Real Estate Fund "Samruk-Kazyna" JSC

Consolidated financial statements

For the year ended 31 December 2014
with Independent auditors' report

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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 2014, 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Turmagambetova Gulmira Auditor	Evgeny Zhemaletdinov General Director Ernst & Young LLP
Auditor Qualification Certificate №0000374 dated 21 February 1998	State Audit License for audit activities on the territory on the Republic of Kazakhstan series: МФЮ-2 №0000003, issued by Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

27 February 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

In thousands of tenge	Notes	2014	2013*
Assets			
Non-current assets			
Property and equipment	5	**4,714,767**	4,862,152
Investment property	6	**1,006,551**	1,177,562
Advances paid to construction companies	8	**19,755,111**	38,863,404
Intangible assets		**55,557**	61,689
Non-current financial assets	9	**15,453,247**	9,143,262
Amounts due from credit institutions	10	**–**	4,500,000
Deferred tax assets	26	**–**	15,742
Other non-current assets	11	**11,378,807**	2,200,256
		52,364,040	60,824,067
Current assets			
Inventories		**9,814**	8,913
Inventory property	7	**1,024,276**	–
Advances paid to construction companies	8	**8,907,559**	3,835,547
Trade accounts receivable	12	**401,263**	9,844
Accounts receivable under "repo" agreements	13	**1,000,001**	–
Loans receivable	14	**12,105,371**	–
Income tax prepaid		**614,354**	291,528
Current financial assets	15	**3,941,523**	3,647,846
Amounts due from credit institutions	10	**41,820,224**	36,161,751
Other current assets		**51,340**	34,881
Cash and cash equivalents	16	**12,053,995**	16,008,373
		81,929,720	59,998,683
Total assets		**134,293,760**	120,822,750
Equity and liabilities			
Equity			
Share capital	17	**19,990,162**	19,990,162
Additional paid-in capital	17	**3,437,245**	3,437,245
Available-for-sale reserve	17	**(63,774)**	(30,391)
Retained earnings		**8,556,947**	7,057,376
Total equity		**31,920,580**	30,454,392
Non-current liabilities			
Parent loans	18	**619,688**	393,203
Other non-current liabilities	19	**717,272**	487,373
Deferred tax liabilities	26	**257,554**	155,780
		1,594,514	1,036,356
Current liabilities			
Current portion of Parent loans	18	**99,691,692**	88,749,595
Accounts payable	20	**75,382**	98,635
Other current liabilities	21	**1,011,592**	483,772
		100,778,666	89,332,002
Total liabilities		**102,373,180**	90,368,358
Total equity and liabilities		**134,293,760**	120,822,750

* Certain amounts shown here do not correspond to the 2013 consolidated financial statements and reflect reclassification adjustments made, refer *Note 4*.

Chairman of the Board	Palymbetov B.A.

Managing director	Kakim R.K.

Chief accountant	Sipuldina B.K.

Қазақстан Республикасы Астана қаласы Акционерлік қоғамы "Самұрық-Қазына" жылжымайтын мүлік қоры "Фонд недвижимости "Самрук-Казына" Акционерное общество Город Астана Республика Казахстан

The accompanying notes on pages 5 through 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

In thousands of tenge	Notes	2014	2013
Revenue	22	**2,794,752**	2,152,603
Cost of revenue	23	**(1,264,123)**	(527,607)
Gross profit		**1,530,629**	1,624,996
General and administrative expenses	24	**(1,868,130)**	(2,333,560)
Bad debt provision reversal / (expense)	14, 15	**133**	(76,999)
Operating loss		**(337,368)**	(785,563)
Finance income	25	**4,010,908**	3,843,789
Finance costs	25	**(1,601,545)**	(1,120,988)
Other income		**80,329**	81,663
Profit before tax		**2,152,324**	2,018,901
Income tax expense	26	**(419,369)**	(463,009)
Profit for the year		**1,732,955**	1,555,892
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net loss on available-for-sale financial assets	17	**(33,383)**	(19,918)
Other comprehensive income for the year, net of tax		**(33,383)**	(19,918)
Total comprehensive income for the year, net of tax		**1,699,572**	1,535,974

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АСТАНА ҚАЛАСЫ
Акционерлік қоғамы
"Самұрық-Қазына" жылжымайтын мүлік қоры
"Фонд недвижимости "Самрук-Казына"
Акционерное общество
ГОРОД АСТАНА РЕСПУБЛИКА КАЗАХСТАН

Chairman of the Board Palymbetov B.A.

Managing director Kakim R.K.

Chief accountant Sipuldina B.K.

The accompanying notes on pages 5 through 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

In thousands of tenge	Share capital	Additional paid-in capital	Available-for-sale reserve (*Note 17*)	Retained earnings	Total
At 31 December 2012	19,990,162	3,437,245	(10,473)	6,008,379	29,425,313
Profit for the period	–	–	–	1,555,892	1,555,892
Other comprehensive income	–	–	(19,918)	–	(19,918)
Total comprehensive income	–	–	(19,918)	1,555,892	1,535,974
Dividends (*Note 17*)	–	–	–	(506,895)	(506,895)
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**

Chairman of the Board Palymbetov B.A.

Managing director Kakim R.K.

Chief accountant Sipuldina B.K.

