

REAL ESTATE FUND
«Samruk-Kazyna»

THE ANNUAL REPORT

of Real Estate Fund "Samruk - Kazyna" JSC

for **2015**

TABLE OF CONTENTS

Address of the Chairman of the Board of Directors	04
Address of the Chairman of the Management Board	06
Information about the Real Estate Fund	08
History of creation and shareholders	08
Mission, vision, strategic areas and goals in 2015	09
Significant corporate events in 2015	11
Key performance indicators	13
Analysis of financial and economic indicators	14
Main areas of activity	24
I. Increase of long-term added value of the company	24
<i>Implementation of the Regional Development Program by 2020</i>	<i>24</i>
<i>Implementation of New Policy Initiatives</i>	<i>47</i>
II. The introduction of innovations in the construction industry	48
The project on construction of administrative and residential complex "GreenQuarter" in Astana	48
Information on activities in the area of research and development	49
Corporate governance	52
Principles of corporate governance	52
Risk management	73
Clearing of conflicts of interest	74
Information policy	74
Sustainable development	77
Interaction with the society	77
Interaction with employees	81
Environmental responsibility	89
Outlook for 2016	92
About the report	93
<i>Appendix 1. Analysis of the sector of housing construction and housing affordability</i>	<i>94</i>
<i>Appendix 2. Consolidated financial statement for 2015 and report of independent auditors</i>	<i>105</i>
<i>Appendix 3. Table of standard elements of GRI</i>	<i>153</i>

1 ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Munzhassarov
Zhumagali
Akhmetgaliyevich**
*Chairman of the Board
of Directors
The Sole Shareholder
Representative's*

Dear colleagues, clients and partners!

Real Estate Fund "Samruk-Kazyna" has been functioning in the real estate market for over six years. During these years the Fund has taken part in implementation of variety of anti-crisis programs in spheres of construction and realization of affordable housing to population. About 1.4 million square meters of real estate has been put into operation through efforts of the Fund. For today the Fund is one of operators of "Affordable Housing 2020" Program and also of the comprehensive plan of the regional development within the framework of the implementation of Letter of the Head of State "Kazakhstan 2050" Strategy: the new policy of succeeded state».

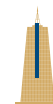
The Fund in partnership with private companies is going to provide by 2020 commissioning of about 770 thousand square meters housing, while the Real Estate Fund's property will be about 620 thousand square meters of total area or 10 800 apartments.

For the moment nine apartment complexes with a total area of over 315 thousand square meters have already been constructed and put into operation. Among the projects completed in 2015 the following can be mentioned: the second construction stage of the housing estate "Asyl Arman" in Almaty region, housing group 1B of "Shygys" complex in Astana and one housing estate in Ust-Kamenogorsk. The total area of the property put into operation during the reported period amounted to 151.4 thousand square meters. Housing is transferred to people through hire-purchase agreement, whereby monthly payment is set in tenge and remains unchanged regardless of devaluations throughout rental period.

While the Real Estate Fund within the anti-crisis measures is solving at once three strategic goals which are construction of affordable housing, reducing social tension level by creating new jobs and providing employment at domestic enterprises producing construction materials, the Fund also gradually increases it's own operating efficiency.

Thereby over 4 million workplaces have already been created in 11 regions of the country, investments in amount of 18 billion tenge from private sources raised for housing construction and significant results in support of domestic business achieved: the part of local content in the ongoing projects of the Fund has been increased by a quarter over the past five years and reached 85% of all direct procurement.

In recognition of the Fund's achievements the leadership of the country has defined the Fund as a key operator of commercial real estate construction within the framework of the State program of infrastructural development "Nurly Zhol" and allocated 97 billion tenge for this purpose. In the framework of implementation of the program it is planned to build more than 1.5 million sq. meters of housing.



Dear stakeholders!

positive dynamics in the diagnosis of the Fund corporate management has become an indicator of the effectiveness of taken measures. According to independent consultants research in 2015, the rating of corporate management has reached 75% of the level of compliance with the best international practices. This trend is ensured by positive system of transfer of best practices in the field of sustainable development and also by systematic improvement of all indicators of the Fund functioning.

We are expecting that the updated development priorities and effectively selected tools will allow us to react appropriately to external factors and ensure further growth, once again confirming the thesis of the President N.A. Nazarbayev that the global crisis not only a danger, but also new opportunities.

I wish fruitful work and success to all of you!

Zh. Munzhassarov



2 ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD



**Mamytyaliyev
Baurzhan
Dzhaimurzynovich**
*Chairman
of Management Board**

Dear shareholders, partners and colleagues!

Following its own mission, the Real Estate Fund is actively contributing to the development of the construction industry in Kazakhstan. During incomplete seven years of our activity we have assisted the implementation of buildings with total area of about 887.3 thousand square meters. 151.4 thousand sq.m. of this area was implemented in 2015.

An order of the Head of State N.A. Nazarbayev on providing affordable housing to citizens of Kazakhstan gave a great impulse to development of housing construction. In response to this order the Regional Development Program by 2020 (hereinafter - the Program) was adopted in 2012. Being one of it's the major operators the Real Estate Fund has put into operation 391 thousand square meters of housing since 2012, whereby over 4000 Kazakh families became owners of their own housing. Thus the Fund has financed the construction of affordable housing in the regions with more than 54 billion tenge. The volume of construction financing in the framework of Program amounted to 7.7 billion tenge in 2015.

The multiplicative effect of the Fund's activity is revealed in development of the domestic industry of construction materials. So, in result by the end of last year, the level of Kazakh part on ongoing projects averaged 85%. At the building areas being constructed with the participation of the Fund it was created more than 4000 workplaces in 11 regions.

Implementation of innovations in the construction industry is one of the strategic activity spheres of the Real Estate Fund. For this purpose a Technical Board was established on base of the Real Estate Fund. the Board consists of experts of the construction industry in "green technologies" field, government representatives and scientists. Technical Board has developed a List of innovative technologies recommended for implementation at the facilities financed by the Fund.

An example of successful implementation of such technologies is going to be the pilot project based on using of energy saving technologies "Green Quarter" in the capital of Kazakhstan.

The project "Green Quarter" is initiated in accordance with the order of the Head of State and being implemented in compliance with public-private partnership principle. Construction is planned to be completed in 2016. We are confident this project will not only adorn the architectural appearance of Astana, but also become a good example of the implementation of energy-saving technologies in the middle of the international exhibition "EXPO-2017" devoted to energy issues of the future.

An example of innovative nature of the Fund activities is that our company has firstly implemented and is still developing an electronic system of applications for the apartments acquisition in the framework of the Regional Development Program. Innovative web-project of the Fund ensures fair and transparent sequencing of the applicants' priority.

It is known that in 2014 our shareholder - the National Welfare Fund "Samruk-Kazyna" - implemented an ambitious project aimed at conversion of the entire group of companies into of new model of constant changes and improvement. Being subsidiary of the National Welfare Fund we are actively involved in the process of business transformation. We are planning to start transition to the new model of business construction that promotes efficiency growth and controllability of the Fund. Transformation of the Fund will let us successfully implement projects aimed at the systematic improvement of welfare of Kazakhstan citizens through access to high-quality, modern and affordable housing.

Achieving by the Fund of all planned goals would be impossible without constructive cooperation with our partners representing both private sector and government. I am sure that our cooperation in 2016 will be even more successful and mutually beneficial.

I thank all team members of the Fund and its subsidiaries making efforts to achieve the goals set for us by the shareholder.

The Real Estate Fund is entering a new phase with a clear understanding of strategic goals, with the plan how to achieve them, as well as a tight-knit team that proved ability of quasi-public sector entities to work profitably and efficiently.

***Kindest Regards,
Baurzhan Mamytyaliyev***

* Appointed on the basis of an extract from the Board of Directors meeting of February 3, 2016 Minutes №97.



3 INFORMATION ABOUT THE REAL ESTATE FUND



History of creation and shareholders

"Real Estate Fund "Samruk-Kazyna" Joint-Stock Company (hereinafter - The Real Estate Fund, the Company) was established in accordance with the Decree of the Government of the Republic of Kazakhstan dated as of March 6, 2009 No. 265 "On some measures to solve the problems of real estate market".

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

- creation of new assets in the form of residential and commercial premises;
- financing of construction objects, purchasing of residential and non-residential (commercial) premises in the buildings completed or being under construction;
- provision of real estate management (leasing, including leasing with the further purchase, sale of real estate, arrangement of works on operation, maintenance and repair, etc.).

The Real Estate Fund is registered in the bodies of registration of the Ministry of Justice of the Republic of Kazakhstan on March 19, 2009.

On December 31, 2015 the total number of announced and offered shares was 16 247 541. All shares are ordinary, including 15 000 000 pieces with the nominal value of one share of 1000 tenge, 1 247 540 pieces with the nominal value of one share of 4000 tenge, 1 piece with nominal value 2490 tenge.

Maintaining of the register of security holders of the Company is carried out by The Integrated Securities Registrar JSC.

100% of shares of the Company belongs of Sovereign Wealth Fund "Samruk – Kazyna" JSC (the Sole Shareholder).

The main strategic areas of "Samruk-Kazyna" JSC are:

- increase of long-term value of the companies;
- participation in diversification and modernization of the national economics;
- social responsibility.

Information on the activities of "Samruk-Kazyna" JSC is provided on web-site - www.sk.kz.

Mission, vision, strategic area and goals

The development strategy of the Real Estate Fund for 2014-2023 was approved by resolution of the Board of Directors on March 20, 2014.

Mission

перевод - Assistance in development of construction industry and real estate market of the Republic of Kazakhstan by means of anchor development of megaprojects, investment in construction with the use of "green" technologies, as well as implementation of innovations to the construction industry.

Vision

The leading company in the anchor development of megaprojects and introduction of innovations to the construction industry of the Republic of Kazakhstan.

The main **strategic areas of activity** of the Real Estate Fund are defined:

- I. Increase of the long-term added value of the company.
- II. Introduction of innovations in the construction industry.

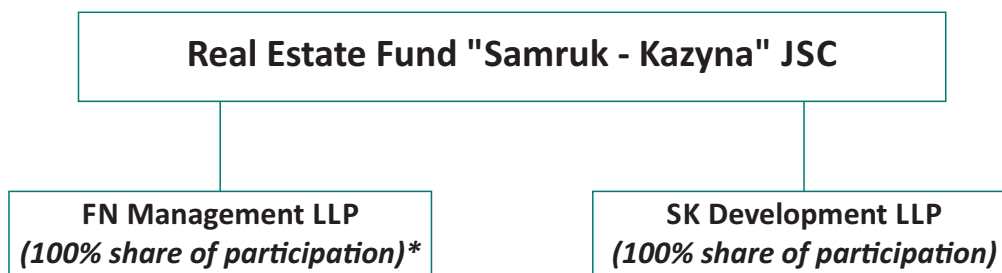
The main objectives of the first strategic area "Increase of long-term added value of the Company" are:

- 1) To become an anchor developer in implementation of mega-projects.
- 2) Development of commercial real estate. The Company intends to deal with implementation of commercial projects only in those segments of the real estate markets, where private capital is not enough active.
- 3) Improvement of operating efficiency. Critical factor of success for project implementation is improvement of the internal processes of the Company, system of corporate management and effective personnel management.

The main goals of the second strategic area "Introduction of innovations in the construction industry" are:

- 1) Real estate development using "green" technologies. This goal provides the construction of "Green Quarter" as the part of preparation to "EXPO-2017", as well as "green" residential complexes, certified in accordance with the "green" construction standards. The Company will be the first developer in the country, forming a new segment of the real estate market.
- 2) Transfer of the advanced experience in the area of real estate development. The Company intends to implement the projects with the involvement of partners, having experience with introduction of innovations to construction, using gained knowledge for implementation of the following projects.

The structure of Companies of the Group of Real Estate Fund "Samruk-Kazyna" JSC¹



¹ As of December 31, 2015

*An agreement for the sale of 51% stake by the Real Estate Fund was signed in July 2015. Re-registration of rights of ownership in judicial bodies was carried out on January 15, 2016

FN Management LLP was founded in 2010 with 100% participation in assets of the Real Estate Fund. The main area of activity of FN Management LLP is leasing/hire-purchase of residential and commercial premises, control on maintenance and operation of real estate. According to the Decree No.280 of the Government of the RoK dated March 31, 2014, an agreement for the sale of 51% stake in FN Management LLP was signed in July 2015. Re-registration of rights of ownership in judicial bodies was carried out on January 15, 2016

In April 2013, SK Development LLP was founded with 100% participation in assets of the Real Estate Fund. The main activity areas of SK Development LLP are defined as development of housing construction using "green" technologies, development of industrial zones and business parks, investment in construction of infrastructure projects in the Republic of Kazakhstan and abroad.

4 SIGNIFICANT CORPORATE EVENTS IN 2015

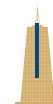
January	The building footprints 9 and 12 of the second construction stage of residential complex “Asyl Arman” (Almaty region) are put into operation
	A Supplementary Agreement No.2 to the Contract No.187-и on Opening a credit line dated September 05, 2012 was signed on January 29, 2015 on modifying the terms of the credit line for development programs in the region up to 2020 (the period of the credit line is increased to 20 years, grace period on principal repayment is up to 48 months from the date of enrolment of the first tranche).
February	Strategy and Investment Committee of the Board of Directors of the Real Estate Fund “Samruk-Kazyna” JSC was established (by the Resolution No.90 of the Board of Directors dated February 26, 2015)
April	A hearing with the Sole Shareholder carried out, following the results of 2014: The annual report for 2014, audited consolidated financial statements of the Company for 2014, the order of distribution of net income distribution and payment of dividends were approved.
May	The Corporate management code was approved (by Resolution No.22/15 of the Management Board of "Samruk-Kazyna" JSC dated May 27, 2015).
	Within cost optimization regular staffing of the corporate center is decreased by 7 units, in SK Development LLP - by 3 units and in the FN Management LLP - by 7 units (according to the resolution No.92 of the Board of Directors on May 20, 2015)
	The building footprints 11, 13, 15 and 17–21 of the second construction stage of residential complex “Asyl Arman” (Almaty region) are put into operation
	The housing group 1B of residential estate “Shygys” complex in Astana is put into operation
July	According to the Decree No.280 of the Government of the Republic of Kazakhstan dated March 31, 2014 an agreement for the sale of 51% stake in FN Management LLP was signed.
November	Apartment building placed along the street No. 36 between the streets No. 26 and 27 in Astana is put into operation
December	Construction objects 76/3-76/9 of apartment building are put on operation in Ust-Kamenogorsk.
	Apartment building No. 1 of residential complex “Zhanuya” is put into operation in Karaganda
	The foundation agreement is approved and the Charter of FN Management LLP is agreed being redrafted due to changes in membership (Minutes of the General Meeting of the FN Management LLP No. 1 dated on 14.01.2016, the Board of Directors Minutes No. 96 dated on December 30, 2015).
	The Company's development plan for 2016–2020 (the resolution of the Board of Directors No. 96 dated on December 30, 2015).
	According to the results of diagnostics of corporate governance system, performed by an independent consultant PricewaterhouseCoopers LLP, ratio of compliance of the corporate governance level of the Company with the requirements of the best practice was 75%.
	The Real Estate Fund was awarded in the category of "Best Annual Report in the financial sector" by the "Expert RA Kazakhstan" Rating agency at the V Contest of Annual Reports.



Министерство строительства
и инфраструктуры
Республики Казахстан

Министерство строительства и инфраструктуры





5 KEY PERFORMANCE INDICATOR

Financial indicator

Item	Unit	2013	2014	2015
Net profit	mln. tenge	1 555,9	1 732,9	1 467,2
ROA	%	1,44	1,36	1,07
ROACE	%	2,29	2,39	2,15
EBITDA margin	%	-25	-22,2	26,2

Operational indicators

Item	Unit	2013	2014	2015
Real estate pool under the Regional Development Program 2020.	thousand sq. m.	322,1	455	433,1
The share of private investment attracted to housing construction	%	25,6	25	25
Annual commissioning of real estate under the Regional Development Program by 2020.	тыс. кв. м	23,9	140,6	151,4
Sold real estate under the Regional Development Program by 2020.	тыс. кв. м		59,4	157,9
Kazakhstan content in procurement of developers	%	73	81	85

² Without consideration of the agreement with Gorizontstroy LLP in Shymkent terminated on 15.01.2016.

6 ANALYSIS OF FINANCIAL AND ECONOMIC INDICATORS

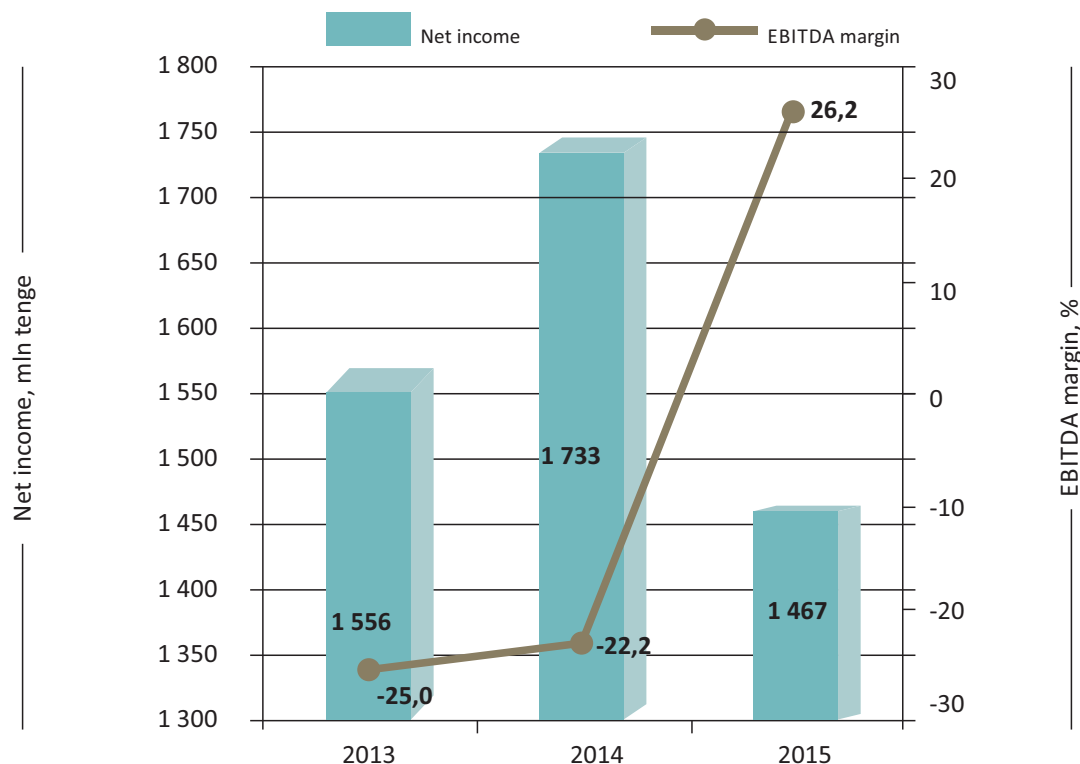
Net profit of the Company was 1,467.2 mln. tenge. Despite considerable increase in income, incl. from the operating activity, the net profit in 2015 showed a decrease of 15% compared to 2014 year due to the reflection of costs in the amount of 2.5 billion, related to the recognition at fair value of the loan granted for the construction of "Akcent" Residential Complex.

EBITDA margin considerably improved due to increase in profits from the main activity.

The dynamics of financial indicators reflects the cyclical development of the Company's activity related to specific financing of the construction industry which is characterised by a long production cycle. The stage of real estate construction takes on average from 1.5 to 3 years. During the stage of construction and investment, decrease in income from real estate sale and increase of capitalization of cost is observed. Growth of incomes from the primary activity is observed after commissioning of the facilities.

The principal incomes from implementation of anti-crises program were received by the Company in 2010-2012.

Investment to construction under Regional Development Program by 2020 was started in 2012. The sale of real estate under the Regional Development Program by 2020 was started at the second half of 2014.





Aggregate (total) income and expenditures, mln. tenge

Item	2013	2014	2015			
	actual	actual	plan	actual	in % to the Plan	in % to the Plan
Total income	6 078,1	6 886,1	21 213,1	11 410,5	54%	166%
Total expenditure	4 059,2	4 733,8	17 005	9 175,5	54%	194%
Corporate income tax expenditures	463	419,4	841,6	767,8	91%	183%
Share in profits/losses of organization registered using the equity method						
Net profit (loss)	1 555,9	1 732,9	3 366,5	1 467,2	44%	85%

Total revenues amounted to 11,410.5 million tenge, exceeding the index of 2014 by 66%. Revenue growth is associated with the implementation of real estate within the framework of Regional Development Programs by 2020.

The structure of aggregate (total) income, mln. tenge

	2013	2014	2015			
Наименование	actual	actual	plan	actual	in % to the plan	in % to the actual in 2014
Operational income (income from the main activity)	2 152,6	2 794,8	19 008,9	6 918,3	36%	248%
Sales of completed objects	7,6	456,1	14 266,1	2 869,5	20%	629%
Financial lease revenue	1 021,5	1 103,1	2 593,1	2 140,2	83%	194%
Operational lease revenue	321,1	313,6	250,7	324,7	130%	104%
Interest revenue from financing construction companies	802,1	507,8	488,2	505,9	104%	99,6%
Other sales revenue	0,3	414,2	1 410,8	494,5	35%	119%
Other operating income	-	-	-	583,5	-	-
Financial revenue	3 843,8	4 010,9	2 202,1	4 314,7	196%	108%
Other non-operating revenue	81,7	80,3	2,1	170,3	8 001%	212%
Recovery of provision for financial assets impairment	-	0,133	-	7,264	-	5 475%
Total	6,0781	6,8861	21,2131	11,4105	54%	166%

Operating revenue in 2015 was to 6 918,3 million tenge (148% higher than 2014).

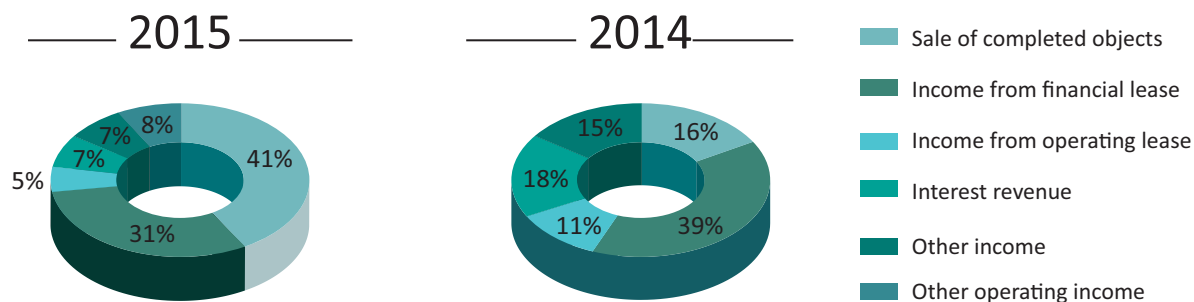
Growth in revenues from sales and finance leases is connected to the active phase of real estate sale under the Regional Development Program by 2020.

Other sales revenue includes the revenue from specific deposits, revenue for management of the objects delivered in trust management, revenue on compensation of the property tax from tenants, as well as fines and penalties.

Other operating revenue includes discount amortization for Akkent RC.

Forecast of the future period: The forecast for 2016 plans considerable increase in revenue from the main activity (by 62.7% to the actual figures of 2015) due to increase in the pool of housing sold to the population as part of the Regional Development Program by 2020.

Structure of sales income, mln. tenge



Financial income in 2015 was to 4,314.7 million tenge (8% higher than 2014). Financial income includes the income from temporarily free investment of funds.

Forecast of the future period: In 2016, decrease in income is planned from investment of temporarily free funds as these funds will be aimed at long-term loan repayment under the anti-crisis program.

Aggregated expenditures of the Company in 2015 were 9,175.5 million tenge, that is 94% higher than in 2014. Growth of aggregated expenditures compared to 2014 is associated with the growth of production cost due to the sale of real estate, as well as the recognition of the costs of the present value of loans granted for the construction of "Akkent" Residential Complex, due to changes in conditions of repayment obligations of Ayt Housing Complex LLP in 2015.

The structure of aggregated (total) expenditure, mln. tenge

Item	2012	2013	2014	2015			
	actual	actual	actual	plan	actual	in % to the plan	in % to the actual amount, 2014
Production cost	329,6	527,6	1 264,1	13 096,2	2 959,4*	23%	234%
Other operating expenses	-	-	-	-	2 540,6*	-	-
General and Administrative Expenses (G&A)	1 564,2	2 333,6	1 868,1	1 948	1 891	97%	101%
Financial expenses	573,9	1 121	1 601,5	1 960,8	1 784,5	91%	111%
Expenses on creation of provisions for depreciation	407,8	77,0	-	-	-	-	-
Total	2 875,5	4 059,2	4 733,8	17 005	9 175,5	54%	194%

* expenses amounting to 2.5 billion tenge, related to recognition of fair cost of the loan granted for construction of Akkent RC, were moved from the Production cost item to the Other Operating Expenses item

Cost of Sales in 2015 was 2,959.4 million tenge. Growth of production cost in comparison with 2014 is explained by growth sales of real estate.

