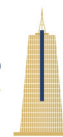


« Samruk-Kazyna »  
**REAL ESTATE FUND**

*Renewing life*





## CONTENT

<b>Address of the Chairman of the Board of Directors</b>	<b>• 4</b>
<b>Address of the Chairman of the Board</b>	<b>• 5</b>
<b>Information about the Real Estate Fund</b>	<b>• 7</b>
History of creation and shareholders	• 7
Mission, vision, strategic areas and goals	• 8
<b>Significant corporate events in 2014</b>	<b>• 9</b>
<b>Key performance indicators</b>	<b>• 12</b>
<b>Analysis of financial and economic indicators</b>	<b>• 12</b>
<b>Main areas of activity</b>	<b>• 19</b>
I. Increase of long-term added value of the company	• 19
Implementation of “Affordable housing-2020” program	• 19
Completion of anti-crises program implementation	• 30
II. Introduction of innovations to construction industry	• 34
Project of construction of administrative and residential Complex “Green Quarter” in Astana	• 34
Information on the activities in the area of research and development	• 36
<b>Corporate governance</b>	<b>• 38</b>
Principles of corporate governance	• 38
Risk Management	• 60
Clearing of conflicts of interests	• 61
Information policy	• 61
IT policy	• 64
<b>Sustainable development</b>	<b>• 66</b>
Interaction with the society	• 66
Interaction with employees	• 69
Environmental responsibility	• 74
<b>Outlook for 2015</b>	<b>• 77</b>
<b>About the report</b>	<b>• 79</b>
Annex 1. Analysis of housing affordability in housing construction sector	• 79
Annex 2. Consolidated financial statements for 2014 and the report of independent auditors	• 92
Annex 3. Table of the standard elements of GRI	• 132

## ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

### **Dear Ladies and Gentlemen!**

The new five-year phase of development of “Real Estate Fund “Samruk – Kazyna” JSC has started with approval of the Development Strategy for 2014-2023. The key priorities of ambitious program of transformation initiated by the Sole Shareholder of the Company and approved by the Head of our country were put as a basis of important strategic indicators of effective investment in construction

Under the conditions of the New Economic Policy of the country, announced in the Message of the President to the Nation of Kazakhstan “Nurly Zhol”, the Real Estate is getting to qualitatively new level of development of housing construction in the regions.

As of today all obligations under anti-crises program has been fulfilled, problems of more than 3 000 shared construction participants has been solved, approximately 20 problematic objects have been put into operation. The Fund is actively implementing “Affordable housing” program, a pool of which was 455 thousand square meters of housing in 2014. Practice of sale of real estate through the Internet, implemented for the first time, provides maximum transparency and objectivity of its distribution among the citizens.

By the order of the Head of the State, we have proceeded to implement the Concept of green economy and energy efficiency program. In the capital construction of first in the CIS “Green Quarter” with the area of 180 thousand sq.m. with implementation of advanced environmental and energy-efficient technologies has started.

A huge work to improve operational and financial effectiveness of the Fund, net income of which in 2014 was more than 1.7 billion tenge, was made.

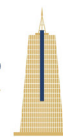
Our objective is the maximum return of the invested capital and increase of the cost of the portfolio and the company. In this direction a large-scale work for re-engineering of business processes, revision of the key performance indicators (KPI) and their strategies in terms of achieving of goals of KPI is awaited.

This is the most important priority of the Transformation required changes in the quality of the personnel, thinking, mentality and culture of management. As the Chairman of the Board of “Samruk – Kazyna” JSC Mr. Umirzak Shukeyev has mentioned “creation of value must be in our DNA”.

On behalf of the Board of Directors, I wish all of you new professional heights and prosperity.

**Zh. Munzhasarov**





## ADDRESS OF THE CHAIRMAN OF THE BOARD

### Dear Ladies and Gentlemen!

In 2014 the Real Estate Fund celebrated its first 5-year anniversary. It is significant that this year the new Strategy of development of the Real Estate Fund for 2014-2023 aimed to improve the long-term value of the company was approved. We have started to implement new strategic areas of activity.

The year is significant also because of the fact that the housing sales program to the population by electronic submission of application has been started in the Real Estate Fund – the first of the operator of “Affordable housing – 2020” program. It is a transparent, open and accessible for population mechanisms for sales of housing.

In 2014 under “Affordable housing – 2020” program the Real Estate Fund provided to the population around 60 thousand sq.m. of housing in Aktobe, Taraz and Almaty region. About 1 200 families of Kazakhstanis received apartments on lease with further purchase for 15 years.

Totally on January 1, 2015 the portfolio of the Real Estate Fund under this program includes 15 objects with the total area of more than 692 thousand sq.m. in 10 regions of our country.

Generally, “Affordable housing – 2020” program is successfully implemented by the Real Estate Fund. Having 150 thousand sq.m. as the target parameters of the program of housing construction through the Real Estate Fund in 2013-2014, with the participation of the Real Estate Fund 197 thousand sq.m. of housing were put into operation, including the pool of the Real Estate Fund – 164.5 thousand sq.m.

Despite of the negative impact of the devaluation of the national currency held in February 2014 on the cost of materials and equipment, and respectively, on the cost of projects, the Real Estate Fund ensures completion of the objects under construction in accordance with the target parameters.

In 2015 it is planned to put into operation 150 thousand sq.m. in the objects financed by the Real Estate Fund.

The Real Estate Fund has ensured achievement of the planned financial indicators. Net profit of the company in 2014 was 1733 million tenge.

The Company has done a big work to improve corporate governance system. In 2014 an independent consultant “PricewaterhouseCoopers” LLP carried out diagnostics of corporate governance of the Real Estate Fund. The assessment value is 71.2%.

Following corporate governance principles, the Real Estate Fund in practice confirms its commitment to objective disclosure of information about its activity to the interested parties. Following the contest of the annual reports for 2013, conducted by “Expert RA Kazakhstan” Rating Agency, the annual report of the Real Estate Fund was recognized as the one of the best for the second year in a row in the category “The best annual report in the financial sector”.

In 2015 the company aims to implement its development Strategies, improvement and optimization of business-processes under the program of transformation of the holding of “Samruk – Kazyna” JSC, presentation and launch of which took place in October 2014 at the forum with the participation of the Head of the State. The program of transformation of “Samruk – Kazyna” JSC will be carried out in the three main areas: implementation of the best practice of HR management, full review of business-processes and modernization of the applied technologies.

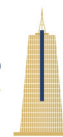
The challenges set for the Real Estate Fund, as well as for the whole Group of ‘Samruk – Kazyna’ JSC are ambitious and complicated. It requires efforts and involvement of each employees of the company.

I would like to thank my colleagues – the team of the Real Estate Fund, the shareholder – “Samruk – Kazyna” JSC, and the partners for their work, support and effective cooperation.

**B. Palymbetov**



INFORMATION ABOUT THE REAL ESTATE FUND



## History of creation and shareholders

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

According to the Charter the Real Estate Fund carries out:

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

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

On December 31, 2014 the total amount of announced and offered shares was 16 247 541. All shares are ordinary, including 15 000 000 pieces with the notional value of one share of 1 000 tenge, 1 247 540 pieces with the notional value of one share of 4 000 tenge, one piece with the notional value of one share of 2 490 tenge.

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

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

The main strategic areas of activity of “Samruk – Kazyna” JSC are:

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

*Information on the activity of “Samruk – Kazyna” JSC is disclosed on web site [www.s-k.kz](http://www.s-k.kz).*

## Mission, vision and strategic area and goals

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

### Mission

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

### Vision

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

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

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

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

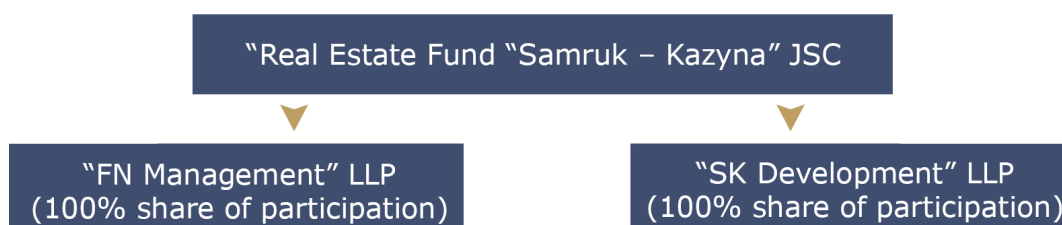
- 1) To become an anchor developer in implementation of megaprojects.
- 2) Commercial real estate development. The Company intends to deal with implementation of commercial projects only in those segments of the real estate markets, where private capital is not enough active.
- 3) Improvement of operating efficiency.

Improvement of operating efficiency. Critical factor of success for implementation of the projects is improvement of internal processes of the Company, corporate governance system, and effective personnel management.

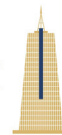
The main goals of the second strategic area “Introduction of innovations to the construction industry” are:

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

#### Structure of the Companies of the Group of “Samruk – Kazyna” JSC<sup>1</sup>



<sup>1</sup>As of December 31, 2014.



“FN Management” LLP was established in 2010. The Sole founder is the Real Estate Fund. The main area of activity of “FN Management” LLP is leasing of residential and commercial premises, control on maintenance and operation of real estate.

In April 2013 “SK Development” LLP was founded. The main area of activity of “SK Development” LLP are defined as development of housing construction with use of “green” technologies, development of industrial zones and business parks, investment in construction of industrial projects in the Republic of Kazakhstan and abroad.

## SIGNIFICANT CORPORATE EVENTS IN 2014

### February

Change of the members of the Board of Directors of the Company and expansion in the numbers of the members of the Board of Directors from 4 to 5 persons (the Resolution of the Board of “Samruk – Kazyna” JSC dated 21.02.2014 No. 06/14).

### March

1. The Development Strategy of “Real Estate Fund “Samruk – Kazyna” JSC for 2014-2023 was approved (the Resolution of the Board of Directors dated 20.03.2014 No. 80).
2. Amendments and alterations to “Affordable housing-2020” program in terms of the mechanisms of distribution of housing through “Real Estate Fund “Samruk – Kazyna” JSC by the local executive board were approved by the Decree of the Government of the Republic of Kazakhstan dated 31.03.2014 No. 286

### April

1. The new “Khan Tengri” residential complex (Astana) was put into operation.
2. The hearing with the Sole shareholder at year-end 2013 carried out, following the results of which the annual report for 2013, the audited consolidated financial statement of the Company for 2013, the order of net income distribution and dividend payments were approved.
3. Change of the members of the Board of the Company (the resolution of the Board of Directors dated 15.04.2014 No. 841).

### May

4 blocks of “Akzent” residential complex (Almaty) were put into operation.

### June

1. 1 stage of 1 phase of “Assyl Arman” residential complex (Almaty region) was put into operation.
2. The Program of development of the regions until 2020 was approved by the Decree of the Government of the Republic of Kazakhstan dated June 28, 2014 No. 728, as well as some resolutions of the Government of the Republic of Kazakhstan, including the Decree of the Government of the Republic of Kazakhstan dated June 21, 2014 No. 821, which approved “Affordable housing-2020” program, were declared to be no longer in force. In this respect the mechanisms of residential facilities construction, as well as the requirements to housing construction projects through the Real Estate Fund under the Program of development of the regions until 2020 are identical to the previously established in “Affordable housing-2020” program.

## SIGNIFICANT CORPORATE EVENTS IN 2014

### September

1. The Transformation Program of “Samruk – Kazyna” JSC was approved by the resolution of the Board of Directors of “Samruk – Kazyna” JSC No. 113 dated September 17, 2014.
2. Commencement of receipt of applications through web-site for purchase of apartments under “Affordable housing-2020” program in Almaty region, Taraz and Aktobe.
3. According to the results of diagnostics of corporate governance system, performed by an independent consultant “PricewaterhouseCoopers” LLP, ratio of compliance of the corporate governance level of the Company with the requirements of the best practice was 71.2%.

### October

- 2 stage of 1 phase of “Assyl Arman” residential complex (Almaty region) was put into operation.

### November

The Development Plan of the Company for 2015-2019 was approved (the resolution of the Board of Directors dated 5.11.2014 No. 87).

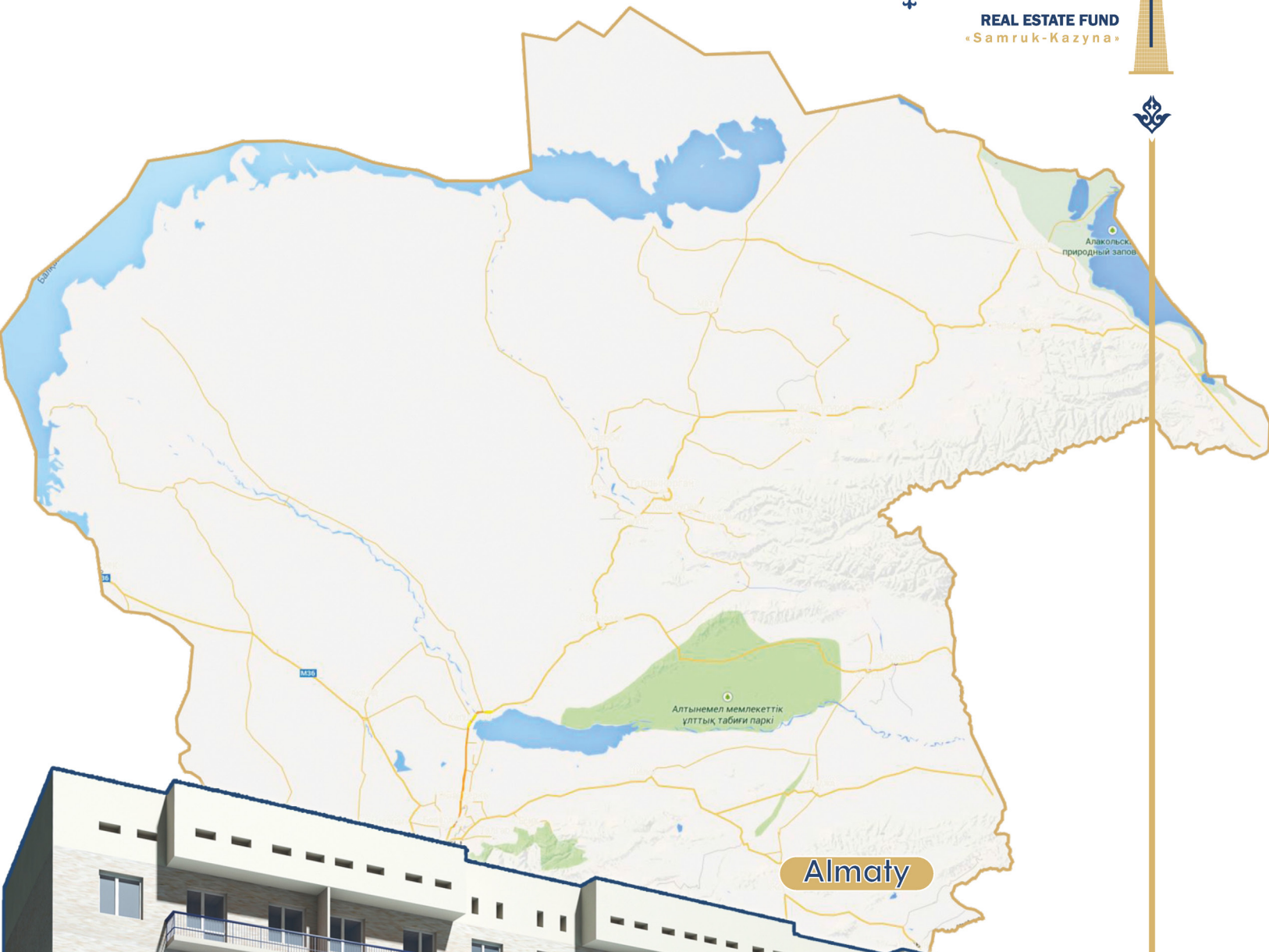
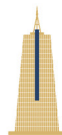
### December

1. “Sorvemenniy” (Modern) residential complex (Almaty) was put into operation
2. 1 stage of 2 phase of “Assyl Arman” residential complex (Almaty region) was put into operation.
3. The Strategy of innovation and technological development of “Real Estate Fund “Samruk – Kazyna” JSC for 2014-2023 was approved (the resolution of the Board of Directors dated 12.12.2014 No. 88).
4. The Law of the Republic of Kazakhstan dated December 29, 2014 No. 270-V LRK “On amendments alterations to certain legislative acts of the Republic of Kazakhstan on housing relations” (including amendments to the Law of the Republic of Kazakhstan “On share participation in housing construction”) was adopted.
5. The Sole shareholder provided temporary financial assistance in the amount of 3.3 billion tenge for implementation of “Green Quarter” project (The Contract dated 29.12.2014 No. 463-o).





REAL ESTATE FUND  
«Samruk-Kazyna»



KEY PERFORMANCE INDICATORS

## Financial indicators

Item	Unit	2012	2013	2014
Net profit	mln. tenge	3 379,3	1 555,9	1 732,9
ROA	%	3,38	1,44	1,36
ROACE	%	3,72	2,29	2,39
EBITDA margin	%	60,6*	-25	-22,2

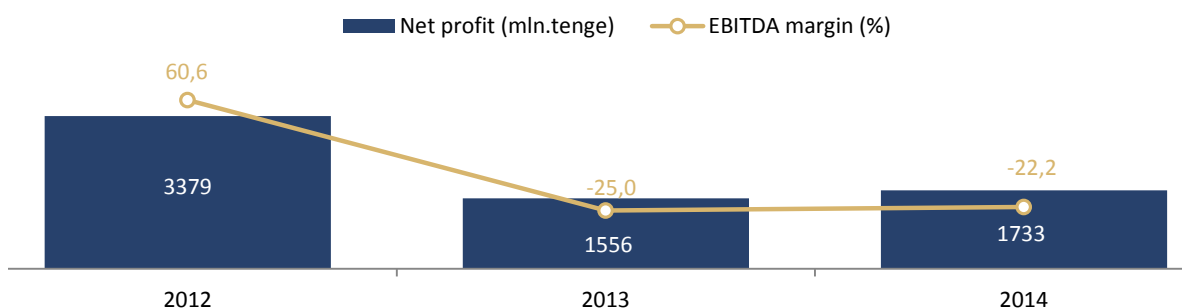
\* The indicator was recalculated following the changes in the Company's Accounting Policies

## Operational indicators

Item	Unit	2012	2013	2014
Pool of real estate under "Affordable housing-2020" program	thousand sq.m.	115,15	322,1	455
The share of private investments attracted in housing construction	%	20,7	25,6	25
Annual commissioning of real estate under "Affordable housing-2020" program	thousand sq.m.	-	23,9	140,6
Kazakhstan content in procurement of developers	%	74	73	81

## ANALYSIS OF FINANCIAL AND ECONOMIC INDICATORS

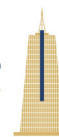
**Net profit** of the Company was 1 732.9 million tenge. Comparing with 2013, this indicator increased by 11% due to sale of real estate under "Affordable housing-2020" program.



Dynamics of net profit reflects the cyclical nature of the activity of the Company, related to the specifics of financing of construction industry, for which long production cycle is characterized. Construction of real estate facilities lasts on the average from 1.5 to 3 years. During the stage of construction and investment decrease of income from sale of real estate facilities, increase of capitalization of cost is observed. Growth of incomes from the primary activity is observed after commissioning of the facilities.

The principal incomes from implementation of anti-crises program were received by the Company in 2010-2012. Investment to construction under "Affordable housing-2020" program was started in 2012. Sale of real estate under "Affordable housing-2020" program was started in the second half of 2014. The principal incomes under this program are expected in 2015.





**Aggregated income** was 6 886 million tenge, exceeding indicators of 2013 by 13%. Growth in income is related to sale of real estate under “Affordable housing-2020” program.

Aggregated (total) income and expenditures, mln. tenge

Item	2012	2013	2014	
	actual	actual	actual	in % to the actual in 2013
Total income	7 046,8	6 078,1	6 886	113%
Total expenditures	2 875,5	4 059,2	4 734	117%
Corporate income tax expenditures	792,0	463	419	90,5%
Net income (loss)	3 379,3	1 555,9	1 733	111%

Income from sale in 2014 was 2 794.8 million tenge (by 30% higher than in 2013).

Structure of sales income, mln. tenge

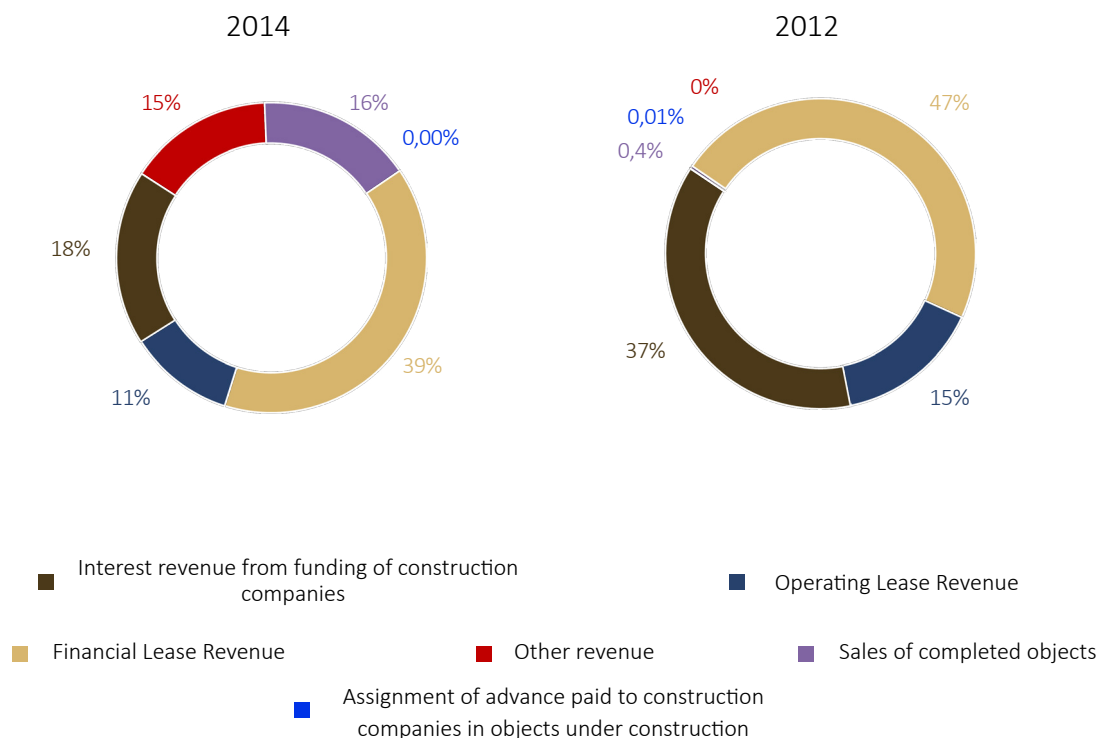
Item	2012*	2013	2014	
	actual	actual	actual	in % to the actual in 2013
Income from assignment of advances, paid to the construction companies in objects under construction	1 903,5	-	-	-
Sale of completed objects	142,4	7,6	456,1	6001%
Income from financial lease	954,7	1 021,5	1 103,1	108%
Income from operating lease	324,2	321,1	313,6	98%
Interest income from financing of construction companies	1 043,4	802,1	507,8	63,3%
Other income	1,3	0,3	414,2	138067%
<b>Total</b>	<b>4 369,4</b>	<b>2 152,6</b>	<b>2 794,8</b>	<b>130%</b>

\* 2012 indicators have been adjusted due to the changes in the Accounting Policies

Growth of income from sale and financial lease is associated with launch of sale of real estate under “Affordable housing-2020” program in the second half of 2014.