The accompanying notes on pages 5 through 37 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

In thousands of tenge	Notes	2014	2013
Operating activities			
Profit before tax		**2,152,324**	2,018,901
Adjustments for:			
Depreciation and amortisation		**180,427**	170,439
Impairment of investment property	6	**–**	111,153
Write-off of property and equipment	5	**768**	416
Finance income	25	**(4,010,908)**	(3,843,789)
Finance costs	23, 25	**1,828,030**	1,120,988
Recognition of discount	23	**456,888**	–
Bad debt provision	14, 15	**(133)**	79,023
Amortisation of discount	22	**(21,775)**	–
Income from option recognition	22	**(378,618)**	–
Other non-operating income		**–**	(55,787)
Working capital adjustments			
Change in inventory		**(901)**	156,600
Change in trade accounts receivable		**(541,994)**	(32,707)
Change in other current assets		**(27,142)**	986,927
Change in current financial asset		**1,541,680**	(221,651)
Change in accounts payable		**(192,319)**	32,036
Change in other current liabilities		**654,600**	375,200
		1,640,927	897,749
Income tax paid		**(65,943)**	(772,820)
Interest paid		**(1,601,545)**	(1,198,969)
Net cash flows used in operating activities		**(26,561)**	(1,074,040)
Investing activities			
Other non-current assets		**(1,645,380)**	–
Prepayments for acquisition of real estate properties		**(14,169,966)**	(28,988,606)
Funds returned by contractors		**4,127**	11,299
Bank deposits placed		**(59,984,020)**	(34,831,000)
Return of bank deposits		**58,371,870**	17,179,000
Purchase of property and equipment and intangible assets		**(16,203)**	(89,277)
Transactions with securities, net		**(1,000,001)**	–
Interest received		**3,803,043**	3,398,211
Net cash flows used in investing activities		**(14,636,530)**	(43,320,373)
Financing activities			
Proceeds from Parent loans		**15,900,000**	28,100,000
Repayment of Parent loans		**(4,957,903)**	(4,335,329)
Dividends paid		**(233,384)**	(506,895)
Net cash flows from financing activities		**10,708,713**	23,257,776
Net decrease in cash and cash equivalents		**(3,954,378)**	(21,136,637)
Cash and cash equivalents as at 1 January	16	**16,008,373**	37,145,010
Cash and cash equivalents as at 31 December	16	**12,053,995**	16,008,373

Non-monetary operations are disclosed in *Note 27*.

Chairman of the Board Palymbetov B.A.

Managing director Kakim R.K.

Chief accountant Sipuldina B.K.

The accompanying notes on pages 5 through 37 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. CORPORATE INFORMATION

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

The Company's office is located at: 10, Orynbor st., Astana, Kazakhstan.

The Company is controlled by the Government through Sovereign Wealth Fund "Samruk-Kazyna" (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 (hereinafter referred to as the "Group"). The core activities of subsidiaries are disclosed in *Note 2*.

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

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:

I. Increasing the long-term value of the Company.

II. Implementation of innovation into the construction industry.

Main goals of the first strategic area "Increasing the long-term 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.

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

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

The development strategy 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.

1. CORPORATE INFORMATION (continued)

These financial statements represent, on a consolidated basis, the financial results of the Group for the year ended 31 December 2014 and its financial position as at the indicated date.

The Company'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 deviation in revenue from core activities from year to year is normal practice for many local and foreign companies in construction industry.

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue by the management of the Group on 27 February 2015.

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 thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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 equity holders 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 loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), 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.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries

As at 31 December 2014 the Group had the following subsidiaries included into these consolidated financial statements:

Name	Country of residence	Principal activities	Ownership 2014	Ownership 2013
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 objects	**100%**	100%

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of these items and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability 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. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of: its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In 2014 the Group did not recognize any impairment losses of non-financial assets (2013: impairment of investment property in the amount of 111,153 thousand tenge) (*Note 6*).

Classification of financial assets held for sale or available for sale

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

Advances 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 paid to construction companies.

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

Interest bearing financing of construction companies

At recognition interest bearing financing of construction companies are measured at fair value, calculated as present value of future cash flows discounted at the market borrowing rates effective at initiation of the borrowings. According to the contracts concluded over the year, average discount rate is 7% (2013: 7%).

After initial recognition, such interest bearing financing of construction companies are subsequently measured at amortized cost using the effective interest rate method (EIR).

Classification of investment property and real estate properties for sale

The Group determines whether the property is classified as investment property or inventory property:

- Investment property comprises apartments, parking lots and commercial premises which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is apartments, parking lots and commercial premises that the Group develops and intends to sell after completion of construction.

Cost of investment property and inventory property

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

Inventory property is stated at the lower of cost and net realizable value. Net realizable value for real estate for sale is measured with reference to 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

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous reporting year, except for the new and amended IFRS and IFRIC interpretations effective as of 1 January 2014.

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

Annual improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions. that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

Standards issued but 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 these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent considerations 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 IFRS 9 (or IAS 39, as applicable).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2010-2012 Cycle (continued)

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margin) 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, similar to the required disclosure for segment liabilities.

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 on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. 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.

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 statements and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

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.