Forecast of the future period: In 2016, increase in the production cost is planned by 1,958 million tenge due to operational taxes growth (property tax, etc.) resulting from expanded pool of housing accepted as property and leased to the population on the lease-to-purchase basis, expenses on real estate depreciation, expenses on real estate operation.

Cost of sales, million tenge

Item	2012	2013	2014	2015
Cost of sale of completed facilities	104,2	5,8	372,6	2 385,5
Maintenance of the objects	-	19,7	18,4	22,6
Depreciation of investment property	21,1	15,2	11,5	4,5
Interest expenses	177,7	226,5	226,5	226,5
Operating taxes	24,5	146,2	135,4	237,8
Impairment	-	111,1	-	-
Other	2,1	3,1	499,8	82,5
Total	329,6	527,6	1 264,1	2 959,4

General administrative expenses in 2015 was 1,891 million tenge (1% higher than in 2014). Insignificant increase in G&A is related to increase in taxes (land tax), amortization of fixed assets, expenses on technical passports of the facilities put into operation.

Forecast of the future period: In 2016, G&A decrease by 5% is planned as compared to the actual figures in 2015 as a result of expenses optimization, and also sale of 51% of participation share in FN Management LLP.

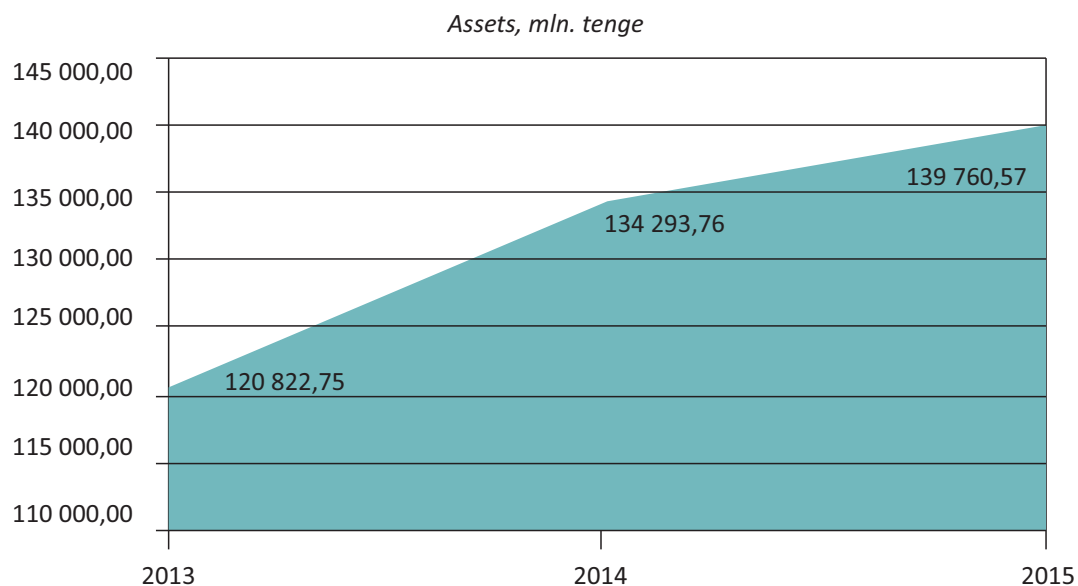
Expenses on financing was 1,784.5 million tenge. Growth by 11% in comparison with 2014 resulted from increased borrowing for realization of the affordable housing construction program.

Forecast of the future period: increase in expenses on financing is planned following the development of the credit line funds under the Regional Development Program by 2020, as well as attraction of loans for realization of projects related to new strategic development areas.

Assets

On December 31, 2015 assets of the Real Estate Fund were 139.8 billion tenge. Within one year assets increased by 4%. The asset growth was due to the increase in the volume of housing construction under implementation of Regional Development Programs by 2020 and growth of investments into the "Green Quarter" project. As of the reporting date, long-term assets were 73.1 billion tenge (increase by 39% a year due to increase in the provision of real estate for long-term financial lease and specific deposit opening under the "Green Quarter" project), including fixed and intangible assets - 4.7 billion tenge, advance payments to construction companies - 5.6 billion tenge, investment real estate - 0.8 billion tenge, long-term financial assets - 34.4 billion tenge, funds in credit institutions - 16.08 billion tenge, other long-term assets - 11.5 billion tenge. Short-term assets amounted to 66.7 billion tenge (decrease by 18.6% a year due to advance payments to construction companies, funds in credit institutions, loans

granted), including cash and cash equivalents - 19.7 billion tenge, funds in credit institutions - 23.4 billion tenge, advance payments to construction companies - 4.1 billion tenge, loans granted - 10.6 billion tenge, real estate for sale - 3.8 billion tenge, assets for sale - 0.1 billion tenge, current financial assets - 4.5 billion tenge, other current assets - 0.08 billion tenge.



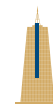
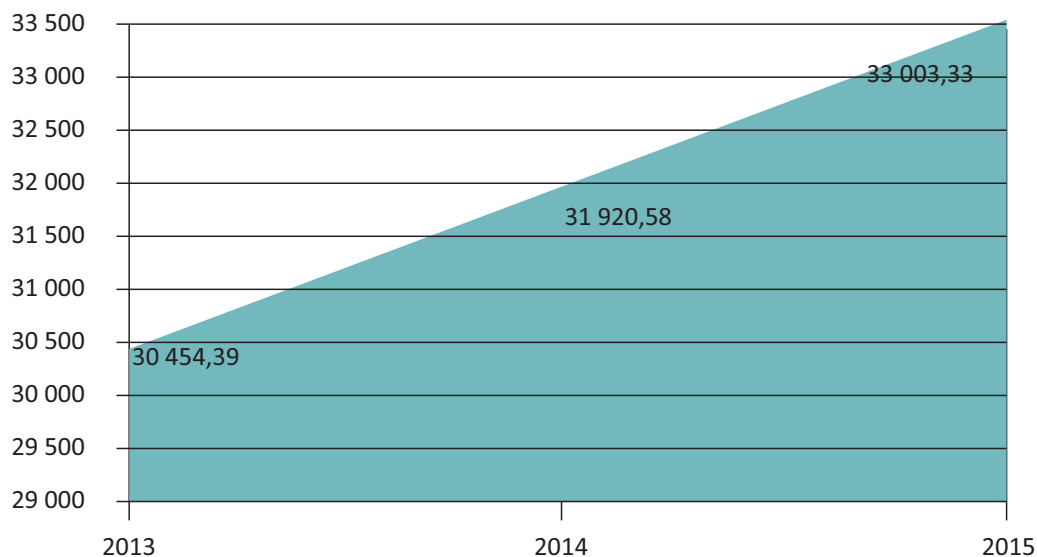
Capital

Equity capital of the Company on December 31, 2015 was 33 billion tenge. The growth of equity capital (3%) is associated with an increase of amount of the retained earnings.

The authorized capital of the Real Estate Fund was formed by the Sole Shareholder in the amount of 19.99 billion tenge.

Additional paid-in capital was formed from a loan provided by the Sole Shareholder. The loan is recognized at the fair value, calculated as the present value of the future cash outflow for the loan, discounted at the rate of profitability of government bonds at the date of the loan. The difference arising between the received amount of loan and its fair value as of the date of the loan is reported as additional paid-in capital.

Retained profit was 9.76 billion tenge as of 31.12.2015.

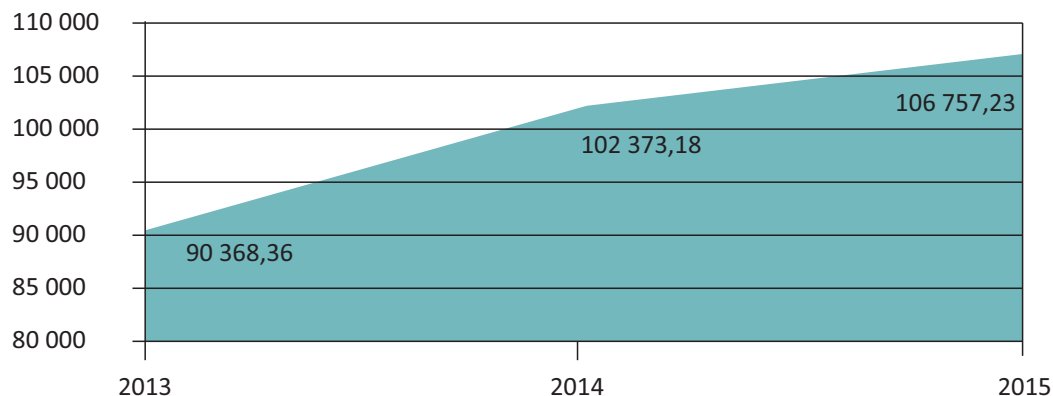
*Equity capital (mln. tenge)*

Liabilities

The liabilities of the Real Estate Fund were 106.8 billion tenge as of December 31, 2015. Growth of liabilities (by 4%) resulted from borrowing under the implementation of Regional Development Program by 2020.

Long-term liabilities amounted to 1.8 billion tenge.

Current liabilities amounted to 104.9 billion tenge, including the loan from the parent company - 104 billion tenge (at fair value).

Liabilities (mln. tenge)

Funding

Company funding for completion of the facilities under construction as part of the anti-crisis program is carried out by the Sole Shareholder in accordance with Credit facility Agreement between the Company and the Sole Shareholder dated 18.08.2009 No. 10/FN. Under the mentioned agreement, the credit line in the amount of 155 billion tenge is provided to the Fund in tranches. Term of the credit is 15 years, with the grace period on principal repayment being 36 months, after which the principal debt is repaid in equal semi-annual payments. The interest rate for each received tranche in the first twenty-four months is 0.02% per annum, in subsequent years - 2% per annum.

As of December 31, 2015, the Real Estate Fund received 98.4 billion tenge under the mentioned credit line. Outstanding principal debt as of the reporting date was 40 billion tenge.

For implementation of the pilot projects under Housing Construction Program for 2011-2014, the Sole Shareholder provided a credit line in 2012 in the amount of 17.1 billion tenge with the maturity until 2021. The interest rate is 2% per annum. The grace period on principal repayment is 2.5 years. As of December 31, 2015, the Real Estate Fund received 5 billion tenge, with the outstanding principal debt being 4 billion tenge.

In 2012, the Sole Shareholder also provided a credit line for the total amount of 99.053 billion tenge to finance the housing construction projects as part of the Regional Development Program by 2020. Maturity of the credit line is until 2032. The interest rate is set at 2% per annum. The grace period on principal repayment is 4 years. As of December 31, 2015, the Real Estate Fund received 55.82 billion tenge (the outstanding principal debt) under the specified credit line.

In 2014, the Sole Shareholder provided temporary financial assistance in the amount of 3.3 billion tenge to implement "Green Quarter" project (Contract dated 29.12.2014 No. 463-и).

Financial Soundness Indicators

In 2015, the indicator "Debt / EBITDA" was 24.8, in 2014 - 25.5, and in 2013 - 26.9. Improvement of the indicator resulted from growth of EBITDA due to the increase in operating income of the Company.

The indicator "Interest Coverage" was 2.25 in 2015, 2.34 in 2014, and 2.8 in 2013. Decrease of this indicator in the reporting period is due to the increase in financial expenses by 11% as a result of increasing the Company's debt obligations under loans of the parent company.

Dividends per shares at the end of 2014

Dividend per share at the end of 2014 was 15.9989 tenge per one ordinary share. The total amount of dividends was 259.94 million tenge, or 15% from the aggregated net profit of the Real Estate Fund Group. Payment of the dividends to the Sole Shareholder was made on June 25, 2015.

70% of the net income equals to 1,213.07 million tenge, was allocated to partial early repayment of the principal debt under the credit line provided by the parent company for anti-crisis program realization.

15% of net income (259.94 million tenge) is left at the disposal of the Real Estate Fund for the development.

Dividends per shares

	Dividends per one ordinary share, tenge	Total amount of dividends, million tenge	Share of dividends in the net profit, %
At the end of 2014 r.	15,9989	259,94	15%
At the end of 2013 r.	14,36	233,38	15%
At the end of 2012 r.	31,20	506,89	15%

Information on subsidies, guarantees and other financial assistance from the state

Subsidies, guarantees, tax incentives, credits and other financial assistance were not provided by the state (see also Note 29 of Appendix 2. Consolidated financial statements for 2015 and the report of independent auditors).

The support of the Sole Shareholder

The sole shareholder provided soft loans for implementation of anti-crises program and the Regional Development Program by 2020, as well as the financial assistance for realization of the "Green Quarter" project (for more details see "Funding" above, as well as Note 18 of Appendix 2. Consolidated financial statements for 2015 and the report of independent auditors).

7 MAIN AREAS OF ACTIVITY

I. Increase of long-term added value of the company

As part of this strategic direction in 2015 the Real Estate Fund worked on the implementation of the regions development programmes by 2020 (formerly - The program named "Affordable Housing-2020"), and has completed the implementation of anti-crisis program and began exploring new strategic directions, they are "mega" projects and projects in the field of "green" development.

Implementation of the Regional Development Program by 2020

The Real Estate Fund is determined as one of the major operators, implementing the Programme of regions development by 2020.

The Programme identifies the following mechanisms of residential facilities construction with participation of the Real Estate Fund:

- 1) - Organization of construction due to investment applications of private developers (investors);
- 2) - Implementation of projects on the land plots of Local Executive Board (LEB) by Real Estate Fund;
- 3) - Implementation of projects by means of distribution of special deposits in the regulated banks.

Within this Programme the Real Estate Fund as of December 31, 2015 has entered into financing contracts for 12 housing projects in 10 regions of the country (in the cities of Astana, Almaty, Aktobe, Taraz, Karaganda, Shymkent, Ust-Kamenogorsk, Kyzylorda, Atyrau and Almaty region) with a total floor area of over 556.1 thousand square meters, including premises area of the Real Estate Fund, which is 433.1 thousand sq. m. meters (7.5 thousands of apartments), and 239 parking spaces. It also has signed 2 agreements on development of design specifications and estimates for construction of residential buildings in the cities of Aktau and Astana, with total floor area not less than 105 thousand sq.m.

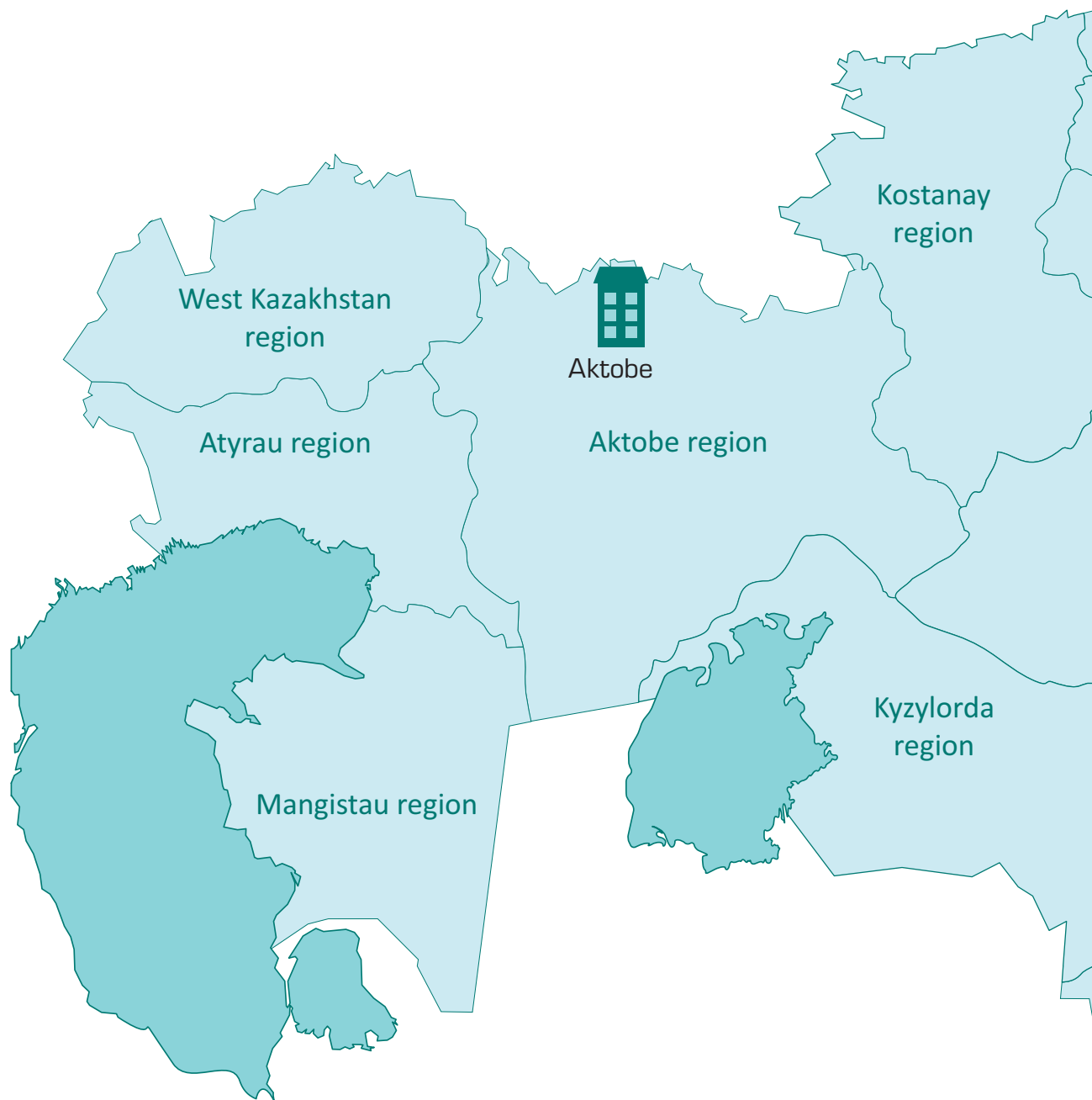
As of December 31, 2015, the Real Estate Fund implemented financing of facilities in total amount of 54.1 billion tenge, including 7.7 billion tenge in 2015.

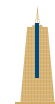
In 2015, the Real Estate Fund provided performance of target parameter of the Programme on putting into operation of housing, which is 150 thousand square meters, and 151.4 thousand square meters were actually put into operation of the Real Estate Fund's pool.

In 2013-2015 with the participation of the Real Estate Fund 6 residential buildings have been put into operation in the following cities: Almaty, Aktobe, Taraz, Astana and suburban area of Almaty, as well as the first stage of the objects in the cities of Astana, Karaganda and Ust-Kamenogorsk, with total area of 392.2 thousand sq. meters, including Real Estate Fund's area, which is 315.9 thousand sq. meters.



Map of Completed projects





City	Number of projects	Housing area (thousand sq./m.)
Astana	2	32,4
Almaty	1	14,9
Almaty region	2	210,9
Aktobe	1	20,2
Taraz	1	3,7
Ust-Kamenogorsk	1	25,7
Karaganda	1	8,0

Objects which were put into operation in 2015

1. Residential complex "Asyl Arman" (2nd stage), (suburban area of Almaty)

Developer - ElitstroyProject LLP



Investment contract on residential complex construction as of March 29, 2013.

The object was put into operation by acts as of October 16, 2015, and June 29, 2015.

2,246 apartments, with total area of 114,712.5 sq. meters were delivered by the Real Estate Fund.

The monthly lease payment under lease-to-purchase is 1,611.91 tenge per sq.meter

Cost of direct sale - 179,999 tenge per sq.meter

Cost of project, thousands tenge	21,481,139
Participation interest of Real Estate Fund, % - thousands tenge	80 – 17,184,911
Participation interest of Developer, % - thousands tenge	20 – 4,296,227
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	149,999.99 tenge
Total area of apartments, square meters	143,207.61
Total amount of apartments	2,808
Construction period	2013-2015



2. Apartment building in the city of Astana, located at street No.36, between streets No.26 and No.27 (1st stage). Developer - Real Estate Fund "Samruk-Kazyna" JSC



General contractor agreement on construction of residential house as of October 29, 2013.

The object was put into operation on November 27, 2015.

171 apartments, with total area of 13,857.6 sq. meters, are being delivered by the Real Estate Fund.

Cost of direct sale - 180,000 tenge per sq.meter

Cost of project, thousands tenge	1,826,944
Participation interest of Real Estate Fund, % - thousands tenge	100 – 1,826,944
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	126,510 tenge
Number of floors	9 floors
Total area of apartments, square meters	13,987.9
Total amount of apartments	171
Construction period	2013-2015



3. "Shygys" Multi-apartment residential complex in the city of Astana. (Residential Group 1B)

Developer - KAONTECH International LLP



Investment contract on residential complex construction as of June 14, 2013.

15 Residential Group was put into operation on May 28, 2015

155 apartments, with total area of 10,198.1 sq. meters are being delivered by the Real Estate Fund, 86 apartments, with total area of 6,976 of 15 residential group.

The monthly lease payment under lease-to-purchase is 1,611.91 tenge per sq.meter

Cost of direct sale - 180,000 tenge per sq.meter



Cost of project, thousands tenge	15,065,338
Participation interest of Real Estate Fund, % - thousands tenge	59 – 8,888,549
Participation interest of Developer, % - thousands tenge	41 – 6,176,789
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing/ commercial premises	150,000 tenge
Cost of construction of 1 car space	1,460,367 tenge
Total area of apartments, sq. meters	85,133.91
Total amount of apartments	1,256
Total area of commercial premises, sq. meters	13,841.31
Amount of parking units	150
Construction period	2013-2015

4. "Zhanuya" Residential complex in the city of Karaganda (residential building No.1)

Developer - KKK Engineering LLP



Investment contract on residential complex construction as of October 29, 2014.

Residential building No.1 was put into operation on December 29, 2015.

108 apartments, with total area of 8,083.9 sq. meters, are being delivered by the Real Estate Fund.

The monthly lease payment under lease-to-purchase is 1,413.51 tenge per sq.meter

Cost of direct sale - 157,844.88 tenge per sq.meter

Cost of project, thousands tenge	2,126,691
Participation interest of Real Estate Fund, % - thousands tenge80 –	1,700,422
Participation interest of Developer, % - thousands tenge	20 – 426,269
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	131,537.4 tenge
Number of floors	9 floors
Total area of apartments, square meters	16,167.96
Total amount of apartments	216
Construction period	2014-2015



5. Residential complex, located at avenue named after Ilyas Esenberlin in the city of Ust-Kamenogorsk (blocks No.76/3-76/9). Developer - Real Estate Fund "Samruk-Kazyna" JSC



General contractor agreement on construction of residential house as of November 20, 2014.

Block No.76/3-76/9 were put into operation on December 24, 2015.

431 apartments, with total area of 25,651.7 sq. meters, are being delivered by the Real Estate Fund.

The monthly lease payment under lease-to-purchase is 1411.05 tenge per sq.meter

Cost of direct sale - 157,570.8 tenge per sq.meter

Cost of project, thousands tenge	5,323,804
Participation interest of Real Estate Fund, % - thousands tenge	100 – 5,323,804
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	131,280 tenge
Number of floors	9 floors
Total area of apartments, square meters	39,337.67
Total amount of apartments	658
Total area of commercial premises, sq. meters	1,215.22
Construction period	2014-2016

Objects which are being constructed

1. "Shygys" Multi-apartment residential complex in the city of Astana. (residential groups 1A,1B)

Developer - KAONTECH International LLP



Investment contract on residential complex construction as of June 14, 2013.

Current situation of the project as of 31/12/2015

In the 2nd quarter of 2015 the residential group 1B, with total area of 18,528.23 sq. meters, was put into operation. The work on the concrete frame buildings of residential groups 1A and 1B was completed, as well as masonry walls and partitions, the installation of window units in the residential group 1A was finished.

Cost of project, thousands tenge	15,065,338
Participation interest of Real Estate Fund, % - thousands tenge	59 – 8,888,549
Participation interest of Developer, % - thousands tenge	41 – 6,176,789
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing/ commercial premises	150,000 tenge
Cost of construction of 1 car space	1,460,367 tenge
Total area of apartments, sq. meters	85,133.91
Total amount of apartments	1,256
Total area of commercial premises, sq. meters	13,841.31
Amount of parking units	150
Construction period	2013-2016



2. Apartment building in the city of Astana, located at street No.36, between streets No.26 and No.27 (2nd stage - parking). Developer - Real Estate Fund "Samruk-Kazyna" JSC



General contractor agreement as of September 2, 2015.

Current situation of the project as of 31/12/2015

In 2015, on-site works were carried out for piling felling and end walls of piles, gravel preparation and reinforcement of the monolithic foundation with the installation of the formwork.



Cost of project, thousands tenge	308,502
Participation interest of Real Estate Fund, % - thousands tenge	100 – 308,502
Cost of construction of 1 car space	1,881,110 tenge
Total amount of parking units	164
Construction period	2015-2016

3. "Adia" Residential complex in the city of Shymkent.

Developer - Adia Group Turan LLP



Investment contract on residential complex construction as of October 16, 2014.

Current situation of the project as of 31/12/2015

Works on the device monolithic reinforced concrete foundation and frame buildings on the ground level and the 1st floors, brick walls and partitions masonry were carried out at the site.