Other income includes amortization of the discount on the loan (“Akkent” Residential complex), assessment of the fair value of the right to buy the share of participation in “Green quarter” project, as well as fines and penalties.

## Structure of sales income



**Aggregated expenditures of the Company** in 2014 were 4 734 million tenge, that is 16.7% higher than in 2013. Growth of aggregated expenditures in comparison with 2013 is associated with the growth of production cost due to sale of real estate, as well as with the growth of financial expenses as a result of the growth of debt obligations on the credit line for implementation of “Affordable housing-2020” program and increase of interest rate from 0.2% to 2% on the tranches of a loan for implementation of anti-crises program.

## Structure of aggregated (total) expenditures, mln. tenge

Item	2012	2013	2014	
	actual	actual	actual	in % to the actual in 2013
Production cost	329,6	527,6	1 264	239,6%
General and administrative expenses (G&A)	1 564,2	2 333,6	1 868	80%
Financial expenses	573,9	1 121	1 602	143%
Expenses for creation of provisions for depreciation	407,8	77,0	-	-
<b>Total</b>	<b>2 875,5</b>	<b>4 059,2</b>	<b>4 734</b>	<b>116,7%</b>

**Cost of sales** in 2014 was 1 264.1 million tenge. Growth of production cost in comparison with 2013 is explained by growth of sales of real estate, as well as reflection in production cost of amortization of the discount on the project “Akent” residential complex

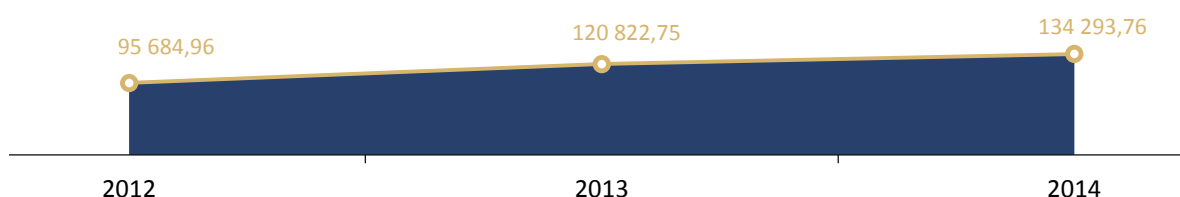
Cost of sales, mln. tenge

Item	2012	2013	2014
Cost of sales of completed projects	104,2	5,8	372,6
Maintenance of the objects	-	19,7	18,4
Deterioration of investment property	21,1	15,2	11,5
Interest expenses	177,7	226,5	226,5
Operating taxes	24,5	146,2	135,4
Amortization	-	111,1	-
Others	2,1	3,1	499,8
Total	329,6	527,6	1 264,1

## Assets

On December 31, 2014 assets of the Real Estate Fund were 134.3 billion tenge. Within one year assets increased by 11%. Assets growth was due to investment in housing construction under implementation of “Affordable housing-2020” program. Long-term assets as of reporting date were 52.4 billion tenge (decrease by 14% for one year by reduction of advanced payments, provided to the construction companies), including fixed assets and intangible assets – 4.7 billion tenge, advanced payments provided to construction companies – 19.8 billion tenge, investment property – 1.0 billion tenge, long-term financial assets – 15.5 billion tenge, amounts in credit institutions and other long-term assets – 11.4 billion tenge. Short-term assets amounted to 81.9 billion tenge (increase in one year by 36.6% of growth of advanced payments and loans, provided to construction companies and real estate for sale), including cash and cash equivalents – 12 billion tenge, amounts in credit institutions and other current financial assets – 45.8 billion tenge, advanced payments provided to construction companies – 8.9 billion tenge, provided loans – 12.1 billion tenge, real estate for sale – 1.0 billion tenge, accounts receivable on repo transactions – 1.0 billion tenge, other current assets – 1.0 billion tenge.

Dynamics in assets, mln. tenge



## Capital

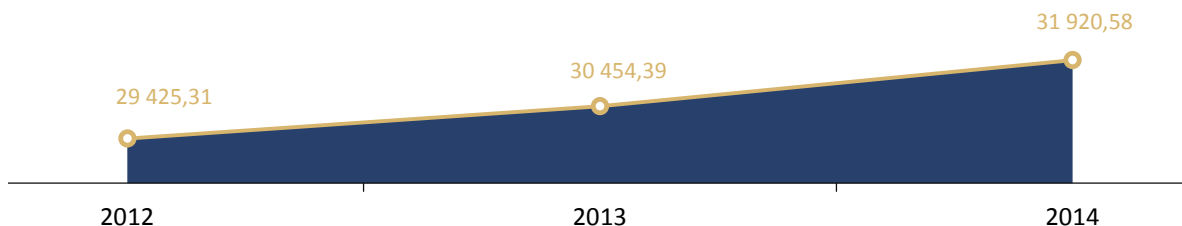
Equity capital of the Company on December 31, 2014 was 31.92 billion tenge. Growth of equity capital (by 4%) is associated with increase of amount of retained earnings.

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

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

Retained earnings as of 31.12.2014 was 8.56 billion tenge.

Dynamic in equity capital, mln. tenge

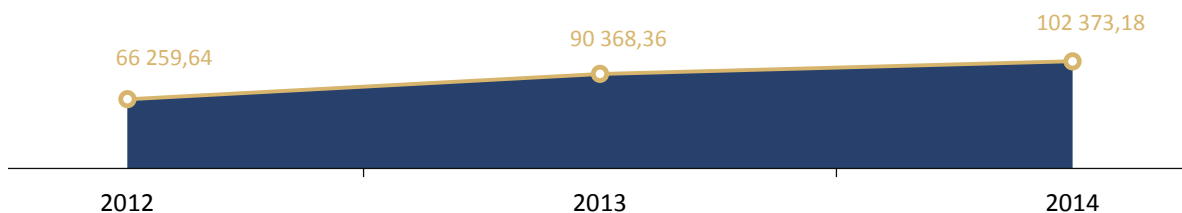


## Liabilities

Liabilities of the Real Estate Fund on December 31, 2014 were 102.4 billion tenge. Growth of liabilities (by 13%) resulted from borrowing under implementation of “Affordable housing-2020” program. Long-term liabilities amounted to 1.6 billion tenge, including the loan from the parent company – 0.6 billion tenge (at fair value).

Current liabilities amounted to 100.8 billion tenge, including a loan from the parent company – 99.7 billion tenge (at fair value).

Dynamics in liabilities, mln. tenge



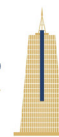
## Funding

Funding of the Company to complete construction objects under anti-crises program is carried out by the Sole shareholder in accordance with the Credit facility Agreement between the Company and the Sole shareholder dated 18.08.2009 No. 10/REF. Under the terms of this agreement a credit line in the amount of 155 billion tenge is provided to the Fund in tranches. Term of the credit is 15 years, including a grace period to pay the principal amount of loan – 36 months, after which the principal amount is paid by equal semi-annual installments. The interest rate for each received tranche in the first twenty four months is 0.02% per annum, in the subsequent years - 2% per annum. On December 31, 2014 the Real Estate Fund under the mentioned credit line received 98.4 billion tenge. Outstanding principal amount as of the reporting date was 44.8 billion tenge.

For implementation of the pilot projects under housing construction Program for 2011-2014, in 2012 the Sole shareholder granted a credit line in the amount of 17.1 billion tenge with maturity until 2021. The interest rate is 2% per annum. The grace period to pay the principal amount of loan is 2.5 years. On December 31, 2014 the Real Estate Fund received 5 billion tenge, the outstanding principal amount is 4.7 billion tenge.

In 2012 the Sole shareholder also granted a credit line for the total amount of 99.053 billion tenge to finance housing construction projects under “Affordable housing-2020” program. Maturity of the credit line is until 2022. The interest rate is set at 2% per annum. The grace period to pay the principal amount of loan is 2.5 years. As of December 31, 2014 the Real Estate Fund received 46.9 billion tenge under this credit line.

In 2014 the Sole shareholder provided temporary financial assistance in the amount of 3.3 billion tenge to implement “Green quarter” project (the Contract dated 29.12.2014 No. 463-o).



## Financial soundness indicators

In 2014 the indicator “Debt/EBITDA” was 25.5, in 2013 – 26.9. Improvement of the indicator resulted from growth of EBITDA by 19% due to growth of aggregated incomes of the Company.

The indicator “Interest coverage” in 2014 was 2.3, in 2013 was 2.8. Decrease of the indicator resulted from growth of expenses on remuneration payment.

## Dividend per share at the end of 2013

Dividend per share at the end of 2013 was 14.36 tenge per one ordinary share. The total amount of dividends was 233.38 million tenge, or 15% from the aggregated net income of the Group of the Real Estate Fund. Payment of the dividends to the Sole shareholder was made on 20.08.2014.

70% of the net income equals to 1 089.1 million tenge was allocated to the partial early repayment of the debt under the credit line provided by the parent company for implementation of anti-crises program and the principal amount of a debt under the assignment agreement.

15% of the net income (233.38 million tenge) is left at the disposal of the Real Estate Fund for implementation of investment projects.

### Dividends per shares

	<b>Dividends per ordinary share, tenge</b>	<b>Total amount of dividends, million tenge</b>	<b>The share of dividends in the net income, %</b>
At the end of 2013	14,36	233,38	15%
At the end of 2012	31,20	506,89	15%
At the end of 2011	60,544	981,98	30%
At the end of 2010	3,8316	57,47	15%
At the end of 2009	0,1425	2,14	15%

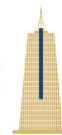
## Information about subsidies, guarantees and other financial assistance from the state

Subsidies, guarantees, tax incentives and tax credits and other financial assistance were not provided by the state (see also Note 28 of Annex 2. Consolidated financial statements for 2014 and the report of independent auditors).

## The support of the Sole shareholder

The sole shareholder provided soft loans for implementation of anti-crises program and “Affordable housing-2020” program, as well as financial assistance for implementation of “Green quarter” project (for details see note 16 of Annex 2. Consolidated financial statements for 2014 and the report of independent auditors).





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

As part of this strategic area the Real Estate Fund in 2014 carried out activities for implementation of “Affordable housing-2020” program, completed implementation of anti-crises program and started exploring of the new strategic areas – “mega” projects and projects in the area of “green” development.

### Implementation of “Affordable housing-2020” program

In order to implement priority areas, defined in the Message of the President of the Republic of Kazakhstan to the nation in 2012, “Affordable housing-2020” program was approved by the Decree of the Government of the Republic of Kazakhstan dated June 21, 2012 No. 821.

The Real Estate Fund was defined as one of the main operators implementing “Affordable housing-2020” program.

The following mechanisms of construction of residential facilities with participation of the Real Estate Fund were defined by “Affordable housing-2020” program:

- 1) Organization of construction on the investment applications of the private developers (investors),
- 2) Implementation of the projects by the Real Estate Fund on the land plots of the local executive boards,
- 3) Implementation of the projects through allocation of special deposits in the second-tier banks.

The Program of development of the regions until 2020 was approved by the Decree of the Government of the Republic of Kazakhstan, as well as some certain resolutions of the Government of the Republic of Kazakhstan, including the Decree of the Government of the Republic of Kazakhstan dated June 21, 2012 No. 81, which approved “Affordable housing-2020” program, were declared to be no longer in force.

In this regard, mechanisms of residential facilities construction, as well as the requirements to housing construction projects through the Real Estate Fund under the Program of development of the regions until 2020 are identical to the previously established in “Affordable housing-2020” program.

Totally under this Program on December 31, 2014 the Real Estate Fund concluded 15 contracts, including concluded contracts for financing of 13 objects of housing construction in 9 regions of the country (in Astana, Almaty, Aktobe, Taraz, Shymkent, Karaganda, Ust-Kamenogorsk, Kyzylorda and Almaty region (suburban area of Almaty) with the total area of premises more than 583 thousand sq.m., including area of premises of the Real Estate Fund – 455.4 thousand sq.m., 7.6 thousand apartments.

Also 2 contracts for development of design and estimate documentation for construction of residential facilities in Aktau and Astana with the total area of premises not less than 103 thousand sq.m. were concluded.

Thus as part of implementation of the Program with participation of the Real Estate Fund financing of construction of housing in 10 regions of the country with the total area of premises of more than 692 thousand sq.m. was provided.

As of 31.12.2014 the Real Estate Fund financed the objects for the total amount of 46.3 billion tenge.

The Real Estate Fund ensured implementation of the target parameter of the Program for commissioning of housing in 2013-2014 (150 thousand sq.m.). In 2013-2014 with participation of the Real Estate Fund four residential objects in Almaty, Aktobe, Taraz and suburban area of Almaty and the first stage of one object in the suburban area of Almaty with the total area of more than 200 thousand sq.m. (3 757 apartments), including housing of the Fund – 164.5 thousand sq.m. (3 152 apartments), were put into operation

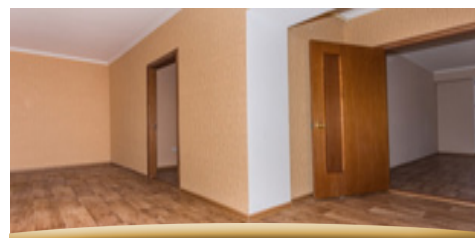


## Objects put into operation in 2014

### 1. “Assyl Arman” residential complex (1 phase) (suburban area of Almaty)

Developer – “ElitStroyProject” LLP

Project cost, Thousand tenge	17 792 238
The share of participation of the Real Estate Fund, %- thousand tenge	80 – 14 233 790
The share of participation of the Developer, %- thousand tenge	20 – 3 558 448
Housing class	III (economy)
Cost of construction of 1 sq.m. of housing	149 987,16 tenge
Total area of apartments, sq.m.	116 956
Total number of apartments, pcs	2 328
Construction period	2012-2014

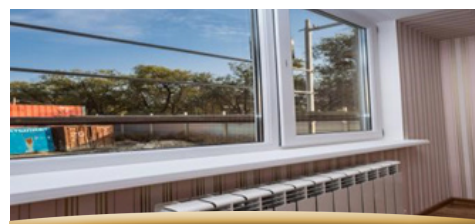
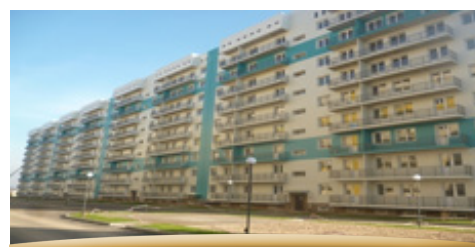


- On September 4, 2012 the Contract for investment to residential complex construction was signed.
- The Object was put into operation on 30.06.2014, 14.10.2014.
- 1900 apartment with the area of 96 295 m<sup>2</sup> were assigned to REF SK.
- The monthly lease payment for rental with purchase is 1 611,77 tenge/sq.m.
- Direct sale cost is 179 984,59 tenge/sq.m.

### 2. “Assyl Arman” residential complex 1 stage (2 phase) (suburban area of Almaty)

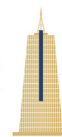
Developer – “ElitStroyProject” LLP

Project cost, Thousand tenge	21 481 139
The share of participation of the Real Estate Fund, %- thousand tenge	80 – 17 184 911
The share of participation of the Developer, %- thousand tenge	20 – 4 296 227
Housing class	III (economy)
Cost of construction of 1 sq.m. of housing	149 999,99 tenge
Total area of apartments, sq.m.	143 207,61
Total number of apartments, pcs	2 808
Construction period	2013-2015



- On March 29, 2013 the Contract for investment to residential complex construction was signed.
- The first stage of the Object was put into operation on 26.12.2014.
- Assignment of 576 apartments with the area of 29 450 m<sup>2</sup> to REF SK is in progress.
- The monthly lease payment for rental with purchase is 1 611,91 tenge/sq.m.
- Direct sale cost is 179 999,99 tenge/sq.m.





### 3. “Modern” residential complex, Almaty Developer – “ARMADA STROY” LLP

Project cost, Thousand tenge	2 905 726
The share of participation of the Real Estate Fund, %- thousand tenge	80%- 2 324 581
The share of participation of the Developer, %- thousand tenge	20%- 581 145
Housing class	III (economy)
Cost of construction of 1 sq.m. of housing	156 961,06 tenge
Total area of apartments, sq.m.	18 575
Total number of apartments, pcs	243
Construction period	2013-2014

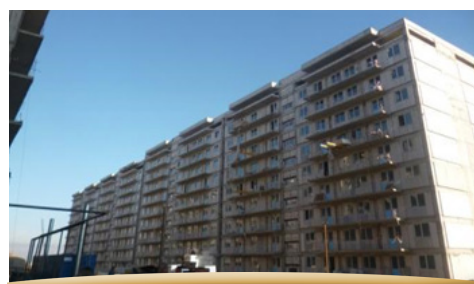


- On June 28, 2013 the Contract for investment to residential complex construction was signed.
- The Object was put into operation on 19.12.2014.
- Assignment of 194 apartments with the area of 14 810 m<sup>2</sup> to REF SK is in progress.
- The monthly lease payment for rental with purchase is 1 686,71 tenge/sq.m.
- Direct sale cost is 188 353,3 tenge/sq.m.

## The Objects under construction

### 1. “Assyl Arman” residential complex (2 phase) (suburban area of Almaty) Developer – “ElitStroyProject” LLP

Project cost, Thousand tenge	21 481 139
The share of participation of the Real Estate Fund, %- thousand tenge	80 – 17 184 910
The share of participation of the Developer, %- thousand tenge	20 – 4 296 229
Housing class	III (economy)
Cost of construction of 1 sq.m. of housing	149 999,99 tenge
Number of floors	9 floors
Total area of apartments, sq.m	143 207,61
Total number of apartments, pcs	2 808
Construction period	2013-2015



- On March 29, 2013 the Contract for investment to residential complex construction was signed.

#### The current situation on the project on 31.12.2014.

- In the 4th quarter of 2014 the first stage of the residential complex with the total residential area of 29.45 thousand sq.m. was put into operation.
- Works on fine finish and land improvement of the adjacent territory are in progress.

## 2. Multifamily residential complex “Shygys” in Astana. (housing group 1A,1B,1C)

Developer – “KAONTECH International” LLP

Project cost, thousand tenge	15 065 338
Partnership share of Real Estate Fund, %- thous. tenge	59 – 8 888 549
Partnership share of the Developer, %- thous. tenge	41 – 6 176 789
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing/commercial premises	150 000 tenge
Construction cost of 1 parking lot	1 460 367 tenge
Total area of apartments, sq.m.	85 133,91
Total apartments, un.	1 256
Area of commercial premises, sq.m.	13 841,31
Number of parking lots, un.	150
Period of construction	2013-2015



- Construction investment Contract has been signed in June 14, 2013.

### Current situation of the project on 31.12.2014.

- Installation of reinforced concrete frame of the buildings of housing groups 1A and 1C have been completed, laying of walls and partitions completed, window unit installation have been carried out on housing group A1, in housing group 1B fine finish works are performed, façade works and urban landscaping have been completed.

## 3. Multifamily residential building in Astana along Street No. 36, between Streets No. 26 and 27

Developer – “Real Estate Fund “Samruk-Kazyna” JSC

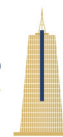
Project cost, thousand tenge	1 769 605
Partnership share of Real Estate Fund, %- thous. tenge	100 – 1 769 605
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	126 510 tenge
Number of floors	9 floors
Total area of apartments, sq.m.	13 987,9
Total apartments, un.	171
Period of construction	2013-2015



- General contractor agreement for the construction of residential building has been signed in October 29, 2013.

### Current situation of the project on 31.12.2014.

- Installation of monolithic frame, internal utilities has been completed, rough finishing of the premises has been completed, fine finish of the premises and landscaping has been started.



#### 4. Residential complex in Shymkent.

Developer – “Gorizont Stroi” LLP

Project cost, thousand tenge	479 620
Partnership share of Real Estate Fund, %- thous. tenge	68 – 326 326
Partnership share of the Developer, %- thous. tenge	32 – 153 294
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	131 537,4 tenge
Number of floors	7 floors
Total area of apartments, sq.m.	3 087,56
Total apartments, un.	42
Area of commercial premises, sq.m.	463
Period of construction	2014-2015



- Construction investment Contract has been signed in October 16, 2014.

Current situation of the project on 31.12.2014

- Mobilization works are carried out, foundation works have been started

#### 5. “Adiya” Residential complex in Shymkent.

Developer – “Adiya Goup Turan” LLP

Project cost, thousand tenge	4 223 251
Partnership share of Real Estate Fund, %- thous. tenge	75 – 3 165 809
Partnership share of the Developer, %- thous. tenge	25 – 1 057 442
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	131 537,4
Number of floors	5 floors
Total area of apartments, sq.m.	32 106,85
Total apartments, un.	495
Period of construction	2014-2016



- Construction investment Contract has been signed in October 16, 2014.

Current situation of the project on 31.12.2014.

- Mobilization works are carried out, foundation works have been started

## 6. “Zhanuya” Residential complex in Karaganda.

Developer – “KKK Engineering” LLP

Project cost, thousand tenge	2 126 691
Partnership share of Real Estate Fund, %- thous. tenge	80 – 1 700 422
Partnership share of the Developer , %- thous. tenge	20 – 426 269
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	131 537,4 tenge
Number of floors	9 floors
Total area of apartments, sq.m.	16 167,96
Total apartments, un.	216
Period of construction	2014-2015



- Construction investment Contract has been signed in October 29, 2014.

**Current situation of the project on 31.12.2014.**

- Mobilization works are carried out, foundation works have been started.

## 7. “AlmaTau” Residential complex (suburbs of Almaty)

Developer – “Novaya Generatciya” LLP

Project cost, thousand tenge	7 891 907
Partnership share of Real Estate Fund, %- thous. tenge	80 – 6 313 525
Partnership share of the Developer , %- thous. tenge	20 – 1 578 382
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	164 421,75
Number of floors	2 floors
Total area of apartments, sq.m.	47 997,95
Total apartments, un.	466
Period of construction	2014-2016

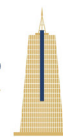


- Construction investment Contract has been signed in December 30, 2014.