IFRS 15 Revenue From Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new-five step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual improvements 2011-2013 Cycle (continued)

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not excepted to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method its separate financial statements will have to apply that change retrospectively, For first time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Foreign currency translation

The consolidated financial statements of the Group are presented in tenge, which is the functional currency of the Company and its subsidiaries. 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 at the date the transaction first qualifies for recognition.

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 taken to the income statement.

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 items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

The exchange rate comprised 182.35 tenge to 1 US dollar as at 31 December 2014 (2013: 153.61 tenge to 1 US dollar). At 27 February 2015 the exchange rate comprised 185.05 tenge to 1 US dollar.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment 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 unanimous consent of the parties sharing control. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Factors that are considered in determining whether the Group has significant influence or joint control are similar to those factors which are considered when determining the control existence over subsidiaries.

As the Group has an interest in a joint operation, it would recognize in relation to its interest in a joint operation its:

- 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 statement of financial position based on current/non-current classification. An asset as current when it is:

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

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

- It is expected to be settled in 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.

Fair value measurement

The Group measures financial instruments, such as, derivatives, at fair value at each balance sheet date. Also, fair value related disclosures for financial instruments measured at amortized cost and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the *Note 30* and *Note 6*, accordingly.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 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 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 Group's valuation group determines the policies and procedures for recurring fair value measurement of assets and liabilities. The valuation group includes the head of the assets management department, head of budgeting and finance department.

External valuers are involved for valuation of significant assets, such as derivative financial assets. Involvement of external valuers is decided upon annually by the valuation group after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The valuation group decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the valuation group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the valuation group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The valuation group, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the valuation group and the Group's external valuers present the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue recognition

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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.

Rental income

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 or expense 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 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 for the current period 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 of the Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred income tax (continued)

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. Unrecognised deferred 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 benefits

Social tax

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

Defined contribution scheme

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

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans, receivables and available-for-sale financial assets. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets at fair value through profit and loss require delivery of assets within a time frame established by regulation or convention in the marketplace (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 advances paid to construction companies with interest accrual.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Group has designated call option on purchase of share in the company's equity as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the 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 management's 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 statement of financial position comprise cash at banks and on hand, and short-term deposits with an initial maturity of three months or less.

Loans and receivables

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

Financial investments available-for-sale

Available-for-sale financial investments include debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which 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 profit or loss 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 its available-for-sale financial assets whether the ability and intention to sell them 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement

Financial investments available-for-sale (continued)

For a financial assets and financial investments available-for-sale 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 equity is reclassified to profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- 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 the Group has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income. Loans together with the associated allowance 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 available-for-sale, 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 amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of comprehensive income.

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

Financial liabilities

Initial recognition and measurement

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

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

Parent loans

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

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

When an existing Parent loan is replaced by another loan 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 consolidated statement of changes in equity.

Offsetting of financial instruments

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

Advances paid to construction companies

Advances paid to construction companies represent advances paid for the construction of property to be recorded 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 property

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 IFRS 17 at fair value of fee of 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 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 long-term assets are represented either by property held for future finance lease, or the property for which at the reporting date it was not yet determined how the recovery of its book value will occur. Non-current assets are measured at original cost, and plus transaction costs. After initial recognition, other non-current assets are carried at cost less accumulated impairment losses. Other long-term assets are not depreciated. Transfers to other long-term assets and from long-term assets is made if and only if there is change in the nature of how the real estate is used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over this period 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 within the consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets mainly comprise of software applications and licenses. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 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 replacement of equipment parts and borrowing costs in case of long-term construction projects if capitalization criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them appropriately. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant 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. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

	Years
Building	46-50
Office equipment	3-10
Motor vehicles	4-7

An item of property and equipment and any significant part 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 when the asset is derecognized.

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 consist primarily of administrative building, land, office equipment and vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of: fair value of the asset (CGU) less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. In their absence the relevant valuation model is applied. 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 the 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 flows 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 previously recorded evaluation surplus.

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.

Inventory

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

Inventory property

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Guarantee payments made by lessees

Guarantee payments, made by lessees, represent amounts contributed by lessees to secure their obligations under finance lease agreements. At the end of lease term, guarantee payments will be used by lessees to settle last rent payments.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It is necessary to determine whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or 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 an 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.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When 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 a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Reclassifications

For the purpose of matching the format of the Group's consolidated financial statements with the format of Parent's financial statements, the format of the consolidated financial statements of the Group as at 31 December 2014 and for the year then ended has been amended. Consolidated financial statements of the Group for the year 31 December 2013 were amended accordingly. The table below presents information on reclassifications in the consolidated statement of financial position as at 31 December 2013:

In thousands of tenge	Before reclassifications	Reclassifications	As reclassified
Consolidated statement of financial position as at 31 December 2013			
[1] Current financial assets	3,666,106	(18,260)	3,647,846
[1] Other current assets	16,621	18,260	34,881

[1] Separate other current assets in the amount of 18,260 thousand tenge from current financial assets.

