)*	(759,943)	50,967	2,268	(706,708)
At 31 December 2014	1,024,276	–	–	1,024,276
Additions of property *(Note 8)*	**5,643,525**	–	–	**5,643,525**
Transferred from investment property (*Note 6*)	–	**73,377**	**96,000**	**169,377**
Sold property *(Note 23)*	**(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 12)*	**(540,097)**	**62,410)**	–	**(477,688)**
At 31 December 2015	**3,806,587**	–	–	**3,806,587**

In 2015, as part of "Regional development program-2020", residential premises in such residential complexes as "Asyl Arman" in Almaty, "Sovremennyi", "Shygys", "Khan Tengri" in Astana and "Unis City" in Aktobe were received by the Group for further sale.

In 2015, within the "Regional development program-2020" the Company transferred "Mnogokvartirnyi dom po ulitse No. 36" residential complex located in Astana from other non-current assets to inventory property because it was decided to sell this property.

8. ADVANCES PAID TO CONSTRUCTION COMPANIES

The Group enters into agreements with construction companies (hereinafter, "Construction companies") for acquisition of apartments, commercial premises and parking lots. In accordance with provisions of the agreements, the Group is obliged to make advance payments to the Construction companies and the Construction companies undertook to complete construction by the established dates. The Group becomes an owner of respective objects after completion of construction by the Construction companies and their appropriate registration with relevant authorities. Completion of construction under existing contracts is expected in 2016.

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 2015 and 2014 is presented as follows:

In thousands of tenge	**2015**	2014
Beginning of the year	**28,662,670**	42,698,951
Advances paid for the year	**7,548,206**	13,633,439
Purchased real estate objects	**(26,533,893)**	(17,299,698)
Reclassified to loans issued *(Note 14)*	–	(11,114,252)
Return of funds by Real estate developers	–	(4,127)
Reclassified from financial assets	–	–
Guarantee payments	**69,736**	748,357
Ending of the year	**9,746,719**	28,662,670
Less: advances for objects under construction, which will be sold / transferred to ownership of the Group within 12 months after the reporting date	**(4,091,029)**	(8,907,559)
Advances for objects under construction, which will be leased out	**5,655,690**	19,755,111

In 2014, the Group cancelled the construction investment agreement and the agreements for sale of construction objects at the free price with the construction company Ayt Housing Complex LLP in the amount of 11,114,252 thousand tenge and concluded an agreement on compensation *(Note 14).*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. ADVANCES PAID TO CONSTRUCTION COMPANIES (continued)

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

В тысячах тенге	**2015**	2014
Other non-current assets *(Note 12)*	**20,890,368**	15,198,094
Inventory property (*Note 7)*	**5,643,525**	2,101,604
	26,533,893	17,299,698

9. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are as follows:

In thousands of tenge	**2015**	2014
Finance lease receivables	**33,960,457**	15,044,852
Option at fair value	**352,477**	378,618
Financing of construction companies	**41,370**	29,777
	34,354,304	15,453,247

Finance lease receivables

Finance lease receivables represented by sum of 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:

	2015		2014	
In thousands of tenge	**Minimum lease payments**	**Present value of payments**	Minimum lease payments	Present value of payments
Within one year	**5,063,749**	**1,585,861**	2,659,290	1,059,006
More than 1 year but less than 5 years	**20,179,643**	**7,047,984**	10,590,017	4,593,415
Over five years	**40,205,818**	**26,912,473**	22,843,961	10,451,437
Total minimum lease payments	**65,449,210**	**35,546,318**	36,093,268	16,103,858
Less financial income	**(29,902,892)**	–	(19,989,410)	–
Present value of minimum lease payments	**35,546,318**	**35,546,318**	16,103,858	16,103,858
Less: amounts due for settlement within 12 months *(Note 15)*		**(1,585,861)**		(1,059,006)
Amounts due for settlement after 12 months		**33,960,457**		15,044,852

Increase in finance lease receivables in 2015 was due to sale of property under finance lease agreements in residential complexes "Asyl Arman" in Almaty, "Unis-City" in Aktobe, "Khan Tengri" in Astana, "Sovremenniy" and "Shygys" in Astana under the "Regional development program -2020".