**Current situation of the project on 31.12.2014.**

- Mobilization works are carried out, foundation works have been started





## 8. Residential complex in Shugyla micro-district in Kyzylorda.

Developer – “Real Estate Fund “Samruk-Kazyna”

Project cost, thousand tenge	1 940 287
Partnership share of Real Estate Fund, %- thous. tenge	100 – 1 940 287
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	130 769
Number of floors	5 floors.
Total area of apartments, sq.m.	14 837,5
Total apartments, un.	210
Period of construction	2014-2015.

- General contractor agreement for the construction of residential building has been signed in November 11, 2014.

Current situation of the project on 31.12.2014.

- Mobilization works are carried out, foundation works have been started.



## 9. Residential complex along the Street Esenberlin in Ust-Kamenogorsk.

Developer – “Real Estate Fund “Samruk-Kazyna” JSC

Project cost, thousand tenge	5 323 804
Partnership share of Real Estate Fund, %- thous. tenge	100 – 5 323 804
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	131 280
Number of floors	9 floors
Total area of apartments, sq.m.	39 337,67
Total apartments, un.	658
Area of commercial premises, sq.m.	1 215,22
Period of construction	2014-2016

- General contractor agreement for the construction of residential building has been signed in November 20, 2014.

Current situation of the project on 31.12.2014.

- Mobilization works are carried out, foundation works have been started.





## Ernur Asylkhanov

Ernur Asylkhanov, 29 years old, started a family just over one year ago.

Having heard that the Real Estate Fund conducts “Affordable Housing – 2020” Program and it is possible to get apartment through this program, he got on the website of the Real Estate Fund “Samruk-Kazyna” [www.fnsk.kz](http://www.fnsk.kz) and familiarized with the program to see whether housing under the state program is available for his family. There is a special calculator on the website, with the use of which you can calculate which apartment a particular candidate will be able to pay.

– My wife and I calculated and understood that we can pay the rent for one-room apartment in “Asyl Arman” RC. Within 5-10 minutes, we registered on this website. Do it as easy and fast as on any other site, for example, a discount site. The fact that I already had electronic digital signature helped me. I got it for a long time and actively used for various statements, extracts of the pension fund, even an application for registration of marriage filed through [e-gov.kz](http://e-gov.kz), – spoke about his experience Ernur.

In September 29, 2014 at 10 am, as soon as the acceptance of applications began for Almaty residents, Ernur registered for the waiting list for rent-to-own apartment online. To do this it also took a few minutes.

– We were in the Main, and not in the Final Priority. Then we received notice from employees of the Real Estate Fund “Samruk-Kazyna” with an indication of documents to be submitted. The first part of documents shall be submitted to the bank to calculate maximum rental payment amount. Bankers summarize incomes of those who will live in the apartment and deduct the minimum cost of living. If the income covers average rental payment then you can submit the necessary documents- shared the news the head of Asylkhanovs’ family.

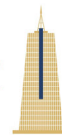
Therefore, they got the apartment, and concluded Rent-to-own Contract for 15 years with a subsequent purchase of housing.

- To be honest, my wife and I had great doubts that we’ll get an apartment, but after conclusion of the contract they were dispelled. Having received keys of the new apartment, we immediately began to move to celebrate the New Year in a new apartment.

Having come to the new apartment I was glad that we didn’t have to spend finances for additional repair since the interior finishing of apartment was of high quality.

Every day many families come to the Residential complex, and many of my friends and acquaintances were among of them, who just like me had difficulties with the purchase of their own housing.

Having heard about my new purchase, our acquaintances, friends, relatives and colleagues are interested in this opportunity, and currently they are waiting for the second phase of online applications acceptance,- says Ernur.



## Asem Rakhmanova

In 2012 Asem Rakhmanova found out about «Affordable housing- 2020» program and tried to get into the waiting list to get the dear apartment. But it didn't work out.

– I read in the internet that application admission started for Almaty citizens on the Real Estate Fund «Samruk-Kazyna» web-site. I already had an electronic signature so it didn't take long for me to sign up on the web-site. Then when I started helping my colleagues to get in the electronic waiting list, it took a few seconds,- said Asem.

She got in the line for the rent-to-own procedure for 3-room apartment in “Asyl Arman” RC. She says an unquestionable advantage in this case was that the main thing was to prove your solvency and that you didn't have your own apartment.

– Affordable housing program has acceptable conditions: monthly payments in the amount of 107 thousands tenge for 15 years. I think it is better to pay for your own than to give your money to the landlord. So on September 29 I got into the line on the web-site,- she says.

And now they live in their own apartment, which after fulfilment of all liabilities of the lessee, will become their property.

- To be honest I never thought that it is possible to get an apartment so simply without any connection. But I never lost my hope and believed into miracle. And it did happen! As soon as we signed the contract and got the keys to our long-desired apartment, we moved right away and now we have a three room apartment. Each one now has its own room. Me and my husband never thought about furniture and now we have pleasant cares. We are already receiving guests without a shame,- continues Asem.

They hope that these 15 years will pass very quickly and without any incidents. They also wished to all those who do not have an apartment to purchase roof over their heads.



### Aleksey Khvan

When you don't have your own corner, an apartment becomes the fondest wish. Own apartment is probably a dream of any person and it is no wonder why. For Aleksey Khvan and his family it was a dream until one day he read the Internet news that it is possible to apply for housing via Internet. He got interested and decided to find out more. So he found out about "Affordable housing – 2020" program through the Real Estate Fund "Samruk-Kazyna". The fact that all financially solvent citizens can take part in the program was giving his family a chance to get an apartment because they did not comply with the categories required by other operators of this program.

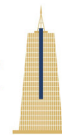
- I can't believe it, We did it! We finally got the keys from three room apartment! Without anyone's help, all by ourselves! It is never late and bad to dream. We didn't have any troubles during both registration and application. Everything is well thought out. Thanks to all who developed this method,- says Aleksey without hiding his emotions.

- It's great that the apartments are in fine finish, all metering devices, plumbing fixtures and kitchen stoves are installed. Long story short just come in and live. So we had only pleasant cares such as getting furniture, kitchenware and other stuff.

The kindergarten is nearby and there is a playground in the yard. The buildings are under security and equipped with round-the-clock video surveillance,- shared his wife.

They say that they have waited with impatience for this joy and now they are cloud nine. Purchase of apartment is always a very important and significant step accompanied not only by excitement and joy but by a big responsibility as well.





## Projects under development of design estimate documentation

Currently Real Estate Fund is designing 2 housing projects with the total area not less than 103 thous. sq. meters on land provided by local executive boards of Astana and Aktau. Their construction is scheduled to begin in 2015.

### 1. Residential complex in micro-district 32 A In Aktau.

Developer – “Real Estate Fund “Samruk-Kazyna” JSC

Project cost, thousand tenge	~ 8 251 341
Partnership share of Real Estate Fund, %- thous. tenge	100 – 8 251 341
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	minimum 164 421,75 tenge
Number of floors	9-12 floors
Total area of apartments, sq.m.	49 650
Total apartments, un.	748
Area of commercial premises, sq.m.	1 926
Period of construction	2015-2016

- Contract for the development of design-estimate documentation of the project has been signed in March 14, 2014.

Current situation of the project on 31.12.2014.

- General designer has completed the design of the facility, design-estimate documentation has been submitted for consideration to the state expertise authorities.



### 2. Residential complex along the Street Zh. Nazhimedenov in Astana.

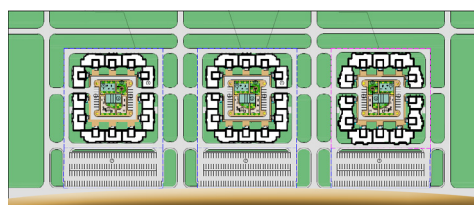
Developer – “Real Estate Fund “Samruk-Kazyna” JSC

Project cost, thousand tenge	no more than 8 882 586
Partnership share of Real Estate Fund, %- thous. tenge	100 – 8 882 586
Class of housing	III (economy)
Construction cost per 1 sq. meter of housing	minimum 164 421,75 tenge
Number of floors	7 floors
Total area of apartments, sq.m.	46 202
Number of parking lots, un.	maximum 450
Area of commercial premises, sq.m.	3 442,2
Period of construction	2015-2016

- Contract for the development of design-estimate documentation of the project has been signed in November 28, 2014.

Current situation of the project on 31.12.2014.

- General designer is working on the design of the facility.



Additionally, Real Estate Fund from the list of housing projects submitted for consideration in 2014, works out advanced 5 projects in Almaty, Atyrau, Uralsk and Kyzylorda, about 250 thous.sq.m of the total floor area. Currently, submitted documentation on these projects is under consideration for the purpose of possible participation of Real Estate Fund.

Process of review and selection of housing projects is regulated by the internal documents of Real Estate Fund, which are available on the corporate web-site: [www.fnsk.kz](http://www.fnsk.kz)

## Completion of anti-crisis program implementation

In total, within the anti-crisis program on the real estate market Real estate Fund in 2009-2013 assumed commitments to complete construction of 21 facilities for a total amount of 83,5 billion tenge. Over 3 thousand problems of stakeholders have been resolved within the concluded agreements, purchased pool of real estate was 565,2 thous. sq. m., including residential area – 394,5 thous. sq.m. (4 641 apartments), 170,6 thous. sq.m – commercial (non-residential) premises, 1 135 parking lots.

As on 31.12.2014 Real Estate Fund invested in the construction of specified 21 facilities 82,99 billion tenge. On the specified date 19 facilities have been commissioned, including 2 facilities – in 2014.

Real Estate Fund performed financing commitments upon RC “Bes Tulga”, participation share in facility was fully implemented on September of 2011.

On December 12, 2014 the Agreement on compensation in return of fulfillment of obligations under the Construction Investment Contract of RC “Akkent” as of April 6, 2012, No. 53 have been signed between Real Estate Fund and “Ait Housing Complex” LLP, including all of its applications and supplementary agreements.

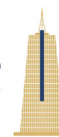
Thus, Real Estate Fund has completed the implementation of anti-crisis program in 2014. Further activity of Real Estate Fund will be focused on the efficient property management, created (obtained) within the anti-crisis program

## Objects commissioned in 2014 under anti-crisis program

### 1. “Khan Tengri” RC

Commissioning	7.04.2014
Class of housing	economy (III according to SNIP RK)
Address	Astana, intersection of Streets Kenesary-Sembinov





## 2. “Akkent” RC

Commissioning of 16-storyed residential buildings №45; No.46; No.47; No.48	12.05.2014
Address	Almaty, Alatau region, Akkent microdistrict



### Monitoring of the scope, period and quality of construction and installation works

Monitoring is based on tranche financing of the Developer through a special account in accordance with the schedule of construction and installation works. Expenditure of funds from the special account of the Developer shall be fulfilled in coordination with Real Estate Fund. The actual performance of works at the construction site and the quality of construction and installation works shall be controlled by Real Estate Fund.

Devaluation of the national currency, which was performed in February 2014 has had an impact on the implementation of existing projects, having increased the cost of purchased materials and equipment.

Construction facilities funded by Real Estate Fund and commissioned in 2010-2014 meet the requirements established by the construction regulations of the Republic of Kazakhstan. There are no fines for non-compliance with the laws and regulations concerning the provision and use of products and services in 2014.

### Monitoring of Kazakhstan content in the procurement of developers

Real Estate Fund in accordance with the Program for the development of local content in the Republic of Kazakhstan for 2010-2014 in order to increase the local content:

- carries out monitoring of Kazakhstan content in goods, works and services purchased by the developers during the construction of facilities within the program “Affordable housing – 2020”;
- carries out monitoring of prices on construction materials;
- arranges round tables, workshops and meetings between developers and national producers.

Following the results of 2014 Kazakhstan content in the procurement of developers was 81%.

### Sale of real estate

In September 2014 Real Estate Fund within the program “Affordable Housing – 2020” started the sales of housing. Real Estate Fund was the first of the program operators has introducing a system of electronic filing (electronic-applications) and sales of housing through the formation of an open and transparent electronic queue.

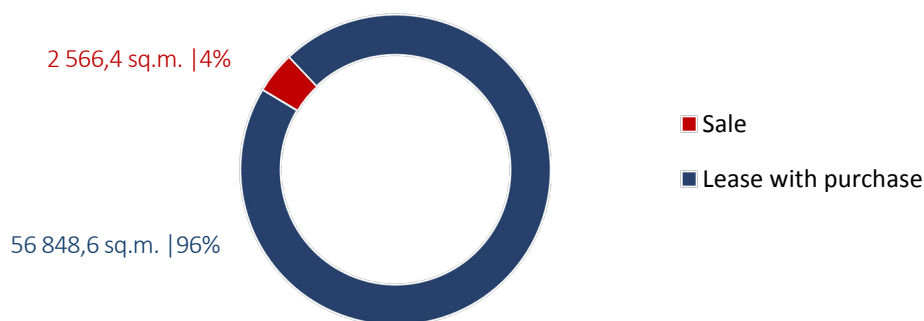
Sales of housing under the “Affordable Housing – 2020” program is carried out in accordance with the Rules of Sales of residential and commercial (non-residential) premises by “Real Estate Fund “Samruk-Kazyna” under the “Affordable Housing – 2020” program. Sales of housing is carried out through local executive boards (hereinafter – LEB). Housing, which is not sold among the people on the waiting list of LEB (Akimat) shall be sold by Real Estate Fund to the people without their own housing or people in need of improved housing conditions in accordance with internal documents of Real Estate Fund, under which all citizens can apply for housing, regardless of age or social group.

Sales of housing by Real Estate Fund are carried out by submitting electronic applications. “System for applications” operates on the website of the Company. Everyone who interested in buying housing under the program shall pass compulsory registration in the system for application submission on the website of Real Estate Fund. For the purpose of person identification during registration digital signature of a citizen of the Republic of Kazakhstan shall be used.

Instructions for passing registration and algorithm of applications submission are available on the website of Real Estate Fund.

Within the program “Affordable Housing – 2020” from the assumed housing 59,4 thous.sq.m have been sold, including by sale – 2,6 thous. sq.m., lease purchase – 56,8 thous.sq.m.

Sale of housing within “Affordable Housing - 2020” program, sq.m.

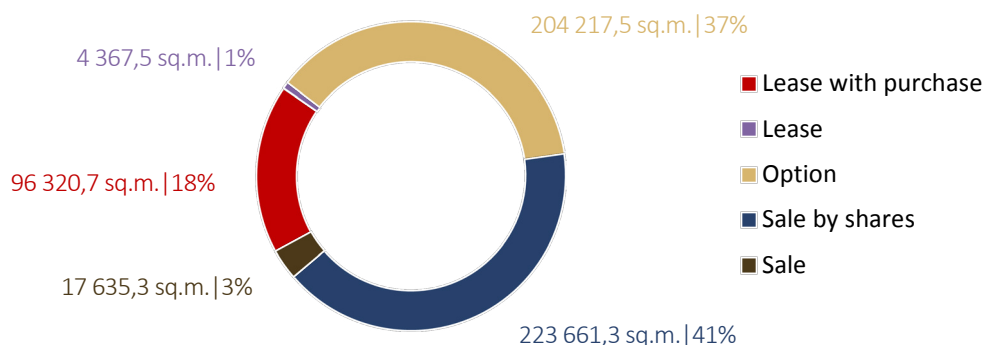


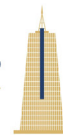
Sales of repurchased premises within the anti-crisis program is implemented by Real estate Fund in accordance with the “Rules of sales of residential and commercial (non-residential) premises of “Real Estate Fund “Samruk-Kazyna” JSC. These Rules are based on the following basic principles:

- ensuring the repayment of the National Funds of the Republic of Kazakhstan by establishing requirements for the solvency of the applicants;
- prevention of speculation by establishing a moratorium on the early redemption or release of the premises for 3 years from the date of the contract;
- security of rental payments and integrity of premises of Real Estate Fund through instrument of indemnity payment.

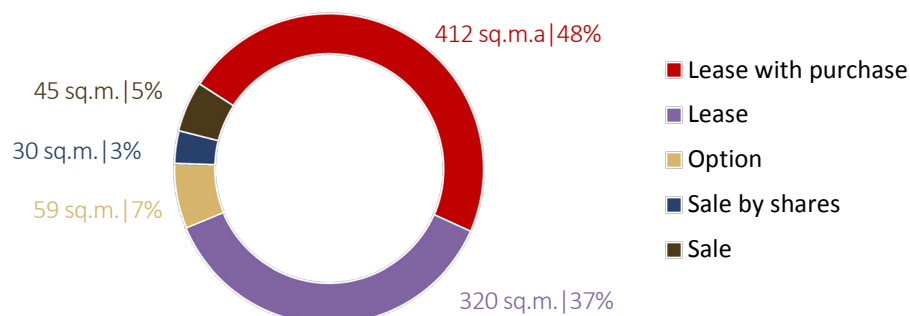
On December 31, 2014 from a pool of real estate under the anti-crisis program - 564,2 thous. sq. m., 546,2 thous. sq.m. sold (96,81%), were sold including 394,5 thous. sq.m. of residential premises 389,8 thous. sq. m. sold (98,81%), from 169,7 thous. sq.m. of commercial premises 156,39 thous. sq. m. sold (92,18%). Also 866 parking lots have been sold (76,4%).

Sale of pool of real estate under the anti-crisis program as of 31.12.2014, thous. sq.m.





Sale of parking lots under the anti-crisis program as of 31.12.2014, thous. sq.m



Sale of real estate by leasing and lease purchase is the main activity of the subsidiary of Real estate Fund – “REF Management” LLP.

As of 31.12.2014 from the pool of the property placed into trust to the “REF Management” LLP within the anti-crisis program 97% have been sold. Sale of real estate within the “Affordable Housing – 2020” program amounted to 61% of the plan. Net income of the subsidiary in 2014 amounted to 16,5 million tenge, exceeded index of 2013 half as much. Assets of “REF Management” LLP on 31.12.2014 amounted to 1,5 billion tenge (growth for the year amounted to 187%).

## Participation in the implementation of investment projects in tourism

Concept of development of the tourist industry of the Republic of Kazakhstan until 2020 approved by the Decree of the Government of the Republic of Kazakhstan dated May 19, 2014, No. 508, according to which was proposed to entitle Real Estate Fund for carrying out investment activities in the development of large-scale touristic projects on a return basis in the following directions:

1. support and implementation of the related programs, particularly in construction and main infrastructure;
2. attract investors and operators of touristic projects to participate in the national key projects, the implementation of the main roles in the planning and development of such projects;
3. receipt of profit from the investment projects in the tourism at the expense of management and transfer of land for the use/ownership to investors and operators for sale.

Real Estate Fund conducted collaborative works with the Akimats to find advanced projects in touristic clusters defined by the concept, and to provide touristic areas required by the external engineering infrastructure within the framework of touristic projects implementation.

Real Estate Fund also identified potential touristic projects in the field of winter sports in South Kazakhstan region, beach-related rest in Mangystau region, as well as the development of the tourist zone of premium class in Akmola region. In order to implement these projects appropriate agreements have been signed with potential investors and partners.



## II. Introduction of innovation to construction industry.

Within the framework of this area Real Estate Fund has implemented construction of administrative and residential complex “Green Quarter” in 2014, in Astana.

### Project of construction of administrative and residential complex “Green Quarter” in Astana.

In order to execute the orders of the President of the Republic of Kazakhstan (subparagraph 1 of paragraph 4 of the Minutes of the meeting with the President of the Republic of Kazakhstan No.01-7.1 as of January 23, 2013) Real Estate Fund was appointed as the main contractor of the construction project of administrative and residential complex “Green Quarter” in Astana using advanced environmental and energy-efficient technologies.

This is a pilot project in the transition to the concept of “green” construction and will be presented within the frame of upcoming International specialized exhibition EXPO – 2017.

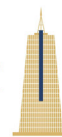


“Green Quarter” project is the construction of administrative and residential complex using advanced environmental and energy-efficient technologies. “Green Quarter” will be located close to the shopping and entertainment center “Khan Shatyr”. The architectural concept of the “Green Quarter” has been developed by British AHR. According to the designers “Green Quarter” will have the appearance of the city of future and will be a bright, stable, ultramodern and socially consolidated residential company in our capital. Use of innovative green technologies provided by the concept – electric generation systems from the renewable sources, geothermal heat pump, utilities remote control systems, insulation increasing due to intelligent design, reuse of wastewater, automation of collection of solid wastes, supply and exhaust ventilation with regeneration etc. There will be created clear lake and favorable natural landscape with parks and bike paths in the area of development.

It is planned to certify the buildings of “Green Quarter” for compliance with LEED (Leadership in Energy and Environmental Design) United States Green Building Council (USGBC). This certification will confirm the uniqueness of this project which is appropriate to slogan of International specialized exhibition Astana-EXPO-2017 – “Future Energy”.

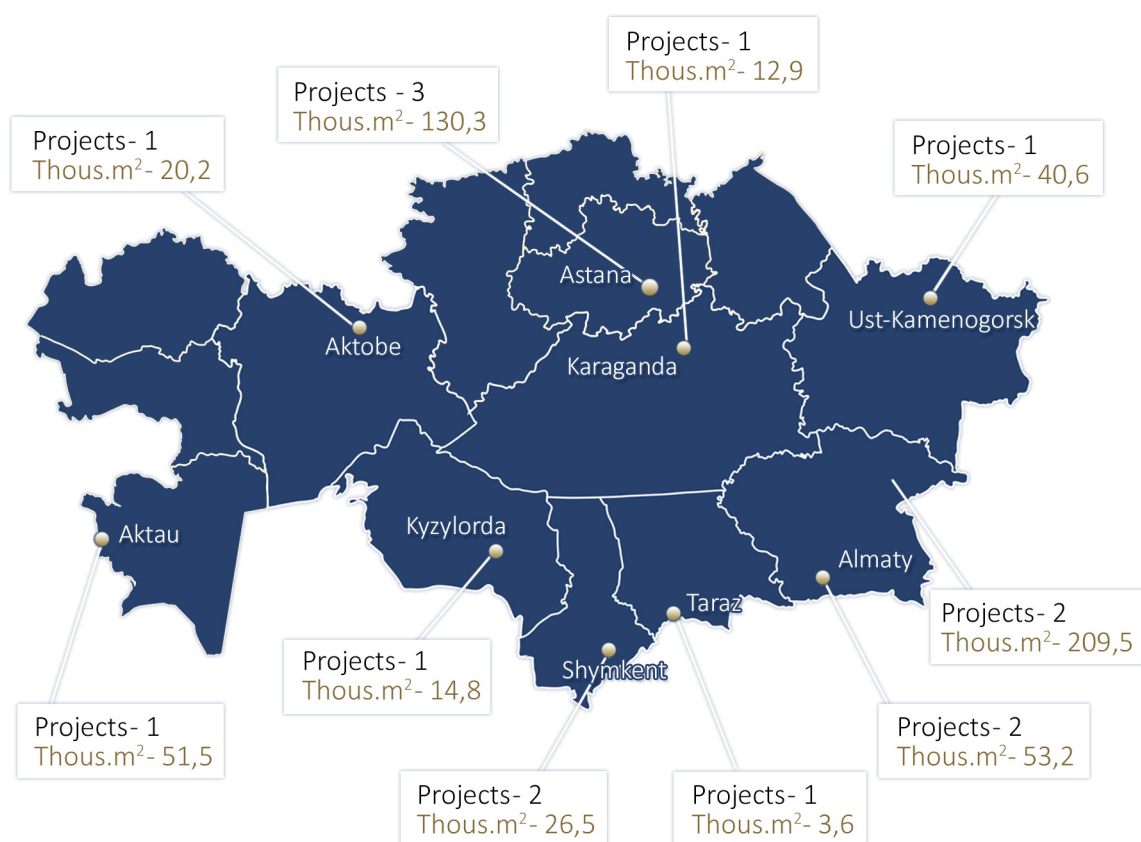
“BUREAU FOR TECHNOLOGY – PROJECT” CJSC (St. Petersburg) has been involved as a consultant on green technologies. Total area of residential and administrative buildings will be 180 thousand sq. m. Preparatory works were carried out on the site, the beginning of construction and installation works is scheduled in 2015. It is expected that the “Green Quarter” project will be commissioned before the end of 2016. The project is managed by a subsidiary of Real Estate Fund – “SK Development” LLP, which was established in 2013 in order to implement projects according to new strategic directions of Real Estate Fund. BI Group Corporation acts as a Partner of Real Estate Fund.