Reclassifications had no effect on net income, comprehensive income or equity, and the classification of assets and liabilities for current and non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY AND EQUIPMENT

Movement of property and equipment for 2014 and 2013 is presented as follows:

In thousands of tenge	Land	Buildings	Office equipment	Vehicles	Total
Cost					
At 31 December 2012	26,101	4,850,855	225,140	2,530	5,104,626
Additions	–	31,912	55,028	6,365	93,305
Disposals	–	–	(2,733)	(2,530)	(5,263)
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**
Accumulated depreciation					
At 31 December 2012	–	(123,029)	(59,867)	(364)	(183,260)
Depreciation charge for the year	–	(105,507)	(43,707)	(975)	(150,189)
Depreciation on disposal	–	–	2,093	840	2,933
At 31 December 2013	–	(228,536)	(101,481)	(499)	(330,516)
Depreciation charge for the year	**–**	**(106,076)**	**(48,276)**	**(1,500)**	**(155,852)**
Depreciation on disposal	**–**	**–**	**13,702**	**–**	**13,702**
At 31 December 2014	**–**	**(334,612)**	**136,055**	**1,999**	**(472,666)**
Net book value					
At 31 December 2013	26,101	4,654,231	175,954	5,866	4,862,152
At 31 December 2014	**26,101**	**4,548,155**	**136,145**	**4,366**	**4,714,767**

6. INVESTMENT PROPERTY

Movement of investment property for 2014 and 2013 is presented as follows:

In thousands of tenge	Commercial premises	Parking lots	Total
Cost			
At 31 December 2012	726,420	984,000	1,710,420
Leased out to finance lease	(145,754)	(190,000)	(335,754)
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**
Accumulated depreciation and impairment			
At 31 December 2012	(14,990)	(55,795)	(70,785)
Depreciation charge for the year	(9,447)	(15,881)	(25,328)
Depreciation on disposal	501	9,661	10,162
Impairment	(111,153)	–	(111,153)
At 31 December 2013	(135,089)	(62,015)	(197,104)
Depreciation charge for the year	**(4,458)**	**(7,017)**	**(11,475)**
Write off of impaired property	**111,153**	**–**	**111,153**
At 31 December 2014	**(28,393)**	**(69,032)**	**(97,426)**
Net book value			
At 31 December 2013	445,577	731,985	1,177,562
At 31 December 2014	**373,584**	**632,968**	**1,006,551**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENT PROPERTY (continued)

As a result of continuously conducted analysis of the fair value of investment property, management of the Group came to conclusion that the carrying amount of its commercial premises and apartments did not exceed fair value of the property.

In 2014, the Group transferred commercial premises to the participant of condominium free of charge under the contract of donation from 20 June 2014. As a result the Group has written off an commercial premises together with accumulated impairment and depreciation for the amount of 111,153 thousand tenge. There was no effect of this operation on consolidated statement of comprehensive income.

In 2013 the Group sold commercial premises and parking lots with the net book value of 335,754 thousand tenge under finance lease agreements.

Management believes that as of 31 December 2014 the fair value of the Group's investment property equals to 2,721,950 thousand tenge (2013: 2,401,779 thousand tenge).

7. INVENTORY PROPERTY

In thousands of tenge	Apartments	Commercial premises	Parking ots	Total
At 31 December 2012	157,046	–	–	157,046
Transferred to finance lease	(88,272)	–	–	(88,272)
Transferred to other long term asset	(68,774)	–	–	(68,774)
At 31 December 2013	–	–	–	–
Additions of property	**1,288,220**	**–**	**–**	**1,288,220**
Transferred from investment property (*Note 6*)	**–**	**67,536**	**92,000**	**159,536**
Transferred from other long term assets	**53,441**	**50,967**	**2,268**	**106,676**
Inventory property sold (*Note 23*)	**(317,385)**	**(50,967)**	**(4,268)**	**(372,620)**
Transferred to finance lease	**–**	**(67,536)**	**(90,000)**	**(157,536)**
At 31 December 2014	**1,024,276**	**–**	**–**	**1,024,276**

In 2014 contractors completed construction of the residential complexes "Two 25-apartment house" in Taraz and "Unis-City" in Aktobe under the "Affordable Housing-2020" program, for which the Group paid advances. The residential complexes were recognised by the Group within inventory property due to the Group's intention to sell them.

8. ADVANCES PAID TO CONSTRUCTION COMPANIES

The Group enters into agreements with construction companies (hereinafter, "Construction companies") for acquirement of apartments, commercial premises and parking lots in residential complexes of Almaty, Almaty region, Astana, Ust-Kamenogorsk, Kyzylorda and Aktau. 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 of buildings is expected during 2015.

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.

8. ADVANCES PAID TO CONSTRUCTION COMPANIES (continued)

Movement of advances issued to Construction companies for 2014 and 2013 is presented as follows:

In thousands of tenge	**2014**	2013
At the beginning of the year	**42,698,951**	15,758,918
Advances paid for the year	**13,466,172**	28,956,382
Acquired property	**(17,140,868)**	(2,208,417)
Reclassified to loans given	**(11,114,252)**	–
Return of funds by Construction companies	**(4,127)**	–
Reclassified from financial assets	**8,437**	123,235
Guarantee payments	**748,357**	68,833
At the end of the year	**28,662,670**	42,698,951
Less: advances for objects under construction, which will be sold/transferred to ownership of the Group within 12 months from the reporting date	**(8,907,559)**	(3,835,547)
Advances for objects under construction, which will be leased out	**19,755,111**	38,863,404

During 2014 the Group cancelled agreement on investment in construction with construction company "Ayt Housing Complex" LLP in the amount of 11,114,252 thousand tenge and concluded an agreement on compensation (*Note 14*).