Interest bearing financing of construction companies

In accordance with the terms of certain construction contracts, the Group makes prepayments in the course of construction of the object, but the construction company has a right to sell the object at any price. The construction company has such right in the course of the construction and within one year after the construction is completed. In accordance with contract terms an interest of 5%-7% per annum is accrued on the financing made to the construction company. The Group considers such financing as a financial instrument.

As at 31 December 2015, the short-term portion of financing of construction companies with interest accrued amounted to 165,629 thousand tenge (2014: 165,629 thousand tenge) (*Note 15*).

9. NON-CURRENT FINANCIAL ASSETS (continued)

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 Company entered into the agreement with BI Corporation LLP. In accordance with this agreement, the Company 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 2015 the Group placed16,083,660 thousand tenge *(Note 10)*.

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

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 2015, the Group reassessed fair value of the option, which comprised 352,477 thousand tenge (2014: 378,618 thousand tenge). For determining the fair value of the option the Group applied Black Scholes’ model.

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

In thousands of tenge	**2015**	2014
Deposits with banks	**39,352,342**	41,573,150
Interest accrued	**141,467**	247,074
	39,493,809	41,820,224
Deposits placed for a period of more than 1 year	**(16,083,660)**	–
Short-term deposits	**23,410,149**	41,820,224

The short-term deposits comprise term deposits maturing during 2015 placed with second-tier banks in Kazakhstan with an interest rate of 3.5% to 15% per annum (2014: 3.5% to 9% per annum).

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

11. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

The net assets of the subsidiary were classified as held for sale at 31 December 2015 in the consolidated statement of financial position and comprised the following:

In thousands of tenge	**2015**
Property 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**
Accounts payable	**2,364**
Deferred tax liabilities	**89**
Other liabilities	**5,592**
Liabilities directly associated with assets held for sale	**8,045**

12. OTHER NON-CURRENT ASSETS

В тысячах тенге	**Real estate property**	**Land plots**	**Construction in progress**	**Total**
As of December 2013	1,547,086	613,661	39,509	2,200,256
Additions of property	–	–	1,647,373	1,647,373
Transfer of finished construction objects from advances given *(Note 8)*	15,198,094	–	–	15,198,094
Transferred from inventory property (*Note 7*)	706,708	–	–	706,708
Leased out	(8,411,122)	–	–	(8,411,122)
Cancelation of lease contracts	28,756	–	–	28,756
Other additions	–	–	8,742	8,742
As of 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 8)*	**20,890,368**	**–**	**–**	**20,890,368**
Transferred from inventory property (*Note 7*)	**477,687**	**–**	**–**	**477,688**
Leased out	**(21,479,579)**	**–**	**–**	**(21,479,579)**
Cancelation of lease contract	**95,690**	**–**	**–**	**95,690**
Other additions	**–**	**–**	**5,660**	**5,660**
As of December 2015	**9,053,688**	**613,661**	**1,788,502**	**11,455,851**

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 2015 the Group transferred apartments and commercial premises in residential complexes "Asyl Arman", "two 25 apartment residential complexes", "Unis City" and "Khan Tengri" to inventory property for sale in amount of 2,656,852 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 Kyzylorda, Ust -Kamenoforsk Aktau and Astana, where the Group is a customer. The project amount totals 13,821,879 thousand tenge. The expected year of construction completion is 2016.

13. TRADE ACCOUNTS RECEIVABLE

В тысячах тенге	**2015**	2014
Trade accounts receivable	**50,815**	409,993
Less: allowance for impairment	**(8,730)**	(8,730)
	42,085	401,263

Trade accounts receivable of the Group represent receivables from operating lease and direct sale of commercial and residential premises. In 2015, the Group sold residential premises in residential complexes "Asyl Arman", "Khan-Tengri", "Sovremennyi", "Unis City" and "two 25 apartment residential complexes" under the "Regional development program − 2020".

Trade accounts receivable are neither past due, nor impaired. At 31 December 2015 and 2014, accounts receivable were denominated in tenge.

			Past due but not impaired				
	Total	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**
At 31 December 2015	**42,085**	**42,085**	**–**	**–**	**–**	**–**	**–**
At 31 December 2014	401,263	401,263	–	–	–	–	–

There was no movement in allowance for impairment in 2015.