As on 31.12.2014 the authorized capital of “SK Development” LLP was 16,1 billion tenge. Assets of the Company amounted to 20,2 billion tenge. Net income of the subsidiary in 2014 amounted to 851,3 million tenge.



## The projects

City	Number of projects	Housing area (thous. sq./m.)
Astana	3	130,3
Almaty	2	53,2
Almaty region	2	209,5
Aktobe	1	20,2
Taraz	1	3,7
Aktau	1	51,5
Kyzylorda	1	14,8
Ust-Kamenogorsk	1	40,6
Shymkent	2	26,5
Karaganda	1	12,9



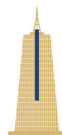
## Information on the activities in research and development

Within the frame of implementation of the second strategic direction of Real Estate Fund in 2014 the Strategy of innovation and technological development of “Real Estate Fund “Samruk-Kazyna” for 2014-2023 approved, which was developed on the basis of long-term Strategy of Real Estate Fund, and the Industrial and Innovation Policy of “Samruk-Kazyna” JSC. The Strategy aims to create an effective system of innovation in the activity of the Company.

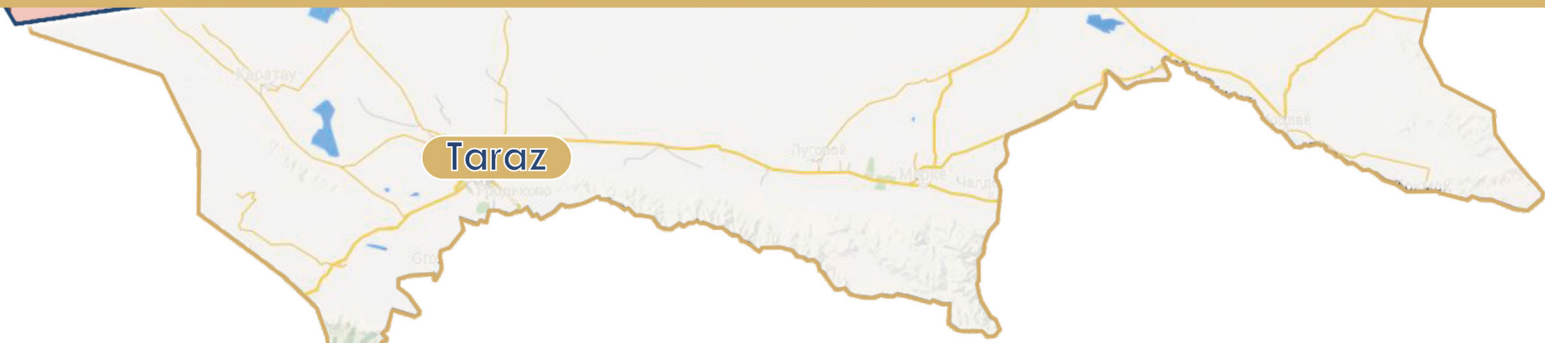
For the purpose of development of domestic innovation and technological solutions and creation of new construction materials Real Estate Fund intends to actively support domestic research institutes and scientists. Currently cooperation with the “Laboratory of Intelligent Systems and Energy Efficiency” NURIS is established and negotiations on possible use of laboratory services for investigation of energy-saving properties of construction materials used in the construction of the facilities of Real Estate Fund are in progress.

In 2014 Real Estate Fund has also signed a Memorandum with Kazakhstan Green Building Council, green committee has been created, project of basic requirements for the definition of “green” technologies was approved, and list of innovative technologies that are recommended for implementation at the construction sites of the Company has been developed.





## CORPORATE GOVERNANCE



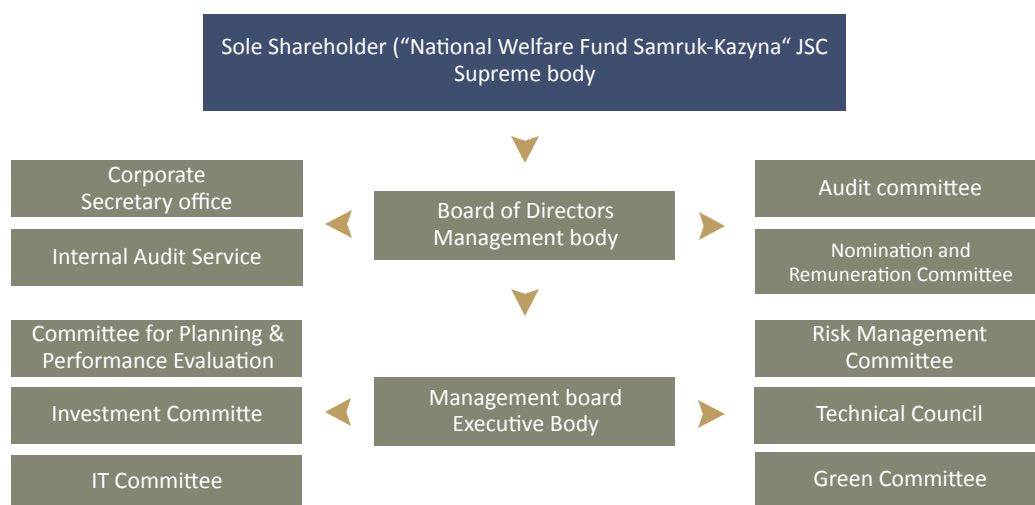
## Principles of Corporate governance

In its activities the Company follows the principles of corporate governance set out in the Corporate Governance Code of Real estate Fund “Samruk Kazyna” JSC:

- principle of protecting the rights and interests of the Sole Shareholder;
- principle of effective management of the Board of Directors and Management Board;
- principle of independent activities of the Company;
- principles of transparency and fairness of information disclosure on the activity of the Company;
- principles of legality and ethics;
- principles of effective dividend policy;
- principles of effective human resource management policy;
- principle of environment protection;
- policy of settlement of corporate conflicts and conflict of interest;
- principle of responsibility.

In 2014 the Board of Directors approved an Annual Report on adherence to the principles of corporate governance and Report on the effectiveness of internal control system (regarding the reports please refer to the corporate website [www.fnsk.kz](http://www.fnsk.kz))

### Corporate governance structure



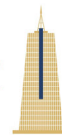
The **Superior body** of the Company is the **Sole Shareholder** - National Wealth Fund Samruk-Kazyna JSC. The Sole Shareholder is entitled to make decisions in accordance with the competence defined by the Charter of the Company.

**Governing board is the Board of Directors.** Board of Directors is responsible for general management of the Company, as well as control over the activities of the executive body, except for the matters classified as the exclusive competence of the Sole Shareholder. The Board of Directors is reporting to the Sole Shareholder and is responsible for the performance of their duties.

**Executive Board is the Management Board** exercises the management of the current activities of the Company, makes the decisions on issues concerning the activity, which is not within the competence of other bodies and officers of the Company.

**Internal audit service** controls the execution of financial and business operations, assessment in the field of internal control, risk management, documents execution in the field of corporate governance and consulting for purposes of improving the Company's operation. The Internal audit service reports directly to the Board of Directors. Employees of the Internal audit services may not be elected as members of Board of Directors or Management Board.

Organizational structure of the Company is available on the website: [www.fnsk.kz](http://www.fnsk.kz)



## Board of Directors

Activity of the Board of Directors and its members is based on the principles of efficiency and responsibility, maximum compliance and implementation of interests of Sole Shareholder and Company, competence, rationality and diligence, honesty and objectivity.

The activity of the Board of Directors is guided by the Charter, Code of Corporate Governance, and Regulations on the Board of Directors.

Determination of the number of members, term of the Board of Directors, election of its members and early termination of their powers, election of the Chairman of the Board of Directors, as well as determination of the amount and terms of remuneration to members of the Board of Directors refer to the exclusive competence of the Sole Shareholder.

## Criteria for Board of Directors selection

Applicants for Board of Directors are required to have relevant work experience, knowledge, qualification and positive achievements in a business and(or) industry-specific sphere, necessary for implementation of their duties and organization of the effective performance of the Board of Directors on behalf of Sole Shareholder and the Company.

1. Members of Board of Directors are bound to meet the following requirements: 1) Work experience in executive positions of the State Structures, commercial or other related organizations or on the Management Board or on the Boards of Directors of Joint Stock Companies no less than 3 years;
2. Unblemished business reputation.

It is not permitted to elect as a Member of Board of Directors the person who:

- Does not have higher education;
- Have unexpired or un-removed criminal record in accordance with the procedure established by law;
- Formerly acted as a chairman of the director's board, chief executive ( chairman of the management board), deputy director, chief accountant of other legal body, in the period, no more than one year prior to approval of resolution on forced liquidation or forced redemption of shares, or temporary closing of other legal body, adjudged as bankrupt, in the prescribed manner.

## Criteria for Independent Directors

In accordance with Subclause 20 Article 1 of the Law on Joint Stock Companies, by the Charter, Fund's Corporate Governance Code, Independent Director is determined as member of the board of directors, who:

- Is not affiliated Company's representative and was not in that position during three year period, preceded to his election to the Board of Directors (except for cases when he was at the position of Company's Independent Director);
- Is not affiliated person in relation to Company's affiliated persons;
- Subordinated to Company's Officials or organizations – affiliated persons of the Company and was not subordinated to these persons during the three years preceding to his election to Board of Directors;
- Is not Company's auditor, and is not auditor for three years, preceding his election to Board of Directors
- Does not participate in the audit of the Company as an auditor, working as part of audit organizations, and did not participate in such audit during three years preceding his election to the Board of Directors;
- Is not a government employee;
- Is not the Representative of Sole Shareholder in the Company's entities meetings and was not presented in this position during three years preceding his election to Board of Directors.

Members of the Company's Board of Directors shall notify previously the Board of Directors about joining of work in other organizations with positions of Members of the Board of Directors.

Members of Company's Board of Directors are prohibited to enter the Content of Board of Directors and replace executive positions in organizations- Competitors of the Company.

Company's Independent Directors Zh. Abdikarimova, M.Azirkbayev, and A. Houwink (Netherlands), as of the date of formation of this report fully complied criteria of independence, provided in the RK Law On Joint Stock Companies, in the Charter and "Real Estate Fund "Samruk-Kazyna" JSC Corporate Governance Charter.

## Board of Directors

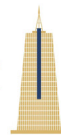
The Board of Directors of the Company complies with the legislation of the Republic of Kazakhstan.

In 2014, the following amendments were made into the Real Estate Fund Board of Directors:

- By decision No.06/14 of “Samruk-Kazyna” JSC Management Board as of February 21, 2014 authorities of the Samruk-Kazyna Real Estate Fund Independent Director Nigel Stapleton were early terminated from March 1, 2014, Adrian Ian Houwink and Mukhit Azirbayev were selected as new independent directors as of February 21, 2014.
- By decision of “Samruk-Kazyna” JSC Management Board as of July 9, 2014 the Board of Directors was reelected for a new term:
  - 1) Powers of members of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC were early terminated in following composition: Munzhasarov Zh.A., Palymbetov B.A., Abdykarimova Zh.M., Houwink A.J., Azirbayev M.B.;
  - 2) Term of power of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC was fixed- 3 years;
  - 3) Members of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC were elected consisting of 5 persons comprising as follows:

No.	Full name	Position	First elected to the BD:
1.	Munzhasarov Zhumagali Akhmetgaliyevich	Chairman of the Board of Directors, Chief procurement Director of “Samruk-Kazyna” JSC	February 14, 2012
2.	Palymbetov Bolat Abylkassymovich	Member of the Board of Directors, Chairman of Management Board of “Real Estate Fund “Samruk-Kazyna” JSC	May 23, 2011
3.	Abdykarimova Zhanar Muratovna	Member of the Board of Directors, Independent Director	October 30, 2012
4.	Adriaan Jan Houwink	Member of the Board of Directors, Independent Director	February 21, 2014
5.	Azirbayev Mukhit Bakytovich	Member of the Board of Directors, Independent Director	February 21, 2014

- 4) Munzhassarov Zh.A. was elected as the Chairman of the Boards of Directors.



## Board of Directors (as of December 31, 2014)



### Munzhasarov Zhumagali Akhmetgaliyevich

**Chairman of the Board of Directors,  
The Sole Shareholder's Representative**

**Date of Birth:** 30.05.1977

**Citizenship:** Republic of Kazakhstan

**First elected to the Board:** February 14, 2012.

**Elected as Chairman of the Board:** May 29, 2012.

**Date of reelection:** July 9, 2014.

#### **Education:**

2001-2004 – A. Baitursynov Kostanay State University, Major:  
Finance and Credit, Qualification: Economist;

1994-1998 – A. Baitursynov Kostanay State University, Major:  
Legal Studies, Qualification: Lawyer.

#### **Employers and positions held in organizations within the last five years:**

02.2012 – present: – Samruk-Kazyna Real Estate Fund JSC,  
Managing Director;

01.2012-02.2012 – Samruk-Kazyna Real Estate Fund JSC,  
Advisor to Chairman of Management Board;

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

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



## Abdykarimova Zhanar Muratovna

### Independent Director

**Date of birth:** 25.02.1966

**Citizenship:** Republic of Kazakhstan

**First elected to Board of Directors:** October 30, 2012.

**Date of reelection:** July 9, 2014.

### Committee Memberships:

Chairwoman of Nomination and Remuneration Committee  
Audit Committee Member

### Education:

1983-1988 – Pavlodar Industrial Institute Building Materials and Constructs (Construction Engineer and Process Engineer).

1994-1997 – Y. Buketov Karaganda State University Accounting and Audit, (economist).

2004-2006 – Kazakh Humanities and Law University (Bachelor of Jurisprudence).

### Work experience:

2012- present. – Deputy Chairwoman of Council of the Kazakhstan Financiers' Association ULE;

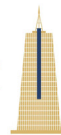
2009-2011 – Kazakhstan Financiers' Association ULE, Managing Director;

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

1997-2005 – Danabank JSC, Deputy Chairwoman of Management Board, Chairwoman of Management Board, and Deputy Chairwoman of Board of Directors.

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





## Palymbetov Bolat Abylkassymovich

**Board of Directors Member**  
**Chairman of Management Board**

**Date of Birth:** 28.07.1961

**Citizenship:** Republic of Kazakhstan

**First elected to Board of Directors:** May 23, 2011

**Date of reelection:** July 9, 2014

**Education:** Candidate of Economic Sciences (PhD)

1997-1998 – Eurasian Market Institute, Economics and Management;

1979-1984 – V.I. Lenin Kazakh Polytechnic Institute, Systems Engineer.

### **Employers and positions held in organizations within the last five years:**

May 2011 – present: Samruk-Kazyna Real Estate Fund JSC, Chairman of Management Board;

2010 – 2011: KazMunayGas National Company JSC, Deputy Chairman of Management Board;

2007 – 2010: Caspi Social and Entrepreneurship Corporation National Company JSC, Chairman of Management Board

2006 – 2007: KazPetroMash LLP, Chairman of Supervisory Board (Board of Directors);

January 2006 – October 2006: Vice Minister of Economy and Budget Planning of RK;

2002 – 2006: Akim (Governor) of Mangystau Region.

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



## Adriaan Jan Houwink

### Independent Director

**Date of birth:** 29.11.1957

**Citizenship:** the Netherlands

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

**Date of reelection:** July 9, 2014.

### Membership of the Committees:

Chairman of the Audit Committee

### Education:

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

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

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

- Master classes on corporate tax law, international taxation,  
taxation in Europe and IFRS (International Financial  
Reporting Standards), University of Amsterdam.
- Executive program “Managing for corporate effectiveness”,  
Harvard Business School, Boston, USA.

### Employers and positions held in organizations within the last five years:

Since 2013 – member of «PGGM Advisory Board Alternative  
Funds»

Since 2012– Independent Director of “Kazpost” JSC.

Since 2012 – affiliated with «Bishopsfield Capital Partners».

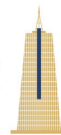
Since 2010 – Independent financial adviser.

2008- Chief Administrative Officer Europe Division Royal Bank  
of Scotland;

2006-2007- Chief Financial Officer and Managing Director  
Business Unit Global Clients ABN AMRO Bank.

**Joint appointment and membership of the BD:** Independent  
Director of “Kazpost” JSC.

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



## Azirbaev Mukhit Bakytovich

### Independent Director

**Date of birth:** 18.09.1974

**Citizenship:** Republic of Kazakhstan

**Elected as Member of the Board of Directors for the first time:**  
21 February 2014

**Date of reelection:** 9 July 2014

### Membership in the Committees:

Member of Nomination and Remuneration Committee

### Education:

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

### Place of work and positions held in organizations for the last five years:

Since August 2009- Chairman of Global Building Contract LLP  
Supervisory Board.

He is a member of Kazakhstan Urban Planners Union and Urban  
Planning Council under Akim of Almaty.

**Outside Jobs and Board Memberships:** Chairman of Global  
Building Contract

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

## Board of Directors Activities Report for 2014

In 2014, “Real Estate Fund “Samruk-Kazyna” JSC held 10 meetings of the Board of Directors (from 80th meeting to 89th meeting), including 8 in-person meetings and 2 meetings in absentia. In total, 127 issues regarding the key aspects of the Real Estate Fund activity were reviewed, in respect of which 214 decisions were made and 41 orders were issued, and 34 of these orders were implemented, 1 – partially implemented, 6 orders are in progress.

In addition, for 2013, 2 orders are at the stage of execution, the execution of the previously received orders was suspended due to changes in the Law on Equity Participation.

### Participation by the Board of Directors Members in “Real Estate Fund “Samruk-Kazyna” JSC meetings in 2014

No. in order	Full name, position	Participation in BoD meetings	%
1.	Zh. Munzhasarov, Chairman of the Board of Directors, Chief Procurement Director of “Samruk-Kazyna” JSC	10 out of 10	100%
2.	B. Palymbetov, Member of the Board of Directors, Chairman of Management Board of “Real Estate Fund “Samruk-Kazyna” JSC	10 out of 10	100%
3.	Zh. Abdykarimova, Member of the Board of Directors, Independent Director	9 out of 10	90%
4.	A.I. Houwink, Member of the Board of Directors, Independent Director	8 out of 10	80%
5.	M. Azirbaev, Member of the Board of Directors, Independent Director	10 out of 10	100%

### Key issues reviewed by the Board of Directors:

In the accounting period, at the meetings of the Board of Directors both strategic and current activity issues falling under its competence were reviewed. The list of issues and their decisions is reflected in the corresponding minutes and decisions resulting from the meetings of the Board of Directors. The in-person meetings of the Board of Directors were held on a regular basis in accordance with the approved Work Plan for 2014.

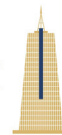
According to the Regulation on management of branch and dependent organizations of “Samruk-Kazyna” JSC, the Board of Directors enacted the Plan of Measures directed to meeting the Expectati

### Development strategy

One of the most focus areas of the Board of Directors during the accounting period was the approval of the new long-term Development Strategy of “Real Estate Fund “Samruk-Kazyna” JSC for 2014-2013 (hereinafter – Strategy).

In the process of development and approval of the Development Strategy by the Board of Directors, the discussions of the mission, vision, directions and scenarios of the development were held in association with the Sole Shareholder and Management Board of Real Estate Fund and representatives of “KPMG” company (developers of the Strategy).

The Plan of Measures on execution of the Development Strategy of “Real Estate Fund “Samruk-Kazyna” JSC for 2014 was approved.



## “Affordable housing-2020” Program

In the accounting period the Board of Directors approved the report on execution of housing construction projects of “Real Estate Fund “Samruk-Kazyna” JSC within the framework of “Affordable housing – 2020” program. The Rules of sales of residential and commercial (non-residential) premises of “Real Estate Fund “Samruk-Kazyna” JSC were approved within “Affordable housing – 2020” program in new edition, and a set of investment projects was reviewed.

In the accounting period, the Board of Directors, according to the Plan of Measures of the Board of Directors of the Fund for 2014, reviewed a set of main issues governing the internal activity of Real Estate Fund. The following was approved by the decisions of the Board of Directors:

- reports on risk management of “Real Estate Fund “Samruk-Kazyna” JSC for 2013, for 1st, 2nd, 3rd quarters of 2014;
- risk appetites and risk tolerances of “Real Estate Fund “Samruk-Kazyna” JSC for 2014 and forecast 2015;
- key risk indicators of “Real Estate Fund “Samruk-Kazyna” JSC for 2014;
- risk register and map of “Real Estate Fund “Samruk-Kazyna” JSC for forecast 2015;
- risk management policy of “Real Estate Fund “Samruk-Kazyna” JSC in new edition;
- report on Kazakhstani content in goods, works and services, purchased by the developers in construction of objects of “Real Estate Fund “Samruk-Kazyna” JSC in 2013;
- report on assessment of risk management effectiveness in “Real Estate Fund “Samruk-Kazyna” JSC;
- reports by the Internal Audit Service for 2013, for 1st, 2nd, 3rd quarters of 2014;
- guidance on career development by the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” JSC;
- key performance indicators of the Internal Audit Service and its Director for 2014;
- strategic development plan by the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” JSC for 2015-2017;
- annual audit plan by the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” JSC for 2015;
- KPI cards of the Corporate Secretary and employee target charts of the Corporate Secretary Service of “Real Estate Fund “Samruk-Kazyna” JSC for 2014;
- report on following the principles of the corporate governance of “Real Estate Fund “Samruk-Kazyna” JSC for 2013;
- quarterly reports on large transactions and transactions, consummated by “Real Estate Fund “Samruk-Kazyna” JSC, the consummation of which is of interest;
- reports on execution of the Development Plan of “Real Estate Fund “Samruk-Kazyna” JSC for 2011-2015 as of 2013, for 1st quarter, for 6 months and for 9 months of 2014;
- modifications of the Development Plan of “Real Estate Fund “Samruk-Kazyna” JSC for 2014 – 2018;
- Development Plan of “Real Estate Fund “Samruk-Kazyna” for 2015 – 2019;
- cards of key performance indicators of executive and managerial employees of “Real Estate Fund “Samruk-Kazyna” JSC with the actual values for 2013 and the adopted decision to pay the remuneration to executive and managerial employees of “Real Estate Fund “Samruk-Kazyna” JSC at the end of 2013;
- cards of key performance indicators of executive and managerial employees of “Real Estate Fund “Samruk-Kazyna” JSC for 2014;
- The rules of development and review of investment projects of “Real Estate Fund “Samruk-Kazyna” JSC;
- Innovative and technical development strategy of “Real Estate Fund “Samruk-Kazyna” for 2014 – 2023;

*The following was preliminarily approved:*

- report on activities of the Board of Directors and Corporate Secretary for 2013, for 1st quarter, for 6 months and for 9 months of 2014;
- annual report of “Real Estate Fund “Samruk-Kazyna” JSC for 2013;
- annual financial statement of “Real Estate Fund “Samruk-Kazyna” JSC for 2013;

*Changes were introduced in the following internal documents:*

- In the Code of Ethics of “Real Estate Fund “Samruk-Kazyna” JSC;
- In the Rules of payment for labor and remuneration of employees of “Real Estate Fund “Samruk-Kazyna” JSC;
- In the Rules of assessment of activity and remuneration of executive and managerial employees, Director of the Internal Audit Service and Corporate Secretary of “Real Estate Fund “Samruk-Kazyna” JSC;
- In the Rules of selection and review of the projects of housing construction of “Real Estate Fund “Samruk-Kazyna” JSC.