9. NON-CURRENT FINANCIAL ASSETS

Loans issued are detailed as follows:

In thousands of tenge	**2014**	2013
Finance lease receivable	**15,044,852**	8,254,560
Financing of construction companies	**29,777**	888,702
Call option measured at fair value	**378,618**	–
	15,453,247	9,143,262

Finance lease receivable

Finance lease receivable is represented by sum of minimal lease payments receivable in future periods under finance lease contracts.

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:

	2014		2013	
In thousands of tenge	**Minimum lease payments**	**Present value of payments**	Minimum lease payments	Present value of payments
Within one year	**2,659,290**	**1,059,006**	1,652,733	786,913
Over one year but not more than five years	**10,590,017**	**4,593,415**	6,610,933	6,610,933
Over five years	**22,843,961**	**10,451,437**	11,290,553	1,643,627
Total minimum lease payments	**36,093,268**	**16,103,858**	19,554,219	9,041,473
Less financial income	**(19,989,410)**	**–**	(10,512,746)	–
Present value of minimum lease payments	**16,103,858**	**16,103,858**	9,041,473	9,041,473
Less: amounts due for settlement within 12 months (*Note 13*)		**(1,059,006)**		(786,913)
Amounts due for settlement after 12 months		**15,044,852**		8,254,560

Increase in finance lease receivable in 2014 was due to sale of property under finance lease agreements in residential complexes "Asyl Arman" in Almaty and "Unis-City" in Aktobe under the "Affordable Housing-2020" program.

9. NON-CURRENT FINANCIAL ASSETS (continued)

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.

At recognition this financial instrument is measured at fair value calculated as present value of future cash flows. The discount rate comprised 5%-7%, which represents market rates under similar financial instruments. The difference between the nominal value of financing made and its fair value was recognised in the statement of comprehensive income as finance income (*Note 25*).

As at 31 December 2014, the short-term portion of financing of construction companies with interest accrued amounted to 165,629 thousand tenge (2013: 165,629 thousand tenge) (*Note 15*).

Call option measured 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.

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

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

As of 31 December 2014 the Group recognized this option to purchase a 49.9% share in EXPO Village LLP at fair value in amount of 378,618 thousand tenge. For determining the fair value of the option the Group applied Black Scholes' model. As far as volatility of the cost of asset depends upon input data which is used in the model, first of all upon market prices of real estate, volatility of market prices in Astana was used for the computation model. It should be noted that due to the significant difference between the current value of the asset and the option exercise price impact of volatility on the value of the option is not significant.

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

In thousands of tenge	**2014**	2013
Bank deposits	**41,573,150**	39,961,000
Interest accrued	**247,074**	700,751
	41,820,224	40,661,751
Deposits placed for a period of more than 1 year	**–**	(4,500,000)
Short-term deposits	**41,820,224**	36,161,751

In June 2014 the Group closed a long-term deposit in the amount of 4,500,000 thousand tenge with Sberbank JSC at the rate of 7% per annum which was placed in 2013 due to maturity period.

The short-term deposits comprise term deposits maturing during 2014 placed with second-tier banks in Kazakhstan with an interest rate from 3.5% to 9% per annum (2013: from 5.5% to 9% per annum).

11. OTHER NON-CURRENT ASSETS

In thousands of tenge	**2014**	2013
Real estate property	**9,069,523**	1,547,086
Land plots	**613,661**	613,661
Construction-in-progress	**1,686,873**	39,501
Other	**8,750**	8
	11,378,807	2,200,256

Other non-current assets comprise assets recognized by the Group during 2014 for future leasing out under finance lease agreements or for which the Group does not have defined plans related to their use in future.

The land plots are recognized by the Group as an offset against loans receivable from Caspian Development Center LLP. The Group plans to implement an investment project in Aktau, which will have a new architectural concept, and attract private investments.

In 2014 the Group transferred the ownership for land plots in Aktau to its subsidiary "SK Development" LLP as a contribution to share capital in amount of 613,661 thousand tenge for further implementation of Caspian project.

Construction in progress represents residential complex under construction where the Group is a customer. The project amount totals 9,026,492 thousand tenge. The expected period of commissioning is 2015.

12. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivables represent Group's receivable from operating lease and sale of commercial premises and apartments. In 2014 the Group sold non-commercial premises in "Asyl Arman", "Unis-City" and "Two 25 apartment house" under the "Affordable Housing-2020" program.

Trade accounts receivable was neither past due not impaired. As of 31 December 2014 trade receivable was denominated in tenge.

		Neither past due not impaired	Past due but not impaired				
	Total		<30 days	30-60 days	61-90 days	91-120 days	>120 days
At 31 December 2014	**401,263**	**401,263**	**–**	**–**	**–**	**–**	**–**
At 31 December 2013	9,844	9,844	–	–	–	–	–

Movements in allowance for impairment of trade receivable as of 2014 and 2013 were as follows:

In thousands of tenge	**2014**	2013
At the beginning of the period	**8,730**	–
Charge	**–**	8,730
At the end of the period	**8,730**	8,730

13. ACCOUNTS RECEIVABLE UNDER "REPO" AGREEMENTS

In 2014 the Group invested funds in the amount of 1,000,001 thousand tenge on REPO market secured by existing government securities (at rate of 55% per annum) for a period of 14-28 days through the brokerage company. The invested funds were recognised as accounts receivable under "repo" agreements and were received back on 5 January 2015.