14. LOANS ISSUED

In thousands of tenge	**2015**	2014
Loan to Ayt Housing Complex LLP	**10,586,290**	12,105,371
Loans to other companies	**468,649**	475,913
Impairment provision	**(468,649)**	(475,913)
	10,586,290	12,105,371

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 2015, the discounted amount is 10,586,290 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 (2014: 456,888 thousand tenge). The unamortised discount amounted to 2,386,705 thousand tenge as at 31 December 2015 (2014: 435,113 thousand tenge).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. LOANS ISSUED (continued)

As at 31 December 2015, loans issued comprised receivables from Omiruzak & Co LLP in the amount of 296,778 thousand tenge, Capitalstroyservice LLP in the amount of 144,889 thousand tenge and Alyansstroyinvest LLP in the amount of 26,983 thousand tenge (2014: 296,867 thousand tenge from Omiruzak & Co LLP, 152,064 thousand tenge from Capitalstroyservice LLP and 26,983 thousand tenge from Alyansstroyinvest LLP).

Receivables from Omiruzak and Co LLP and Capitalstroyservice LLP resulted from signing an assignment agreement with the Parent in 2011, as a result of which the Group recognized these assets and simultaneously recognized payables to the Parent in the same amount as a short-term loan, which was repaid in 2014.

Loans issued as at 31 December 2015 and 2014 were denominated in tenge.

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

In thousands of tenge	**2015**	2014
Beginning of the year	**475,913**	476,046
Recovery	**(7,264)**	(133)
Ending of the year	**468,649**	475,913

15. CURRENT FINANCIAL ASSETS

In thousands of tenge	**2015**	2014
Available-for-sale financial assets	**2,540,120**	2,660,803
Interest bearing financing of construction companies *(Note 9)*	**165,629**	165,629
Finance lease receivables *(Note 9)*	**1,585,861**	1,059,006
Other	**169,250**	57,070
	4,460,860	3,942,508
Less: impairment provision	–	(985)
	4,460,860	3,941,523

Financial assets available for sale represent government bonds with the annual interest rate of 6,7%. In 2015, unrealised losses on government bonds amounted to 124,493 thousand tenge (2014: 33,383 thousand tenge). Current financial assets as at 31 December 2015 and 2014 were denominated in tenge.

Movements in allowance for impairment of current financial assets were as follows:

In thousands of tenge	**2015**	2014
Beginning of the year	**985**	985
Recovered	**(985)**	–
Ending of the year	–	985

16. CASH AND CASH EQUIVALENTS

In thousands of tenge	**2015**	2014
Short-term deposits	**5,000,000**	–
Accounts with banks	**14,682,123**	12,052,714
Cash on hand	–	1,281
	19,682,123	12,053,995

As at 31 December 2015 and 2014 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 18%.

Short-term deposits comprise deposits with maturity not more than 3 months placed with second-tier banks with an interest rate of 16%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CASH AND CASH EQUIVALENTS (continued)

For the purposes of consolidated statement of cash flows, cash and cash equivalents at 31 December 2015 and 31 December 2014 were as follows:

In thousands of tenge	**2015**	2014
Short-term deposits	**5,000,000**	–
Accounts with banks	**14,682,123**	12,052,714
Cash on hand	–	1,281
Cash on hand and accounts with banks related to assets held for sale	**30,832**	–
	19,712,955	12,053,995

17. EQUITY

Share capital

The share capital of the Company 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 18*, in 2009 and 2010 the Company received a loan from the Parent. The Company 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 2010: 3,744,974 thousand tenge and in 2011: 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 2015 and 2014, unamortised discount amounted to 3,437,245 thousand tenge.

Dividends

In 2015, the Group declared and paid dividends on its ordinary shares in the amount of 259,943 thousand tenge (2014: 233,384 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 (*Note 15*).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PARENT LOANS