*The following was reviewed:*

- plan of measures on execution of recommendations of the independent audit organization “Ernst & Young” LLP following the results of the financial audit for 2013;
- report on transparency and effectiveness of the processes of disclosing information of “Real Estate Fund “Samruk-Kazyna” JSC for 2013;
- information on development of conceptual approaches for the participation of “Real Estate Fund “Samruk-Kazyna” JSC in implementation of investment projects in the area of tourism on a commercial basis;
- report on Ombudsman’s activity of “Real Estate Fund “Samruk-Kazyna” for 2013.

*The following nominations were carried out:*

- By the decision of the Board of Directors No.81 dated 15 April 2014, Ahmerov A.S. was nominated as Deputy Chairman of the Board of “Real Estate Fund “Samruk-Kazyna” JSC.
- By the decision of the Board of Directors No.83 dated June 2014, the powers of Gabdullin A.A., Ombudsman of “Real Estate Fund “Samruk-Kazyna” JSC, were extended for a new term;

## Measures taken by the Board of Directors to account the opinion of the Sole Shareholder

According to the Regulation on management of branch and dependent organizations, “Samruk-Kazyna” JSC, by the approved Decision of “Samruk-Kazyna” JSC No.56/13 dated 3 October 2013, nominates its Representatives as members of the Board of Directors of Real Estate Fund to promote its interests at meetings of the Board of Directors.

Munzhasarov Zh. A. is the representative of the Sole Shareholder in the Board of Directors of the Real Estate Fund.

According to the procedure specified in the Regulation, the Representative of the Sole Shareholder opines regarding an agenda of a meeting of the Board of Directors and announces the Sole Shareholder’s position at a meeting of the Board of Directors. This fact is reflected in the minutes of the meeting and taken into account by other members of the Board of Director at voting regarding the agenda.

Through its Representative in the Board of Directors, the Sole Shareholder has the right to initiate the introduction of issues concerning “Samruk-Kazyna” JSC for review by the Board of Directors of the Real Estate Fund.

## Board of Directors Committees

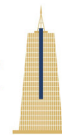
Based on world best practice Independent Directors were elected as Committee Chairmen.

In 2014, the following changes were applied in the membership of the Committees of the Board of Directors: by the decision of the Board of Directors of the Real Estate Fund dated 20 March 2014, Minutes No.80:

- Nigel Stapleton’s powers, the Chairman of the Audit Committee of the Board of Directors of the Real Estate fund, were early terminated as of 1 March 2014;
- Adriaan Ian Houwink is elected as the Chairman of the Audit Committee of the Board of Directors of the Real Estate Fund;
- Azirbaev Mukhit Bakytovich is elected as the Member of the Nomination and Remuneration Committee of the Real Estate Fund.

In the accounting period, at the meetings of Board of Directors Committees the activity issues falling under their competence were reviewed in accordance with the approved Work Plan for 2014.





**Audit Committee** provides assistance the Board of Directors by making recommendations on how to put in place an effective system to monitor the Company's financial and business operations, completeness and accuracy of its financial statements, reliability and effectiveness of its internal control and risk management systems, independence of its internal and external auditors, and compliance with the legislation of the Republic of Kazakhstan.

In 2014, 6 in-person meetings of the Audit Committee were held (from 15th meeting to 20th meeting). In total, 58 issues related to the key competences of the Committee were reviewed, 103 decisions were made and relevant recommendations were given to the Board of Directors of the Real Estate Fund.

The Work Plan of the Audit Committee for 2014 and the Report on Activity of the Audit Committee for 2013 were approved.

In the accounting period, at the meetings of the Audit Committee the activity issues falling under its competence were reviewed in accordance with the approved Work Plan for 2014.

***Regarding financial accountability:***

- annual financial statement of “Real Estate Fund “Samruk-Kazyna” for 2013 was preliminarily approved;
- report of the external auditor “Ernst & Young” LLP following the results of the review engagement of “Real Estate Fund “Samruk-Kazyna” JSC for the first half year and for 9 months of 2014 was reviewed.

***Regarding internal control and risk management:***

***The following was preliminarily approved:***

- report on risk management for 2013, for 1st, 2nd, 3rd quarters of 2014;
- risk register and map of risks of “Real Estate Fund “Samruk-Kazyna” JSC for forecast 2015;
- risk appetite and risk tolerances of “Real Estate Fund “Samruk-Kazyna” JSC for 2014 and forecast 2015;
- key risk indicators of “Real Estate Fund “Samruk-Kazyna” JSC for 2014 and forecast 2015;
- risk management policy of “Real Estate Fund “Samruk-Kazyna” JSC in new edition;
- report on effectiveness of the internal control system of “Real Estate Fund “Samruk-Kazyna” JSC.

***Regarding external audit:***

- report on assessment of the effectiveness of risk management in “Real Estate Fund “Samruk-Kazyna” JSC was preliminarily approved;
- meeting with the external auditor regarding the audit issues of “Real Estate Fund “Samruk-Kazyna” JSC was held with the participation of the Management;
- meeting with the external auditor regarding the audit issues of “Real Estate Fund “Samruk-Kazyna” JSC was held without the participation of the Management
- plan of measures on execution of the recommendations of independent auditor organization “Ernst & Young” LLP following the results of the financial statement for 2013 was preliminarily approved.

***Regarding internal audit:***

***The following was preliminarily approved:***

- annual report of the Internal Audit Service for 2013, for 1st, 2nd, 3rd quarters of 2014;
- remuneration coefficients and remuneration of the Director of the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” JSC following the results of 2013, for 1st, 2nd, 3rd quarters of 2014;
- key performance indicators of the Internal Audit Service and its Director for 2014, 2015;
- guidance on career development of the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna”;
- strategic development plan of the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” for the period of 2015-2017;
- annual audit plan of the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” for 2015;
- budget of the Internal Audit Service of “Real Estate Fund “Samruk-Kazyna” JSC for 2015;

***The following was preliminarily approved:***

- program of development of accountant personnel of “Real Estate Fund “Samruk-Kazyna” JSC and its branch organizations for 2014 – 2018;
- report on Ombudsman's activity of “Real Estate Fund “Samruk-Kazyna” JSC for 2013.
- strategic development plan of information technologies of “Real Estate Fund “Samruk-Kazyna” JSC for 2014 – 2017;

The information regarding the existence and status of penalty sanctions for investment projects of “Real Estate Fund “Samruk-Kazyna” JSC for 1st, 2nd, 3rd quarters of 2014 was reviewed.

**The membership of the Audit Committee and participation of its members in meetings (as of 31.12.2014):**

No. in order	Full name	Participation in meetings of the Committee	%
1.	A.I. Houwink, Committee Chairman	5 out of 5	100%
2.	Zh. Abdykarimova, Committee Member	6 out of 6	100%
3.	Y.Zhanadil, Committee Expert	5 out of 6	83%
4.	Nigel Stapleton, Chairman*	1 out of 1	100%

\* The powers were early terminated from March 1, 2014.

Generally, for the accounting period the Audit Committee was carrying out supervision of the Internal Audit Service activity and holding meetings with the external auditor and representatives of the companies providing audit and consulting services.

**Remuneration and Nomination Committee** provides recommendations to the Board of Directors regarding nominations to the Board of Directors and other executive positions, and regarding the motivation system for the Company’s employees and executives.

In 2014, 8 in-person meetings of Nomination and Remuneration Committee were held (from 17th to 24th meeting). In total, 39 issues regarding the key competences of the Committee were reviewed, 54 decisions were made and relevant recommendations were given to the Board of Directors of Real Estate Fund.

The Work Plan of Nomination and Remuneration Committee for 2014 and Report on Activity of Nomination and Remuneration Committee for 2013 were approved.

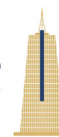
In the accounting period, at the meetings of the Nomination and Remuneration Committee the activity issues falling under its competence were reviewed in accordance with the approved Work Plan for 2014, and the relevant recommendations regarding the key issues were given to the Board of Directors of Real Estate Fund.

**Regarding personnel issues:**

- on nomination of the Deputy Chairman of the Board of “Real Estate Fund “Samruk-Kazyna” JSC;
- on the list of key positions and Plan of Succession for key positions at “Real Estate Fund “Samruk-Kazyna” JSC;
- on extension of the powers of the Ombudsman of “Real Estate Fund “Samruk-Kazyna” JSC;
- on agreement to elect the Member of the Management Board of “Real Estate Fund “Samruk-Kazyna” JSC as Member of the management bodies of other organizations;
- on the list of criteria for assessment of candidates to the membership of the Management Board of “Real Estate Fund “Samruk-Kazyna” JSC;
- on review of the report on execution of the Policy of inauguration of newly elected members of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC.

**Regarding activity assessment and remuneration:**

- on activity assessment and remuneration of executive and managerial employees of “Real Estate Fund “Samruk-Kazyna” JSC;
- on assessment of the activity of the Internal Audit Service and Corporate Secretary Service,
- on modifications and amendments to the Rules of labor payment and remuneration of employees of “Real Estate Fund “Samruk-Kazyna” JSC;
- on modifications and amendments to the Rules of assessment of activity and remuneration of executive and managerial employees, Director of the Internal Audit and Corporate Secretary Service of “Real Estate Fund “Samruk-Kazyna” JSC;
- on monitoring of execution of the motivational key performance indicators of executive and managerial employees of “Real Estate Fund “Samruk-Kazyna” JSC



The membership of the Nomination and Remuneration Committee and participation of its members in meetings (as of 31.12.2014):

No. in order	Full name	Participation in BoD meetings	%
1.	Zh. Abdykarimova, Chairman	8 out of 8	100%
2.	M. Azirbaev, Committee Member	7 out of 7	100%
3.	G. Raissova, Committee Expert	3 out of 8	38%
4.	Nigel Stapleton, Committee Member*	1 out of 1	100%

\* The powers were early terminated from 1 March 2014.

## Remuneration for Board of Directors Members

Board of Directors members, except for independent directors, serve on free-of-charge basis.

The terms and conditions of payment and (or) compensations of expenses born by directors are regulated by the Rules of Payment of Remuneration and Compensation of expenses of independent directors of the companies of "Real Estate Fund "Samruk-Kazyna" JSC.

Independent directors are paid the following remunerations:

- fixed remuneration for performance the Board of Directors member's obligations. Fixed remuneration are is paid in monetary form once in half-year proportionally to the period Director's work within the corresponding half-year of the calendar year;
- additional remuneration for participation in in-person meetings of the Board of Directors Committees is paid within a month following the date of the in-person meeting of the Committee.

In addition, Independent Director's expenses related to the departure to meetings of the Board of Directors (travel, accommodation and allowance) being held beyond Independent Director's permanent residence are compensated.

### Independent Directors Remuneration for 2014

No. in order	Full name	Fixed remuneration	Additional remuneration	Total:
1.	Zh. Abdykarimova	1 814 825 tenge	1 500 000 tenge	3 314 825 tenge
2.	M. Azirbaev	1 715 116 tenge	525 000 tenge	2 240 116 tenge
3.	Adriaan Houwink	34 302 USD	10 000 USD	44 302 USD
4.	Nigel Stapleton*	6 667 USD	3 000 USD	9 667 USD

\* The powers of the Independent Director were early terminated from March 1, 2014.

No remuneration in the form of shares or any other benefits were given to the Independent Directors.

## Professional development of Board of Directors Members

The policy of professional development of the Board of Directors Members of "Real Estate Fund "Samruk-Kazyna" JSC and involvement of external experts by the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC was approved by the Decision of the Board of Directors No.64 dated August 29, 2012.

The Policy sets out the Board of Directors members' rights and duties regarding their professional development and engagement of external experts, and governs the planning and decision making procedure regarding professional development and engagement of external experts by the Board of Directors members.

On 12 November 2014, all the Board of Directors members participated in the workshop on risk management for members of the Board of Directors held by "KPMG Tax and Advisory" LLP company.

## Board of Directors Performance Assessment

Company Board of Directors, Board of Directors Committees and Members Performance Assessment Policy was approved by the Decision of the Board of Directors No.67 dated October 24, 2012.

According to this Policy, the decision to assess the work of the Board of Directors, committees of the Board of Directors and each member of the Board of Directors is made by the Board of Directors.

The Board of Directors may conduct the assessment:

- involving a consultant;
- by means of questionnaire, interviewing, etc.;
- applying a combined approach: using its own resources with the coordination of the process by a consultant.

Assessment of the activity of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC and its members was conducted in 2014 by means of survey of all the members of the Board of Directors.

Summarizing the results, the overall rating of the Board of Directors activity made 4,4 points (out of 5). On the basis of the obtained results, the Corporate Secretary prepared the Report on assessment of the activity of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors of the Real Estate Fund, which was reviewed at the meeting of the Board of Directors dated 26 December 2014, Minutes No.89.

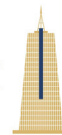
The results of the assessment of the Board of Directors activity demonstrated the directions of future development and improvement of the corporate governance practice. In particular, the participation of the Board of Directors in the issues of strategic planning, nomination and remuneration of upper executive managers, organization of committees’ work, training of the Board of Directors members.

Based on the results of the assessment performed, the measures directed toward increase of effectiveness of the activity of the Board of Directors, committees and members of the Board of Directors were developed and introduced in the Work Plan of the Board of Directors for 2015.

## Management Board

Management Board, a collegial body of the Company, executes the Sole Shareholder’s and Board of Directors’ decisions, is accountable to and is responsible for executing its duties before the Board of Directors.

Management Board members’ rights and duties are defined by the Charter, Provision on Management Board and employment contracts.



## Membership of the Management Board (as of December 31, 2014):



### Palymbetov Bolat Abylkassymovich

#### Chairman Management Board

**Date of birth:** 1961

**Citizenship:** Republic of Kazakhstan

**Elected to the Management Board:** 23.05.2011

**Education:** Ph.D. in Economics,  
Eurasian Institute of Market, Economics and Management;  
V.I. Lenin Kazakh Polytechnic Institute, System Engineer  
Interactive training on the subject “Change management:  
Leadership, synergy and integration” of Ichak Adizes Institute.

#### Work experience:

Has an extensive executive experience in government bodies, financial institutions and national companies. Held positions of Chairman of Management Board at Halyk Bank of Kazakhstan OJSC, Deputy Akim (Deputy Governor) of Atyrau Region, Vice Minister of Economy and Trade of RK, General Director at KazTransOil CJSC, Akim (Governor) of Atyrau Region, Vice Minister of Economy and Budget Planning of RK, and Chairman of Management Board at Caspi SEC NC JSC. Prior to being nominated as the Chairman of the Fund's Management Board he was a Managing Director and Deputy Chairman of KazMunayGas NC JSC Management Board.

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

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



## Mamytaliev Baurzhan Dzhaumurzynovich

### Deputy Chairman of Management Board

**Date of birth:** 1975

**Citizenship:** Republic of Kazakhstan

**Elected to the Management Board:** 27.06.2013

#### **Education:**

Zhambyl Technological Institute of Light and Food Industry – Engineer-Economist;

L.N. Gumilyov Eurasian National University- Lawyer.

Lomonosov Moscow State University, “Economics and management” MBA program.

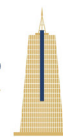
#### **Work experience:**

Has work experience in finance, held various positions at Tax Committee of the Ministry of Finance of RK, Ministry of Public Revenues of RK, and held a position of Chairman of Tax Committee in Shymkent. Served as the Head of Internal Audit Service at KazMunayGas Trade House JSC, Deputy Director at KazMunayGas Single Personnel Development Center PI, and as an Advisor to Chairman of Accounts Committee for Control Over Execution of the Republic Budget. Prior to being elected as the Fund’s Deputy Chairman of Management Board, held a position of Managing Director for Financial Administration with BI-Holding LLP.

He oversees budget policies, strategic planning and monitoring, corporate governance improvement, and innovative development of projects.

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





## Akhmerov Azamat Shaimuratovich

### Deputy Chairman of Management Board

**Date of birth:** 1976

**Citizenship:** Republic of Kazakhstan

**Elected to Management Board:** 16.04.2014

#### **Education:**

Kazakh State Management Academy, Major in International Economic Relations.

#### **Work experience:**

Has the work experience in project management, business consulting, business development and operative management. He worked as Managing Director of United Chemical Company LLP. He held the position of the Deputy Chairman of the Board of Kazakhstan Petrochemical Industries Inc. LLP (Branch and dependent organization of KazMunaiGas JSC). He held the positions of Vice-President and Chairman of the Management Board of Kazakhstan Industry Development Institute JSC. Prior to being nominated as the Deputy Chairman of the Management Board of Real Estate Fund Samruk-Kazyna, he worked as Advisor of the Chairman of the Management Board of Kazakhstan Development Bank JSC.

Arranges the implementation of a new strategic direction in the area of investment projects in tourism.

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



## Kusherov Adilbek

### Managing Director – Member of the Board

**Date of birth:** 1955

**Citizenship:** Republic of Kazakhstan

**Elected to Management Board:** 02.07.2012

**Education:**

Kazakh Polytechnic Institute named after V.I. Lenin, Major:  
Electrical Engineer

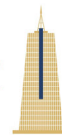
**Work experience:**

Served in various positions in oil and gas production companies in Mangystau Region, and in executive positions in government bodies, including a local executive body in Mangystau Region: headed the Standardization and Certification Center, Regional Administration for Economy, Industry and Trade, and Department of Entrepreneurship and Industry. Held positions as a Managing Director and Chairman of Management Board at Caspi SEC NC JSC, and as a Deputy Director at KhazarMunay LLP.

Was nominated as a Managing Director in June 2011, and as a Managing Director and Member of Management Board of Samruk-Kazyna Real Estate Fund JSC in July 2012.

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

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



In 2014, 48 meetings of the Management Board were held and the decisions regarding 261 issues were made.

**Key decisions made by the Management Board in 2014:**

- regarding the issues of investment and execution of construction projects;
- regarding the issues arising in the process of execution of investment projects;
- regarding development, monitoring of performance, modification of the Development Plan, approval and monitoring of execution of the budget of the Company and its branch organizations;
- regarding risk management and use of temporarily spare money;
- regarding sales of real estate, including conclusion of fiduciary management contracts for residential and non-residential premises;
- on confirmation and approval of internal documents spelling out the activity of the Real Estate Fund and its branch organizations and including the following:
  - Procedure of sales of residential and commercial (non-residential) premises, as well as parking lots of “Real Estate Fund “Samruk-Kazyna” JSC within “Affordable housing-2020” program;
  - Regulation on management of branch and dependent organizations of “Real Estate Fund “Samruk-Kazyna” JSC;
  - Rules of development and review of investment projects;
  - Rules of development, coordination, approval, modification, implementation and monitoring of the Development Plans of “Real Estate Fund “Samruk-Kazyna” JSC and its branch organizations in new edition;
  - Risk management policy of “Real Estate Fund “Samruk-Kazyna” JSC;
  - Provision on the Green Committee of “Real Estate Fund “Samruk-Kazyna” JSC;
  - Rules of competitive selection of personnel to vacant positions of “Real Estate Fund “Samruk-Kazyna” JSC;
  - Corporate regulation on preparation of consolidated financial statements of “Real Estate Fund “Samruk-Kazyna” JSC;
  - Instruction on the sequence of auditing of employees of “Real Estate Fund “Samruk-Kazyna” JSC having access to the assets;
  - Strategy of innovative technological development of “Real Estate Fund “Samruk-Kazyna” JSC for 2014-2023.

There are consulting and advisory bodies operating under the Management Board – Performance Planning and Assessment Committee, Investment Committee, Risk Management Committee, Technical Council, Green Committee and Committee of Information Technologies.

The objective of the Performance Planning and Assessment Committee is to ensure timely and high-quality development of documentation for mid-term and current planning, and to analyze the execution of approved plans.

In 2014, 14 meetings of the Committee were held and the following issues were reviewed:

- 1) budget and Development Plan Execution Reports;
- 2) adjusting GAE and Capital Expenses budgets;
- 3) adjustment of Development Plan for 2014-2018;
- 4) draft Development Plan for 2015-2019;
- 5) projects of consolidated annual budget of the Company and annual budget of the Corporate Center for 2015.

***Investment Committee reviews the execution of the Company’s investment policy.***

In 2014, 26 meetings of the Committee were held and 37 issues were reviewed. All the issues were related to the review, selection, financing and current execution of the projects within “Affordable housing – 2020” program.

**Risk Management Committee** makes recommendations to the Management Board for it make decisions on risk management issues, monitors the effectiveness of the risk management system and develops recommendations for business units regarding the minimization of risks, increasing the effectiveness of business processes and achieving the strategic goals.

In 2014, five meetings of the Risk Management Committee were held and the following issues were reviewed:

- 1) Risk Management Committee Work Plan for 2014 and 2015;
- 2) Quarterly Risk Management Reports;
- 3) Risk Tolerance Levels and Risk Appetites for 2014;
- 4) Key Risk Indicators for 2014;
- 5) Risk Register and Map for forecast 2015;
- 6) Corporate Risk Management System Improvement Plan for 2015;
- 7) Approval of risk owners for 2015;
- 8) Approval of the Risk Management Policy in new edition.

**Technical Council** is a consulting and advisory body whose role is to make recommendations on innovative technologies in construction and to provide with advanced constructional materials and equipment.