Cost of project, thousands tenge	4,223,251
Participation interest of Real Estate Fund, % - thousands tenge	75 – 3,165,809
Participation interest of Developer, % - thousands tenge	25 – 1,057,442
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	131,537.4 tenge
Number of floors	5 floors
Total area of apartments, square meters	32,106.85
Total amount of apartments	495
Construction period	2014-2016

4. "Zhanuya" Residential complex in the city of Karaganda

Developer - KKK Engineering LLP



Investment contract on residential complex construction as of October 29, 2014.

Current situation of the project as of 31/12/2015

In the 4th quarter of 2015, by the Act of State Acceptance Commission as of December 31, 2015 a residential building No.1 in the amount of 108 apartments with a total area of 8.08 sq. meters, belonging to the Real Estate Fund was put into operation at the object.

Cost of project, thousands tenge	2,126,691
Participation interest of Real Estate Fund, % - thousands tenge	80 – 1,700,422
Participation interest of Developer, % - thousands tenge	20 – 426,269
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	131,537.4 tenge
Number of floors	9 floors
Total area of apartments, square meters	16,167.96
Total amount of apartments	216
Construction perio	2014-2016



5. Residential complex in Shulyga neighbourhood in the city of Kyzylorda.

Developer - Real Estate Fund "Samruk-Kazyna" JSC



General contractor agreement on construction of residential house as of November 11, 2014.

Current situation of the project as of 31/12/2015

Due to collapse of the skeleton of residential building No. 6 construction and installation works have been suspended since March 24, 2015.

Daneker LLP carried out a dismantling of collapsed and deformed constructions of the residential building No.6 at their own expense.

Cost of project, thousands tenge	1,940,287
Participation interest of Real Estate Fund, % - thousands tenge	100 – 1,940,287
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	130,769 tenge
Number of floors	5 floors
Total area of apartments, square meters	14,837.5
Total amount of apartments	210
Construction period	2014-2016



6. Residential complex on the avenue named after Ilyas Esenberlin in Ust-Kamenogorsk
Developer - Real Estate Fund "Samruk-Kazyna" JSC



General contractor agreement on construction of residential house as of November 20, 2014.

Current situation of the project as of 31/12/2015

In accordance to the State Acceptance Commission Act as of December 24, 2015 buildings on positions №76 / 3, 76/4, 76/5, 76/6, 76/7, 76/8, 76/9 with general an area of 25,651 sq m. (431 apartments) were put into operation.

Cost of project, thousands tenge	5,323,804
Participation interest of Real Estate Fund, % - thousands tenge	100 – 5,323,804
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	131,280 tenge
Number of floors	9 floors
Total area of apartments, square meters	39,337.67
Total amount of apartments	658
Total area of commercial premises, sq. meters	1,215.22
Construction period	2014-2016

Projects under development of design specifications and estimates

At the moment the Real Estate Fund is designing 2 residential construction projects with a total floor area of not less than 105 thousand sq. meters on land plots provided by the local executive bodies of the cities of Astana and Aktau. Their construction is scheduled to begin in 2016.

1. Residential complex in 32 A in the city of Aktau

Developer - Real Estate Fund "Samruk-Kazyna" JSC



Agreement on development of design specification and estimates for the project as of March 14, 2015.

Current situation of the project as of 31/12/2015

Tender documentation of the project has been developed for announcing the competition of procurement of works and services for the construction of the facility, as well as keeping the author and technical supervision.

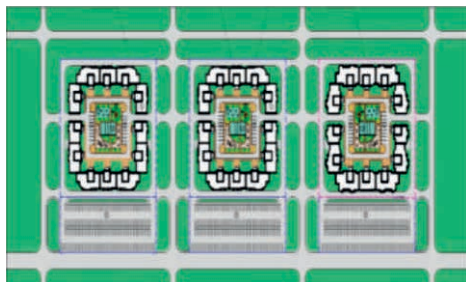
The question of the approval of the changes in the parameters of the project is submitted to the Board of Directors of Real Estate Fund.

Cost of project, thousands tenge	~9,092,448
Participation interest of Real Estate Fund, % - thousands tenge	100 – 8,251,341
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	not less than 164,421.75 tenge
Number of floors	9-12 floors
Total area of apartments, square meters	49,650
Total amount of apartments	812
Total area of commercial premises, sq. meters	1,926.4
Construction period	2016-2017



2. Residential complex, located at Zh. Nazhimedenova street, Astana.

Developer - Real Estate Fund "Samruk-Kazyna" JSC



Agreement on development of design specification and estimates for the project as of November 28, 2015.

Current situation of the project as of 31/12/2015

Due to the fact that the Supreme Court and the General Prosecutor's Office of the Republic of Kazakhstan notified the Real Estate Fund in writing form about inappropriate continuation of the project due to the rise in price of construction costs per 1 m² of house, the Real Estate Fund has suspended the development of design and estimate documentation till making a decision on the further implementation of the project.

Cost of project, thousands tenge	not more than 8,882,586
Participation interest of Real Estate Fund, % - thousands tenge	100 – 8,882,586
Residential property class	III (economy class)
Cost of construction of 1 sq. meter of housing	not less than 164,421.75 tenge
Number of floors	7 floors
Total area of apartments, square meters	44,900
Amount of parking units	384
Total area of commercial premises, sq. meters	1,600
Construction period	2016



In addition, the Real Estate Fund is working on 5 prospective projects from the list of housing projects received for consideration in 2015, in the cities of Almaty, Astana and Aktau, with total floor area of about 119 thousand sq. meters. It is currently under consideration of the documentation on the projects mentioned above for possible participation of the Real Estate Fund.

The process of consideration and selection of residential buildings' construction projects is regulated by the internal documents of the Real Estate Fund, which are available on the corporate website: www.fnsk.kz.

Monitoring of the volume, timing and quality of construction and installation works

The basis of the monitoring is tranche financing provided by the Developer through a special account in accordance with the schedule of construction and installation works. Expenditures of monetary resources from Developer's special account are performed in agreement with the Real Estate Fund. The actual performance of works at the construction site and the quality of construction and installation works are controlled by the Real Estate Fund.

Devaluation of the national currency in 2014, and the transition to a freely floating exchange rate in August 2015 had an impact on the implementation of existing projects, increasing the cost of purchased materials and equipment. However, the timely taken actions to optimize the cost of the project have enabled parameters of housing construction costs established by the program of regional development by 2020.

Objects of construction, financed by the Real Estate Fund and put into operation, meet the requirements established by the regulations of the Republic of Kazakhstan in the field of construction. There were no fines for non-compliance with laws and regulations concerning the provision and use of products and services in 2015.

In 2015, on the project "Construction of the 6-5-floor living houses with 35 apartment located at Kyzylorda city, Shugyla microdistrict, Zeynulla Shukurov str." the construction and installation works had been delayed due to the breaking-down and deformation of the structures of the construction object. KAZNIISA JSC and Kristal LLP experts made the inspection on the project, analyze of the gathered material, and issued the satisfied resolution. General project designer (SSK-Project LLP) developed the project of strengthening based on the technical examination of the apartment house structures and recommendations on strengthening of reinforced structures, and submitted the documentation to the RSE "State expertise".

Monitoring of local content in the procurement of developers in Kazakhstan

The Real Estate Fund, participating in the national efforts to improve the competitiveness of the national economy and to protect the domestic market:

- sets the developers obligation (general contractors) to ensure the level of local content in the construction of facilities of at least 70%, when entering into investment agreements;
- carries out quarterly monitoring of local content in goods, works and services purchased/performed by developers (general contractors) in the construction of facilities in accordance with a Uniform methodology for calculating of the local content by organisations in the procurement of goods, works and services approved by the Order No.87 of Local Executive Boards of RK as of 30.01. 2015;
- coordinates the interaction of developers (general contractors), and the domestic producers of building materials. In projects involving local house-building combines (KKK Beton LLP, Karaganda, Direct Construction Service LLP, Atyrau and others.). Thus, in fact, a multiplier effect of construction on other sectors of the economy is achieved, and new and existing jobs are being created and maintained.

In the end of 2015 Kazakhstan content in the procurement of developers was 85%.

Real Estate Sale

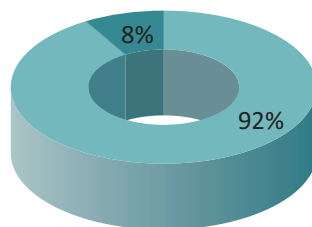
In September 2014 the Fund started the implementation of housing estate under the Regional Development Program until 2020. The Real Estate Fund of the first operators of the program implemented a system of electronic filing of applications (web applications) and the implementation of housing through the formation of an open and transparent electronic order.

The implementation of housing in the framework of regional development programs until 2020 in accordance with the Regulations for realization of residential and commercial (non-residential) premises of "Real Estate Fund" Samruk-Kazyna "JSC for the development program for the region by 2020. Housing implementation is being done through local executive bodies (hereinafter referred to as LEB). Accommodation is not implemented among the waiting LEB (Akimat (City Hall)), implemented by the public property without shelter or in need of better housing conditions in accordance with the internal documents of the Real Estate Fund, according to which the housing will be able to qualify for all citizens, regardless of age group or social group.

Rules, order the implementation of property available are stated on the Real Estate Fund's website.

In total, the regional development programs until 2020 Real Estate Fund sold to the population 4260 apartments with a total area of 217.3 thousand square meters, including in 2015 - 3020 apartments with a total area of 157.9 thousand square meters.

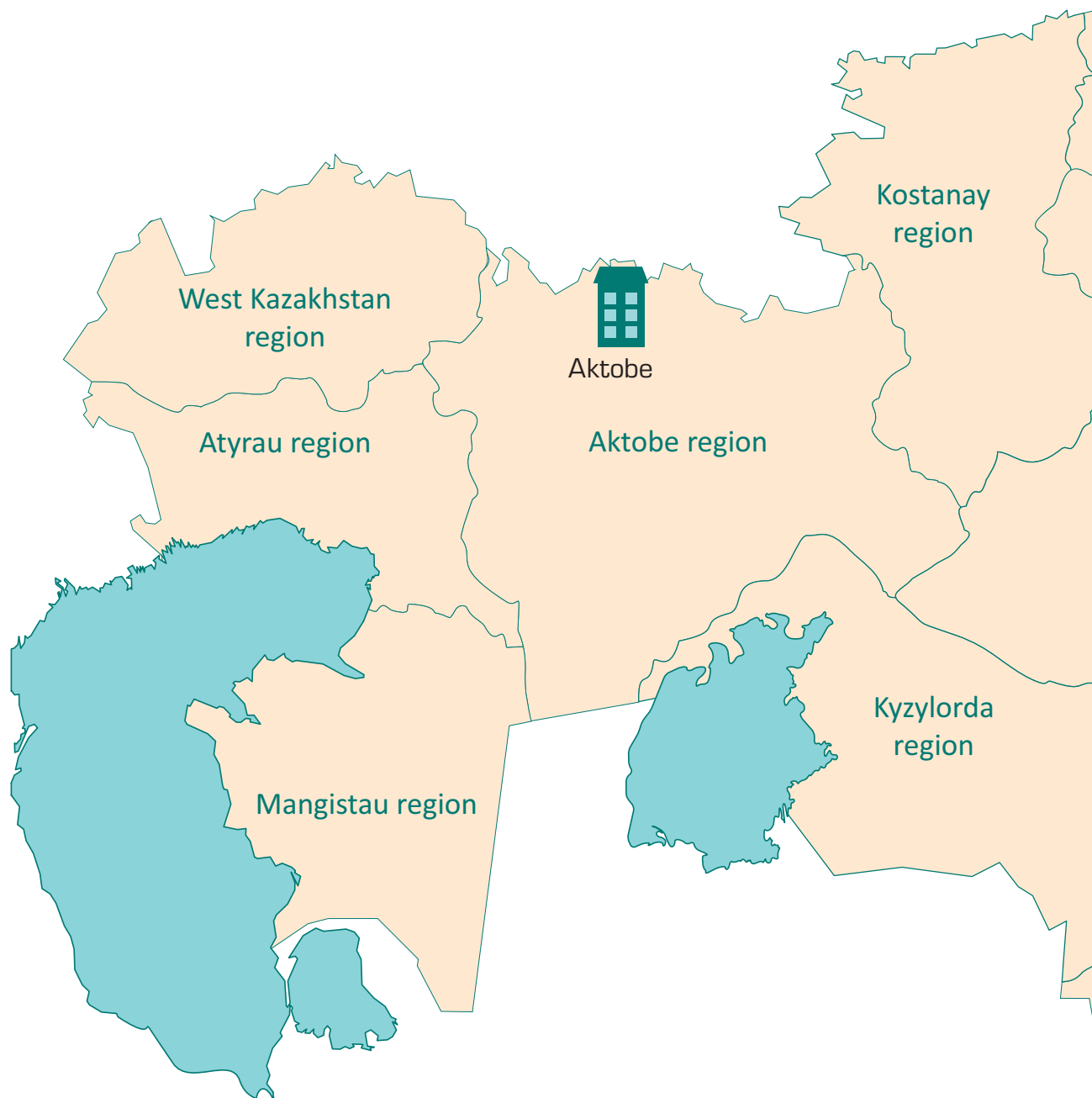
Implementation residential permises under the Regional Development Program by 2020

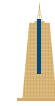


■ Sale 17 982,9 sq.m.

■ Lease with further purchase 199 302 sq.m.

Map of houses





City	Number of projects	Housing area, thousand .sq./m	Number of flats
Almaty	1	12,8	167
Almaty region	2	182,9	3 632
Aktobe	1	20,2	447
Taraz	1	1,3	14

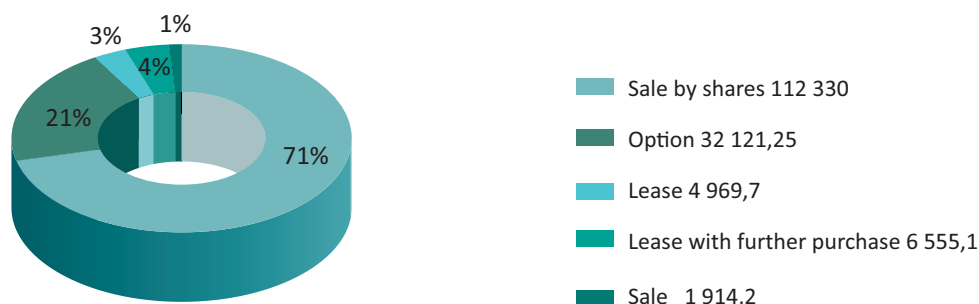
Implementation of repurchased premises within anti-crisis program implemented by the Real Estate Fund in accordance with the "Rules for the implementation of residential and commercial (non-residential) premises of "Real Estate Fund "Samruk-Kazyna" JSC.

The basis of these Rules, the following basic principles were:

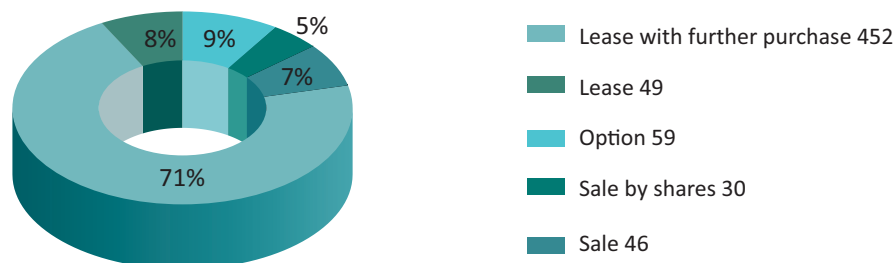
- ensuring the repayment of the National Fund of the Republic of Kazakhstan by establishing requirements for the applicants' solvency;
- prevention of speculation by establishing a moratorium on the early redemption or resale of the premises for 3 years from the date of conclusion of the contract;
- warranty of lease payments and the preservation of the integrity of the real estate fund of premises through the instrument of guarantee of payment.

As of December 31, 2015 from a pool of real estate on the anti-crisis program, which is 564.2 thousand square meters, 550 thousand square meters (97.5%) were sold, including 394.5 thousand square meters of residential space sold 392 square meters (99.4%), from 169.7 thousand square m of commercial space sold 157.9 thousand square meters (93.1%). 636 parking lots (76.4%) have also been implemented.

Sale of pool of real estate under the anti-crisis program as of 31.12.2015, thous. sq.m.



Sale of parking lots under the anti-crisis program as of 31.12.2015, thous. sq.m



Implementation of real estate by leasing and lease-to-purchase, collection and monitoring of payments and are major activities of the company FN Management LLP.

As of 31.12.2015, the pool of property transferred to the trust management of FN Management LLP within the anti-crisis program implemented 93%. As part of the Regional Development Program by 2020 the implementation of real estate amounted to 71% of the plan. Net loss of subsidiary companies in 2015 amounted to 272 thousand, which is 2% from the 2014 index. Assets of FN Management LLP as of 31.12.2015 amounted to 99 million tenge (7% versus the previous year).

Implementation of New Policy Initiatives

In 2015, as part of the new strategic directions identified in the Company's development strategy 2014-2023, The Real Estate Fund addressed issues commercial implementation of investment projects in the construction of residential and commercial real estate in the Republic of Kazakhstan.

The outcome of the meetings and negotiations with construction companies and potential investors of the Real Estate Fund to consider investment proposals for the joint implementation of a number of commercial investment projects in the cities of Astana and Almaty.

Also negotiations were held with major developers and STB for possible joint development of promising or redemption of land for implementation of investment projects on construction of real estate, the results of which received the proposals on land plots with a total area of over 340 hectares.

In the area for the implementation of tourist projects of the Real Estate Fund tourist potential projects have been identified in the area of a ski holiday in the South Kazakhstan region, a beach holiday in the Mangystau region, as well as the development of the tourist premium area in Akmola region. In order to implement these projects agreements with potential investors and partners were signed, and questions to ensure that the necessary engineering tourist zones external infrastructure were also discussed with the City Halls.

II. The introduction of innovations to construction industry

In this area, the Real Estate Fund in 2015, the project of the construction of "Green Quarter" administrative and residential complex in the city of Astana.

Project of construction of administrative and residential Complex "Green Quarter" in Astana

In order to fulfil the orders of the President of the Republic of Kazakhstan (sub item 1 of item 4 of the Minutes No.01-7.1 of the meeting with the participation of the President of the Republic of Kazakhstan as of January 23, 2013) the Real Estate Fund has been identified as the main contractor of the project of construction of "Green Quarter" administrative and residential complex in Astana, with advanced environmental and energy efficient technologies.

This is a pilot project in the area of transition to the concept of "green" construction and will be presented at the forthcoming international specialized exhibition EXPO-2017.



The "Green Quarter" project is the construction of residential, office, retail, real estate, social infrastructure with a total area of about 208,000 square meters, with the use of cutting-edge environmental and energy technologies. "Green Quarter" will be located near the "Khan Shatyr" shopping and entertainment center.

The architectural concept of the "Green Quarter" is designed by British AHR. According to the designers, the "Green Quarter" will be the future shape of the city and will become a bright, stable, ultra-modern and socially cohesive residential community in our capital city. The concept provides for the use of innovative green

technologies - energy-efficient lighting, a healthy environment, ensuring comfort technology, separate collection of waste, environmental policy, the increase in insulation due to the clever design, the reuse of wastewater, supply and exhaust ventilation with heat recovery, etc. Exclusive landscaping local area, picturesque clear lake, a park with a jogging and cycling trails, fitness center, ice skating rink, a medical center, children's center and others will be created on the territory.

The project consists of 10 residential and 3 commercial units. All objects are divided into 4 stage of construction:

Stage 1 - Residential blocks B8, B9 and B10.

Stage 2 - Residential blocks B1, B12, B13 and B11 office building.

Stage 3 - Residential blocks B4, B5, B6 and B7.

Stage 4 - Office buildings T4 and T5.

It is planned to certify the building of "Green Quarter" for compliance with LEED standards (Leadership in Energy and Environmental Design) United States Green Building Council (USGBC). This certification allows confirming the uniqueness of the project, corresponding to the motto of the International Exhibition Astana EXPO-2017 - "Energy of the Future."

CJSC "OFFICE EQUIPMENT - PROJECT" (Saint-Petersburg) is involved as a consultant on green technologies.

As of 01.01.2016, the execution of civil works for the project was 38%. Works on QOL (pile foundation) implemented at 100% lower the level of 0.000 to 1, 2, 3 and 4 stages. Works on the frame object 1 stage (B8 blocks B9, B10) implemented at 100%. In the 2nd stage (B1, B11, B12, B13) the work on frame was performed at 90% - 100%. In the 3rd stage (B4, B5, B6, B7) work on frame was performed at 60-95%. The works on masonry walls on the blocks B8, B9, B10, B12, B13 were completed at 100%. Construction mobilized 650 people. It is expected that the project "Green Quarter" will be put into operation by the end of 2016.

Project management is carried out by wholly owned subsidiary of Real Estate Fund - SK Development LLP.

Project Partner of the Real Estate Fund (SK Development LLP) is BI Group Corporation.

As of 31.12.2015, the share capital of SK Development LLP amounted to 16.9 billion tenge. The company's assets amounted to 20.7 billion tenge. Net income of the subsidiary in 2015 amounted to 517.6 million tenge.

Information on activities in the area of research and development

As part of the second strategic direction of the Real Estate Fund in 2014 approved by the Innovation and Technology Development Strategy of "Real Estate Fund" Samruk-Kazyna JSC for 2014 -2023, developed on the basis of long-term Strategy for the Development of Real Estate Fund, as well as industrial-innovation policy "Samruk-Kazyna" JSC. The strategy is aimed at creating an effective system of innovation of the Company's activity.

During 2015, works on the creation of an effective system of innovation in the company's activities continued.

A special place in this paper takes a partnership with the Center for Energy Studies «Nazarbayev University Research and Innovation System» (NURIS) on energy efficiency and the development of green standards.

During the year, research results were presented at the meetings of the Technical Board of Real Estate Fund CER experts NURIS on "Formation of a healthy microclimate and comfort of the air environment of premises on the basis of energy-saving technologies" developed by domestic "green" standards for schools and social facilities.

The Real Estate Fund together with NURIS and other subsidiaries and affiliates group of companies of "Samruk-Kazyna" JSC participates in the work on the establishment of the research center "Samruk-Kazyna" in the Science Park "Astana Business Campus."

The memorandum of cooperation between the Real Estate Fund and CJSC "Bureau Technology Project" (Russia) was signed on December 25, 2015, for:

- 1) the joint development of basic terms of reference for the general designer / general contractors Real Estate Fund (in accordance with the requirements of LEED, BREEAM, ØMIP);
- 2) ØMIP joint implementation of standard methods in the real estate projects of the Fund.
- 3) - training and retraining of personnel and conducting seminars and conferences in the field of innovative technologies of housing construction.



REAL ESTATE FUND
FOR THE FUTURE



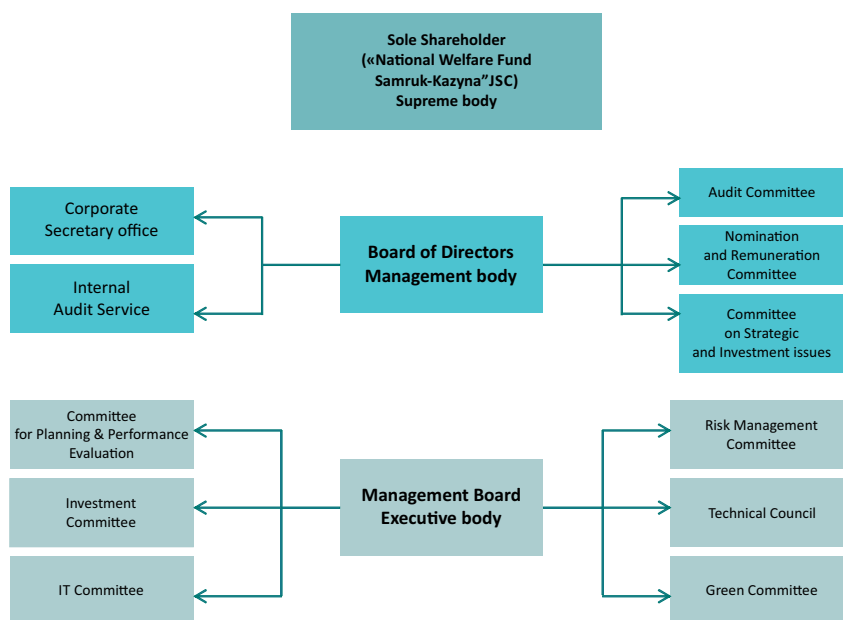
8 CORPORATIVE GOVERNANCE

Principles of Corporate Management

In 2015, the Board of Directors approved the annual report on adherence to corporate governance principles and report on the effectiveness of internal control (the reports can be available on the corporate website)

By the Decision No.22/15 of the Board of "Samruk-Kazyna" JSC as of May 27, 2015 a new Corporate Governance Code was approved. The Company has carried out self-assessment for compliance with the current practice of the provisions of the new Corporate Governance Code (Gap-analysis) and prepared a mid-term plan to improve the corporate governance system in 2016-2018.

Corporate Management Structure



The **supreme body** of the Company is the **Sole shareholder** - "National Welfare Fund - Samruk-Kazyna" JSC. The sole shareholder makes decisions in accordance with the competences defined by the Company's Articles of Association.