In thousands of tenge	% rate	Repayment	2015	2014
Credit facility No. 1	0.02-2%	2024		
Balance, beginning			**45,406,713**	49,398,261
Interest accrued			**846,173**	939,007
Payments			**(5,368,142)**	(4,930,555)
Balance, ending			**40,884,744**	45,406,713
Credit facility No. 2	2.0%	2022		
Balance, beginning			**4,666,667**	5,000,000
Interest accrued			**86,481**	98,241
Payments			**(753,148)**	(431,574)
Balance, ending			**4,000,000**	4,666,667
Credit facility No. 3	2.0%	2022		
Balance, beginning			**46,938,000**	34,338,000
Loans obtained			**8,878,713**	12,600,000
Interest accrued			**1,051,455**	790,782
Payments			**(1,051,455)**	(790,782)
Balance, ending			**55,816,713**	46,938,000
Financial aid *(Note 14)*				
Balance, beginning			**3,300,000**	406,537
Receipt of loans			–	3,300,000
Repayment of borrowings			–	(406,537)
Balance, ending			**3,300,000**	3,300,000
			104,001,457	100,311,380
Current portion of loans			**104,001,457**	99,691,692
Non-current portion of loans			–	619,688

Credit facility No. 1

This credit facility was opened in 2009 to acquire residential and non-residential premises in completed projects or projects under construction with initial total amount of 225 billion tenge and three years' grace period to pay the principal. In August 2010, the initial amount of the credit facility was reduced to 155 billion tenge. Also, the credit facility interest rate was reconsidered and set at the rate of 0.02% p.a. during the first two years from the drawdown date and 2% p.a. during subsequent years.

As at the date of recognition (2010) the Group discounted the obtained amount using the rate of return on similar government bonds as at the dates of tranches. Correspondingly, the discount presented as the difference between all the amounts of obtained funds and their fair value was recorded within additional paid in capital. In the event of early repayment of borrowings in 2012, loans were recalculated at reconsidered effective interest rates and the amount of unamortised discount in the amount of 4,174,647 thousand tenge was recognised in the consolidated statement of changes in equity as a decrease in additional paid-in capital due to changes in loan conditions. At 31 December 2015 and 2014, 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 2015, the Group early repaid current portion of a loan in the amount of 4,748,454 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 2015, interest rate on balance of withdrawn amounts was 2.00% (2014: 2.00%). Interest is paid on a semi-annual basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PARENT LOANS (continued)

Credit facility No. 2

This credit facility was opened in 2012 to the total amount of 17,100,000 thousand tenge to finance pilot projects in Astana and Shymkent with the Housing Construction Program in Kazakhstan for 2011-2014. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts. Interest is paid on an annual basis. Under this credit facility, the Group does not plan to implement pilot projects in future. The remainder of the unused amounts of the facility was reallocated by the Parent to other projects.

As at 31 December 2015, the Group repaid principal in the amount of 666,667 thousand tenge under this credit facility according to the payment schedule. Interest is paid on a semi-annual basis.

Credit facility No. 3

This credit facility was opened in 2012 to the total amount of 99,053,000 thousand tenge to finance housing construction projects within the "Regions development program-2020" approved by the Decree of the Government of Kazakhstan No. 821 dated 21 June 2012. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts. Interest is paid on an annual basis. The remainder of unused amounts under this credit facility was 43,236 million tenge as at 31 December 2015.

All obtained funds were 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. In accordance with the decision of the Board of Directors dated 30 December 2015, this financial aid was extended for additional 6 months till June 2016.

19. OTHER NON-CURRENT LIABILITIES

В тысячах тенге	**2015**	2014
Guarantee payments	**1,397,660**	717,272
Deferred revenue	**198,984**	-
	1,596,644	717,272

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.

20. ACCOUNTS PAYABLE

As at 31 December 2015 and 2014, the accounts payable comprised payables to suppliers of goods, works and services for operating activities of the Group. Accounts payable are denominated in tenge and non-interest bearing.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. OTHER CURRENT LIABILITIES

In thousands of tenge	**2015**	2014
Payments for operator services of Ayt Housing Complex LLP	**192,473**	201,641
Salary payable	**149,338**	127,612
Liabilities to payments under guarantee	**123,511**	155,429
Advances received	**52,665**	209,137
Taxes payable other than income tax	**50,920**	22,876
Deferred revenue	**15,306**	–
Other current liabilities	**216,955**	294,897
	801,168	1,011,592

Other current liabilities as of December 31, 2014 included payables to construction companies in the amount of 257,529 thousand tenge, which occurred as a result of changes in sq.m. of construction objects at the time of recognizing them in the consolidated statement of financial position of the Group. In 2015 this liability was transferred to deferred revenue due to the fact that Group estimates the probability of repayment as very low.

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.