Technical Council consists of representatives of Real Estate Fund, "National Agency for Technological Development" JSC, "Nazarbaev University" AEO, Association of Builders of Kazakhstan, "NAC "KazAtomProm" JSC, Ministry of National Economy of the Republic of Kazakhstan, Investment and Development Ministry of the Republic of Kazakhstan, Ministry of Education and Science of the Republic of Kazakhstan, Association of legal entities "Union "Kazakhstan Council on "Green Construction", the Republican State Enterprise "State out of departmental examination of projects", "Astanagorarchitecture" LLP, "NC "Astana EXPO 2017" JSC, "Samruk-Kazyna Development" LLP.

In 2014, 4 meetings of Technical Council were held and about 30 issues concerning application of energy-efficient technologies and innovative solutions in the projects of Real Estate Fund were reviewed.

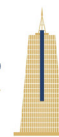
The most relevant solutions were introduced in the list of innovative technologies of Real Estate Fund recommended by the developers for introduction in the construction of objects. Twenty memorandums of cooperation were concluded with the suppliers.

For the purpose of effective introduction of the solutions selected by Technical Council, *Green Committee* was established in 2014. The objective of Green Committee is reviewing the issues on application of innovative technologies and construction materials at the sites of Fund, as well as proposals to the legislation of the Republic of Kazakhstan regarding "green" construction, including the development of national standard.

*Committee of Information Technologies* of Real Estate Fund operates for the purpose of ensuring effective interaction between business units of Real Estate Fund on the issues of information technologies and adopting a single policy on information security.

Following the results of the meeting of Committee on Management of Information technologies held in 2014, the following was reviewed and approved:

- information management process;
- process of decision selection on automation;
- user training process;
- process of purchasing and development of applications;
- performance and capacity management process in "Real Estate Fund "Samruk-Kazyna":
- process of management of user access to information systems;
- problem management process.



### *Remuneration for Management Board Members*

Management Board Members Remuneration includes salaries and bonuses based on the operating results over the year. The Management Board members' salaries are defined by the Board of Directors and are indicated in their employment contracts. Executive bonuses following the results over the year are paid based on the results of the fiscal year after the Company's financial and business operation results are approved in a prescribed manner because of audited financial statement.

The Management Board members are provided with an annual paid leave, including payment of financial assistance for health improvement in the amount not more than two basic salaries.

Payment of other increments, extra pay or bonuses to the executives is not provided, except for lumpsum bonus for all employees on the occasion of Independence Day of the Republic of Kazakhstan.

## Internal Audit

In 2014, the Internal Audit Service conducted scheduled audits.

Key objectives of the audits:

- assessment of execution of duties of "Real Estate Fund "Samruk-Kazyna" JSC and "FN Management" LLP according to the fiduciary management contracts (FMC);
- assessment of operative activity of "CC Development" LLP;
- executive and managerial KPI calculation correctness assessment, availability of facts and documents confirming official performance of KPI for 2013;
- assessment and accounting of transactions in securities, analysis of sufficient recognition of data on gain on securities;
- assessment of processes' compliance with the requirements of the legislation of the Republic of Kazakhstan, internal guidelines, control environment availability;
- assessment of security systems, asset and information preservation;
- assessment of correctness of recognition of administration costs on bookkeeping accounts;
- assessment of correctness of recognition of administration costs on bookkeeping accounts;
- assessment (expertise) of IT infrastructure, inspection of indicators such as performance, functionality completeness, security, integrity of IT processes and etc.;
- Company risk management system effectiveness and reliability assessment;
- Company internal control system effectiveness and reliability.

Following the audits, recommendations were made aimed at increasing the performance of the group of companies of the Company, minimizing the risks, and improving the internal control and corporate governance.

Based on these recommendations, the plans of corrective and preventive measures were developed and relevant managerial decisions were made.

## Independent audit

External Audit of Company's financial accountability is conducted by one of Big Four Independent audit organizations "Ernst & Young" LLP.

The selection of an audit organization is conducted in accordance with the Method on selection of an audit organization for "Samruk-Kazyna" JSC and other organizations, "Samruk-Kazyna" JSC expressly or implicitly owns more than fifty percent of the voting shares (participation shares) on the right of ownership or fiduciary management, based on the open competitive tender. Tender Committee on external audit selection consists of the Members of Audit Committee, who participate in assessment of tender results and forward recommendations to the Board of Directors and Sole Shareholder. Policy on engagement of audit organizations' services was approved for the purpose of regulating the issues on audit organization's consultancy services unrelated to the audit of financial accountability and other information.

*“Ernst & Young” LLP rendered the following services:*

- audit of Real Estate Fund’s annual consolidated financial statements performed according to IFRS;
- audit of consolidated financial reporting package prepared according to the forms of the Sole Shareholder.

Also in 2014, External Auditor rendered non-audit services on improvement of the professional skills of employees of “Real Estate Fund “Samruk-Kazyna” JSC.

In 2014, “PricewaterhouseCoopers” LLP Kazakhstan Independent consulting company ran the diagnostics of the Corporate Governance System of Real Estate Fund according to the Method of corporate governance diagnostics in companies of the group of “Samruk-Kazyna” JSC. Following the assessment results, the corporate governance rating made 71,2%, and it demonstrates the growth by 3,3% compared to the value of 2013.

## Risk Management

The Real Estate Fund recognizes the importance of risk management as a key component of the corporate governance on consolidated or separate basis, which is directed to timely identification of and taking measures to minimize the risks that can adversely affect the Company’s reputation.

The basis of the risk management process is interrelation of the organization’s features, key business principles and business processes, and engagement of personnel in the risk management process.

There is a business unit within the Fund that deals with risk management. The key objective of Risk Management is ensuring of maximum preservation of assets and capital on the basis of reduction (exclusion) of possible losses by means of application of effective procedures and practical mechanism of risk management that allow the Management to detect, measure, control and minimize the influence of various kinds of risk. Also, there is a Risk Management Committee that is an advisory body under the Management Board.

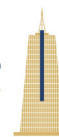
A key document containing the Real Estate Fund corporate risk management system’s vision, goals and objectives is the “Samruk-Kazyna “Real Estate Fund” JSC Risk Management Policy (hereinafter – the Policy) approved by the Real Estate Fund Board of Directors Resolution No 85 dated October 1, 2014. The Policy has been developed in accordance with Corporate Risk Management System Development Concept and regulations governing the Real Estate Fund’s activities, as well as “Samruk-Kazyna” JSC transformation program. The Policy defines risk management structure and major components, and ensures a systemic and incremental approach to risk management processes.

Company Risk Management on consolidated basis is implemented by means of introduction of the Corporate Risk Management System (CRMS) at all levels. CRMS is a set of interconnected elements, united in a single process, within which the Board of Directors, management and employees participate in detecting potential events that can affect the activity of the Company and branch organizations of the Company (BO) and in management of these events within an admissible risk level for shareholders.

The key objective of CRMS is increasing of the threat and opportunity management effectiveness that should contribute to the process of capitalization increase. CRMS also sets the following objectives:

- development and application of uniform and subsequent approaches for detection, assessment and management of risks in the Company, simplification of procedures of vertical risk information exchange (management) and horizontal risk information exchange (exchange of experience);
- creation of the opportunity for the Company to set and track the risk management in the Fund based on clear and comprehensible criteria;
- creation of the information base to build the system for accounting assets and their market value and to assess the joint stock capital;
- prompt response to arising risk events, tracking of changes in the external and internal environment;
- arrangement of purposeful activities on management of risk in order to reduce them to an admissible level or to transfer them to third parties (insurance, hedging);
- systemization and subsequent accumulation of information on Company’s risks, increasing of business manageability;
- eventually – increasing of the Company and BO capitalization by means of increase of effectiveness and optimization of risk management.





CRMS's key objectives are the following:

- to prevent the occurrence of events that pose threat the achievement of strategic and operative goals;
- to reduce the influence of such events, if they occur, to an admissible level;
- to effectively respond to unexpected situations and perform their management;
- to maintain the systemic risk management process that is a part of the overall process of ensuring the effective internal controlling environment;
- to furnish reasonable guarantees stating that the Company manages the risks in an effective way to the stakeholders.

In 2014, Risk Management, in association with the business units, conducted the complex identification and assessment of risks of the Company for forecast 2015. Following the results of this work, the new risk register and risk map of the Company and its branch organizations – “FN Management” LLP and “CC Development” LLP - were built.

The reduction and control of the mentioned risks is carried out in accordance with the Company's internal documents governing the activity of the business units – owners of the key risks. In addition, the Company provided for the measures on management of key risks, which were approved the Board of Directors within the risk register.

According to the Risk Management Policy of the Company, the Company's Internal Audit Service carries out assessment of the risk management system effectiveness on annual basis within the annual audit plan. In 2014, the Internal Audit Service assessed the Company's risk management system according to the Method of assessment of the corporate risk management system. Following the results of this diagnostics, the system effectiveness rating for 2014 made 67,17%. The Internal Audit Service developed the recommendations for further improvement of the risk management system.

## Clearing of conflicts of interest

The Fund has formalized procedures aimed at preventing conflict of interests among the Company's officials and employees. The Company approved the Conflict of Interests Policy. In accordance with the Policy the Company's officials and employees shall refrain from actions that lead or may potentially lead to conflict of interests, refrain from making decisions on issues containing conflict of interests, inform the line managers and responsible business units about the conflict of interests, and do not disclose confidential information about the Company.

There is an Ombudsman in the Company. His functions include settling the conflict of interests, and reviewing the violations of interests prescribed in the Business Ethics Code.

The Company has a mechanism for collection and confidential reviewing of Business Ethics Code violation evidences. The mechanism is provided in the Policy for dealing with reports on potential and known evidence of fraud, abuse and other illegal activities.

In 2014, there were no evidences of breaching the Business Ethics Code and Conflict of Interests Policy by the Fund's employees.

Also, there were not any complaints or reports on breaching the Business Ethics Code, Conflict of Interests Policy or legislation of the Republic of Kazakhstan by the Fund's employees or stakeholders.

## Information policy

The Real Estate Fund, complying with the corporate governance code, implements a policy aimed at ensuring information openness and fair disclosure of information regarding its activities.

Company information is disclosed in accordance with the Republic of Kazakhstan legislation and Company's internal documents, including the Provision on Information Disclosure approved by the Board of Directors.

The Real Estate Fund ensures:

- 1) full exercise of the Sole Shareholder's right for information related to its interests or that is of significance when making investment or management solutions;
- 2) timely and easy access to the Company information by the stakeholders;
- 3) that transparent and trustworthy relations are established with all stakeholders.

According to Stakeholder Chart determining the impact of various stakeholder groups on the Company's activities, there are 2 impact zones: groups that have direct and legitimate impact and groups that have indirect impact. The Stakeholder Chart is available on the website.

Information regarding the Real Estate Fund and its activities is disclosed on corporate website at [www.fnsk.kz](http://www.fnsk.kz) and by means of cooperation with mass media.

In accordance with the world best practices and the Company's internal documents information about the Company is posted and updated on the website, including activities statement. The Company improves its reporting procedures on continued basis.

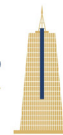
The website of the Real Estate Fund was awarded the prize of the National Internet Award "Award.kz" among 670 participating websites. For 2014, the number of website visits increased fourfold compared to the beginning of the year, from 32 296 to 118 462 people per month. In total, 635 034 people visited the website. Total number of people registered on the website on affordable housing – 16 201 users.

Annual Report is provided to the stakeholders in order to ensure transparency of the Company's activities and that the Company is ready to follow Due Corporate Governance standards.

Following the results of the 2013 Annual Reports Contest conducted by rating agency "Expert RA Kazakhstan", Company's Annual Reports become one of "The Best Annual Report in Financial Sector" for the second year in a row.

In 2014, press conferences were held on regular basis, meetings with general public and government bodies regarding the implementation of the Affordable Housing 2020 Program were arranged.

During the year, the Company held press conferences, "Online Conference on the Unified Portal of "Samruk-Kazyna" JSC and "BNews.kz" IA", online conference on the website of "Alash ainy" newspaper, conference on the unified portal of "Samruk-Kazyna" JSC, briefing under the Central Communications Service and 2 press tours, published 20 interviews with the Management and issued more than 70 articles on execution of "Affordable housing – 2020" program in print media of the Republic of Kazakhstan. The Top Management of the Fund participated in TV programs such as "Open Studio with N. Erimbetov", "Portrait of the week", "Opinion", "New Kazakhstan – 2050", "Us", "Green Economy", "Government hour", "Government hour (in Kazakh)", "Stage". More than 40 events were highlighted in more than 20 internet media, and more than 700 information items were released by Republican and regional TV and radio channels. The feedback with public was provided by means of efficient answers regarding the issues of the investment activity of the Company, as well as explanation of the issues of the Company's activity.



## Information on Transactions of Interest

In 2014, the Company concluded the following contracts with stakeholders:

- Contract No. EP-46. concluded with “Kazpost” JSC on provision of “EMS Kazpost” express mail services dated January 14, 2014;
- Contract No.4/1 concluded with “Semser-Ort sondiryshi” LLP on provision of fire-fighting service dated January 17, 2014;
- Fiduciary management contract No.6 concluded with “FN Development” LLP dated January 22, 2014 (on transfer of premises in Astana city);
- Fiduciary management contract No.12 concluded with “FN Development” LLP dated January 30, 2014 (on transfer of premises in “Etalon” Residential complex”);
- Office premise lease contract No.13 concluded with “FN Development” LLP dated January 30, 2014;
- Local content monitoring chart maintenance contract No.19//89-км-тс/14 concluded with “Samruk-Kazyna Contract” LLP dated January 31, 2014;
- Contract No.20/USIIG-81/2014 on provision of services on updating the Uniform Stock Item Identification Guide of goods, works and services concluded with “Samruk-Kazyna Contract” LLP dated January 31, 2014;
- Contract No. 21/08-out 73/024-01 on provision of rights to use the Electronic Procurement Information System of “SWF “Samruk-Kazyna” concluded with “Samruk-Kazyna Contract” LLP dated January 31, 2014;
- Contract No.21/2 concluded with Kazakhtelecom JSC Corporate Sales Directorate (communication services) dated February 4, 2014;
- Contract No.28 concluded with Kazakhtelecom JSC Corporate Sales Directorate regarding the provision of telecommunication services (ID TV) dated February 19, 2014;
- Contract No.23/92 concluded with the Information System Directorate, branch of Kazakhtelecom JSC, on provision of informational telecommunications dated February 5, 2014;
- Contract No. 55/1/KMGS-C-50/2014 concluded with “KazMunaiGas Service-Compass” LLP on provision of services on maintenance of Real Estate Fund building dated March 27, 2014;
- Lease contract on premises No. 61 concluded with “FN Management” LLP dated April 1, 2014;
- Supplementary Agreement No.1 dated 26 May 2014 to the Fiduciary Management Contract No.6 with “FN Management” LLP dated 22.01.2014;
- Fiduciary management contract No.98 with “FN Management” LLP dated July 10, 2014 (residential premises in “Unis-City” residential complex, Aktobe city);
- Fiduciary management contract No.99 with “FN Management” LLP dated July 10, 2014 (residential premises in Taraz city);
- Contract No.118/1 concluded with “KazMunaiGas-Service” LLP on provision of parking lots on lease dated August 21, 2014;
- Fiduciary management contract concluded with “Samruk-Kazyna” JSC for real property assets located in “Akkent” and “Edelweiss” residential complexes in Almaty dated September 2, 2014;
- Supplementary Agreement No.1 dated 12 September 2014 to the Fiduciary Management Contract No.98 with “FN Management” LLP dated 10.07.2014;
- Agreement No.144 dated 10 October 2014 on termination of the Fiduciary Management Contract No.67 with “FN Management” LLP dated 11.04.2014;
- Fiduciary management contract No.177 with “FN Management” dated December 5, 2014 (premises, 1 stage of “Asyl Arman” residential complex, Almaty region);
- Contract No. 463-out. with “Samruk-Kazyna” LLP on provision of temporary financial assistance dated December 29, 2014;
- Contract No.202 concluded with “CC Development” LLP on provision of temporary financial assistance dated December 30, 2014.

## IT policy

The main goals and objectives of the development of a single information space of the Real Estate Fund and the Fund group as a whole are:

- creation of a unified corporate IT- Infrastructure of the Real Estate Fund and its subsidiaries;
- More effective IT management.

In 2014 the Strategic Plan for Development of Information Technologies of “Real Estate Fund “Samruk-Kazyna” JSC for 2014- 2017 was approved (decision №89 of the Board of Directors dated December 26, 2014).

Strategic plan for IT development was prepared in accordance with the Development Strategy of “Real Estate Fund “Samruk-Kazyna” for 2014- 2023.

Corporate governance in IT is the responsibility of the senior management and the Board of Directors, which includes leadership, organizational structures and processes to ensure compliance of IT with current and strategic objectives of the Real Estate Fund.

The IT development strategic plan will be implemented in two stages:

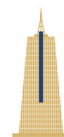
1. 2014 - 2015: Completion of ongoing projects on automation of business processes of the Real Estate Fund. Within this stage the Real Estate Fund plans to complete the implementation of the planning and management reporting system that will automate the processes of planning, monitoring and analysis of the Real Estate Fund activities, improvement of the quality and efficiency of management of financial flows and assets of the Real Estate Fund and its subsidiaries, as well as a system of consolidated financial statements on 1C: Consolidation 8 PROF platform to automate the processes of consolidation of financial statements of the Real Estate Fund and integration with the management reporting system of “Samruk-Kazyna” JSC.
2. 2016 – 2017: Implementation of projects in new strategic directions. At the second stage, the Real Estate Fund will adhere to the Road Map of the program of Transformation of “Real Estate Fund “Samruk-Kazyna” JSC in order to achieve the synergy in the Fund group, effectively implementing Transformation and IT innovation measures to ensure the implementation of the Development Strategy of the Real Estate Fund.

According to the results of the internal audit of the Real Estate Fund Information Technology, the level of IT maturity in 2014 improved compared with a year earlier and almost reached the indicators of best international practices. In general, the assessment of the maturity of IT processes has increased by 3.9%, reaching 56.9%, which is only 4.1% below international standards.

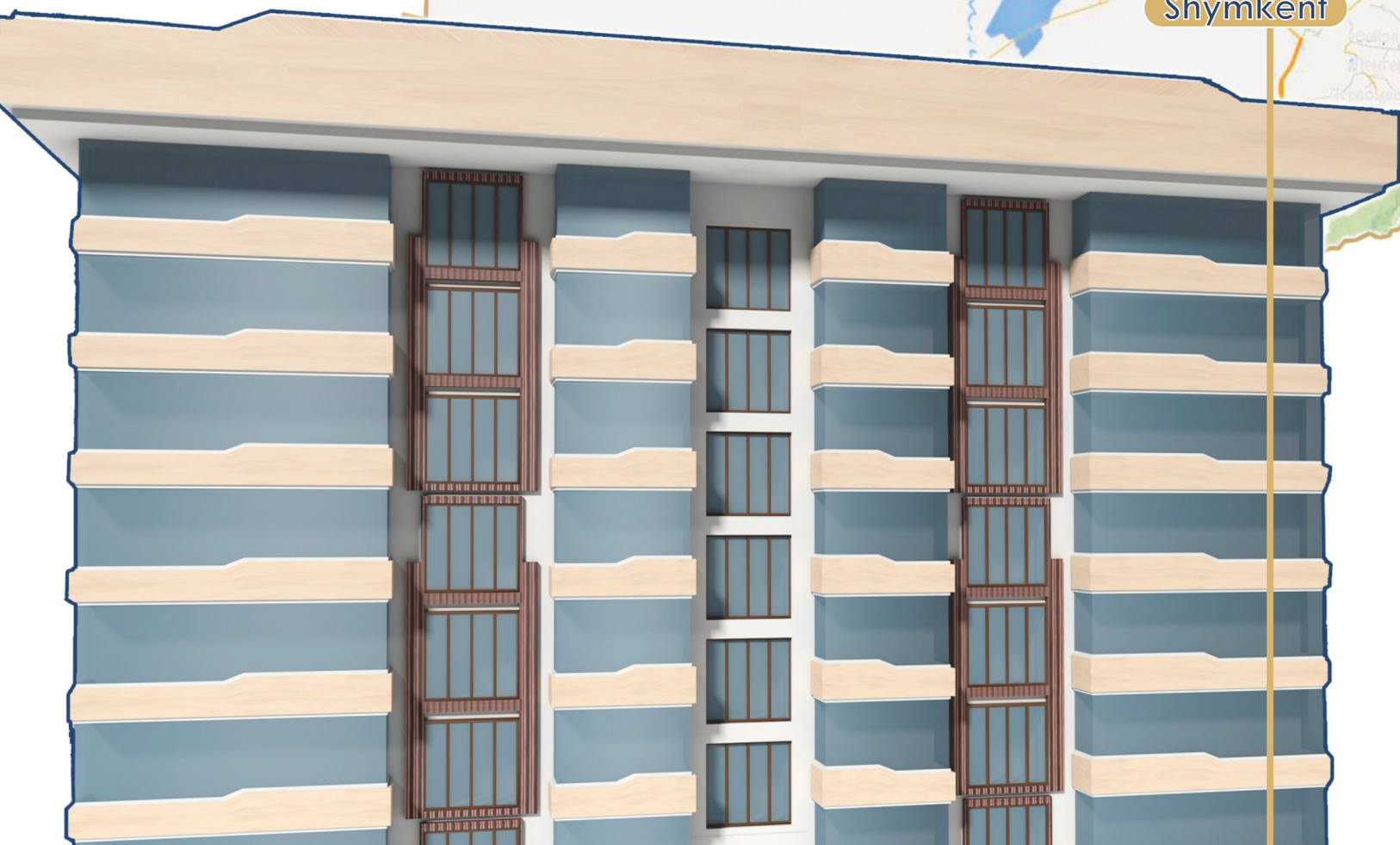
Failures in the software of the corporate information system or CIS hardware failures (servers, communication channels) are major risks of IT-system and infrastructure, which lead to the company downtimes. To avoid these risks, the Company has been working in the following areas:

- rigorous testing of CIS changes before implementing in the company using peak load simulation (maximum number of users, maximum number of types of operations);
- data backup;
- CIS hardware upgrading (replacement of server hardware by more productive models)
- replacement of equipment, providing thermal and electric conditions in the server rooms.

The results of this work should be absence of information systems downtime due to server hardware failures, as well as reducing the number and duration of CIS breakages (jams, slow performance of individual modules) after replacing the server hardware.



Shymkent





Sustainable development is the foundation for further growth and development of the Company. The Company intends to create a reliable and effective system of management of labor protection, social responsibility and environmental impact.

The company has developed and adopted the Policies in the area of corporate social responsibility with the basic principles of sustainable development, environmental policy, and a number of other internal documents in the field of social policy and interaction with stakeholders.

The Real Estate Fund is aware of and bears corporate social responsibility to all stakeholders: society, the state, shareholders, partners, suppliers, customers (tenants), personnel, etc.