The management body - the Board of Directors. The Board of Directors carries out the general management of the Company, as well as control over the activities of the executive body, except for matters falling within the exclusive competence of the Sole Shareholder. The Board of Directors is accountable to the Sole Shareholder and shall be responsible to him for the performance of their duties.

Executive Body - the Management Board manages the current activity of the Company, decides on the activities that are not within the competence of other bodies and officers of the Company.

The Internal Audit Service exercises control over financial and economic activity, evaluation of internal control, risk management, execution of documents in the field of corporate governance and counselling in order to improve the Company's operations. Internal Audit Service reports directly to the Board of Directors. Employees of the Internal Audit Service may not be elected to the Board of Directors and the Management Board.

Organizational structure of the Company is available on the website www.fnsk.kz

Board of Directors

Activities of the Board of Directors and its members based on the principles of efficiency and accountability, and compliance with the maximum implementation of interests of the Sole Shareholder and the Company, as well as professionalism, prudence and diligence, honesty and objectivity.

Activities of the Board of Directors are regulated by the Charter, Corporate Governance Code, and Regulations on the Board of Directors.

Determination of the quantitative composition, term of office of the Board of Directors, election of its members and early termination of their powers, election of the Chairman of the Board of Directors, as well as determining the amount and terms of remuneration to the Board members belong to the exclusive competence of the Sole Shareholder.

Criteria for the selection of the Board of Directors members

Candidates for the Board of Directors members must have relevant experience, knowledge, skills and positive achievements in business and (or) industry environment, necessary for the performance of their duties and the organization of effective work of the Board of Directors in the interests of the Sole Shareholder and the Company.

Board of Directors members must meet the following requirements:

- 1) experience in senior positions in government, business and other organizations or as part of the Management Board or the Board of Directors of the joint-stock companies at least 3 years;
- 2) impeccable business reputation.

One cannot be elected to the position of Board Member:

- without higher education;
- who has not cancelled or removed in the order established by law a criminal record;
- a Member of the Government and other public officials (representatives of government agencies);
- who was earlier is the chairman of the board of directors, the first head (chairman), the deputy head and chief accountant of another legal entity, for a period not more than one year before the decision on compulsory liquidation or compulsory redemption of shares, or conservation of another legal entity declared bankrupt, according to established order. This requirement shall apply five years after the date of the decision on compulsory liquidation or compulsory redemption of shares, or conservation of another legal entity declared bankrupt in accordance with established procedure.

The Criteria for Independent Directors

In accordance with item 20 of the Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", Charter, Corporate Governance Code of the Company's independent director is defined as a member of the Board of Directors that is

- not an affiliated person of the Company and was not it for three years before his election to the Board of Directors (except in the case of his tenure as Independent Director);
- not an affiliated person in relation to the affiliated persons of the Company;
- not associated with the subordination of officers of the Company or organizations - affiliates of the Company and was not connected with the subordination of these persons during the three years preceding his election to the Board of Directors
- not an auditor of the Company and did not come to them during the three years preceding his election to the Board of Directors;
- does not participate in the audit of the Company as an auditor working in an audit organization, and did not take part in such audits within three years preceding his election to the Board of Directors;
- not a public servant;
- not representative of the Sole Shareholder in the meetings of the Company and has not been to them for three years prior to his election to the Board of Directors.

Members of the Board of Directors shall notify the Board of Directors of the Company to combine the work of other organizations and members of the Board of Directors.

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

Independent Directors of Real Estate Fund are Abdykarimova Zh.M., Azirbaev M.B. and E. Houwink (Netherlands), on the date of this report, in full compliance with the independence criteria set forth in the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter and Corporate Governance Code.

Structure of Board of Directors

Structure of Board of Directors of Company meets the requirements of legislation of the Republic of Kazakhstan.

Structure of Board of Directors (as of 31 December, 2015)



**Munzhassarov
Zhumagali
Akhmetgaliyevich**
*Chairman
of the Board
of Directors
The Sole Shareholder
Representative's*

Date of Birth: 30.05.1977

Citizenship: Republic of Kazakhstan

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

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

Date of re-election 09 July 2014

Education:

2001-2004 – Kostanay State University A. Baitursynov, speciality: finance and credit, qualification: economist;

1994-1998 – Kostanay State University A. Baitursynov, speciality: legal science, qualification: lawyer.

Workplace and positions held in organizations for last five years:

February 2012 till now – Sovereign Wealth Fund Samruk-Kazyna JSC, Managing Director;

January 2012- February 2012 – Sovereign Wealth Fund Samruk-Kazyna JSC, Advisor of Management Board Chairman;

2009-2011 – Advisor of Deputy Prime-Minister of the Republic of Kazakhstan.

Does not own shares in the Company, shares of its suppliers or competitors



Abdykarimova
Zhanar Muratovna
Independent
Director

Date of Birth: 25.02.1966

Citizenship: Republic of Kazakhstan

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

Date of re-election 09 July 2014

Committee membership:

Chairman of Remuneration and Nomination Committee

Audit Committee member

Member of Strategy and Investment Issues Committee

Education:

1983-1988 – Pavlodar Industrial Institute on the speciality of "Construction products and design production" (engineer-constructor-technologist).

1994-1997 – Karaganda State University named after E.A. Buketov on the speciality "Accounting and Audit" (economist).

2004-2006 – KAZGUU university (Bachelor of Jurisprudence).

Workplace and positions held in organizations:

2012 till now – Deputy Chairman of Board of The Association of Financiers of Kazakhstan ULE;

2009-2011 – The Association of Financiers of Kazakhstan ULE, Managing Director;

2006-2011 – BTA Bank JSC, Advisor Chairman of Management Board;

1997-2005 – Danabank JSC, Deputy Chairman of Management Board, Management Board Chairman, Deputy Chairman of the Board of Directors.

Off-hour job and Membership in BD:

Eligible Director of Kazatomprom JSC

Eligible Director of Agrarian Credit Corporation JSC

Does not own shares in the Company, shares of its suppliers or competitors



**Palymbetov
Bolat
Abylkassymovich**
*Board of Directors
Member,
Chairman
of Management
Board³*

Date of Birth: 28.07.1961
 Citizenship: Republic of Kazakhstan
 Date of first election to the structure of Board of Directors: May 23, 2011
 Date of re-election 09 July 2014

Education: Ph.D. in Economics
 1997-1998 – Eurasian Institute of Market, Economy and management;
 1979-1984 – Kazakh Polytechnic Institute named after V.I. Lenin, engineer – system engineer.

Workplace and positions held in organizations for last five years:

May 2011 till Feb. 2016 – Real Estate Fund Samruk-Kazyna JSC, Chairman of Management Board;
 2010 - 2011 – National Company KazMunayGas JSC, Deputy Chairman of the Management Board;
 2007 - 2010 – National Company Entrepreneurial Corporation "Kaspi" JSC, Chairman of the Management Board;
 2006 - 2007 – KazPetroMash LLP, Supervisory Board Chairman (Board of Directors);
 January 2006 – October 2006 – Vice Minister of economy and budget planning of RoK;
 2002 - 2006 – Akim (Governor) of Mangystau region.

Does not own shares in the Company, shares of its suppliers or competitors

³ The employment agreement with B.A. Palymbetov is terminated on 1 February 2016, by consent of the Parties, based on item 1 of extract from the physical meeting minutes of Board of Directors of Real Estate Fund Samruk-Kazyna JSC Minutes No. 97 dated 3 February, 2016.



Adriaan Jan Houwink
Independent Director

Date of Birth: 29.11.1957

Citizenship: Netherlands

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

Date of re-election 09 July 2014

Committee membership:

Audit Committee Chairman

Member of Remuneration and Nomination Committee

Member of Strategy and Investment Issues Committee

Education:

1978-1983 – University of Groningen, the Netherlands, MBA (Master of Business Administration)

1977-1978 – Erasmus University, Rotterdam, Faculty of Economics (BA)

Additional training courses, seminars and workshops attended in recent years:

Master classes on corporate tax law, international taxation, taxation in Europe and IFRS (International Financial Reporting Standards), University of Amsterdam.

Executive programme “Managing for corporate effectiveness”, Harvard Business School, Boston, USA.

Workplace and positions held in organizations for last five years:

since 2013 – member PGGM Advisory Board Alternative Funds

since 2012– Kazpost JSC, Independent director.

since 2012 – affiliated with Bishopsfield Capital Partners.

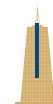
since 2010 – Independent Financial Consulting Professional.

since 2010 – Omega Think Tank, Member.

2008 – Chief Administrative Officer Europe Division, Royal Bank of Scotland Plc.

Joint appointment and membership of the Board of Directors: Independent Director, JSC “Kazpost”.

Does not own shares in the Company, shares of its suppliers or competitors



Azirbayev
Mukhit Bakytovich
Independent Director

Date of Birth: 18.09.1974

Citizenship: Republic of Kazakhstan

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

Date of re-election 09 July 2014

Committee membership:

Chairman of Strategy and Investment Issues Committee

Member of Remuneration and Nomination Committee

Audit Committee member

Education:

1991-1997 Kazakh State Academy of Management (currently T. Ryskulov Kazakh Economic University).

Workplace and positions held in organizations for last five years:

Since 2009 - Chairman of Global Building Contract LLP Supervisory Board. He is a member of Kazakhstan Urban Planners Union and Urban Planning Council under Akim of Almaty.

Joint appointment and membership of the Board of Directors: Chairman of Global Building Contract LLP Supervisory Board

Does not own shares in the Company, shares of its suppliers or competitors

2015 Performance report of Board of Directors

In 2015 Real Estate Fund Samruk-Kazyna JSC had 7 in-person meeting of the Board of Directors. In total 124 items concerning key activities of the Real Estate Fund were discussed, which had 203 decisions and 45 assignments, 37 of which were implemented, and 8 assignments are in the process.

Participation in the Real Estate Fund Samruk-Kazyna JSC Board of Directors meetings in 2015:

No.	Full name/ position held	Participation in the Board of Directors meetings	%
1	Zh.A. Munzhassarov, Chairman of the Board of Directors, Executive director on procurement of Samruk Kazyna JSC	7 of 7	100%
2	B.A. Palymbetov, Member of the Board of Directors, Chairman of the Management Board Real Estate Fund Samruk-Kazyna JSC	7 of 7	100%
3	Zh.M. Abdykarimova, Member of the Board of Directors, Independent Director	7 of 7	100%
4	A.J. Houwink, Member of the Board of Directors, Independent Director	7 of 7	100%
5	M.B. Azirbayev, Member of the Board of Directors, Independent Director	7 of 7	100%

Main issues considered by Board of Directors:

As of the reporting period in the meetings of Board of Directors, strategic and ordinary issues related to the performance, which are included into the competence, were considered. List of the issues and decisions made upon them are reflected in the relevant minutes and resolutions of the Board of Directors meetings. Board of Directors in-person meetings were held in the regular basis in accordance with approved Working Plan for 2015.

The Development Strategy

One of the main focus area of the Board of Directors in the reporting period was to fulfil tasks and objectives established in the Samruk-Kazyna Real Estate Fund JSC Long Term Development Strategy for 2014-2023 (hereinafter referred to as Strategy), approved by Resolution of the Board of Directors Minutes No 80 dated March 20, 2014.

In 2015, information on implementation of the Action Plan for 2014 for the implementation of the Development Strategy of Real Estate Fund Samruk-Kazyna JSC for 2014-2023, also information regarding the Vision of the Real Estate Fund Samruk-Kazyna JSC within the commercial investment "Green projects" were reviewed.

The Board of Directors also discussed the letter about expectations of Sole shareholder for 2015. Action Plan for 2015 for the implementation of the Development Strategy of Real Estate Fund Samruk-Kazyna JSC was approved.

Program of regional development by 2020 Program (previously Affordable Housing 2020 Program)

In the reporting period, Board of Directors approved the report on implementation of housing construction projects by Real Estate Fund Samruk-Kazyna JSC within Program of regional development by 2020, for 2014, also quarterly reports of 2015, and review several investment projects.

During the reporting period, the Board of Directors, in accordance with the Work Plan of the Board of Directors of the Fund for 2015, considered a number of major issues regulating the internal activities of the Real Estate Fund.

The measures taken by the Board of Directors to incorporate the opinion of the Sole Shareholder

In accordance with the Regulation on subsidiary and accountant companies of Samruk-Kazyna JSC, approved by the Resolution of Management Board of Samruk-Kazyna JSC No. 56/13 dated October 3, 2013, appoints its representatives to the Board of Directors of the Real Estate Fund to represent its interests at the meetings of the Board of Directors.

The Sole Shareholder representative on the Board of Directors of the Real Estate Fund is Munzhassarov Zh. A. In accordance with the procedure, provided in the Regulation, the Representative of the Sole Shareholder delivers an opinion on the agenda of the Board of Directors and states the position of the Sole Shareholder at the meeting of the Board of Directors. This fact shall be reflected in the minutes of the meeting of the Board of Directors and recognized by other members of the Board of Directors during the vote on the agenda.

The Sole Shareholder, through its representative to the Board of Directors, is eligible to place for consideration of the Board of Directors of the Real Estate Fund issues affecting Samruk-Kazyna JSC.

Board of Directors Committees

Independent Directors were elected as Committee Chairmen in accordance with the International best practice. By Resolution No 90 of the Real Estate Fund Board of Directors dated February 26, 2015:

- Strategic and Investment Issues Committee of the Board of Directors of the Real Estate Fund Samruk-Kazyna JSC was established;
- the term of powers of Committee on strategic and investment issues of the Board of Directors of the Real Estate Fund Samruk-Kazyna JSC was determined till the totally expiration of the term of powers of the Board of Directors of the Real Estate Fund Samruk-Kazyna JSC.

As of the reporting period in the meetings of Board of Directors, issues related to the performance, which are included into the competence, were considered.

Audit Committee supports the Board of Directors through working out recommendations on establishing the effective control system for financial and economic activities of Company, the fullness and correctness of financial reports; control over reliability and efficiency of inner control and risk management systems; over independence of external and internal audits; over compliance with the legislation of the Republic of Kazakhstan.

In 2015, Samruk-Kazyna Real Estate Fund JSC held 2 in-person meeting of the Audit Committee (No 21-27). In total, 66 issues according to key Committee Competencies were reviewed, and 111 decisions were made upon them and appropriate recommendations to the Real Estate Fund Board of Directors were issued

Structure of Audit Committee and its member's participation in meetings (as of 31.12.2015):

No.	Full name	Participation in the Committee meetings	%
1	A.J. Houwink, Committee Chairman	7 of 7	100%
2	Zh.M. Abdykarimova, Member of the Committee	7 of 7	100%
3	M.B. Azirbayev, Member of the Committee	6 of 6*	100%
4	Ye.B. Zhanadil, Committee Expert**	1 of 2	50%

* Member of the Committee since 26th February, 2015

** Powers of Ye.B. Zhanadil were terminated early due to the application he filed.

Remuneration and Nomination Committee provides recommendations to the Board of Directors regarding personnel appointments in the Board of Directors, other managing employees of the Company, also motivation and reward system for employees and officials of the Company.

In 2015, 6 in-person meetings of the Remuneration and Nominating Committee (from the meeting No. 25 to 30) were held in Real Estate Fund Samruk-Kazyna JSC. In total, 31 issues according to key Committee Competencies were reviewed, and 52 decisions were made upon them and appropriate recommendations to the Real Estate Fund Board of Directors were issued

*Structure of Remuneration and Nominating Committee
and its member's participation in meetings (as of 31.12.2015):*

No.	Full name	Participation in the Board of Directors meetings	%
1	Zh.M. Abdykarimova, Chairperson	6 of 6	100%
2	M.B. Azirbayev, Member of the Committee	6 of 6	100%
3	A.J. Houwink, Committee Member	6 of 6	100%
4	G.B. Raisova, Committee Expert	1 of 1*	100%

* The number of meetings, that the expert is invited

Committee on strategic and investment issues provides recommendations for the Board of Directors regarding the development of strategic objectives (strategic development) of Company, including issues on developing actions, improving the activity efficiency of Company in the mid and long term plan.

In 2015, 7 in-person meetings of the Remuneration and Nominating Committee were held in Real Estate Fund Samruk-Kazyna JSC. In total, 52 issues according to key Committee Competencies were reviewed, and 68 decisions were made upon them and appropriate recommendations to the Real Estate Fund Board of Directors were issued.

Structure of strategic and investment issues and its member's participation in meetings (as of 31.12.2015):

No.	Full name	Participation in the Board of Directors meetings	%
5	M.B. Azirbayev, Chairman	7 of 7	100%
6	Zh.M. Abdykarimova, Member of the Committee	7 of 7	100%
7	A.J. Houwink, Committee Member	7 of 7	100%

Remuneration of members of Board of Directors

Members of the Board of Directors, except Independent Directors, operate without compensation.

Procedure of paying remunerations and (or) compensations to Independent Directors is regulated by Remuneration and compensation payment rules for Independent Directors of Samruk-Kazyna JSC.

The following compensations are paid to Independent Directors:

- fixed remuneration for performance of the Board of Directors obligations. Fixed remuneration payments are executed in cash once a half year, equal to the work period of Director in relevant half of calendar year;
- additional remuneration for participation in Committee meetings of the Board of Directors, which is paid within the month following the date of holding in-person Committee meeting.

The Independent Director is also compensated for costs related to departure to the Board of Directors meeting (travel, living, daily allowance), held out of Independent Director Residence.

In 2015, the remuneration paid to Independent Directors is 25.2 M KZT. Independent Director Remuneration in the form of shares was not paid, and other benefits are not provided.

Advance training for Members of Board of Directors

Policy of advance training for Members of Board of Directors of Real Estate Fund Samruk-Kazyna JSC and involving external experts by Board of Directors Real Estate Fund Samruk-Kazyna JSC is approved by the resolution of Board of Directors No. 65 dated 29 August 2012.

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

On 15th June of 2015, members of the Board of Directors participated in the workshop organized by PricewaterhouseCoopers Company with the theme of new Code of Corporate Governance of Samruk-Kazyna JSC.

8-9 September of 2015, Independent Directors Zh. Abdykarimova, A. Houwink and M. Azirbayev completed the training and received the workshop certificates on the theme: "Introduction to Building Research Establishment Environmental Assessment Methodology" and "Analyse of certification process evaluation criteria and main requirements".

Board of Directors Performance Evaluation

The Policy on Performance Evaluation of Board of Directors, Board of Directors Committees, and members of Samruk-Kazyna Real Estate Fund JSC Board of Directors was approved by the Board of Directors Resolution No. 67 dated October 24, 2012.

In accordance with that policy, decision on evaluating the performance of Board of Directors, Board of Directors Committees, and each Member of the Board of Directors is being made by Board of Directors.

Board of Directors is able to provide the evaluation:

- By involvement of the consultants;
- By means of questionnaires, interviews and etc.;
- By using of mixed approach: on its own under coordination of process by the consultants.

In 2015, Board of Directors Performance Evaluation was executed by Kazakhstan Independent Directors Association PA, and covered the following criteria:

- composition and structure of the Board of Directors;
- role and tasks of the Board of Directors, Chairman of the Board of Directors;
- work procedures of the Board of Directors, information support of his activity;
- the work of the Board of Directors Committees;
- cooperation of the Board of Directors with the Management Board;
- Members of Board of Directors remuneration policy.

Criteria for individual evaluation of Board of Directors performance cover the following factors:

- the competence in issues related to responsibilities of the Board of Directors, the Board of Directors Committees, which includes the members of the Board of Directors;
- knowledge of field and business, field operations features;
- attendance of the Board of Directors meetings and the Board of Directors Committees;
- the participation level in discussions at the Board of Directors Committees meetings;
- an activity on the Board of Directors meetings, and manner of voting in the process of making decisions, also meeting deadlines for reviewing materials, addressed at the the Board of Directors meetings (reviewing materials, and signing the minutes of the Board of Directors meetings within the time limits set by internal documents of the Association);



- being focused on the search for solutions.

Results of Board of Directors Performance Evaluation and the plan of Advance training for Members of Board of Directors of FNSK were reviewed at the Board of Directors meeting No. 96 dated 30 December, 2015.

The Management Board

The Management Board as a collective executive body of the Company, performs decisions of the sole shareholder and the Board of Directors, and is accountable to the Board of Directors, and responsible to it for fulfilment of assigned obligations.

Rights and duties of Management Board members are established by the Charter, Regulations on the Management Board, the employment agreement.

The Management Board composition (as of 31 December, 2015):



**Palymbetov
Bolat Abylkassymovich**
*Chairman
of the Management
Board⁴*

Date of birth: 1961
Citizenship: Republic of Kazakhstan
Elected to the Management Board composition: 23.05.2011

Education: Ph.D. in Economics,
Eurasian Institute of Market, Economy and management;
Kazakh Polytechnic Institute named after V.I. Lenin, engineer – system engineer.
Interactive training on "Changes management: leadership, synergy and integration" of Adizes institute.

Work experience:

Has an executive experience in government bodies, financial institutions and national companies. Held positions of Chairman of the Management Board at Halyk Bank of Kazakhstan JSC, Deputy Akim (Deputy Governor) of Atyrau region, Vice Minister of Economy and Trade of RoK, General Director of KazTransOil CJSC, Akim (Governor) of Mangystau region, Vice Minister of economy and budget planning of RoK, the Management Board Chairman of NC SEC Caspian JSC. Before the position of the Management Board Chairman of Real Estate Fund, he worked as Managing Director - Deputy Chairman of the Management Board of NC KazMunayGas JSC.

Carries out general management of the Company's activities and ensures the execution of the Sole Shareholder's and Board of Directors' decisions.

Does not own shares in the Company, shares of the suppliers or competitors

⁴ The employment agreement with B.A. Palymbetov is terminated on 1 February 2016, by consent of the Parties, based on item 1 of extract from the physical meeting minutes of Board of Directors of Real Estate Fund Samruk-Kazyna JSC Minutes No. 97 dated 3 February, 2016.



**Mamytaliyev
Baurzhan**
*Chairman
 of Management
 Board since
 February 3, 2016⁵*

Date of Birth: 1975

Citizenship: Republic of Kazakhstan

Elected to the Management Board composition: 27.06.2013

Education:

Zhambyl Technological Institute of light and food industry, engineer-economist;

L.N. Gumilyov Eurasian National University, lawyer.

Lomonosov Moscow State University, MBA program "Economic and Management".

Work experience:

Worked in Financial field, held different positions of the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan, State Revenue Committee of the Republic of Kazakhstan, the Chairman of Tax Committee of Shymkent. He worked as the Manager of Internal Audit Service of "Trade House "KazMunayGas" JSC, Deputy Director of "Single centre of staff development" "KazMunayGas" PI, Advisor to the Chairman of the Accounts Committee for Control over Execution of the Republican Budget of the Republic of Kazakhstan. Before the position of the Deputy of Management Board Chairman of Real Estate Fund, he worked as Managing Director on financial administration of "LLP Bi-Holding".

He coordinates issues of fiscal policies of strategic planning and monitoring, finance and accounting, increasing of efficiency of the system of corporate governance; innovative development of projects.

Does not own shares in the Company, shares of the suppliers or competitors

⁵ B.D. Mamytaliyev appointed Chairman of the Board of JSC "Real Estate Fund" Samruk-Kazyna "February 3, 2016 pursuant to paragraph 3, an extract from the minutes of in-person meeting of the Board of JSC" Real Estate Fund "Samruk-Kazyna" dated February 3, 2016 Minutes № 97.



**Akhmerov
Azamat
Shaimuratovich**
*Deputy Chairman
of Management
Board⁶*

Date of birth: 1976

Citizenship: Republic of Kazakhstan

Elected to the Management Board composition: 16.04.2014

Education:

Kazakh State Management Academy, International Economist.

Work experience:

He has work experience in project management, business consulting, business development and operation management. He was a Managing Director at United Chemical Company LLP. He was Deputy Chairman of Management Board at Kazakhstan Petrochemical Industries Inc. LLP. He held a position of Vice-President and Chairman of Management Board at Kazakhstan Industry Development Institute JSC. Before the position of the Deputy of Management Board Chairman of Real Estate Fund, he worked as Advisor to the Management Board Chairman at Kazakhstan Development Bank JSC.

He arranges the implementation of a new area in investment projects in tourism.

Does not own shares in the Company, shares of the suppliers or competitors

⁶ The employment contract with A.S. Akhmerov was terminated on April 20, 2016



Kuserov Adilbek
*Managing Director -
 Member of the Board⁷*

Date of birth: 1955

Citizenship: Republic of Kazakhstan

Elected to the Management Board composition: 02.07.2012

Education:

Kazakh Polytechnic Institute of Lenin (electrical engineering)

Work experience:

He worked on different positions in oil and gas production enterprises of Mangystau region, on managing position in state bodies, including local executive organs of Mangystau region, managed the Centre of Standardization and Certification, regional administration of Economy, Industry and Trade, Department of Business and Industry. He held the position of executive Director and Deputy Chairman of the Executive Board of JSC "NC" SEC "Caspian", Deputy Director at "Khazar Munay" LLP.

In June 2011 he was appointed as Managing Director of "Real Estate Fund" Samruk-Kazyna" JSC.

He oversees investment policy and sales of residential and non-residential (commercial) premises.