14. LOANS RECEIVABLE

In thousands of tenge	**2014**	2013
Loans receivable	**12,581,284**	476,046
Impairment provision	**(475,913)**	(476,046)
	12,105,371	–

According to the agreement on investment with Ayt Housing Complex LLP on construction of residential complex Akkent from 6 April 2012 and agreement on realization of apartments dated 12 August 2013, the Group provided interest bearing financing of the construction under the right of free price.

14. LOANS RECEIVABLE (continued)

According to provisions of the investment agreement the Group made prepayments in the amount of 11,114,252 thousand tenge in the course of construction of the object.

Ayt Housing Complex LLP had the right to sell the object at any price for further redemption of principal amount of apartments with accrued interest to Parent company according to credit line agreement dated 3 March 2010.

On December 2014 the Group and Ayt Housing Complex LLP signed an agreement according to which Ayt Housing Complex LLP is liable to pay its obligations in form of cash in the amount of 11,114,252 thousand tenge instead of apartments in the construction object and additional 5% interest in the amount of 1,426,232 thousand tenge till 2015. The payment under the agreement is guaranteed by Sekerbank, Turkish joint stock company. Accordingly, the Group transferred the financing from advances paid to construction companies to loans receivable. At recognition, the financial instrument was measured at fair value equaling to present values of future cash flows on loan receivable discounted at the rate of 8.2% which represent average market rate on financing of construction objects in Kazakhstan.

The difference between nominal and fair value amount in the amount of 456,888 thousand tenge was recognized in the consolidated statement of comprehensive income as interest expense in cost of revenue (*Note 23*). As of 31 December 2014 the non-amortised discount is equal to 435,113 thousand tenge.

As at 31 December 2014 loans receivable comprised of amounts receivable from Omiruzak and Co LLP in the amount of 296,867 thousand tenge, from Capitalstroyservice LLP in the amount of 152,064 thousand tenge and from "Alyansstroyservice" LLP in the amount of 26,982 thousand tenge (2013: 270,000 thousand tenge from Omiruzak and Co LLP, 136,537 thousand tenge from Capitalstroyservice LLP).

Receivables from Omiruzak and Co LLP and Capitalstroyservice LLP resulted from signing an assignment agreement with the Parent in 2011, as a result of which the Group recognized these assets and simultaneously recognized payables to the Parent in the same amount as a short-term loan, which was repaid during 2014 (*Note 18*).

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

In thousands of tenge	**2014**	2013
At the beginning of the period	**476,046**	407,777
(Reversal)/charge	**(133)**	68,269
At the end of the period	**475,913**	476,046

15. CURRENT FINANCIAL ASSETS

In thousands of tenge	**2014**	2013
Financial assets available-for-sale	**2,660,803**	2,690,600
Interest bearing financing of construction companies (*Note 9*)	**165,629**	165,629
Finance lease receivable (*Note 9*)	**1,059,006**	786,913
Other	**57,070**	5,689
	3,942,508	3,648,831
Less: impairment provision	**(985)**	(985)
	3,941,523	3,647,846

Financial assets available-for-sale comprise of government bonds with coupon rate of 5% to 6.7% per annum. In 2014 unrealized losses from changes in fair value amounted to 33,383 thousand tenge (2013: 19,918 thousand tenge). As of 31 December 2014 current financial assets were denominated in tenge.

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

In thousands of tenge	**2014**	2013
At the beginning of the year	**985**	–
Charge	**–**	10,754
Write-off	**–**	(9,769)
At the end of the year	**985**	985

In 2013 impairment provision for current financial assets in amount of 8,730 thousand tenge was recognized as bad debt provision, and 2,204 thousand tenge was recognized in general and administrative expenses *(Note 24)*.

16. CASH AND CASH EQUIVALENTS

In thousands of tenge	**2014**	2013
Cash on current bank accounts	**12,052,714**	16,007,340
Cash on hand	**1,281**	1,033
	12,053,995	16,008,373

As of 31 December 2014 and 2013 cash and cash equivalents included tenge-denominated cash on current bank accounts. The current bank accounts earn interest at rates up to 5.5%.

17. EQUITY

Share capital

The share capital of the Group is fully paid and comprises of 16,247,541 ordinary shares: 15,000,000 shares with par value 1,000 tenge, 1,247,540 shares with par value 4,000 tenge and one share with par value 2,490 tenge.

Additional paid-in capital

As disclosed in *Note 18*, in 2009 and 2010 the Company obtained a loan from the Parent company. The Company discounted the obtained amount using the rate 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 within equity as additionally paid in capital. In the event of early repayment of borrowings at the request of the Parent company, loans were recalculated at reconsidered effective interest rates and the amount of written-off discount after early repayment was recognized in the consolidated statement of changes in equity in the amount of 4,174,647 thousand tenge. As at 31 December 2013 and 2012 unamortised discount amounted to 3,437,245 thousand tenge.

Dividends

In 2014 the Group declared and paid dividends on its ordinary shares in the amount of 233,384 thousand tenge (2013: 506,895 thousand tenge).