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

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

## Interaction with the society

The Real Estate Fund carries out its activities based on:

- conducting business practices in an ethical manner, based on the principles of integrity, fairness, honesty and openness in relationships with all stakeholders;
- non-dissemination either directly or through a third party of knowingly false and unverified information;
- supporting the principles of fair competition.

The activities of the Real Estate Fund have a socially-oriented focus, aimed at solving the problems of the population in the field of housing.

Real Estate Fund as an anti-crisis program operator in the real estate market implemented an important social task - completion of facilities and addressing shared construction participants' problems. In 2009-2014, 19 facilities and 4 blocks of 1 construction facility were commissioned; more than 3 thousand of shared construction participants solved their housing problems getting an apartment. In addition, the Real Estate Fund has granted to the population 871 flats by means of the long-term lease with further purchase.

Implementing "Affordable Housing - 2020" program the Real Estate Fund provides the population with quality and affordable housing. In 2014, the population was granted 1179 apartments by the long-term lease with further purchase.

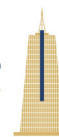
Within the framework of this Program, the Real Estate Fund supports design solutions that ensure efficient and thrifty use of energy resources in residential buildings, implementation of sanitary and epidemiological and environmental requirements for the protection of human health and environment, as well as the safety of occupants while using elements of the building and engineering equipment.

The Real Estate Fund, implementing projects in the field of "green construction", promotes the development of this trend in the whole country. Over the past year, the Real Estate Fund organized a number of activities to support "green construction", including free training seminars on "green construction" for students of construction specialties within individual events and public meetings of the Technical Council. The seminars were attended by about 50 students.

The Real Estate Fund assists in supporting domestic producers of construction materials, goods, works and services. Kazakhstan content in the procurement of real estate developers financed by the Real Estate Fund amounted 81% in 2014 to.

The Real Estate Fund makes significant contribution to the solution of the problems of employment by sustaining and creating jobs in construction projects it finances. In 2010-2014 over 11 thousand jobs on construction sites were sustained, including – over 1.1 thousand jobs in 2014.





Building relationships with investors, partners, developers and other interested parties, the Real Estate Fund::

- follows the principles of openness, honesty, respect for the interests of mutual benefit, understanding responsibility for the liabilities assumed;
- complies with the terms of contractual relationships;
- is committed to continuous improvement of quality of services provided;
- shows respect and honesty in relationships, in accordance with the Code of Business Ethics, Corporate Governance Code;
- ensures compliance with generally accepted moral and ethical standards.

The main mechanisms of interaction with partners, developers and other stakeholders include consultations, negotiations, round tables, specialized press conferences and seminars, exhibitions and other events, allowing to discuss a wide range of issues, including economic, technological, environmental, social and legal aspects.

In order to implement “Affordable Housing- 2020” program the Real Estate Fund held special press conferences, «Online-conference on a unified portal of “Samruk-Kazyna” and IA «BNews.kz», an Internet conference on the website of the newspaper “Alash Ainasy”, on the uniform portal of “Samruk-Kazyna” and a briefing at CCS, it also constantly held meetings with developers and construction companies to explain the basic requirements for housing projects and their implementation mechanisms, organized two regional press tours, during which it held round tables and seminars with the participation of local authorities, representatives of state bodies in the field of architecture and construction, the Association of developers, construction companies and manufacturers and suppliers of building materials and equipment.

On the realization of the housing among the waiting list of the local executive bodies in 2014 the Real Estate Fund entered into a cooperation agreement with Akimats of Astana and Almaty, Almaty region, the cities of Aktobe and Taraz. In order to arrange verification of the population solvency and provide loan services to the citizens, the Real Estate Fund signed agreements with “Zhilstroysberbank Kazakhstan” and “Temirbank” JSC.

The Real Estate Fund carried out vigorous work to find potential investors, held a series of meetings with domestic and foreign investors from China, France, UAE, Germany, Turkey, Russia and Ukraine.

During the year, the Real Estate Fund actively participated in seminars, round tables, meetings and congresses dedicated to the development of sustainable construction in the country, exchange of experience with foreign experts and removal of legislation barriers. In search of the best innovative solutions and in order to share experience the employees of the Real Estate Fund during the year participated in various events, including the largest: Second International Investment Forum on “green” economy in Shymkent, 21st International Construction Exhibition KazBuild 2014 in Almaty, 17th Kazakhstan International Exhibition AstanaBuild 2014, “Energy Efficiency Financing & Delivery Mechanisms in Kazakhstan” conference in Astana, “Standards of green construction in Kazakhstan” conference, organized in Astana by the United Nations Development Programme theFirst Eurasian Construction Congress, the Conference on green building «Greenbuild Eurasia 2014” in Astana. As part of the memorandum of cooperation in research, education and innovation between “Samruk-Kazyna” JSC and “Nazarbayev University” AEO, the Real Estate Fund works with the Laboratory of Intelligent Systems and Energy Efficiency “Nazarbayev University” on the project to develop proposals for changes in the legislation of the Republic of Kazakhstan on “green” construction. At «Greenbuild Eurasia 2014” conference with the participation of more than one hundred domestic and foreign delegates the Real Estate Fund was noted as an active participant in the development of “green” construction in Kazakhstan and was awarded the international prize for achievements in the field of “green” construction- Kazakhstan Green Awards 2014.

In accordance with the principles of transparency and objectivity, the Real Estate Fund provides timely and accurate disclosure of information to the stakeholders, including the financial condition, results of operations, ownership and management structure (see section “Information Policy”).

Exchange of relevant information, building professional relationships and strengthening the image and reputation of the Company are designed to preserve and develop the position of the Real Estate Fund as a successful real estate company that assists the State in the development of housing construction.

The Real Estate Fund is actively cooperating with government authorities on the issues of introduction of modern housing construction standards, technical expert examination of construction projects, improvement of legislation on housing construction and housing relations, cooperation in analytical studies of the housing stock, housing construction and real estate transactions.

Thus, in 2014 the Legal Service Department of Real Estate Fund actively participated in the discussion of the draft Law of the Republic of Kazakhstan "On Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on housing relations." The initiated proposals for introduction of clarifying amendments to the Law of the Republic of Kazakhstan "On equity participation in housing construction" were adopted on December 29, 2014 № 270-V SAM.

The Real Estate Fund is a responsible and conscientious taxpayer. In 2014, it paid taxes and other payments to the budget totaling 420.5 million tenge.

#### Taxes and other payments to the budget, mln.tenge

2012	2013	2014
893,2	1 059,1	420,5

The Real Estate Fund in its activities enforces the laws of the Republic of Kazakhstan and terms of international treaties and takes measures to combat corruption. The Real Estate Fund has an approved and valid anti-corruption policy. Anti-corruption is based on the following principles:

- Rule of law,
- Publicity and transparency of the activities,
- Promote a legal culture among employees rejecting corruption and ensuring the principles of honesty and integrity in the exercise of official duties,
- Anti-corruption expert examination of normative legal documents of the Company,
- Cooperation in the field of anti-corruption activities with government bodies, partners and customers of the Real Estate Fund.

The Company adopted a number of documents aimed at preventing and combating corruption. The Policy on reports of potential or known facts of fraud, abuse and other illegal actions provides for measures to improve the effectiveness of prevention and detection of such facts, including measures to allow all employees to anonymously report violations.

In 2014, no cases of fraud, abuse and other illegal acts have been identified.

## Charity and Sponsorship

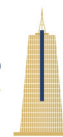
In accordance with the policy of providing sponsorship or charitable aid, funds for sponsorship or charitable aid may be provided for in the budget of the Company.

Due to the nature of activities and funding of the Company, the funds for sponsorship and charity activities in 2014 budget were not provided.

Employees carried out charitable actions on a voluntary basis.

For Victory Day the Real Estate Fund provided targeted support to three veterans of the Great Patriotic War, assistance for whom was requested by the Council of Veterans of Astana. On May 8 employees of the Real Estate Fund visited the veterans and awarded financial aid of 100,000 (one hundred thousand) tenge, holiday food baskets, greeting cards and flowers.

During the year, the Company's employees provided charity support to those who asked for help, including by paying for the treatment etc.



## Interaction with employees

Labor management and human resource development are realized in accordance with the HR policy. The basic principle of the HR policy is recognition of employees as a main strategic resource, the quality of which is of paramount importance to achieve the strategic goals and objectives of the Company.

The Real Estate Fund is a socially responsible employer and this is reflected in the enforcement of human rights and labor law, recognition of the rights of employees to work in decent working conditions, providing social guarantees and benefits and implementation of the HR policy.

Strategic directions of the HR policy:

- consistent model of human resource management;
- improving the labor efficiency;
- improving the quality of human resources;
- development of a universal corporate culture.

## Staff

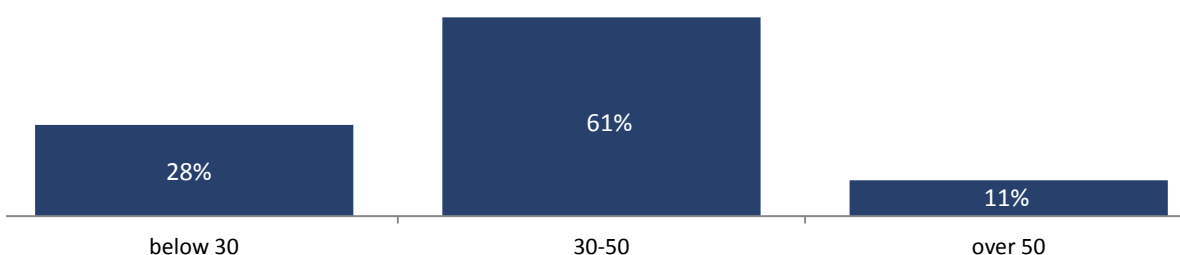
The average number of employees of the Company on 31.12.2014 comprised 113.6 people.

All Company employees have higher education, including:

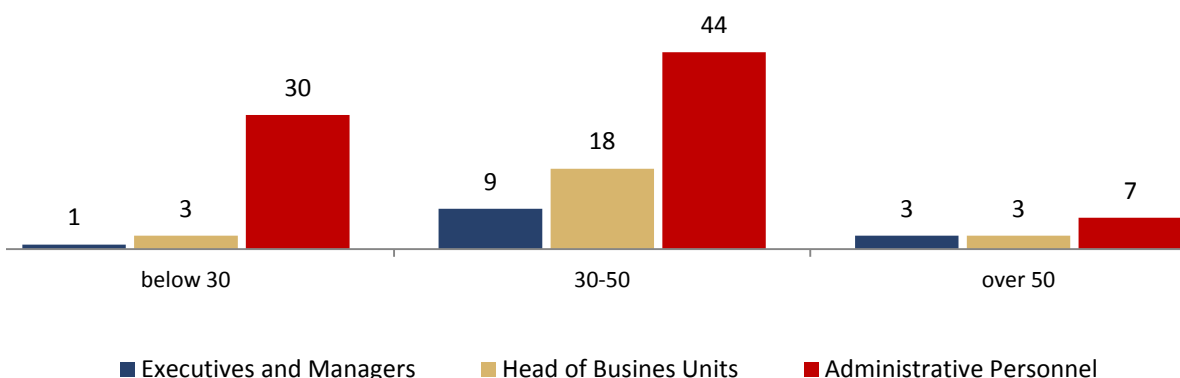
- 2 Candidates of Economic Sciences;
- 1 Candidate of Legal Sciences;
- 13 employees have Master's degree.

Most of the Company's employees belong to the age group of 30 to 50. In 2014, this group was composed of executive and management employees- 12.6%, heads of departments- 25.4% and administrative staff- 61.9%.

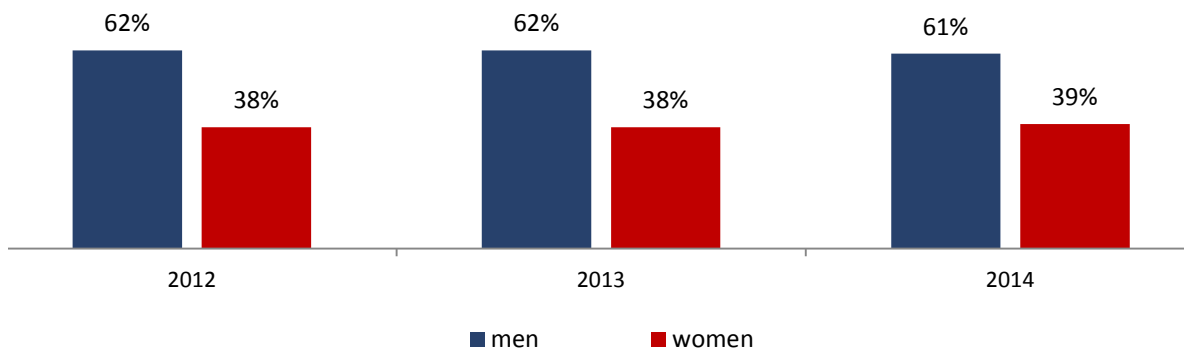
Age composition of the staff



Category composition of the staff  
with indication of the age group

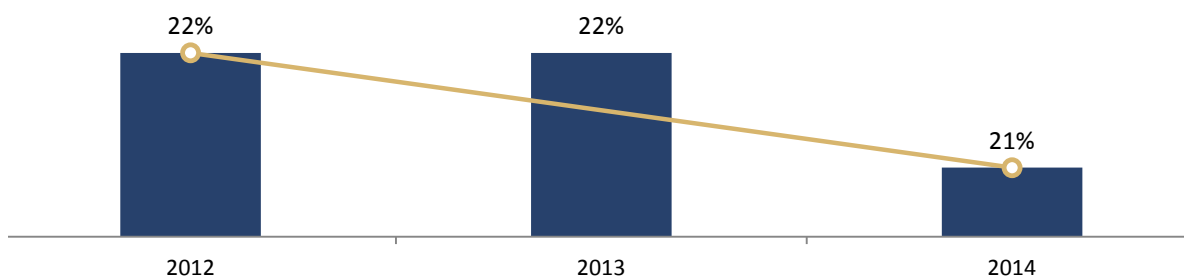


Gender composition of the staff

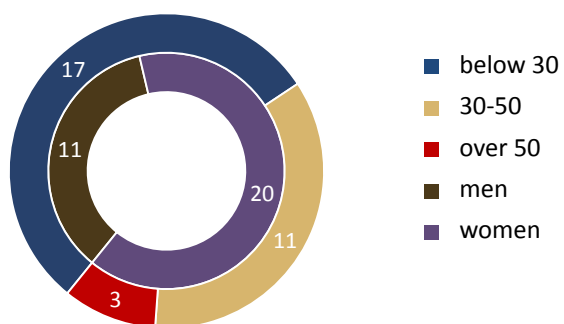


In 2014, the staff turnover was at the planned level and decreased by 0,5% compared to the year earlier.

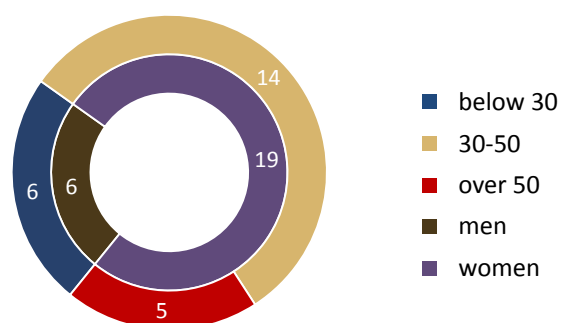
Staff turnover, %

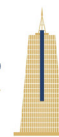


Number of employees entering the company in 2014



Number of employees leaving the company in 2014





The Company adheres to the principles of human rights, including non-discrimination on any grounds- racial, national, social, religious and others.

In case of changes in the organization of production, including reorganization and (or) reducing the amount of work entailing a change of working conditions for employees, the Company in accordance with applicable labor laws and labor contract notices in writing the employee and (or) its representatives no later than one month in advance.

Selection and promotion of employees are carried out based on professional abilities, knowledge and skills.

As part of the recruitment system, the Company holds open competitions for vacant positions. In 2014, the Real Estate Fund held 6 competitions to fill six vacant positions. The competition attracted 17 applicants. According to the results of competitions 6 people were recruited and 4 contestants were enrolled in the candidates pool.

In December 2014, the new rules of the competitive selection of personnel for vacant positions developed in accordance with the HR policy of “Samruk-Kazyna” for 2013-2022 were approved.

The new rules provide for three testing stages:

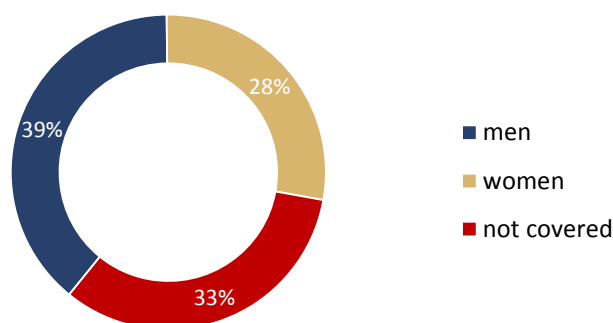
- Assessment of professional knowledge;
- Aptitude tests;
- Level of the state and English languages.

All employees are provided with equal opportunities to realize their potential in the workplace; assessment of performance is impartial and fair.

The Company has a system of performance evaluation. Annually the Real Estate Fund approves objective cards and individual development plans for administrative staff; we implemented the system of performance monitoring and goals adjustment.

In 2014, according to the results of the final assessment of the administrative employees, 6 employees are recommended for inclusion in the internal talent pool.

Percent of employees, who passed the periodical assesment of productivity and career development (evaluation) in 2014



In order to ensure succession, identify employees with high potential and increase motivation of employees the Real Estate Fund is establishing the candidate pool.

In accordance with the Rules of formation and organization of work with the candidates pool, the candidates pool system consists of the internal candidates pool of the Real Estate Fund and the candidates pool program of the Sole Shareholder.

In 2014, we held the Calibration session with the participation of the Chairman of the Board of Directors and members of the Nomination and Remuneration Committee to assess the potential executive and management employees, where after reviewing the evaluation reports and TalentQ questionnaires for executive and management employees, as well as ratings of Department Heads, the employee potential ratings were determined as: “B- Good potential” and “C- Acceptable potential.” According to the results of this calibration session, the Board of Directors approved the succession plan for key positions in the Real Estate Fund.

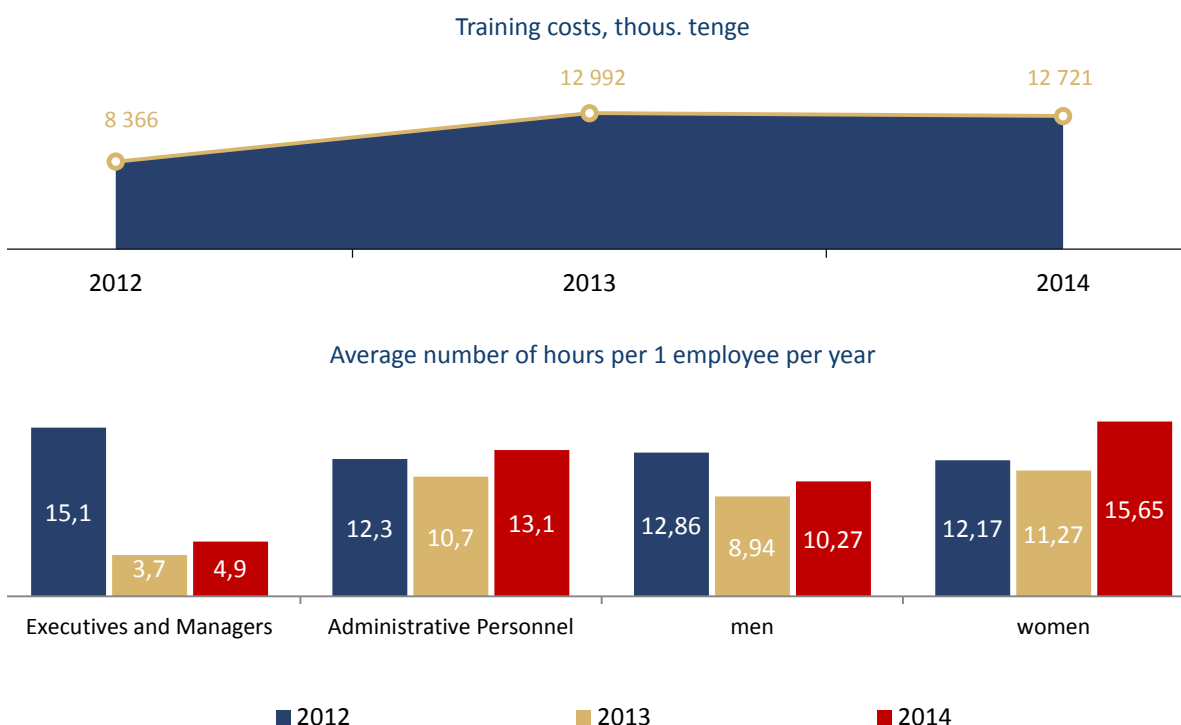
The information on the candidates poor and succession planning was heard and taken note of at the meeting of the Nomination and Remuneration Committee in September 2014 and at the meeting of the Board of Directors in October 2014

## Training and continuous professional development

The aim of the continuous professional development policy is to create an effective system of training and education, develop managerial skills and leadership potential of managers and allow the employees to acquire professional knowledge and skills that meet the needs and interests of the Company.

Based on individual development plans for employees the Real Estate Fund annually generates the schedule for training and development of employees.

In 2014, 50 employees competed training and professional development courses (50% more than in 2013).



## Motivation

The Real Estate Fund has a financial and non-financial incentive system to motivate its employees.

Within the system of financial incentives for administrative staff, a quarterly bonus system at a rate not exceeding one salary and depending on the employee's performance evaluation was introduced.

Non-financial incentives include awards presented at the national level and awards of the Sole Shareholder and the Real Estate Fund.

According to results of the 2014, the best employees were awarded diplomas from the Real Estate Fund and received valuable gifts.

## Social safeguard and benefits

The Company's social policy is based on compliance with the labor legislation and focuses on health and safety, occupational safety, supporting groups in need of social assistance.

In order to ensure the health and safety of employees, the Real Estate Fund approved the policy of occupational health and safety, according to which measures are being taken to create an enabling, healthy and safe working environment for employees and prevent occupational injuries and diseases. Trainings on the workplace safety and fire safety are carried out regularly.





In accordance with the Rules of social support of employees of “Real Estate Fund “Samruk-Kazyna” JSC, the financial aid to employees includes:

- amount not exceeding 2 (two) monthly position salaries for health improvement during the payable annual leave
- amount not exceeding 1 (one) monthly salary of the employee due to the birth / adoption of a child;
- owing to the death of:
  - the employee – amount not exceeding 1 (one) monthly salary of the employee made in one-time payment to one of the family members;
  - the spouse, children, parents of the employee – amount not exceeding 10 MS;
- payments for medical treatment/intervention of the employee in accordance with the list of diseases that may cause temporary incapacity more than two months.
- Employees are paid compensation for temporary incapacity in accordance with the labor legislation.