Does not own shares in the Company, shares of the suppliers or competitors

⁷ The employment contract with Kuserov A. was terminated on February 8, 2016

In 2015, 48 Management Board meetings were held, and decisions on 222 issues were made.

Main decisions made by the Management Board in 2015:

- on issues of investing and executing the construction projects;
- on issues appearing within the execution of investment projects;
- on allocating temporarily redundant cash;
- on concluding the trust agreement for residential and non-residential properties;
- on confirming and approving internal documents, regulating the activity of Real Estate Fund and its subsidiary companies, including:
 - Regulations on managing subsidiary and accountant companies of Real Estate Fund Samruk-Kazyna JSC in new revision;
 - Regulation on the activity of Real Estate Fund Samruk-Kazyna JSC in new revision;
 - Realization procedure of residential and commercial (non-residential) properties of Real Estate Fund Samruk-Kazyna JSC Program of regional development by 2020 (in new revision);
 - Rules of establishing, approving, correcting and monitoring the annual budget of Real Estate Fund Samruk-Kazyna JSC (in new revision);
 - Regulations on employee personal data protection of Real Estate Fund Samruk-Kazyna JSC;
 - Rules of risk identification and evaluation of Real Estate Fund Samruk-Kazyna JSC (in new revision);
 - Method of quantitative risk evaluation of Real Estate Fund Samruk-Kazyna JSC;
 - Rules of employee performance evaluation of Real Estate Fund Samruk-Kazyna JSC (in new revision);

Advisory and consultative bodies operates under the Management Board – Performance planning and evaluation Committee, Investment Committee, Risk Management Committee, Technical Committee, Informational Technology Committee, Green Committee.

The performance objective of *Performance planning and evaluation Committee* is to provide timely and qualitative document development for medium term and current planning, analyse of executing the approved plans.

In 2015, 11 Committee meetings were held, where the following issues were reviewed:

reports on execution of budget and Corporate centre and SAO development plan;

correcting the budget of GAC and capital expenses;

correcting the Development plan for 2015-2019;

design of the Development plan for 2016-2020;

projects of consolidated annual Company budget and the annual budget of Corporate centre for 2016, and SAO

Investment Committee reviews issues of implementing the Company investment policy.

In 2015, 12 Committee meetings were held, where the 16 issues were reviewed. Issues were related to reviewing, selecting, funding and current implementing the projects within Regional Development Program by 2020, also reviewing the projects of new strategic activity directions.

Risk Management Committee prepares recommendations for the Management Board to make decisions regarding issues about risk management, also monitoring the efficiency of risk management system, and for structural divisions on risk minimization, increasing the efficiency level of business processes and achieving strategic goals.

In 2015, 4 meetings of Risk Management Committee were held, where the following issues were reviewed:

- 1) Levels of risk tolerance, and risk appetite for 2016;

- 2) Key risk indicators for 2016;
- 3) Register and risk map for predicted 2016;
- 4) Approving Rules of risk identification and evaluation in new revision.
- 5) risk management reports and other issues.

Technical Committee is an advisory and consultative body, the objective of its activity is to make recommendations on innovative technologies in the field of construction and advanced construction material and equipment supply.

The Technical Committee includes representatives of Real Estate Fund, National agency for technological development JSC, Nazarbayev University AEO, Developers Association of Kazakhstan, NAC KazAtomProm JSC, Committee on affairs of construction, housing and communal services and management land resources of MNE of RoK, Samruk-Kazyna Development LLP, Ministry of Investments and Development of the Republic of Kazakhstan; Ministry of Education and Science of RoK; Kazakhstan Green Building Council, State out of department examination of projects RSE, Astanagorarch LLP, NC Astana Expo-2017 JSC, and National centre of Technological forecast RSE. In 2015, 4 meetings of Technical Committee were held, 24 suggestions on implementing and motivating the use of energy-efficient and other innovative technologies, were reviewed. Reviewed suggestions were included into the list of innovation technologies of the Real Estate Fund, recommended by developers for implementing construction projects.

Informational Technology Committee operates to provide the effective coordination between structural subdivisions of the Real Estate Fund regarding issues of Informational technology, and adopting a single policy of information protection in the Real Estate Fund, .

According to the results of Informational Technology Committee meeting in 2015, reports on purchase informational systems/modules analyse, issues of information protection, implementing the Strategic development plan for informational technologies of Real Estate Fund Samruk-Kazyna JSC for 2014-2017 were reviewed.

Management Board members remuneration

The Management Board members payment includes the official salary and remuneration by the end of year. The official salary amount of the Management Board members is determined by the decision of the Board of Directors of Company, and is reflected in employment agreements. Remunerations by the results of work year is paid to managing employees according to financial year results after the financial and economic activity of Company is approved in the established procedure, based on audited financial report.

The Management Board members are guaranteed with payable annual leave, and material aid for sanitation is paid in the amount of no more than two official salaries.

Payment of other allowance, extras and bonuses to managing employees is not provided, except single premium for all employees for the Independence Day of the Republic of Kazakhstan.

Internal audit

In 2015, Internal Audit Service implemented 10 scheduled audits and 1 unscheduled inspection.

Main tasks of these inspections:

- evaluation of performing main procedures and obligations within human resources management. Following the personnel policy and labour laws of the RoK. Evaluation of employee payment system, compliance with the tax law;
- evaluation of performing main procedures and obligations by the Investment Projects Department;
- Evaluation of managing and executive employees KPI calculation correctness, and availability of facts and documents, approving the due KPI performance for 2014;
- evaluation of performing main procedures and obligations of Technical control and monitoring department.
- evaluation of the awareness level of the mechanism for collecting data about violations in the Association, performance evaluation of this mechanism;
- qualitative execution assessment of Single action plan on troubleshooting the financial report provisioning process;
- IT infrastructure assessment (expert examination), inspection of such indices as production, functional completeness, safety, integrity of IT processes etc.;
- safety and performance evaluation of risk management system in the Association;
- safety and performance evaluation of internal control system in the Association;
- SK Development LLP operating performance evaluation;
- efficiency evaluation of owned real estate property sales.

Recommendations for efficiency improvement of Association company group activity, risk minimization, improving the internal control system, risk management and corporate management were made based on the results of audit inspections.

Basing on these recommendations, correcting and warning measures plan were developed, and proper management decisions were accepted.

Independent audit

External audit of Association financial report is executed by independent audit company - representative of Big Four Ernst & Young LLP.

Audit organization selection is performed in line with Audit organization selection procedure for Samruk-Kazyna JSC and organizations, more than fifty percent of voting shares (participation interest) of which is owned directly or indirectly by Samruk-Kazyna JSC on the right of ownership or confidential management, based on open tender. The external audit selection tendering committee consists of members of Audit Committee, participating in the assessment of tender results, and submitting recommendations to the Board of Directors and Sole shareholder. Policy for involving the audit organization services was approved to regulate the issues of consulting services, not related to financial report audit and other information, provided by the audit organization.

Ernst & Young LLP performs:

- audit of consolidated annual financial report of Real Estate Fund, executed in line with IFRS;
- audit of consolidated financial report batch, executed in line with forms of Sole shareholder.

In 2015, external auditors didn't provided non-audit services.

In 2015, the independent consulting company PricewaterhouseCoopers run the diagnostic of corporate management system of the Real Estate Fund in accordance with the Corporate management system diagnostic technique in Samruk-Kazyna JSC group companies. According to the results, the corporate management rating is 75%, which shows the increase on 3.79 percent in comparison with the evaluation of 2014.

Risk Management

Real Estate Fund realizes the importance of risk management as a key component of corporate management system on consolidated and separate base, directed on timely identification and taking measures on risk reduction, that may have negative influence on Company cost and reputation.

The base of risk management process is the relation with the organization character, main activity principles, business processes and engagement of each employee in the risk management process.

The structural subdivision on risk management operates under the Real Estate Fund. The main goal of risk management is to provide the maximal security of assets and capital based on reducing (excluding) potential costs through effective procedures and practical mechanism of risk management, that enables the administration to identify, measure, control and minimize the effect of certain risk types. Also Risk Management Committee operates as an advisory and consultative body under the Management Board.

Main documents reflecting the view, goals and tasks of corporate management system in the Real Estate Fund, is the Risk Management Policy of Real Estate Fund Samruk-Kazyna JSC (hereinafter referred to as Policy), approved by the Board of Directors of Real Estate Fund No. 85 dated 1 October 2014, the Policy determines the risk management structure, main components of risk management system, provides the systematic and consistent approach of the risk management process.

In the Company on consolidated base, the risk management is performed through implementing Corporate risk management system (CRMS) on all levels.

In 2015, complex identification and risk evaluation of Association for the predicted 2016 was performed. New risk register, risk map of Association and its subsidiary company SK Development LLP were developed by the results of this work.

Measures on key risk management are provided within the risk register, approved by the Board of Directors.

In line with the risk management policy of Association, performance evaluation of the risk management system is performed by the Internal Audit Service of the Association annually within the annual audit plan. In 2015, Internal Audit Service of the Association performed the efficiency evaluation of risk management system of Association in line with Evaluation method of Corporate risk management system. Within this diagnostic, the efficiency evaluation of risk management system in 2015 is 68,83%. Internal Audit Service of the Association developed recommendations for further improving the risk management system.

Clearing the conflicts of interests

Real Estate Fund formalized procedures, directed on preventing conflict between interests of official and employee of Company. In the Company, Policy of regulating the conflict of interests was approved. In line with this Policy, all officials and employees of Company shall refrain from actions that lead or may lead to the conflict of interests, from making decisions that have the conflict of interests, and provide the immediate supervisor and the responsible subdivision with information about the conflict of interests, and not disclose confidential information about Company.

The ombudsman is assigned in the Company. The ombudsman functions include regulating the conflict of interests, reviewing the principle violation procedures, set forth in the Code of Business Conduct.

The Company has the mechanism for collecting and confidential reviewing details about violation of Code of Business Conduct provisions. This mechanism is attached in the Policy of processing messages about possible or known instance of fraud, abusive and other illegal acts.

In 2015, Real Estate Fund employee of Code of Business Conduct and Policy of regulating the conflict of interests didn't identify any cases of violation.

Also, there weren't recorded any claims and messages about violation of Code of Business Conduct, Policy of regulating the conflict of interests, the laws of the Republic of Kazakhstan from employees of the Company and interested individuals.

Information policy

The Real Estate Fund follows the principles of corporate management, and implements the policy for providing information availability and an objective disclosure of information about its activity.

Disclosure of information about the Company is executed in line with the laws of the Republic of Kazakhstan, internal documents of the Company, including the Regulation on information disclosure, approved by the Board of Directors.

The Real Estate Fund provides:

- 1) full enforcing the right of the Sole shareholder to acquire information related to his/her interests, also which is significant for making investment and management decisions;
- 2) timely and accessible provision of the interested individuals (stakeholders) with Company information to be disclosed;
- 3) establishing clear and trust relations with all interested parties.

Stakeholders map is placed on the website www.fnsk.kz.

Disclosing information about the Fund and its activity is performed on the corporate website www.fnsk.kz, and through mass media.

Important information about the Company is represented on the website and is updated regularly in accordance with the best international practice and internal documents of the Company, including the proper activity reporting. The Company always improves the report procedures.

In 2015, the page traffic increased almost by 1.5 times. The traffic increasing doubled in last four months. Totally, 1.850.524 people visited the site in one year. The activity increasing is related to the increase of implemented objects, and Association business expansion for residential property sales to people.

Submitting the annual report to interested parties is to ensure the transparency of Company activity, affirm the stable readiness to meet the standards of proper corporate management.

The Company annual report became one of the best in the nomination "The best annual report on financial

sector" in third time again, according to the results of annual report competition for 2014 performed by the rating agency "Expert RA Kazakhstan".

In 2015, there were held and organized regularly such events as press conferences, meetings with representatives of society, government agencies implementing the Regional Development Program by 2020, Online conference on the single portal of Samruk-Kazyna JSC, and BNews.kz IA, Internet conference on the single portal of Samruk-Kazyna JSC, and briefings under CCS, 2 press tours, the management interview was published on newspapers "Svoboda Slova", "Kazakhstanskaya Pravda", Egemen Kazakhstan", "Liter", "Delovaya Nedelya", "Nedvizhimost", and in the magazine "StroiProektExpertiza", in regional newspapers "Kyzylordinskie vesti", "Znamya truda", "Akzhol" (Taraz), "Diapazon", "Aktobe times" (Aktobe), "Vechenaya Astana" and in the financial magazine LS.

38 events are covered in over 20 Internet resources and on TV channels "24KZ", "Khabar", "Kazakhstan", "STV", "Astana", "24kz", "KTK", Sedmoi kanal and Eurasia, on radio channels Astana, Shalkar and radio Azattyq, and about 300 information messages were published.

The feedback with people was provided through preparing prompt answers to questions about Company investment activity, and outreach activity about the Real Estate Fund activity is performed on a regular basis, including through social network.

Information about interested party transactions

In 2015, the Real Estate Fund concluded the following interested party transactions:

- 14 January of 2015, the agreement No. ЭП/2015-60 for express post services of "EMS Kazpost" was concluded with Kazpost JSC;
- 20 January of 2015, the agreement No. 05-11 КБ/09 for information and telecommunication services was concluded with Kazakhtelecom JSC;
- 21 January of 2015, the agreement No. 12//71-км-тс/15 was concluded with Samruk-Kazyna Contract LLP for technical assistance services on Maps of monitoring the local content;
- 21 January of 2015, the agreement No.13 was concluded with Samruk-Kazyna Contract LLP for services of updating the Uniform Stock Item Identification Guide of GWS;
- 21 January of 2015, the agreement No. 11//08-ис//3/106 was concluded with Samruk-Kazyna Contract LLP for services of providing the right to use E-procurement Information System of SWF Samruk-Kazyna JSC;
- 29 January of 2015, the agreement on telecommunication services No. 18 was concluded with Kazakhtelecom JSC (telecommunication services);
- 30 January of 2015, the agreement No. 265-16 for procurement of parking space rent services was concluded with KazMunayGas-Service LLP;
- 05 February of 2015, the agreement No. 26 was concluded with Kazakhtelecom JSC (ALACAST LLP (ID TV)).
- 27 February of 2015, the office property (store and storage) rental agreement No. 43 was concluded with "FN Management" LLP;
- 27 February of 2015, the office property rental agreement No. 42 was concluded with "FN Management" LLP;
- 12 March of 2015, the additional agreement No. 1 to the Trust Agreement No. 177 dated on 5 December of 2014, for Asyl Arman RC was concluded;
- 12 March of 2015, the additional agreement No. 1 to the Trust Agreement No. 12 dated on 30 January of 2014, for objects in Almaty, was concluded;

- 20 March of 2015, the additional agreement No. 2 to the Trust Agreement No. 6 dated on 22 January of 2014, for objects in Astana, was concluded;
- 20 March of 2015, the additional agreement No. 1 to the Trust Agreement No. 99 dated on 10 July of 2014, for the object in Taraz, was concluded;
- 20 March of 2015, the additional agreement No. 2 to the Trust Agreement No. 98 dated on 10 July of 2014, for the object in Aktobe, was concluded;
- 31 March of 2015, the additional agreement No. 2 to the Agreement on procurement of fire protection services No. 01 dated on 05 January of 2015, was concluded with Semser Ort sondirushi LLP (extension of service provision dated 31.05.2015);
- 01 April of 2015, the additional agreement No. 701-16 to the Agreement No. 265-16 dated 30.01.2015 for procurement of parking space rent services was concluded with KazMunayGas-Service LLP;
- 29 May of 2015, the office property rental services agreement No. 85 was concluded with SK Development LLP;
- 23 July of 2015, the Agreement on procurement of fire protection services No. 98 was concluded with Semser Ort sondirushi LLP;
- 07 December of 2015, Real estate management trust agreement No. 138 dated 7 December of 2015, for residential premises in "Caspian Palace" was concluded;
- 31 December of 2015, the additional agreement No. 1 to the provision of temporary financial assistance No. 463-и dated 29.12.2014, made between Real Estate Fund and Samruk-Kazyna JSC, was concluded;
- 31 December of 2015, the additional agreement No. 1 to the provision of temporary financial assistance No. 202 dated 30.12.2014, made between Real Estate Fund and SK Development LLP, was concluded;

9 SUSTAINABLE DEVELOPMENT

Sustainable development is the base for further Company raise and development. The Company intends to create a safe and effective management system for Matters of Health and Safety, social accountability, ecological impact management.

The Company developed and approved the Policy in the field of corporate and social accountability, consolidating main principles in the sustainable development field, the Company Ecological Policy and several other internal documents in the field of social policy and interested parties interaction.

The Real Estate Fund realizes and takes the corporate and social accountability for all interested parties: association, government, shareholder, partners, suppliers, consumers (tenant), staff etc.

In accordance with the Policy in the field of corporate and social accountability, main directions of corporate and social accountability are:

- Responsible business practices;
- Development of human resources and labor relations;
- Management of the environmental impact;
- Society oriented activities.

Interaction with the society

Real Estate Fund conducts its business based on:

- business ethics maintenance, keeping the ethics norms, based on principles of well-doing, fairness, honesty and openness in relations with all stakeholders;
- non-dissemination of knowingly false or unverified information directly or through third persons;
- keeping the principles of fair competition.

The Real Estate Fund activity is social-oriented, and focuses on population problem solution in the field of housing.

As an operator of anti-crises program on the real estate market, the Real Estate Fund fulfilled an important social task – completing objects and stakeholder problem solution. The Real Estate Fund also provided the population with long term purchase rent for 890 apartments.

In implementing Regional Development Program by 2020, the Real Estate Fund provides the population with qualitative and accessible housing. In 2014-2015, 3,907 apartments for purchase rent were granted to population.

In terms of implementing this program, the Real Estate Fund supports project decisions, providing effective and economic energy resource output in operating the residential premises, meeting sanitary and epidemiological and ecological requirements for public health and environment protection, also residents safety in use of building and engineer equipment.

The Real Estate Fund supports the development this program in whole state, by implementing projects of "green construction". On 10 June of 2015, the Memorandum about social partnership is signed between the Real Estate Fund, EXPO Village LLP and College of Municipal Economy Turan-Profi. Geodesy professional practice was held for students of "Installation and maintenance of internal sanitary-engineering devices, ventilation and engineering systems" speciality, from 09.11.2015 to 29.01.2016 at the work site "Green Quarter" RC within this Memorandum.



WYŻSZA SZKOŁA BUDOWNICTWA
W KRAKOWIE



About 50 students of construction speciality in Astana were invited to the open meetings of the Real Estate Fund Technical Committee in the last year.

Real Estate Fund cooperates in supporting domestic manufacturers of construction materials, goods, work and services. The Kazakhstan content of developer procurements funded by the Real Estate Fund is 85% in 2015.

Real Estate Fund makes a significant contribution to solving the employment problem through supporting and creating work places at construction objects funded by them. In 2010-2015, over 12 K work places were kept at construction objects, also in 2015 – over 1 K work places.

By establishing relations with investors, partners, developers and other interested parties, Real Estate Fund:

- follows the principles of openness, honesty, keeps the interest of mutual benefit, and understands the responsibility for undertaken obligations;
- observes the terms of contract relations;
- strains for permanent improving the service quality;
- shows respect and fair practice in relationships according to the Code of Business Conduct, Corporate Management Code;
- ensures the compliance with generally accepted ethical moral norms.

Main mechanisms of interaction with partners, developers and other interested parties include consultations, negotiations, round table meetings, specialized press conferences and workshops, exhibitions and other events enabling to discuss wide range of issues, including economical, technological, ecological, social and legal aspects.

In terms of implementing the Regional Development program by 2020 by the Real Estate Fund, special press conferences were held, also meetings with developers and construction companies are held regularly for explaining main requirements of housing construction projects and mechanisms of its sales, 2 regional press tours were organized, during which round table meetings and workshops were held with participation of local executive bodies, state body representatives from the field of architecture and construction, Developers Association, construction companies and manufacturer companies and constructional material and equipment suppliers.

Agreements on cooperation with Akimat of Almaty region were concluded in 2015 regarding the issues of housing sales among persons in waiting list from local executive bodies. Proper agreements were concluded with Delta Bank JSC and Qazaq Banki JSC to organize the procedure of inspecting the population payment ability and credit granting to citizens.

Considering the increase of housing sales to population, explanatory works were conducted among potential participants of the Regional development program by 2020, also with cooperation of local executive bodies.

In line with transparency and objectiveness principles, Real Estate Fund provides timely and trustful information disclosure to interested parties, including information about financial condition, activity results, property and management structure (refer to the section Information Policy).

Actual information exchange, establishing professional relations, work on strengthening the Company image and reputation are designed to keep and develop the Real Estate Fund position as a successful company supporting the government in housing construction development.

Real Estate Fund actively cooperates with state bodies regarding issues of implementing modern housing construction standards, carrying out technical expertise of construction objects, improving the legislation on housing construction and housing relations, cooperating in analytical researches of housing fund, housing construction, property operations.

Real Estate Fund is an accountable and good faith taxpayer. In 2015, taxes and other payments in the total amount of 413.9 million tenge were paid to the budget.

Taxes and other payments to the budget, in million tenge

2013	2014	2015
1 059,1	420,5	413,9

In its activity, Real Estate Fund ensures the compliance with the laws of the Republic of Kazakhstan, concluded agreement conditions, and takes anti corruption measures. In Real Estate Fund, the Anti-bribery and corruption policy is approved and is valid. Anti corruption is based on the following principles:

- legality,
- publicity and openness of activity,
- assistance to employees in forming the legal culture, rejecting the corruption and ensuring principles of honesty and incorruptibility while fulfilling official duties,
- execution of anti corruption expertise of the Company regulation documents,
- cooperation in the field of anti corruption activity with state bodies, partners and clients of Real Estate Fund.

The Company accepted a number of documents designed to warn and prevent the corruption. Policy of processing messages about possible or known instance of fraud, abusive and other illegal acts provides the effectiveness improving measures for processes of preventing and identifying such facts, including the measures enabling all employees to inform anonymously about violations.

In 2015, there were any acts of fraud, abusive and other illegal.

Charity and sponsorship

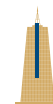
In line with the Policy of charity and sponsorship help, funds for sponsorship or charity help may be provided in the Company budget.

In the view of Company character and funding, funds for sponsorship and charity activity are not provided in the budget for 2015.

Charity events are organized by Company employees free of charge.

In 2015, Real Estate Fund was organized the congratulation due to the holiday 9th of May – The Victory Day, and provided a targeted aid to veterans of the Great Patriotic War, attached to Real Estate Fund by the Veterans Board of Astana.

During the year, the charity help was shown to Company employees, who applied for the assistance, at the expense of own funding.



Interaction with employees

Work management and human resources development are executed in line with the Personnel policy. The main principle of Company personnel policy is to recognize employees as the main strategic resource, the quality of which has a high priority for achieving the Company strategic goals and tasks.

Real Estate Fund is the social accountable employer, which is reflected in its compliance with human rights, employment and labour laws, accepting the right of employees to proper working conditions, granting social guarantees and benefits, execution of personnel policy.

Strategic direction of the personnel policy:

- single model of human resources management;
- work efficiency improvement;
- human resources quality improvement;
- single corporate culture development;

Staff

Average headcount of Company group staff as of 31.12.2015 is 112 persons.

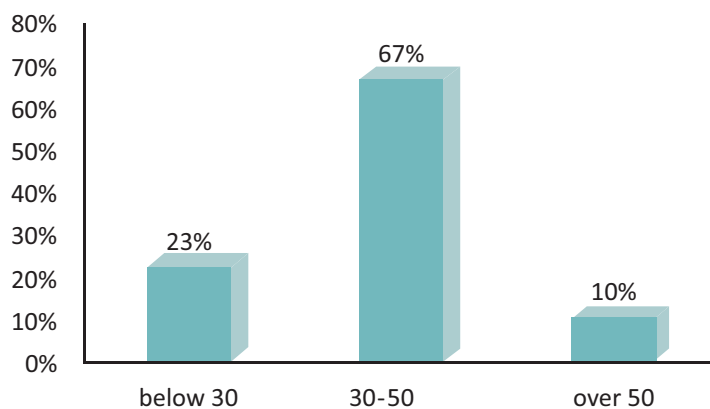
All Company employees has higher education, including:

- 2 Ph.D. in Economics;
- 1 Ph.D. in Legal science;
- 14 employees have the "master" degree.

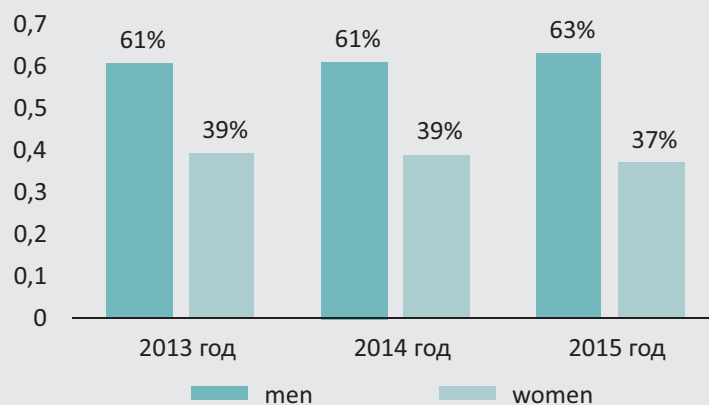
Most of Company employees are in the age category from 30 to 50. In 2015, this category consists of managing and administrating employees – 8.3%, managers of structural subdivisions – 29.2%, and administration employees – 62.5%.