Available for sale reserve

Available-for-sale reserve includes unrealized gains from changes of fair value of financial assets available-for-sale (*Note 15*).

18. PARENT LOANS

In thousands of tenge	% rate	Repayment	2014	2013
Credit facility № 1	0.02%-2.0%	2024		
Balance at beginning of year			**49,398,261**	53,507,106
Interest accrued			**939,007**	812,583
Payments			**(4,930,555)**	(4,921,428)
Balance at ending of year			**45,406,713**	49,398,261
Credit facility № 2	2.0%	2022		
Balance at beginning of year			**5,000,000**	5,076,111
Interest accrued			**98,241**	100,000
Payments			**(431,574)**	(176,111)
Balance at ending of year			**4,666,667**	5,000,000
Credit facility № 3	2.0%	2022		
Balance at beginning of year			**34,338,000**	6,260,721
Loans obtained			**12,600,000**	28,100,000
Interest accrued			**790,782**	414,038
Payments			**(790,782)**	(436,759)
Balance at ending of year			**46,938,000**	34,338,000
Financial aid (*Note 12*)				
Balance at beginning of year			**406,537**	406,791
Loans obtained			**3,300,000**	–
Repayment of loans			**(406,537)**	(254)
Balance at ending of year			**3,300,000**	406,537
			100,311,380	89,142,798
Current portion of loans			**99,691,692**	88,749,595
Non-current portion of loans			**619,688**	393,203

Credit facility № 1

This credit facility was opened in 2009 to acquire residential and non-residential premises in completed projects or projects under construction with initial total amount of 225 billion tenge and three years' grace period to pay the principal. In August 2010 the initial amount 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.

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 moment an early repayment of amounts withdrawn under this credit facility.

As at the date of recognition (2010) the Company discounted the obtained amount using the rate of return on government bonds as at the dates of tranches. Accordingly, the difference between the amounts of obtained funds and their fair value was recorded within equity as additionally paid in capital. In the event of early repayment of borrowing, loans were recalculated at reconsidered effective interest rates and the amount of written-off discount after early repayment was recognized in the consolidated statement of changes in equity in the amount of 4,174,647 thousand tenge. As of 31 December 2014 and 2013 the unamortised discount amounted to 3,437,245 thousand tenge.

In 2014 the Group has redeemed ahead of the schedule part of its Parent loan for amount of 4,218,034 thousand tenge. Due to Anti-crisis program coming to the end, the Group is not planning to assume additional obligations under this credit facility.

As at 31 December 2014, interest rates on balance of withdrawn amounts was 2.00% p. a. (2013: from 0.02% to 2.00%). Interest is paid on a semi-annual basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PARENT LOANS (continued)

Credit facility № 2

This credit facility was opened in 2012 to the total amount of 17,100,000 thousand tenge to finance pilot projects in Astana and Shymkent with the Housing construction program in the Republic of 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 realize pilot projects in future. The remainder of the unused amounts of the facility was reallocated by the Parent to other projects.

According the payment schedule the Group repaid principal in the amount of 333,333 thousand tenge under the credit facility during 2014. Interest is paid on a semi-annual basis.

Credit facility № 3

This credit facility was opened in 2012 to the total amount of 99,053,000 thousand tenge to finance housing construction projects within the Program "Affordable Housing – 2020" approved by the Decree of the Government of Kazakhstan № 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 line was 52,115 million tenge as of 31 December 2014.

All obtained funds were not secured by guaranties or collateral.

Financial aid

In December 2014, the Group concluded an agreement with Parent company on provision of temporary financial aid in the amount of 3,300,000 thousand tenge for its subsidiary "SK Development" LLP for the purpose of placing funds on second tier bank deposit. The funds will be used as collateral for the loan obtained by EXPO Village LLP for further financing and implementation of the project Green Quarter.

19. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities of the Group in the amount of 717,272 thousand tenge (2013: 487,373 thousand tenge) represent guarantee payments contributed by lessees to secure obligations of the Group under finance lease agreements. The Group uses guarantee payments to clear the amounts due from lessees in accordance with the finance lease agreement terms at the end of rent period.

20. ACCOUNTS PAYABLE

As at 31 December 2014 and 2013 payables comprise accounts payable to suppliers. Accounts payable are denominated in tenge and are non-interest bearing.

21. OTHER CURRENT LIABILITIES

In thousands of tenge	**2014**	2013
Other liabilities related to real estate	**257,529**	–
Advances received	**209,137**	–
Payables to Ayt Housing Complex LLP	**201,641**	22,425
Liabilities to payments under guarantee	**155,429**	110,225
Salary payable	**127,612**	215,002
Taxes payable other than income tax	**22,744**	36,037
Other current liabilities	**37,368**	100,083
	1,011,592	483,772

Other liabilities related to real estate represent 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.