22. REVENUE

In thousands of tenge	**2015**	2014
Sale of residential and commercial premises	**2,869,531**	456,100
Revenue from finance lease	**2,140,236**	1,103,132
Amortisation of discount (*Note 14*)	**583,465**	21,775
Interest income on interest bearing financing of construction companies	**505,922**	507,766
Revenue from operating lease	**324,737**	313,554
Revenue from recognition of an option at fair value *(Note 9)*	**–**	378,618
Other	**494,401**	13,807
	6,918,292	2,794,752

In 2015, sale of residential and commercial premises comprise revenue from sale of residential premises (apartments) in Almaty, Astana and Aktobe under "Regional development program − 2020" in the amount of 2,833,936 thousand tenge and revenue from sale of parking lots and commercial premises in the amount of 35,595 thousand tenge.

23. COST OF REVENUE

In thousands of tenge	**2015**	2014
Recognition of discount on a loan issued (*Note 14*)	**2,540,606**	456,888
Cost of residential and commercial premises sold *(Note 7)*	**2,385,527**	372,620
Operating taxes	**237,856**	135,363
Interest expense	**226,485**	226,485
Maintenance of real estate properties	**22,622**	18,410
Depreciation and amortisation	**4,462**	11,475
Other	**82,488**	42,882
	5,500,046	1,264,123

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	**2015**	2014
Salaries and related taxes	**1,025,504**	1,000,196
Depreciation and amortisation	**170,079**	168,952
Professional services	**161,874**	124,247
Maintenance of administrative building	**158,215**	176,978
Other taxes and obligatory payments to the budget	**117,510**	126,877
Rent	**37,427**	62,586
VAT expenses	**37,382**	2,639
Board of Directors maintenance expenses	**31,766**	20,343
Advertising and publishing	**17,723**	31,596
Travel expenses	**15,287**	23,042
Communication	**13,432**	13,013
Materials	**10,464**	11,409
Repair and maintenance	**9,926**	12,131
Bank charges	**4,871**	4,551
Other	**79,540**	89,570
	1,891,000	1,868,130

25. FINANCE INCOME / FINANCE COSTS

In thousands of tenge	**2015**	2014
Finance income		
Interest income on bank deposits and current bank accounts	**4,114,249**	3,798,533
Income on government bonds	**166,159**	165,936
Other	**34,298**	46,439
	4,314,706	4,010,908
Finance costs		
Interest expenses on loans from the Parent	**(1,758,362)**	(1,601,545)
Revaluation loss of the option *(Note 27)*	**(26,141)**	–
	(1,784,503)	(1,601,545)

26. INCOME TAX EXPENSES

Income tax expenses for 2015 and 2014 are as follows:

In thousands of tenge	**2015**	2014
Current income tax expenses	**821,153**	301,853
Correction of deferred income tax of prior periods	**(48,981)**	–
Deferred income tax (benefit)/charge relating to origination and reversal of temporary differences	**(4,376)**	117,516
	767,796	419,369

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. INCOME TAX EXPENSE (continued)

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 2015 and 2014 is as follows:

In thousands of tenge	**2015**	2014
Profit before taxation	**2,234,986**	2,152,324
Statutory tax rate	**20%**	20%
Income tax at statutory income tax rate	**446,997**	430,465
Coupon on government securities	**(30,753)**	(42,501)
Recognition of discount on loans issued	**508,121**	93,495
Recognition of an option at fair value	**5,229**	(75,695)
Amortisation of discount on financial instruments	**(116,693)**	(4,355)
Correction of deferred income tax of prior periods	**(48,981)**	–
Other non-deductible expenses	**3,876**	17,960
	767,796	419,369

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

	Consolidated statement of financial position		**Consolidated statement of comprehensive income**	
In thousands of tenge	**2015**	2014	**2015**	2014
Deferred tax assets				
Loans issued, current financial assets and accounts receivable	**95,476**	97,126	**(1,650)**	(26)
Losses carried forward	**–**	–	**–**	(16,572)
Taxes	**1,144**	1,383	**(239)**	(863)
Impairment of investment properties	**–**	–	**–**	(22,232)
Deferred revenue	**42,858**	–	**42,858**	–
Other	**46,730**	32,056	**14,674**	(18,422)
	186,208	130,565	**55,643**	(58,115)
Deferred tax assets offset against liabilities	**(186,208)**	(130,565)	**(55,643)**	42,373
Deferred tax assets	**–**	–		
Deferred tax liabilities:				
Property, plant and equipment	**(390,405)**	(388,119)	**(2,286)**	(59,401)
	(390,405)	(388,119)	**(2,286)**	(59,401)
Offset of deferred tax assets	**186,208**	130,565	**55,643**	(42,373)
Deferred tax liabilities:	**(204,197)**	(257,554)		
Net deferred tax expenses			**(53,357)**	(117,516)