Taxes and other payments to the budget, in million tenge

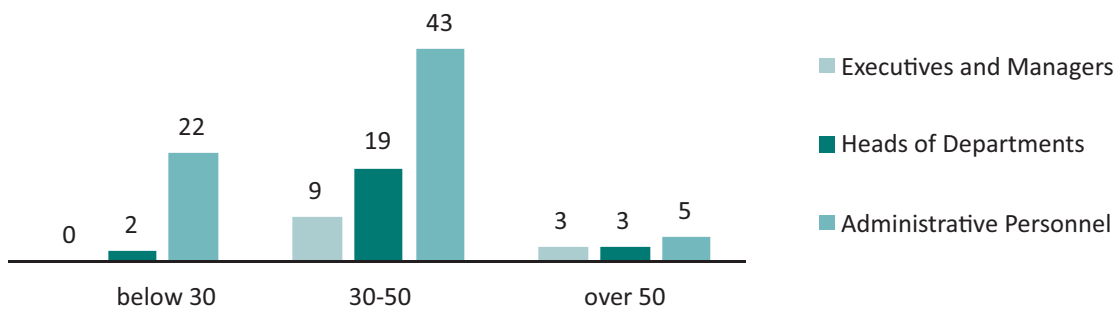
Age composition of the staff



Gender composition of the staff

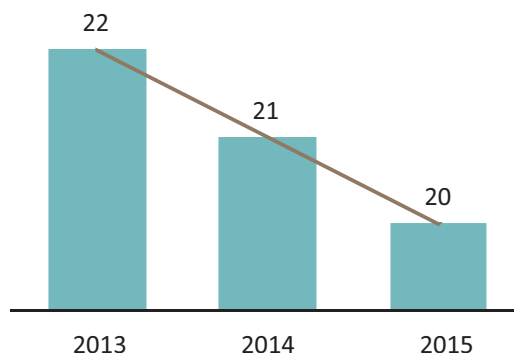


Category composition of the staff with indication of the age group

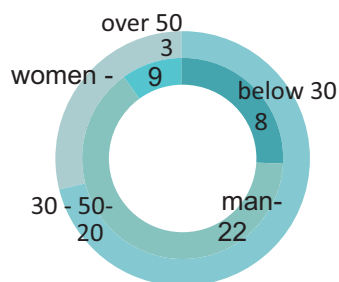


In 2015, the personnel turnover index is reduced to 1% in comparison with last year.

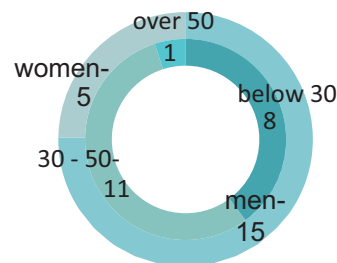
Staff turnover, %



Number of employees leaving the company in 2015



Number of employees adopted in 2015



The Company follows the principles of human rights observance, including preventing discriminations of any character – race, ethnic, social, religion and other.

In cases of production engineering, including the reorganization, and (or) work volume reduction, leading to changes in employee work conditions, Company warns, in writing, employees and (or) its representatives no later than one month, in line with the current labour legislation and employment agreement.

Employee selection and promoting are performed basing on professional abilities, knowledge and skills.

Open competition for vacancies is held within the personnel selection system. In 2015, 4 competitions were held to fill vacant places. Totally 53 candidates applied their CVs, 38 candidates passed the test in Corporate University "Samruk-Kazyna" PI, and 18 candidates participated in collegial collaboration. 4 people were accepted to the work by the results of competition.

In December of 2014, Rules of competitive staff selection to vacant offices, developed in line with the Personnel policy of Samruk-Kazyna JSC for 2013-2022, were approved.

Rules stipulate three test phases:

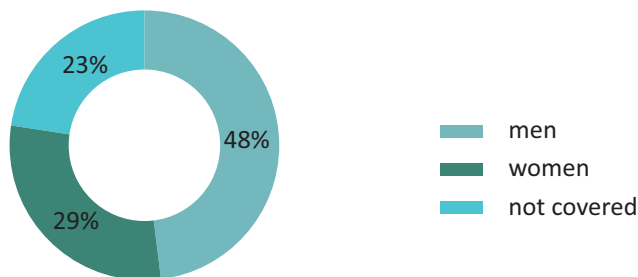
- professional knowledge assessment;
- skills test;
- the level of state and English languages skills.

The service agreement for potential candidates' selection to vacant offices by professional knowledge testing and the test "analyse of numerical and verbal information" was concluded with Corporate University "Samruk-Kazyna" PI.

All employees are provided with equal opportunities for realization of their potential in the work life process, unbiased and fair assessing the performance.

The Company has the activity performance assessment system. Goal maps and individual plans of administration employee development are approved annually, and the performance monitoring and goal adjustment system was implemented.

Percent of employees, who passed the periodical assesment of productivity and career development (evaluation) in 2015

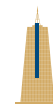


Forming the personnel reserve is performed to provide the succession, identify employees with high potential, and improve employees' motivation.

According to the order of Management Board Chairman No. 13-κ dated 19 January of 2016, "About creating a certification committee of Real Estate Fund Samruk-Kazyna JSC, the certification committee held the calibration session for management and administration employees. The certification committee approved the final assessment of 57 employees by the results of calibration session. 33 employees of them corresponds to the position held, 24 of them got the rating "B" and it is recommended to raise the work salary to average and maximal amount.

2 employees are in the internal personnel reserve of Real Estate Fund.

On 24th December of 2015, the Management Board of Real Estate Fund approved the Rules of employee performance evaluation of Real Estate Fund Samruk-Kazyna JSC (in new revision).



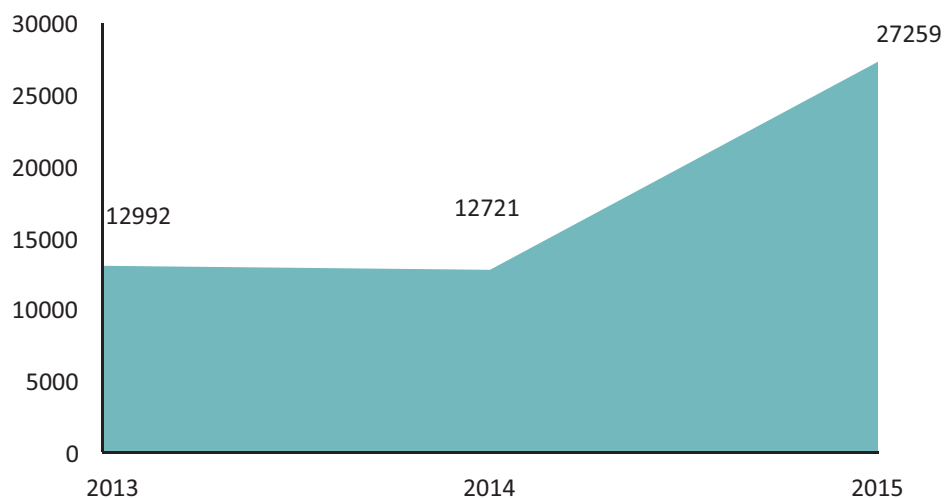
Training and Development

The aim of employee development policy is to create an effective employee training and instruction system, develop management competence and leadership potential of managing employees, give employees professional knowledge and skills meeting the Company interests and needs.

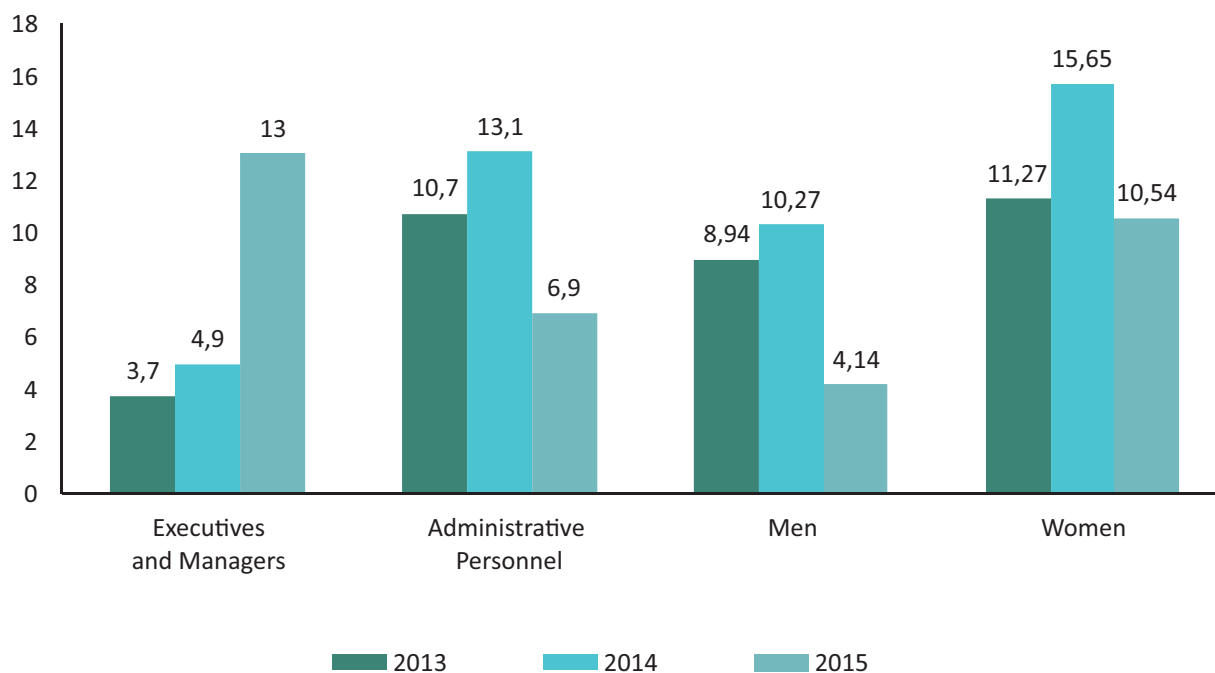
Based on individual plans of employee development, calendar plan of employee professional training and development is made annually.

In 2015, 20 employees received the proper training and development.

Training costs, thous. tenge



Average number of hours per 1 employee per year



Motivation

The system of material and moral encouragement is for motivating employees.

The quarterly bonus system in the amount of no more than one official salary depending on the employee performance evaluation is implemented within the material encouragement system.

Non-financial incentives include awards, handed out on the national level, awards of Sole shareholder and Real Estate Fund. In 2015, 2 employees were awarded with state awards – Anniversary medal “Kazakhstan halky Assambleyasyna 20 zhyl” (20th anniversary of the Assembly of People of Kazakhstan) and anniversary medal “20 years of Kazakhstan Constitution”.

11 employees were awarded with letters of gratitude by the results of year 2015.

Social guarantees and benefits

Company social policy is based on compliance with the labour legislation, and oriented to protection of labour, providing labour safety, supporting the groups that need a social aid.

The policy of labour protection and production safety, whereby the events are held for creating favourable, healthy and safe employee work place, warning the work accidents and diseases, is approved within ensuring the employee health protection and labour safety. Workplace safety and fire safety instructions are held regularly.

In line with the Rules of social assistance for employees of Real Estate Fund Samruk-Kazyna JSC, the material encouragement includes:

- the health improvement when granting the annual payable leave in the amount of no more than 2 (two) months official salary;

Company social policy is based on compliance with the labour legislation, and oriented to protection of labour, providing labour safety, supporting the groups that need a social aid.

The policy of labour protection and production safety, whereby the events are held for creating favourable, healthy and safe employee work place, warning the work accidents and diseases, is approved within ensuring the employee health protection and labour safety. Workplace safety and fire safety instructions are held regularly.

In line with the Rules of social assistance for employees of Real Estate Fund Samruk-Kazyna JSC, the material encouragement includes:

- the health improvement when granting the annual payable leave in the amount of no more than 2 (two) months official salary;

- the amount no more than 1 (one) month official salary due to child birth/adoption;

- due to the death:

- the worker – in the amount of no more than 1 (one) month official salary with lump payment to one of family members;

- wife, children, parents of a worker – in the amount of no more than 10 MAS;

- the payment for employee healthcare/operation in line with the list of disease types, when the term of temporary incapacity for work may be established for more than two months.

Employees are compensated for the temporary incapacity for work in accordance with the legislation.

In line with the Labour code of RoK, Pregnant women, women who gave a birth, employees who adopted new born children, are provided with the following leaves due to child birth:

- maternity leave,

- leave without pay for childcare till his/her reaching three years of age.

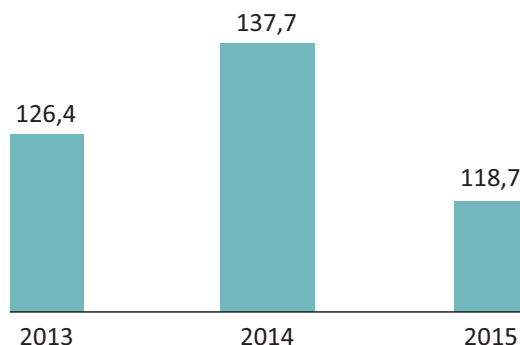
In 2015, the social help was granted in the form of lump maternity aid to employees in the amount of KZT 3.05 MM due to child birth, and KZT213.6 MM due to death of close relatives.

In 2015, 3 employees are granted the maternity leave with average official salary less the amount of social payment for the case of loss in income due to maternity, in line with the labour legislation of the Republic of Kazakhstan.

In accordance with the Article 131 of the Labour code of the Republic of Kazakhstan, and item 16 of section 3 of Employee compensation rules of Real Estate Fund Samruk-Kazyna JSC, approved by the decision of the Board of Directors of Real Estate Fund No. 76 dated 10.07.2013, the additional payment for positions overlapping in the amount of no more than 30% of official salary is provided when charging with duties.

In 2015, the amount of social expenditures and social support is KZT118.7 MM, which is lower than the index of 2014 on 13.7%.

Amount of social service and social security contributions, in mln. tenge



Company executes a voluntary insurance for cases of illness of employees and their family members, also employee accident insurance.

In 2015, Real Estate Fund concluded the agreement for voluntary insurance for case of illness (67 employees and 113 family members) with Interteach JSC in the amount of KZT13.036 MM (in 2014 – KZT14.5 MM).

The agreement for mandatory accident insurance of employee when performing work duties, was concluded with the Life Assurance Company "Asia Life" JSC to the value of KZT221.5 K (in 2014, the agreement amount is KZT279.4 K).

In 2009-2015, there was any case of work accidents.

In 2015, there wasn't registered any case of work accident, which corresponds to the plan.

In line with current legislation of the Republic of Kazakhstan, all full time staff of the Company must transfer pension contributions to pension funds.

Compulsory pension contributions of employee, KZT K

2013	2014	2015
76 024	83 220	84 679

Employee engagement

Employee engagement researches are conducted annually in line with the Methodology of conducting the employee engagement research of Sole shareholder, through web polling and paper polling of employees, to assess the social feeling in the personnel.

Engagement index is 66% according to the assessment results of 2015. Despite the decrease in comparison with the results of 2014 (76%), this level shows the stable and positive situation in the Company.

This index includes:

Satisfaction index - 71%.

Loyalty index - 69%.

Index of support for initiative – 52%.

Employee engagement researches are conducted annually in line with the Methodology of conducting the employee engagement research of Sole shareholder, through web polling and paper polling of employees, to assess the social feeling in the personnel.

Engagement index is 66% according to the assessment results of 2015. Despite the decrease in comparison with the results of 2014 (76%), this level shows the stable and positive situation in the Company.

This index includes:

Satisfaction index - 71%.

Loyalty index - 69%.

Index of support for initiative – 52%.

71% of covered employees showed their satisfaction with different work aspects, 94% - with the work and rest schedule, 87% with work volume, 82% note that they are interested in the work, 87% highly appreciated the interaction in the personnel, particularly interaction between colleagues – 87% and with the direct supervision - 86%, 81% expressed their trust to the professionalism of their colleagues and are ready to refer them for advice, 87% noted the relevant qualification of the direct supervision, 79% are satisfied with the work compliance with their skills, 68% with the work content, 73% with the independence in the work. Also most of them are satisfied with the feedback, provided by direct supervision – 74% and goals and tasks setting – 77%. Such subindicators as system of payment – 57%, availability and content of social package – 57%, career issues and workers placement – 53% are in the zone of stability. Two indicators are in the risk zone – they are a satisfaction with the salary level with the index 47%, and opportunity for professional training - 34%.

The most important satisfaction indicator of Company employee is the lack of labour disputes.

In 2015, various festive and sport events were held, to strengthen corporate interactions, create a favourable environment in the personnel and unify employees of Real Estate Fund.

Environmental Responsibility

The Company accepted and implements the Ecological policy.

Company aims to adhere the principles as carefully as possible, in relation to the environment, and uses natural resources rationally, helps to warn about negative effects on environment, takes initiatives oriented on increasing the responsibility for the environment condition, cooperates to the development and spreading the ecological-friendly and energy-efficient technologies.

Company is the active participant of implementing the principles "Green building" in the current projects. Employees regularly get relevant training. In December of 2015, 10 employees of FNSK attended the workshop by RI of sustainable development "Byuro Tekhniki" (Russia) on theme of "Energy-efficient and ecological construction. Practical recommendations". Personal certificates were granted by the end of workshops. In September of 2015, members of the Board of Directors of Real Estate Fund attended the workshop by the company Bureau Veritas on the theme of "Environmental Building Assessment Certification Process Management".

Based on "Main requirements of determining "green" technologies in Real Estate Fund Samruk-Kazyna JSC projects, approved by the decision of the Management Board No. 37/2014 dated 30.09.2014, suggestions were developed and directed to Kazakhstan Green Building Council ALE in the part of developing the method of national "green" standard OMIR. This document determines the green technology usage level assessment procedure in terms of several categories (as energy, transport, water, waste etc.) with granting the project with certain level of

green technology usage, which further may be used as a criterion for making decisions about funding. Main requirements directed to the quality improvement of Company investment projects, forming the full life environment and human livelihood, sustain developing the territory and economy of the Republic of Kazakhstan.

In line with the Ecology policy, at the project selection phase Company follows the list of recommended technologies by amenities, safety, economy in housing maintenance according to SNIP RoK and the world practice. It provides the usage of energy-efficient technologies, rational resource use, and ecological risk reduction.

Ecological policy determines events on phase of project realization, also using the ecological principles when performing the general activity. For the Ecological policy, go to the Company web-site www.fnsk.kz



Министерство строительства
и инфраструктуры
Республики Казахстан



9 OUTLOOK FOR 2016

In 2016, Real Estate Fund plans to complete accepting new duties of Regional Development program by 2020.

In 2016, it is planned to implement at least 118,7 K m² of housing by this program.

102 K m² housing will be granted to population for rental purchase by Regional Development program by 2020.

It is planned to complete the construction of Green Quarter project within preparation to the international exhibition EXPO-2017.

Real Estate Fund executes the Action plan of implementing new Code of Corporate management.

In 2016, Real Estate Fund starts the active phase of Transform program realization, reviews and updates the long term development strategy of Company, performs analyse, and optimizes the business process.

10 ABOUT THE REPORT

Real Estate Fund aims to provide timely, trustful and full information about activity results.

Following the modern trends of information disclosure, Real Estate Fund provides the second integrated report, which characterizes integrated approach to the assessment of activity results considering the sustainable development policy.

Report scope and limits

The report reflects the Real Estate Fund activity in the period from 1 January of 2015 to 31 December of 2015.

The report is made in accordance with the requirements of Sustainability Reporting Guidelines of Global Reporting Initiative (GRI), version 3.1, and industrial appendixes to the Guideline for finance service sector. The report meets criteria of "C" usage level.

The list of standard elements is given in the corresponding table of GRI (appendix 3).

Information disclosed in the Report is represented in the consolidated view, and covers the activity of whole group of Real Estate Fund.

The report content is determined in line with the recommendations of GRI based on the following aspects:

- determining the interests and expectations of interested parties;
- determining topics and questions, that are significant in the context of effect on the activity and execution of Real Estate Fund development strategy;
- determining the effect of Real Estate Fund activity on economy, society, environment and interested parties.

Integrated report for 2014 on Kazakh, Russian and English languages is placed on the corporate web-site www.fnsk.kz.

Hard copies of the report could be provided on the request for the following contact information.

Verification

This report wasn't independently verified for indicators in the field of sustainable development. Real Estate Fund realizes that performing the independent report verification in the field of sustainable development enables to improve the balance, safety and accuracy of provided activity results of Association, also to meet requirements of the interested parties.

Real Estate Fund, in the future, will try to provide performing the independent report verification in the field of sustainable development.

Contact Information

*You may send your questions, comments and suggestions on this Report,
also requests for hard copies of the report to:*

Real Estate Fund Samruk-Kazyna JSC

010000, Astana, Orynbor str., 10

Tel. +7 7172 570210 (reception), fax +7 7172 575522 astana@fnsk.kz, office@fnsk.kz.

Attachment 1

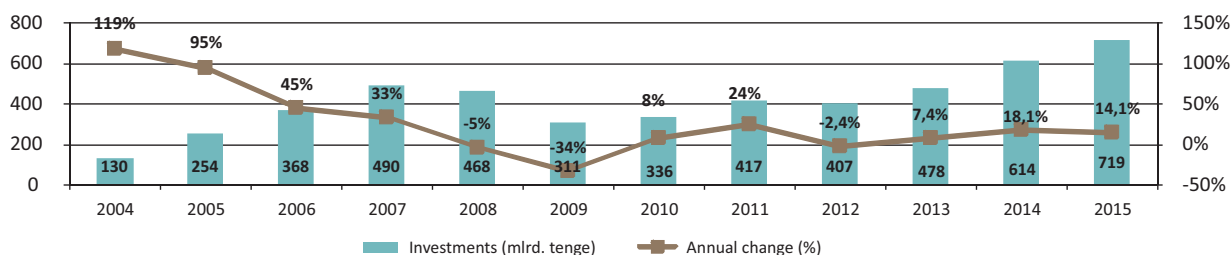
ANALYSIS OF SECTOR OF THE HOUSING

1. Basic parameters of the housing sector

1.1. Investments in housing

Investments in housing in Republic in 2015 totalled 719.2 billion tenge which is 14,1% more than in 2014. In the regional context the sums of 140.5 billion tenge and 142.8 billion tenge were sent to Astana and Almaty correspondingly in period from January, 2015 till December, 2015. Contribution of the Real Estate Fund to gross volume of investments has totalled 2.7% (19.3 billion tenge)

Amount and behaviour of housing construction investments, 2004-2015 гг.



Source: The State Committee on Statistics MNE of RoK

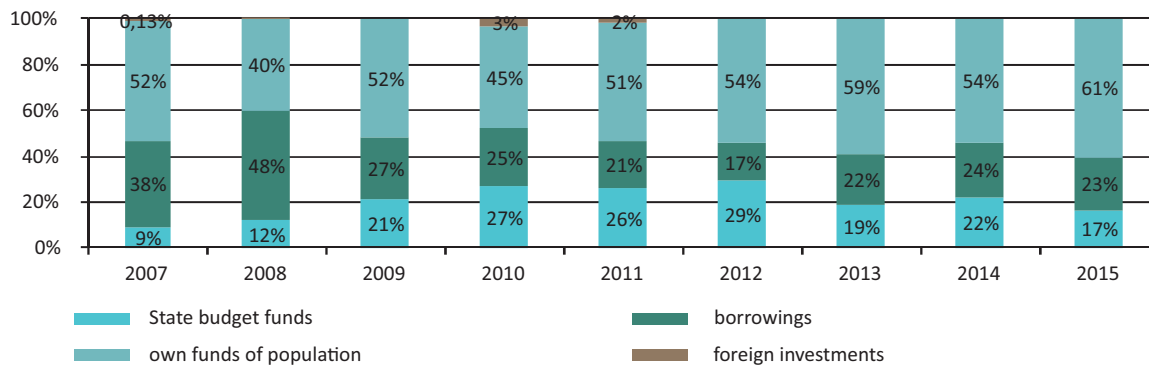
1.2. Sources of investments in housing in 2015. Own funds of developers and the population (61% versus 54% in 2014) are still the prevailing sources of investment in housing construction in Kazakhstan for the reported period.

During the reporting period there is a change in the structure of funding sources towards reduction of the share of funds allocated from the state budget (17% versus 22% in 2014). Borrowed funds took 23% in the reported period.

In 2015 the investment from its private funds of the population and borrowed funds in Almaty amounted to 47% and 38% respectively.

In Astana the part of borrowed funds takes 55% while own and public funds amounted to 36% and 10% respectively.