The guarantee obligations represent Group's repayment obligations to construction companies that had completed construction of objects upon the expiry of one year period since the commissioning date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. REVENUE

In thousands of tenge	2014	2013
Revenue from finance lease	**1,103,132**	1,021,460
Interest income on interest bearing financing of construction companies	**507,766**	802,100
Sale of residential and commercial premises	**456,100**	7,600
Revenue from recognition of option at fair value (*Note 9*)	**378,618**	–
Revenue from operating lease	**313,554**	321,097
Amortisation of discount (*Note 14*)	**21,775**	–
Other income	**13,807**	346
	2,794,752	2,152,603

In 2014 sales of residential and commercial premises comprise revenue from sale of apartments in Taraz, Almaty and Aktobe under "Affordable Housing-2020" program in the amount of 373,517 thousand of tenge and sale of parking lots and commercial premises in the amount of 82,583 thousand tenge.

The revenue from recognition of option at fair value was recognized as a result of participation of the Group in implementation of "Green Quarter" project (*Note 9*).

23. COST OF REVENUE

In thousands of tenge	2014	2013
Recognition of discount on loan given (*Note 14*)	**456,888**	–
Cost of residential and commercial premises sold	**372,620**	5,780
Interest expense	**226,485**	226,485
Operating taxes	**135,363**	146,152
Maintenance of real estate properties	**18,410**	19,682
Depreciation and amortization	**11,475**	15,165
Impairment of investment property (*Note 6*)	**–**	111,153
Other	**42,882**	3,190
	1,264,123	527,607

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2014	2013
Salaries and related taxes	**1,000,196**	1,103,216
Maintenance of administrative building	**176,978**	183,663
Depreciation and amortization	**168,952**	155,273
Other payments to the budget	**126,877**	85,788
Professional services	**124,247**	245,831
Rent	**62,586**	46,294
Advertisement	**31,596**	24,895
Travel expense	**23,042**	25,824
Board of Directors maintenance expenses	**20,343**	13,897
Communications	**13,013**	11,629
Repair and maintenance	**12,131**	4,337
Materials	**11,409**	23,205
Bank charges	**4,551**	4,183
Provision for VAT	**2,639**	376,025
Provision for bad debts	**–**	2,024
Other	**89,570**	27,476
	1,868,130	2,333,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY TRANSACTIONS (continued)

Compensation to key management personnel

Key management personnel consisted fifteen persons in 2014 (2013: fourteen persons). Total compensation to the key management personnel included in payroll expenses amounted to 281,187 thousand tenge for the reporting period (2013: 331,929 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.

29. FINANCIAL COMMITMENTS AND CONTINGENCIES

Contractual commitments

As at 31 December 2014 the Group had contractual commitments under agreements with construction companies in the amount of 9,132,132 thousand tenge (2012: 25,242,829 thousand tenge).

Green Quarter project

As it is stated in *Note 9*, in December 2013 the Company entered into the agreement on mutual realization of Green Quarter project 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.

As of 31 December 2014 the Group provide financing of the Project in amount of 4,500,000 thousand tenge. The Group is expecting to implement a further financing till 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 2013. The management believes that as at 31 December 2013 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main financial liabilities of the Group comprise of Parent loans, payables and other current liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group also has various financial assets such as cash and cash equivalents, finance lease receivables, trade receivables, bank deposits and government bonds.

The main risks arising from these financial instruments are liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 2014 Group's current liabilities exceeded its current assets by 18,848,946 thousand tenge (2013: 29,333,319 thousand tenge). This excess has developed, mainly due to the classification of the Parent loans in the amount of 99,691,692 thousand tenge as current liabilities, due to the Parent's right to demand early repayment of these loans. Management covers the need for liquidity by expanding its operations, as well as through funding received from the Parent.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2014 and 2013, based on contractual undiscounted payments.

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

	On demand	Less than 3 months	3-12 months	1-5 years	>5 years	Total
31 December 2013						
Loan from the Parent	88,343,058	–	406,537	–	393,203	89,142,798
Accounts payable	–	98,635	–	–	–	98,635
Other current liabilities	–	–	232,733	–	–	232,733
	88,343,058	98,635	639,270	–	393,203	89,474,166

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 of 31 December 2014 financial assets classified as at fair value consisted of government bonds and the share purchase option (*Note 9*). These financial assets are classified as assets of first and third levels within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

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 estimated fair value of share purchase option of Expo Village LLP, which allows assess the fair value of current financial instrument, Accordingly, current share purchase option was recognized in consolidated financial statement of the Group as satisfying to the assets recognition criteria per 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value of financial instruments (continued)

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics incidental to the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2014, 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 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. The Group includes loans from the Parent and trade payables within net debt.

The gearing ratio at 31 December 2014 and 2013 is presented in the following table:

In thousands of tenge	**2014**	2013
Parent loans	**100,311,380**	89,142,798
Accounts payable	**75,382**	98,635
Net debt	**100,386,762**	89,241,433
Equity	**31,920,580**	30,454,392
Debt-to-equity ratio	**3.1**	2.9

31. SUBSEQUENT EVENTS

On 5 January 2015 the Group closed the "repo" operation in the amount of 1,000,001 thousand tenge.

On 29 January 2015 the Group concluded additional agreement with Parent company on extending of credit facility 187 from 5 September 2012 within "Affordable Housing-2020" program. The additional changes of the credit facility were introduced in terms of extending of credit line period up to 20 years and grace period on repayment of principal amount up to 48 month from the date of receipt of first tranche.

On 12 February 2015 the Group closed its short-term deposit which was placed in RBK Bank JSC in the amount of 5,000,000 thousand tenge due to maturity date.