Reconciliation of net deferred tax liabilities:

In thousands of tenge	**2015**	2014
Balance at 1 January	**257,554**	140,038
Correction of deferred income tax of prior periods	**(48,981)**	–
Income tax (benefit)/expenses recognized in profit or loss	**(4,376)**	117,516
Balance at 31 December	**204,197**	257,554

As at 31 December 2015 and 2014, the Group had no unrecognised deferred tax assets.

27. 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 2015 and 2014, the Group has not recorded 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 2015 and 2014 are as follows:

In thousands of tenge	**2015**	2014
Entities under the Parent's control		
Accrued interest on bank deposits	–	238,058
Income from operating lease	–	346
Purchases from related parties	–	54,658
	–	293,062

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 2015 and 2014:

In thousands of tenge	**2015**	2014
Entities under the Parent's control		
Trade accounts receivable	**100**	357
Accounts payable	**(1,834)**	(2,057)

Loans from the Parent

Details of loans obtained from the Parent are disclosed in *Note 18.*

Compensation to the key management personnel

In 2015, key management personnel consisted of fifteen persons (2014: fifteen persons). Total compensation to the key management personnel included in payroll expenses amounted to 215,583 thousand tenge for the reporting period (2014: 281,187 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.

28. FINANCIAL COMMITMENTS AND CONTINGENCIES

Contractual commitments

As at 31 December 2015, the Group had contractual obligations in the amount of 8,666,393 thousand tenge (2014: 9,132,132 thousand tenge) under agreements with construction companies.

The Green Quarter project.

As disclosed in *Note 9*, in 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 2015, the Group financed this Project in the amount of 11,583,660 thousand tenge. The Group expects to finance the remaining portion before 2017.

28. FINANCIAL COMMITMENTS AND CONTINGENCIES (continued)

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. 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 2015. The management believes that as at 31 December 2015 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.

State subsidies and guarantees

As at the reporting date the Group did not receive state subsidies and guarantees.

29. 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 debt, 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 2015 the Group's current liabilities exceeded its current assets by 38,345,610 thousand tenge (2014: 18,848,946 thousand tenge). This excess has developed, mainly due to the classification of the Parent loans in the amount of 104,001,457 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 2015 and 31 December 2014, based on contractual undiscounted payments.

	On demand	**Less than 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
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**

	On demand	Less than 3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2014						
Loan from the Parent	99,691,692	–	–	–	619,688	100,311,380
Accounts payable	–	75,382	–	–	–	75,382
Other current liabilities	–	–	651,967	–	–	651,967
	99,691,692	75,382	651,967	–	619,688	101,038,729

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Financial instruments that potentially expose the Group to credit risk consist 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.

Fair value of financial instruments

As at 31 December 2015, financial assets at fair value comprised public debt securities and the right to buy a participatory interest *(Note 9*). 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 2015, 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 2015.

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 2015 and 2014 is presented in the following table:

In thousands of tenge	**2015**	2014
Loans from the Parent	**104,001,457**	100,311,380
Accounts payable	**145,720**	75,382
Net debt	**104,147,177**	100,386,762
Equity	**33,003,334**	31,920,580
Debt-to-equity ratio	**3.16**	3.14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SUBSEQUENT EVENTS

On 15 January 2016 the change in ownership of 51 % share in the charter capital of FN Management LLP was registered in the Ministry of Justice.

On 29 January 2016, the Group placed a short-term deposit with “Bank Center Credit” JSC in the amount of 7,800,000 thousand tenge with the interest rate of 20% and maturity up to 3 months.

On 11 February 2016, the Group received the additional tranche on the loan from the Parent in the amount of 8,800,000 thousand tenge under credit line No. 187 dated 5 September 2012 under “Regional development program – 2020”.