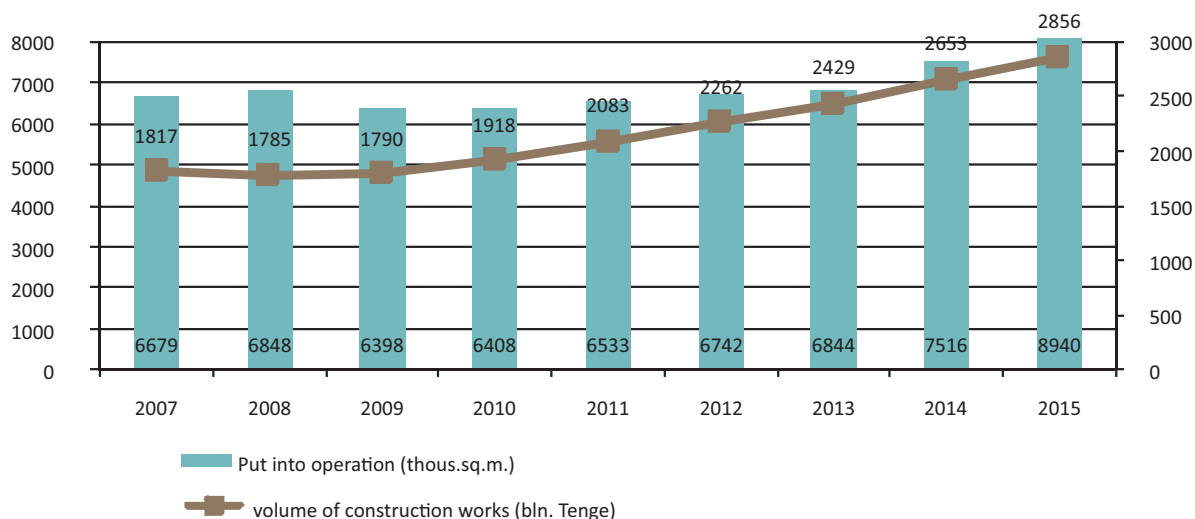
Sources of investment in housing construction



Source: The State Committee on Statistics MNE of RoK

1.3. The construction scope and housing commissioning

The volume of construction works and residential premises put into operation



Source: The State Committee on Statistics MNE of RoK

The construction (services) scope in Kazakhstan in period from January till December 2015 increased by 4.3% compared to 2014 and totalled 2855.9 billion tenge.

The largest volume of the total construction scope in the Republic amounted to 77% and was carried out by private construction companies, 22% by foreign companies and 1% by state ones.

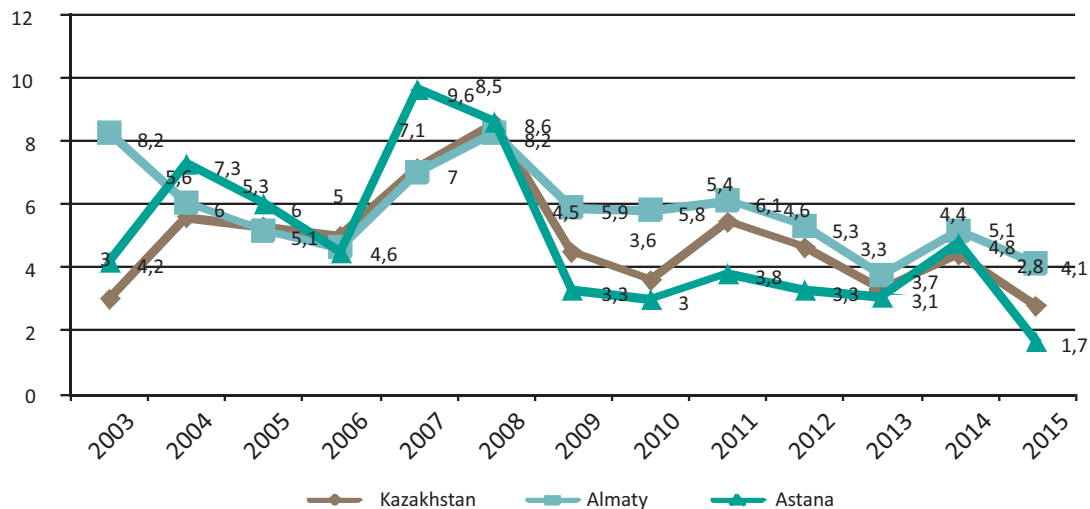
Increasing of the construction scope takes place in the ten regions of the country. Whilst significant increase was observed in Atyrau region (1.5 times), Pavlodar (1.5 times), North-Kazakhstan region (1.3 times) and Astana city (1.2 times).

The total area of commissioned accommodation buildings increased by 18,9% in 2015 compared to 2014 and totalled 8939.9 thousand square meters. In total 78 703 apartments are put on operation in the Republic. Most of the housing — which is 7381.8 thousand square meters or 83% — was commissioned to private developers, including 4400 thousand square meters commissioned to population, which is 49% from total commissioned volume. The part of the Real Estate Fund in the total amount of commissioned accommodation buildings was 1.7% (150 thousand square meters), with the share of project partners equal to 2.2%.

Increase of accommodation commissioning takes place in all regions of republic. Significant growth was registered in Almaty region (1.6 times), Kyzylorda region (1.6 times) and Astana (1.5 times).

1.4. Price index in construction amounted to 102,8% in 2015. Prices for construction and assembly works increased by 2,7%, for machinery and equipment - by 2% and for other works and costs - by 4.9%. In January–December 2015 actual average cost of construction of 1 square meter of housing in apartment buildings amounted to 114.9 thousand tenge and in houses built by people - to 70.3 thousand tenge.

Change in prices of elements of technological structure
(at the end of period, by December of the previous year)

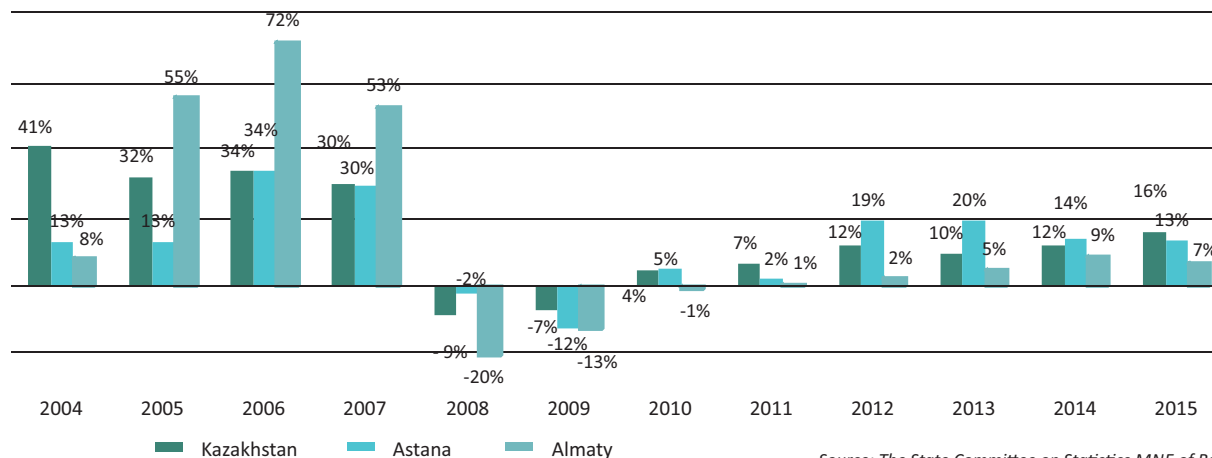


Source: The State Committee on Statistics MNE of RoK

1.5. Dynamics of sell prices (primary and secondary housing) and rental housing, the number of housing purchase transactions



*Change of new housing selling prices
(in % to December of the previous year)*

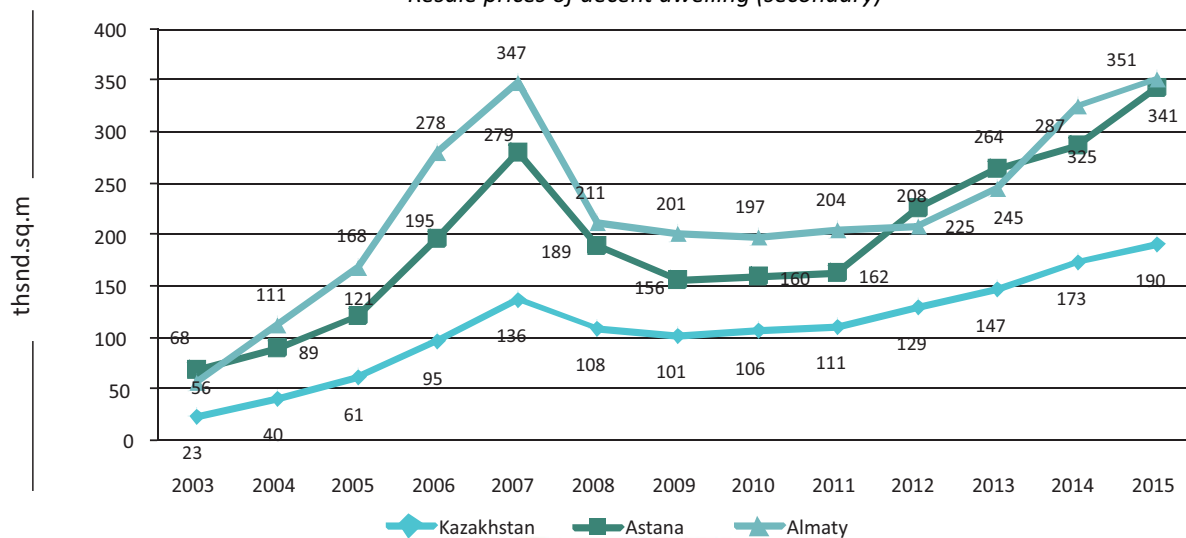


Source: The State Committee on Statistics MNE of RoK

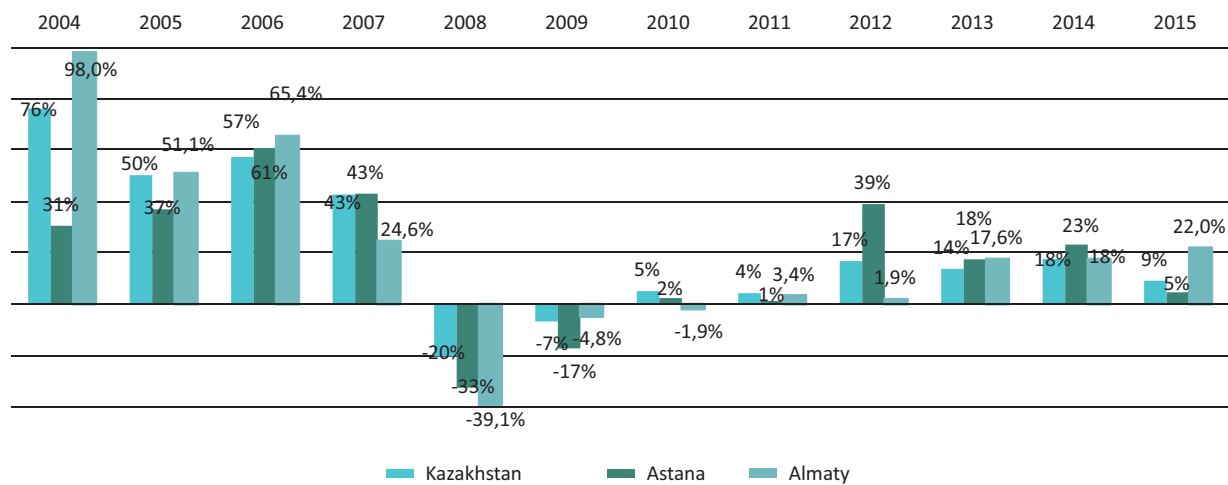
The trend of rising of housing prices continued in 2015. The average price of 1 square meter of new housing in state was 257.6 thousand tenge (by December 2014 growth by 15.8% took place), the price for resale of suitable dwelling was 189.9 thousand tenge (increase by December 2014 by 9.1%). Rental price for housing has also increased compared to December, 2014.

The greatest increase in prices for new housing compared to December 2014 is observed in Pavlodar (+ 55.7%), Shymkent (+ 52.3%) and Atyrau (+ 43.4%). In Shymkent, Atyrau, Astana, Aktau, Almaty and Pavlodar price of 1 sq.m. In new housing amounted to 364.4 thousand, 353.5 thousand tenge, 335.5 thousand tenge, 309.5 thousand tenge, 306.6 thousand tenge and 272 thousand tenge respectively. This index in other major cities of Kazakhstan is below average values in republic.

Resale prices of decent dwelling (secondary)



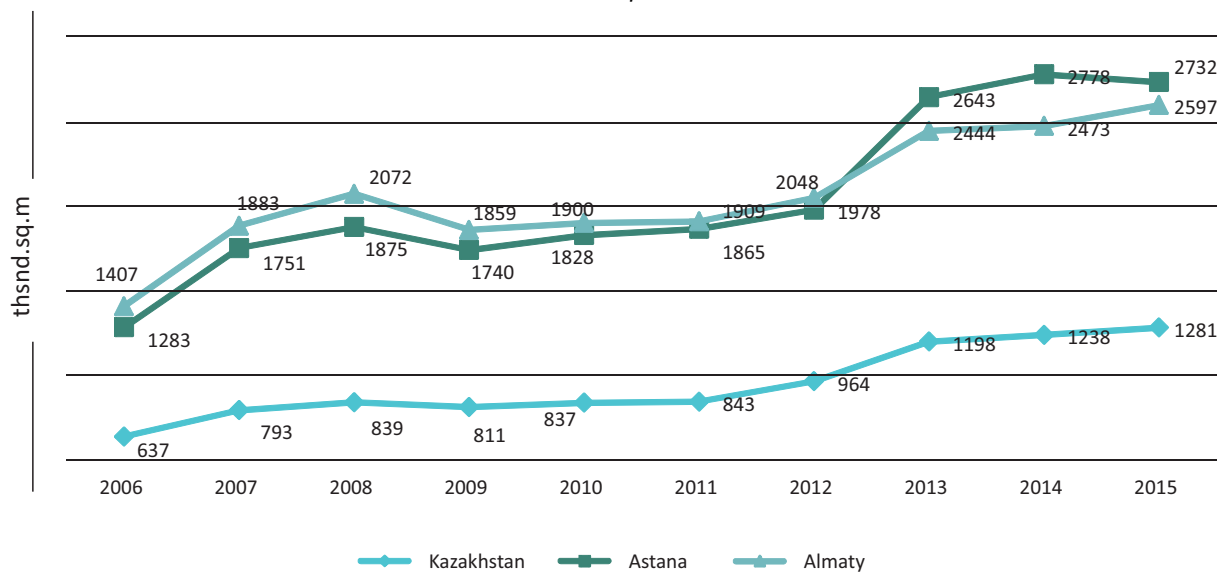
Change of secondary market housing prices (in %, to December of the previous year)



Source: The State Committee on Statistics MNE of RoK

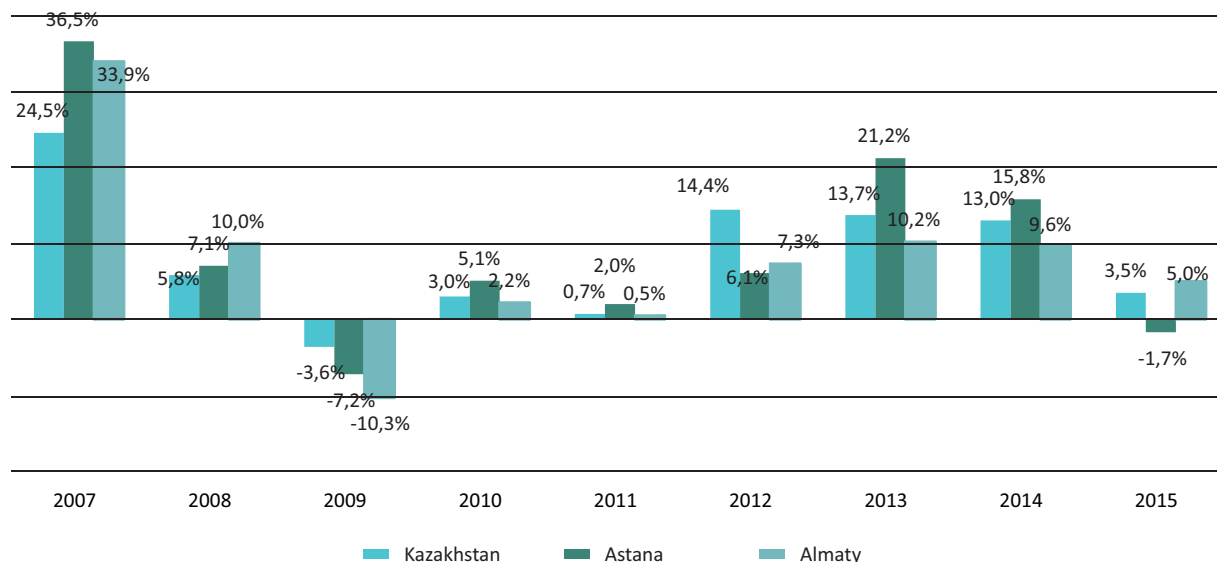
Rental price for accommodation

Rental prices



Source: The State Committee on Statistics MNE of RoK

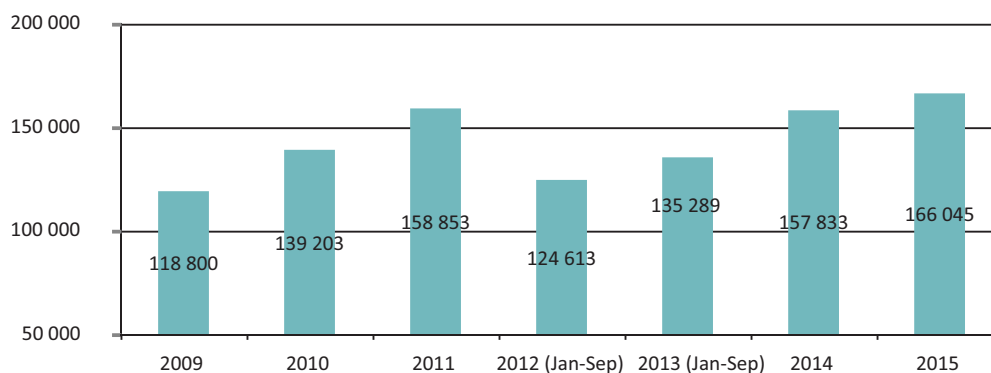
Change in rental prices (compared to December of the previous year)



The average rental price for suitable dwelling in December 2015 was 1281 tenge for 1 sq.m. Whereas the increase by December 2014 amounted to 3,5%. The highest rent price is fixed in Astana (2732 tenge for 1 sq.m.), Almaty (2597 tenge for 1 sq.m.), Aktau (1863 tenge for 1 sq.m.), Atyrau (1658 tenge for 1 sq.m.), Karaganda (1552 tenge for 1 sq.m.) and Ust-Kamenogorsk (1324 tenge for 1 sq.m.). This index in other major cities is below average values in republic. The largest increase of rental price compared to December 2014 is registered in Atyrau (+ 16.5%), Taraz (+ 15.6%), Aktobe (+ 13.6%), Kostanay (+ 9.3%).

In 2015 the activity at the housing¹ sale and purchase market has increased. The number of housing sale and purchase transactions in 2015 amounted to 166 045 and increased by 5.2% compared with the corresponding period in 2014.

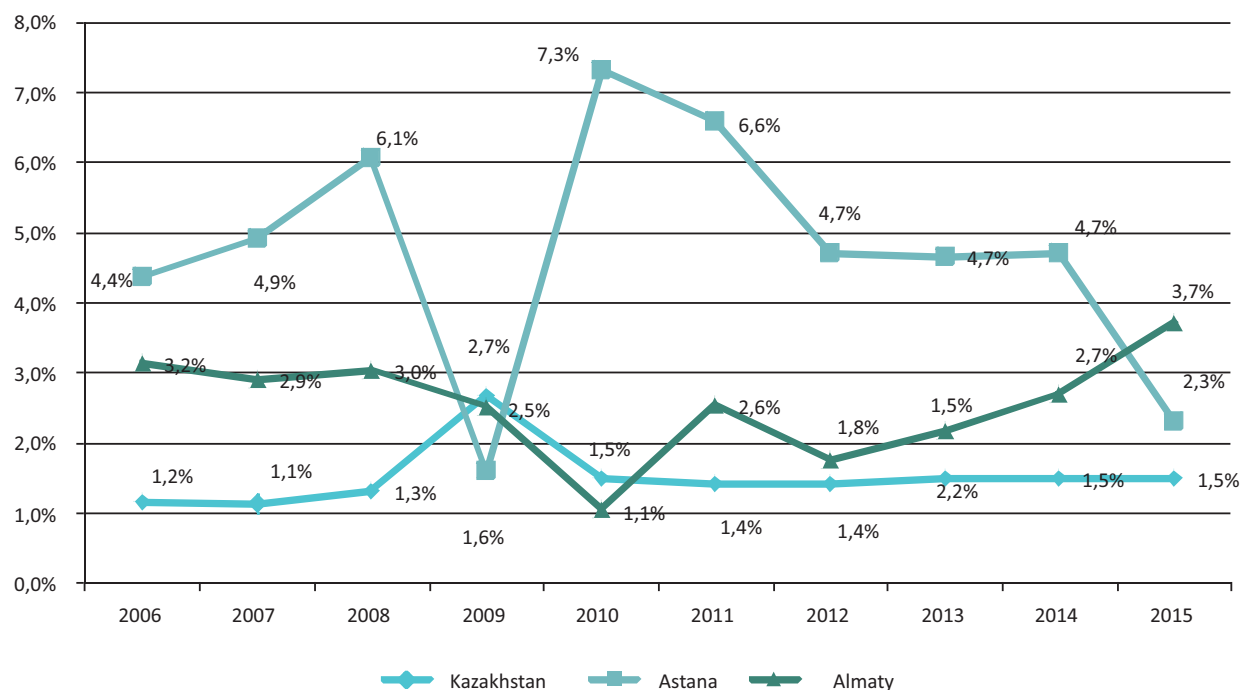
Number of housing purchase-sale transactions



Source: The State Committee on Statistics MNE of RoK

2. Basic parameters of influence in the housing sector

Population Growth Rate in Kazakhstan



Source: The State Committee on Statistics MNE of RoK

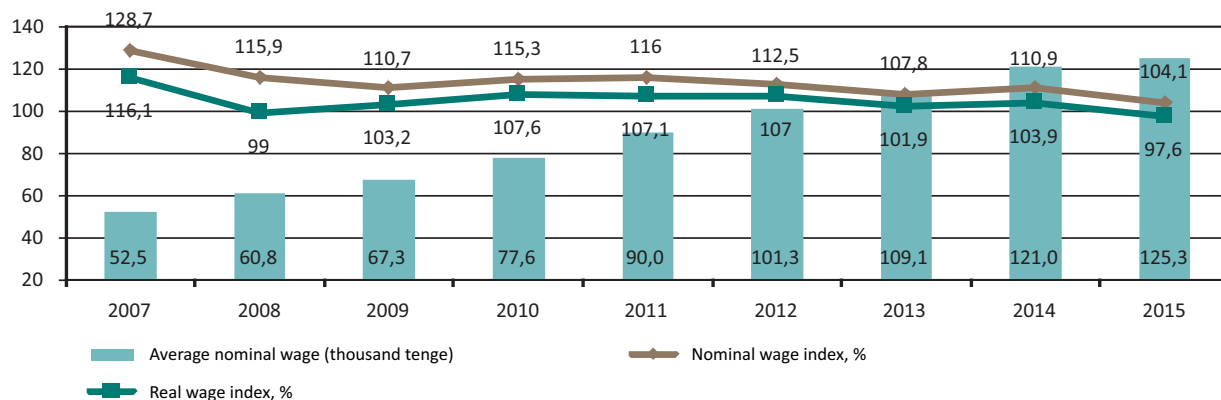
²The information is prepared on the basis of the ASRK data of the Ministry of Justice of the Republic of Kazakhstan as of 06.01.2015.

* As of 31.12.2014 according to the Agency for Statistics of RoK, MJRK has temporarily suspended the provision of information about the number of sales transactions of housing to the Agency for Statistics of RoK in order to avoid the publication of false data for the period since October till December 2012, as well as for the period since October till December 2013 due to lack of data for the corresponding period in 2012.

2.1. The rate of population increase in the country compared to 2014 has slightly changed, while the population of the Republic of Kazakhstan increased by 1.5% during reported period compared with the index value by the end of 2014 and amounted to 17 670.9 thousand people, including 872 thousand people in Astana and 1703 thousand people in Almaty.

2.2. The average nominal income per capita in December 2015 amounted to 74 472 tenge, that is equal to increase by 4.7% compared with the corresponding period in 2014. Real financial income decreased by 7.8%.

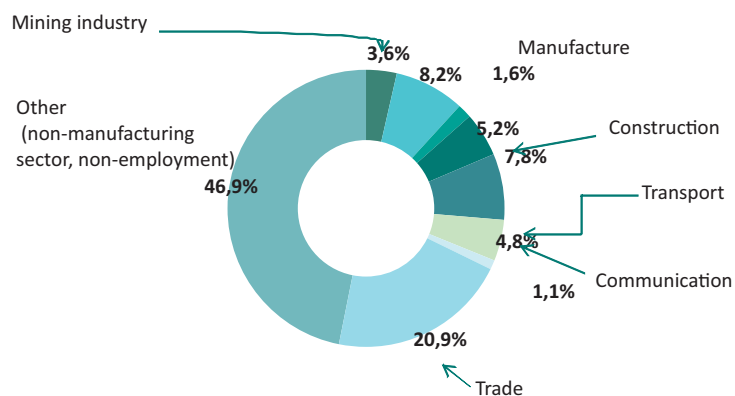
Average nominal wage



In 2015, the average nominal monthly wage in Kazakhstan amounted to 125.3 thousand tenge against 120.5 thousand tenge in 2014. The nominal wage index amounted to 104.1% in 2015 while real wage index was 97.6%.

2.3. Construction remains one of the main branches credited by STB. At the same time, the segment of construction is decreasing in the loan portfolio of STB. By December 31, 2015 the part of construction in the loan portfolio of STB has amounted to 7.8%, or 991.7 billion tenge. By January 1, 2015 this part was equal to 9.4%, or 1143.6 billion tenge.

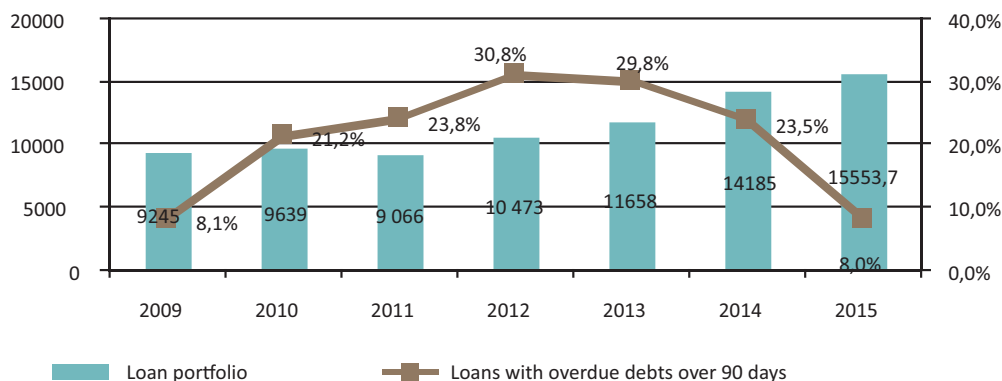
Loan portfolio of commercial banks



Source: NB RoK

The loan portfolio of STB

Dynamics of the loan portfolio and loans with overdue debts over 90 days of the banking sector of Kazakhstan



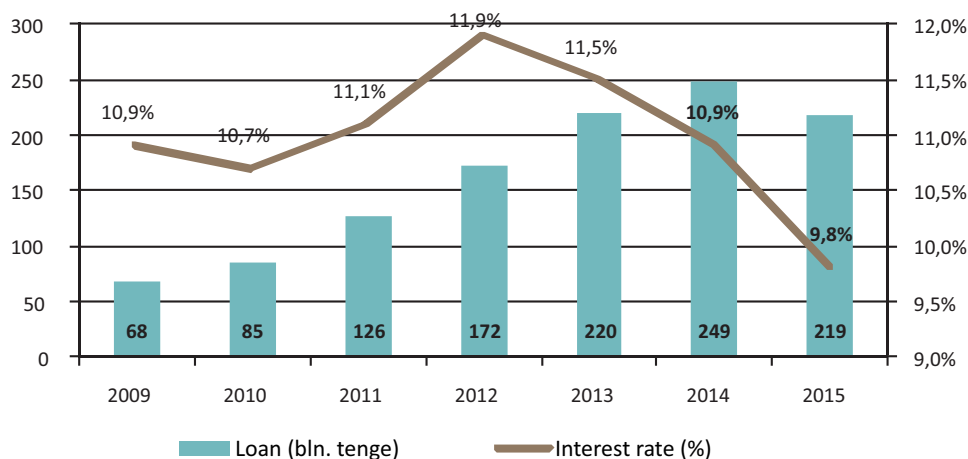
Source: Committee for the Control and Supervision of Financial Market and Financial Organizations of Kazakhstan National Bank

The loan portfolio of the RoK banking sector as of January 1, 2016 amounted to 15 553.7 billion tenge, which is equal to an increase by 1369.3 billion tenge or 9.7% compared to the beginning of the year.

At the same time significant improvement is traced in the quality of the total loan portfolio of STB: as of January 1, 2016 the loans with over 90 days overdue totalled 1236.9 billion tenge which is 8% of the loan portfolio (at the beginning of 2015 this sum was 3340.4 billion tenge which was 23.5% of loan portfolio).

Loans to individuals for the purchase and construction of housing amounted to 219,6 billion tenge in 2015 that is lower by 12% compared to 2014. The average weighted rate of loan mortgage fees totalled to 9.8%.

Loans of STB provided to individual persons for construction and purchase of real estate

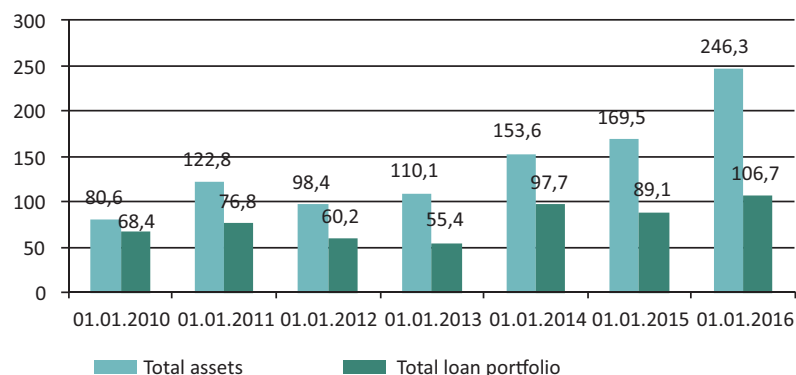


Source: NB RoK



The structure of credit portfolio of mortgage institutions

Total assets and loan portfolio of mortgage institutions



Source: Committee for the Control and Supervision of Financial Market and Financial Organizations of Kazakhstan National Bank

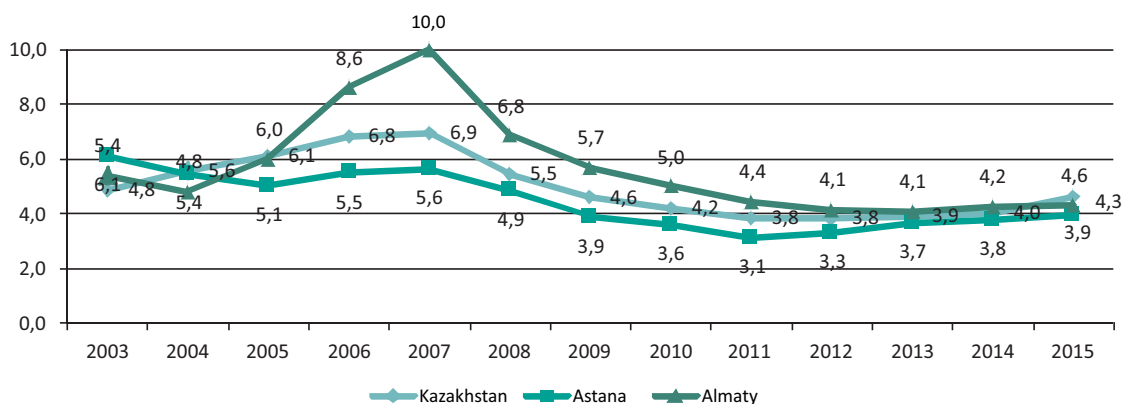
The analysis of mortgage lending programs offered by STB shows the slowing of growth in credit supply at the mortgage market. Effective interest rates on mortgage loans are ranging from 16% up to 20%. Some STB waive the mandatory initial contribution if the borrower provides additional security.

By January 1, 2016 three mortgage institutions were presented at the financial market of republic. The largest share in total loan portfolio of mortgage companies belong to loans granted by "IO "Kazakhstan Mortgage Company" JSC.

As of January 1, 2016 the total volume of assets of mortgage companies amounted to 246.3 billion tenge, having been increased by 45.3% compared to January 1, 2015. The total loan portfolio of mortgage organizations totalled to 106.7 billion tenge, which is higher by 19.7% than the numbers at the beginning of the year.

3. Analysis of housing affordability

Housing affordability index



Source: Calculations of the Real Estate Fund "Samruk-Kazyna"

3.1. From 2007 to 2012 as a whole there was a trend of improvement in housing affordability across Kazakhstan. However the decline in housing affordability is observed since 2013 and reached the value of 4.6 years by 2015. This trend is reflecting the transition from the "moderately unaffordable housing" to the "severely unaffordable housing" category.

It should be noted that in the process of increase by 16% of the sales prices level for new housing, the index of real wages decreased by 2.4%.

4. Measures of government support of housing construction

The Resolution No.728 of the Government of the Republic of Kazakhstan dated 28.06.2014 approved the "Regions Development Program till 2020" (hereinafter - the Program). Therefore, since January 1, 2015 the Program "Affordable housing - 2020" has lost its effect as a standalone program becoming a part of the new Program.

The Resolution of the Government of RoK № 15 dated 22.01.2015, № 42 dated 05.02.2015, № 284 dated 24.04.2015 and № 451 dated 17.06.2015 have approved the changes and additions to the Regions Development Program till 2020 also concerning the regulation of the terms for the local executive bodies to provide the list of applicants for housing purchase by the assignment of Real Estate Fund "Samruk-Kazyna" JSC (no later than in 6 months from the date of receipt of the information about conditions of implementation of the housing by the Real Estate Fund). Previously these deadlines were not regulated.

The framework of Regional Development Program till 2020 provides a set of measures of state support for the following key areas of housing construction: Housing construction by the local executive bodies for the members of waiting list and also by means of "Zhilstroysberbank of Kazakhstan" JSC (HCSB) for all categories of citizens and young families; construction of rental housing by means of "IO "Kazakhstan Mortgage Company" JSC ("IO "KMC" JSC); financing of the accommodation's construction and implementation of housing through Real Estate Fund "Samruk-Kazyna" JSC; development of engineering and communication infrastructure of building area, private housing construction and other spheres. The main objective of the government's housing policy is creating conditions for providing affordable housing to citizens.

In order to provide affordable housing to citizens by means of the state budget the local executive bodies (LEB) allocated 55.3 billion tenge in 2015. The part of this sum in amount of 14.5 billion tenge was allocated for the construction of rental housing and 40.8 billion tenge - for housing on account.

In 2015 "IO "KMC" JSC in the framework of the Program has put on operation 427.5 thousand square meters of housing which are 7237 apartments. By the facility of "Zhilstroysberbank of Kazakhstan" JSC in framework of line "Housing for all categories of citizens" the area of 528 square meters (8301 apartments) has been put on operation.

In 2015, Real Estate Fund "Samruk-Kazyna" JSC in the framework of the Program provided commissioning of residential houses with a total area of 193.76 square meters. The Real Estate Fund invested 7.7 billion tenge in construction of affordable housing in 2015.

During the following three years 106.3 billion tenge will be allocated for construction of affordable housing, moreover 38.3 billion of this sum will have been allocated already in 2016. These means equal to sum of 8.3 billion tenge are intended both for development of engineering and communication infrastructure and for construction of rental (municipal) housing for the members of waiting list and young families. In 2016 it is planned to build about 206.6 thousand square meters of housing, including more than 93 thousand square meters of rental housing and 113.3 thousand square meters of Housing on account of HCSB of RoK.

For strengthening the housing infrastructure within the framework of the State program of infrastructural development "Nurly Zhol" for 2015–2019 the additional financing is to be allocated or the construction and acquisition of rental housing by means of the National Fund through "IO "KMC" JSC.

² <http://www.baiterek.gov.kz/ru/news/events/3042/>

³ <http://www.baiterek.gov.kz/ru/news/press-review/2808/>

Attachment 2**Real Estate Fund “Samruk-Kazyna” JSC**
Consolidated financial statements

Year ended 31 December 2015
with Independent Auditors' Report

CONTENTS

Independent Auditors' Report

Consolidated financial statements

Consolidated statement of financial position.....	107
Consolidated statement of comprehensive income	109
Consolidated statement of changes in equity.....	110
Consolidated statement of cash flows.....	111
Notes to consolidated financial statements	113

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Real Estate Fund “Samruk-Kazyna” JSC

We have audited the accompanying consolidated financial statements of Real Estate Fund “Samruk-Kazyna” JSC and its subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and information 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Gulmira Turmagambetova
Partner
Ernst & Young LLP

Auditor Qualification Certificate No. 0000374 dated 21
February 1998

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

26 February 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

<i>In thousands of tenge</i>	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

The accounting policies and explanatory notes on pages 107 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

<i>In thousands of tenge</i>	Note	2015	2014
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

The accounting policies and explanatory notes on pages 107 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

<i>In thousands of tenge</i>	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

The accounting policies and explanatory notes on pages 107 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

<i>In thousands of tenge</i>	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

The accounting policies and explanatory notes on pages 107 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

<i>In thousands of tenge</i>	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)

The accounting policies and explanatory notes on pages 107 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

<i>In thousands of tenge</i>	Note	2015	2014
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

The accounting policies and explanatory notes on pages 107 to 152 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

- 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	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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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*
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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 is current when it is:

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

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

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

The Group classifies all other liabilities as non-current.

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

Determination of fair value

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

Revenue recognition

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

Sale of real estate properties

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

Income from lease

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

Interest income

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

Expense recognition

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

Borrowing costs

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

Income tax

Current income tax

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

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

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

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

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

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

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

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

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

Employee benefit

Social tax

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

Defined contribution scheme

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

Financial assets

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments according to IAS 39. The Group included the right to acquire equity instrument to the category "at fair value through profit or loss". Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of comprehensive income.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

Loans and receivables

Loans and receivables including long-term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income within finance costs in case of loans and within other operating expenses in case of accounts receivable.

Financial investments available-for-sale

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

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

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and managements intent significantly changes to do so in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or maturity. The reclassification to held-to-maturity is permitted only when the entity has the ability and intent to hold until the financial asset accordingly.

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

Derecognition

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, the Group evaluates if it has retained the risks and rewards of the property, and to which extent, if any. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Financial investments available-for-sale

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Accounts payable

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

Loan from the Parent

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

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

Derecognition

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

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

Offsetting of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate. Property and equipment consists primarily of administrative building, land, office equipment and vehicles.

Impairment of non-financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

Inventory property

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

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

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

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

Guarantee payments from lessees

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

Lease

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

Group as a lessor

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

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

Group as a lessee

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

Allowances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

<i>In thousands of tenge</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. INVESTMENT PROPERTIES

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

<i>In thousands of tenge</i>	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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. INVENTORY PROPERTY

<i>In thousands of tenge</i>	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, “Sovremennyyi”, “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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

Movement of advances paid to construction companies for 2015 and 2014 is presented as follows:

<i>In thousands of tenge</i>	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 (<i>Note 14</i>)	–	(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*).

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

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

9. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are as follows:

<i>In thousands of tenge</i>	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

<i>In thousands of tenge</i>	2015		2014	
	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).

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 placed 16,083,660 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

<i>In thousands of tenge</i>	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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

<i>In thousands of tenge</i>	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

<i>In thousands of tenge</i>	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)
Cancellation 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)
Cancellation 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

<i>In thousands of tenge</i>	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”, “Sovremennyyi”, “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.

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	61-90 days	91-120 days	>120 days
At 31 December 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

<i>In thousands of tenge</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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).

As at 31 December 2015, loans issued comprised receivables from Omiruzak & Co LLP in the amount of 296,778 thousand tenge, Capitalstroysservice 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 Capitalstroysservice LLP and 26,983 thousand tenge from Alyansstroyinvest LLP).

Receivables from Omiruzak and Co LLP and Capitalstroysservice 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:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. CURRENT FINANCIAL ASSETS

<i>In thousands of tenge</i>	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:

<i>In thousands of tenge</i>	2015	2014
Beginning of the year	985	985
Recovered	(985)	–
Ending of the year	–	985

16. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	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%.

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

<i>In thousands of tenge</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. PARENT LOANS

<i>In thousands of tenge</i>	% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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

<i>В тысячах тенге</i>	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

21. OTHER CURRENT LIABILITIES

<i>In thousands of tenge</i>	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

<i>In thousands of tenge</i>	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

23. COST OF REVENUE

<i>In thousands of tenge</i>	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

24. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	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

<i>In thousands of tenge</i>	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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

26. INCOME TAX EXPENSES

Income tax expenses for 2015 and 2014 are as follows:

<i>In thousands of tenge</i>	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

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:

<i>In thousands of tenge</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

<i>In thousands of tenge</i>	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	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:

<i>In thousands of tenge</i>	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

<i>In thousands of tenge</i>	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:

<i>In thousands of tenge</i>	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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:

<i>In thousands of tenge</i>	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

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".

Attachment 3

Table of standard GRI elements

GRI index	Standard GRI elements	Page number in the report	Notes, references to the sections
1.	Strategy and analysis		
1.1	Statement of senior employee making decision in the organization	4-6	Addresses of the Chairman of the Board of Directors, Chairman of the Board
1.2	Characteristics of key impacts, risks and capabilities	73	Risk management
2.	Characteristics of the organization		
2.1	Organization name	8	Information about the Real Estate Fund
2.2	The main brands, types of products and/or services	8	Information about the Real Estate Fund
2.3	Functional structure of the organization, including the main divisions, operating companies, subsidiaries and joint venture companies	www.fnsk.kz	Corporate governance
2.4	Location of the organization's headquarters	93	About the report
2.5	The number of countries, where the organization operates, and the name of countries, where the main activity is carried out or which are specifically significant in terms of sustainable development issues, covered in the report	8	Information about the Real Estate Fund
2.6	Nature of ownership and organizational and legal form	8	Information about the Real Estate Fund
2.7	Markets, in which the organization operates (including geographic split, sectors served and categories of customers and beneficiaries)	Annex 1	Analysis of housing construction sector
2.8	Size of the organization	13, 66	Key Performance Indicators. Personnel.
2.9	Significant changes of size, structure and ownership, occurred during the reporting period	13-21	Key Performance Indicators. Analysis of financial and economic indicators.
2.10	Awards, received during the reporting period	59	Information policy
3.	Report parameters		
3.1	Reporting period to which the provided information is related	93	About the report
3.2	Publication data of the most recent from the previous reports (if any)	93	About the report

GRI index	Standard	Page number in the report	Notes, references to the sections
3.3	Reporting cycle	93	About the report
3.4	Contact information	93	About the report
3.5	Process of content determination	93	About the report
3.6	Report boundary	93	About the report
3.7	Indicate any limitations of the scope or boundaries	93	About the report
3.8	The basis for inclusion to the report data on joint ventures, subsidiaries, leased facilities, transmission of the part of functions to external contractors and other organizational entities that can significantly affect comparability with the previous reports and/or another organizations	93	About the report
3.9	Methods of data measurement and calculations, including assumptions and methodology used for preparation of the Indicators and other information included in the report	93	About the report
3.10	Description of the meaning of any re-statement of information, provided in previous reports, as well as the reasons for such re-statement (for example, merge/ acquisition, change of the reporting period, nature of business, methods of assessment)	-	
3.11	Significant changes concerning previous reporting periods in the scope, boundaries and measurement methods, applied in the report	-	
3.12	The table indicating location of the Standard elements in the report	Annex	Table of standard GRI elements
3.13	Policy and applied practical approaches with regard to external confirmation of the report	93	About the report
4.	Governance, liabilities and interaction with stakeholders		
4.1	Organization governance structure, including the main committees being part of the highest governing body, responsible for particular tasks	52, 61	Corporate governance principles (corporate governance structure, Committees of the Board of Directors)
4.2	Please indicate, whether the Chairman of the highest governing body is also the Executive Manager of the Company	55	Corporate governance principles members of (the Board of Directors)
4.3	For organizations which have a unitary Board of Directors, please indicate the number of independent members of the highest governing body and/or members not related to the executive management of the company	55	Corporate governance principles members of (the Board of Directors)

GRI index	Standard	Page number in the report	Notes, references to the sections
4.4	Mechanisms using which shareholders or employees of the organization are able to govern the activity of the highest governing body or give recommendations to it	55, 61	Corporate governance principles (members of the Board of Directors, measures taken by the Board of Directors to consider opinion of the Sole shareholder)
4.5	Connection between payments to the members of the highest governing body, representatives of the highest executive management and senior employees (including dismissal compensation) and the results of the activity of the organization (including social and environmental performance)	49, 55	Corporate governance principles
4.6	Current processes in the highest governing body to avoid conflicts of interests	74	Conflict of interests settlement
4.7	Processes of qualification and competence determination of the members of the highest governing body for determination of organization strategy on economic, environmental and social issues [sustainable development]	53	Corporate governance principles
4.8	Internally developed statements on mission or values, corporate governance code and principles significant in terms of economic, environmental and social performance, and status of their practical implementation	52	Corporate governance principles
4.9	Procedures used by the highest governing body to supervise how the organization assesses its economic, environmental and social performance and manage it, including risks and capabilities, as well as following and compliance with the international standards, corporate governance codes and principles	www.fnsk.kz	Corporate Social Responsibility Policy
4.10	Processes of assessment of own performance by the highest governing body, in particularly, with respect of economic, environmental and social performance of the organization	64-65	Corporate governance principles
4.11	Explanation of whether the organization uses precautionary principle and how	73	Risk management
4.12	Economic, environmental and social charters, principles or other initiatives developed by external parties, to which the organization has jointed or supports	www.fnsk.kz	Corporate Social Responsibility Policy
4.13	Membership in associations (for example, industrial) and/or national and international interests protection organizations	-	The Company is not a member of interests protection associations

GRI index	Standard	Page number in the report	Notes, references to the sections
4.14	The list of stakeholders with which the organization cooperated	www.fnsk.kz	Stakeholders maps
4.15	Reasons for identification and selection of stakeholders for the purpose of further cooperation with them	www.fnsk.kz	Stakeholders maps
4.16	Approaches to interact with stakeholders, including frequency of cooperation by types and interested groups	77-80	Interaction with the society
4.17	Key topics and interests which has been raised or revealed in the process of cooperation with interested parties, and how the organization has responded to these topics and interests, including through its reporting	77-80, 74-75	Interaction with the society Information policy
5.	Information on management approaches and performance indicators		
	Economic performance		
EC 1	Established and distributed direct economic value, including incomes, operating expenses, employees payments, donations and other community investments, undistributed profit, payments to capital providers and states	13-21	Key Performance Indicators. Analysis of financial and economic indicators. Annex 2. «Independent auditors report», p. 23
EC 4	Significant financial aid obtained from the state	23	Analysis of financial and economic indicators.
EC 6	Policy, practical approaches to procurements from local suppliers and share of these procurements in the significant areas of the activity of the organization	42	Kazakhstan content monitoring
EC 9	Understanding and describing significant indirect economic impacts, including impact area	77-80	Interaction with the society
	Environmental performance		
EN 6	Initiatives for provision energy-efficient or renewable energy products and services, and reduction of energy demand as a result of these initiatives	77-80, 89-90, 73-75	Interaction with the society, environmental liability (information on existing initiatives to reduce energy consumption of the main types/groups of products and services has been published)
	Performance Indicators of approaches to labor organization and decent work		
LA 2	Total number and share of newly hired employees and turnover of employees, broken down by age group, gender and region	81	Interaction with personnel (Personnel)
LA 3	Payments and benefits provided to full-time employees, which are not available to employees working on temporary base or part-time employees broken down by significant areas of the activity of the organization	87-88	Interaction with personnel (Social guarantees and benefits)

GRI index	Standard	Page number in the report	Notes, references to the sections
LA 5	The minimum notice period regarding significant changes in the activity of the organization, and whether it is stated in the collective agreement	81	Interaction with personnel (Personnel)
LA 7	Accident frequency rate, occupational diseases rate, lost days coefficient and absentee coefficient, as well as total number of deaths related to work, broken down by regions and gender	87-88	Interaction with personnel (Social guarantees and benefits)
LA 10	Average hours of training per one employees per year, broken down by gender and employee category	85	Interaction with personnel (Training and advanced vocational training)
LA 12	Share of employees for whom periodical performance assessment and career development is carried out, broken down by gender	81	Interaction with personnel (Personnel)
LA 13	Membership of governing bodies and personnel of organization, broken down by gender and age, with indication of minority and other indicators of diversity	82	Interaction with personnel (Personnel)
Human right indicators			
HR 11	Number of complaints related to human rights and recorded, considered and solved on the basis of formal mechanisms for submission and consideration of complaints	74	Conflict of interests settlement
Indicators of interaction with the society			
SO 4	Actions taken in the response to cases of corruption	80	Interaction with the society
Indicators in the area of product liability			
PR 2	Total number of cases of non-compliance with regulations and voluntary codes concerning the impact of products and services on health and safety, broken down by types of consequences	42	Monitoring of scopes, deadline and quality of civil and installation works
PR 9	Monetary value of significant fines for non-compliance with the legislation and regulations concerning provision and use of products and services	42	Monitoring of scopes, deadline and quality of civil and installation works

- The Joint Stock Company “
- Real estate fund “Samruk-Kazyna”
 - Astana, Orynbor street, 10
 - Phone.: +7 (7172) 57 55 22
- Call center +7 (7172) 91 90 70
 - Fax: +7 (7172) 57 55 33
 - E-mail: info@fnsk.kz
 - E-mail: astana@fnsk.kz
 - Press Service
- Phone.:+7 (7172) 57 55 11