Pregnant women, women who have a child (children), employees who adopted a newborn child (children) in accordance with the Labor Code of the Republic of Kazakhstan are provided with the following leave in connection with the birth of the child:

- maternity leave,
- unpaid leave to care for a child under the age of three years.

In 2014 the social aid in the form of one-time financial aid was provided to 7 employees due to child birth totaling 3 225 mln. tenge and to 1 employee owing to the death of close relatives totaling 0,7 mln. tenge.

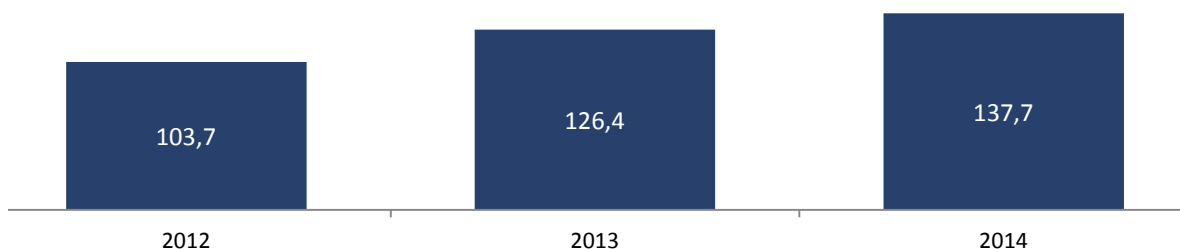
In accordance with Article 194-1 of the Labor Code of the Republic of Kazakhstan and the amendments to the Rules of social support to employees of “Real Estate Fund “Samruk-Kazyna” JSC, approved by the Board of Directors (minutes № 76 dated 07.10.2013) the Real Estate Fund makes the maternity leave payment maintaining the average salary minus the amount of social benefits in case of loss of income due to pregnancy and childbirth.

In 2014, 4 female employees received paid maternity leave with pay of the average wage minus the amount of social benefits in case of loss of income due to pregnancy and childbirth, according to the labor legislation of the Republic of Kazakhstan.

In accordance with Article 131 of the Labor Code of the Republic of Kazakhstan and paragraph 16, section 3 of the Rules of compensation of employees of “Real Estate Fund “Samruk-Kazyna” JSC approved by decision №76 of the Board of Directors of the Real Estate Fund dated 07.10.2013, charging acting duties shall provide for an additional payment for combining positions in the amount of not more than 30% of the salary.

In 2014, the social security contributions and social support amounted to 137.7 million tenge (85% of the plan), which exceeds the figure in 2013 by 8.9%.

Social security contributions and social support, mln. tenge



The company carries out voluntary health insurance for employees and their families, as well as insurance against accidents.

In 2014, the Real Estate Fund signed an agreement for voluntary health insurance (70 employees and 131 family members) with "Insurance Company "Alliance Policy" JSC for 14.5 million tenge (in 2013- 15.1 million tenge).

The Real Estate Fund signed a contract of compulsory insurance of employee against accidents while performing his job duties with "Grandes" Life Insurance Company" JSC for 279.4 thousand tenge (in 2013 the amount of the contract comprised 295.7 thousand tenge) as well.

In the period 2009-2014 no occupational injuries occurred.

In 2014, no occupational injuries have been recorded, which corresponds to the plan.

Under the current legislation of the Republic of Kazakhstan, all of the Company's staff members are required to transfer pension contributions to pension funds.

#### Compulsory pension contributions of the employees, thous. tenge

2012	2013	2014
59 812	76 024	83 220

### Employees engagement

In order to assess the social well-being in the workplace, each year we study the staff commitment in accordance with the Methodology for the study of staff commitment of the Sole Shareholder through a web-based survey and employee survey papers.

The commitment index evaluated in 2014 was 75%, while the planned value had been 70%; this characterizes stable and positive situation in the team, and it is one of the highest rates among the companies of "Samruk-Kazyna" JSC.

This index includes:

Satisfaction index- 79%

Loyalty index- 74%

Initiatives support Index- 63%.

92% of the covered employees expressed satisfaction with the scope and content of the work, 91%- with the information level required for the work, 89%- the work and rest schedule, 87%- the remuneration system, 86% - the opportunity to learn something new and additional training.

The most important indicator of the Company's employees satisfaction is the absence of labor disputes.

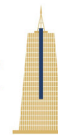
In order to strengthen corporate relations, create a favorable atmosphere in the team and union of employees the Real Estate Fund arranged festive and sporting events in 2014.

### Environmental responsibility

The Company has adopted and implemented an environmental policy.

The company is committed to uphold the principles of solicitous attitude to the environment and sustainable use of natural resources, supports preventing negative impacts on the environment, takes initiatives aimed at increasing responsibility for the environment, contributes to the development and expansion of environmentally friendly and energy-saving technologies.

The company actively implements the principles of "green construction" in the ongoing projects. The employees regularly receive appropriate training. Over the past year, all employees of the Department of Innovative Development of Kazakhstan content of the Real Estate Fund participated in training workshops on international certification systems of buildings in the field of "green" construction such as LEED, BREEAM, master classes on Passive House and Strawbell House principles of construction. In 2015, the Company plans to have 3 employees qualified for the international standard of "green" construction.



According to the new long-term development strategy, a pilot project for the definition of the basic requirements for “green” technologies in projects of the Real Estate Fund was developed. This document defines the procedure for assessing the level of use of “green” technologies in the context of several categories (such as energy, transport, water, waste, etc.) and giving the project a certain level of use of “green” technologies, which can later serve as a criterion for decision-making for funding. The basic requirements aim at improving the quality of investment projects of the Company, formation of adequate environment for human life and sustainable development of the territory and economy of the Republic of Kazakhstan.

In accordance with the Environmental Policy, during the projects selection stage, the Company follows the list of recommended technologies ensuring comfort, safety and operating economy of residential projects in accordance with SNIP RK and international experience. This allows for the use of energy-efficient technologies, rational use of resources and minimizing environmental risks.

At the stage of project implementation the Real Estate Fund ensures the following activities:

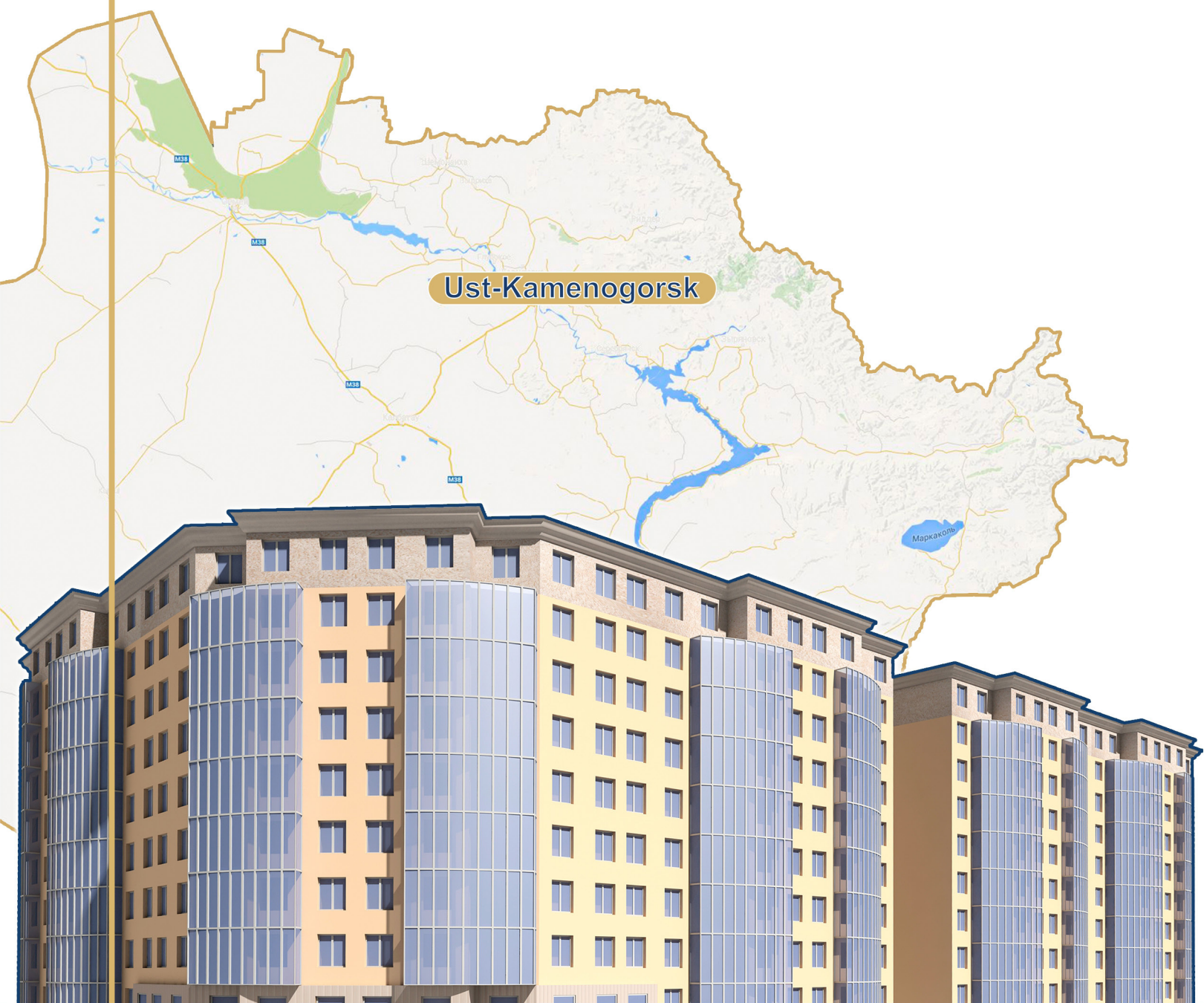
- monitoring air pollution by controlling the presence of catalytic converters for purifying exhaust gases of cars using unleaded gasoline as fuel, control of fuel additives that reduce toxicity and smoke level of exhaust gases, equipping vehicles running on diesel fuel, with exhaust gas neutralizers; monitoring the implementation and improvement of technical and technological solutions (including the transition to other (alternative) fuels, raw materials, and so forth) allowing to reduce the negative impact on the environment not covered by the project documentation;
- monitoring the protection and rational use of water resources, by controlling the construction of networks for the transport of drainage, mine and storm water, household, industrial and agricultural effluents and waste (sludge tanks, sumps, ash dumps, evaporation pools, etc.)
- monitoring land conservation, by controlling the implementation of measures aimed at restoring natural fertility or increasing soil humus; monitoring of mandatory landscaping of residential complex areas and increasing green areas;
- monitoring production waste and consumption, by controlling the implementation of technologies for the collection, transportation, neutralization, use and processing of all types of waste, including abandoned waste; control of measures intended to eliminate unauthorized (natural) landfills and historical pollution, measures to prevent their occurrence in the future, timely land restoration damaged by industrial pollution, municipal solid wastes and other wastes;
- monitoring the implementation of regulations and proposals issued by the competent authorities in the field of environmental protection, in accordance with the requirements of environmental legislation;
- monitoring the application of energy-saving technologies, control over the replacement of energy-intensive processes and materials by more energy-efficient options, introduction of technologies designed to efficiently use energy of the building (energy-efficient windows, silent elevators, heated floors, light control system, artificial acclimatization, wireless communication, etc.), as well as other innovative technologies to reduce the impact on the environment.

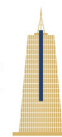
Application of ecological principles in the general activities:

In order to manage its own impact on the environment and implement these principles, the company has taken measures ensuring thrifty consumption of paper, supplies and energy resources as well as implemented and improved the electronic document management and electronic reporting systems in the corporate center and subsidiaries of the Company.

Following the principles of maximum careful and rational attitude to the environment, the company will support initiatives for the protection of the environment in its activities, including:

- prevention of negative impacts on the environment, use of the best environmental practices;
- promotion of the development and expansion of environmentally friendly technologies;
- initiatives on using of alternative energy sources, reducing energy consumption and improving energy efficiency.





In 2015, the Real Estate Fund plans to complete the adoption of new commitments under “Affordable Housing-2020” program. The Real Estate Fund’s pool under this program is planned to increase up to 637 square meters, i.e. the increase in 2015 will be not less than 180 square meters.

As much as 150 square meters of housing facilities financed by the Real Estate Fund are to be commissioned in 2015.

The population will receive 142 square meters of housing by rent-to-own procedure under “Affordable Housing - 2020” program.

The Real Estate Fund will promote increasing of the local content in the construction of the projects financed by it. The planned indicator of Kazakhstan content is 71%.

As part of the measures to execute instructions of the Head of the State, a series of cost optimizing and efficiency increasing measures will be implemented.

The Real Estate Fund will continue improving the corporate governance system. It is planned to achieve the corporate governance rating of not less than 75%.

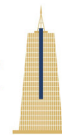
Within the Program of Transformation of “Samruk-Kazyna” JSC group companies, it is planned to carry out an in-depth analysis of business processes, develop proposals on the organizational structure and optimize the management levels.





## ABOUT THE REPORT





The Real Estate Fund strives to provide timely, accurate and complete information about its performance.

Following current trends in the field of information disclosure, the Real Estate Fund presents the integrated report with a holistic approach to evaluating the performance results taking into account the sustainable development policy.

## Scope of the report

The report highlights the Real Estate Fund's activities for the period from January 1, 2014 to December 31, 2014.

The report has been prepared in accordance with the requirements of the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), version 3.1, and industry annexes to the Guidelines for the financial services sector. The report meets the criteria for application level "C". In 2014 the Report additionally revealed two performance indicators: "LA 5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements" and "EC 4 Significant financial assistance received from the government."

The list of standard elements is specified in the relevant GRI table (Annex 3).

The information disclosed in the report is presented in consolidated form and covers the activities of the whole Real Estate Fund Group.

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

- identification of interests and expectations of the stakeholders;
- identification of topics and issues that are relevant in terms of impact on the activities and implementation of the development strategy of the Real Estate Fund;
- identification of the impact of the activities of the Real Estate Fund on the economy, society, environment and stakeholders.

The Annual Report for 2014 is posted on the corporate website [www.fnsk.kz](http://www.fnsk.kz) in the Kazakh, Russian and English languages.

Paper versions of the Report are available upon request at the following contact details.

## Assurance

This report has not gone through independent assurance of the sustainable development indicators. The Real Estate Fund recognizes that an independent assurance of reports on sustainable development allow for improvement of balance, reliability and authenticity of the performance results of the Company, as well as meeting the requirements of stakeholders.

The Real Estate Fund will seek to provide the independent assurance of sustainable development reports in the future.

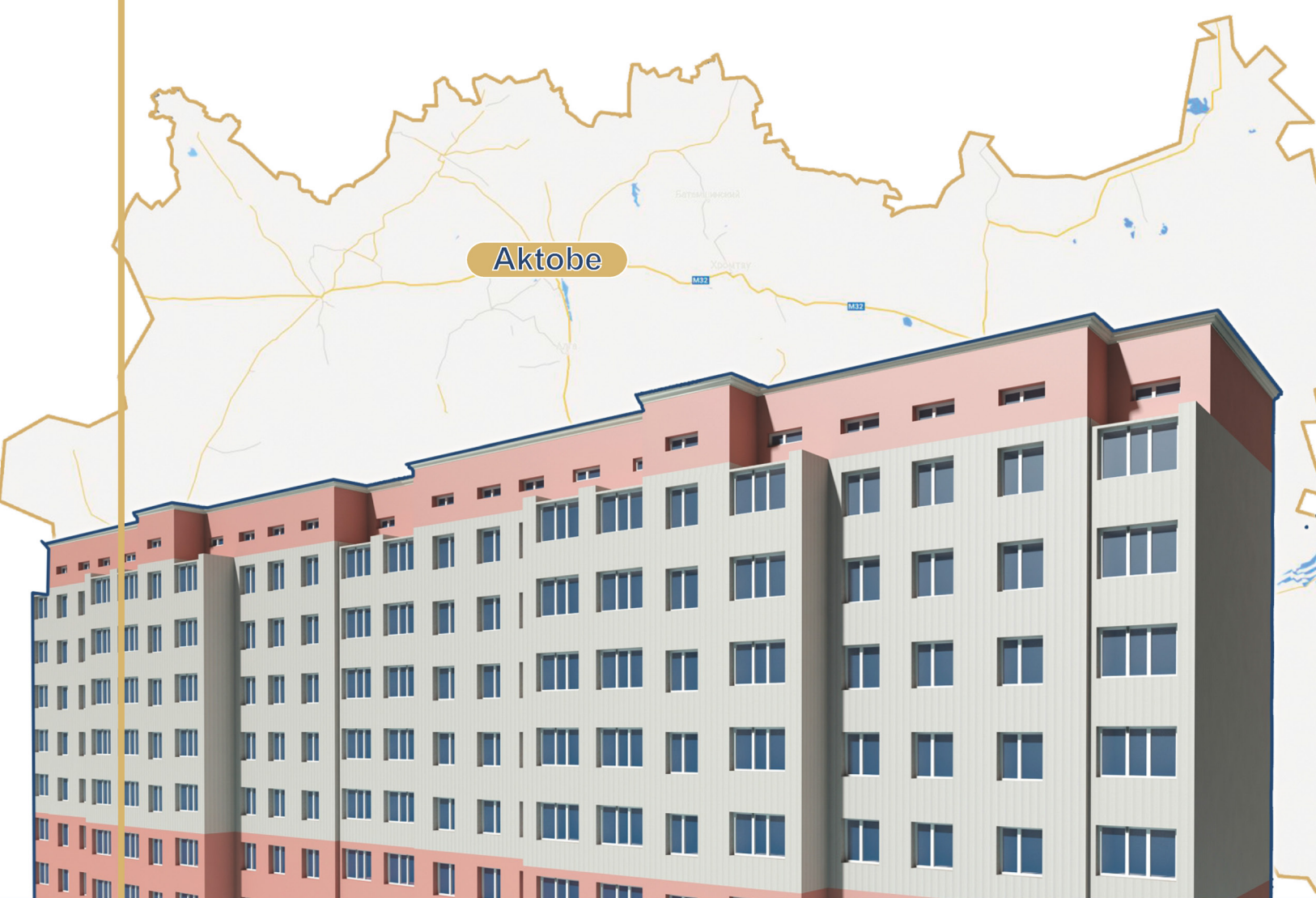
## Contact information

You can send your questions, comments and proposals regarding this Report, as well as request for hardcopy to:

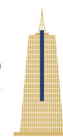
**«Real Estate Fund «Samruk-Kazyan» JSC**

010000, Astana, Orynbor st. 10.

Tel. +7 7172 570210 (reception), Fax +7 7172 575522 [astana@fnsk.kz](mailto:astana@fnsk.kz), [office@fnsk.kz](mailto:office@fnsk.kz).



## ANALYSIS OF HOUSING CONSTRUCTION SECTOR

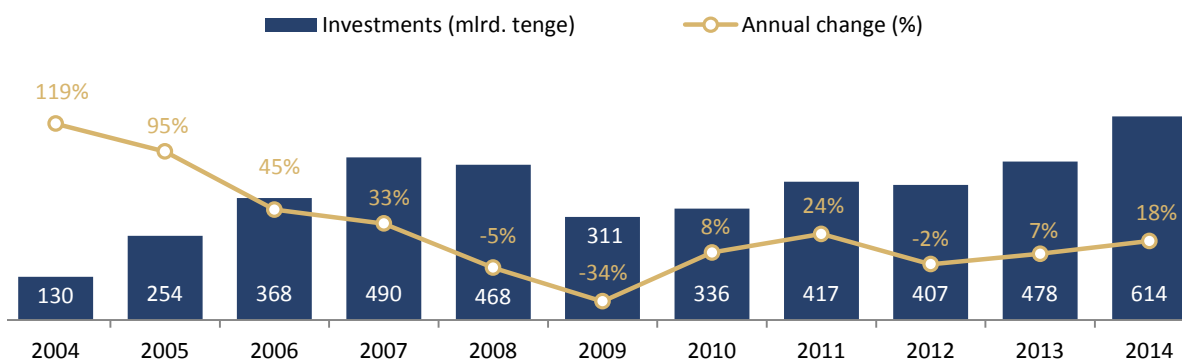


## 1. The main indicators of housing construction sector

### 1.1. Housing construction investments

In 2014 in the republic housing construction investments amounted to 613.6 billion tenge, that is by 18.1% more than in 2013. Regionally in January – December 2014 138.7 billion tenge and 109 billion tenge were allocated to Astana and Almaty respectively.

Amount and behaviour of housing construction investments, 2004-2014



Source: The Agency of Statistics of the Republic of Kazakhstan

### 1.2. The sources of housing construction investments in 2014.

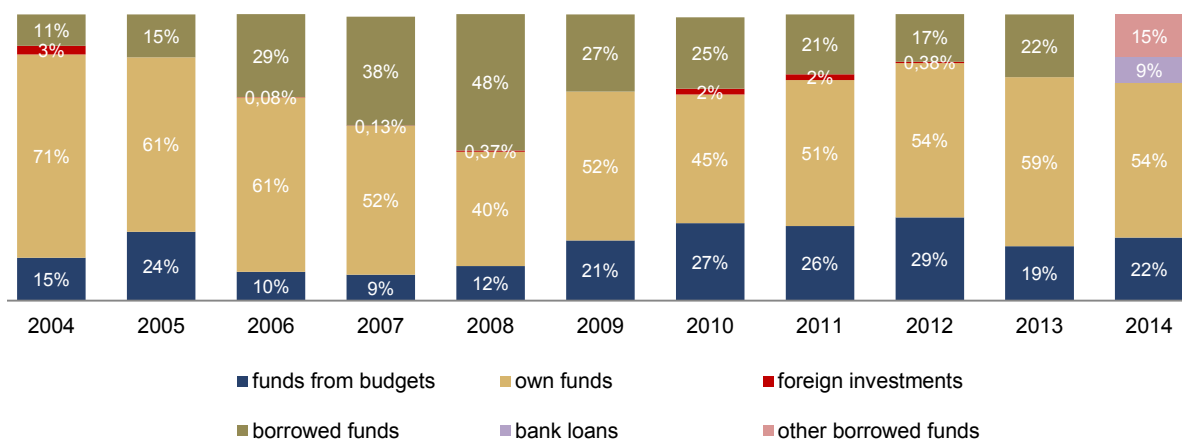
The prevailing sources of housing construction investments in Kazakhstan during the reporting period are own funds of developers and the population (54% versus 59% in 2013).

In the reporting period, the change in the structure of the sources of financing is observed in the direction of increasing the proportion of funds allocated from the budget (22% versus 19% in 2013). The proportion of funds allocated by the banks, including the foreign ones, to the housing construction was 15%. Another borrowed funds (except for loans from the bank) in the reporting period was 9%.

In Almaty investments from own funds of the population and loan funds of the banks in 2014 were 42% and 31% respectively.

In Astana the proportion of another loan funds (except for loans from the bank) was 47%, own funds and budget funds were 33% and 12% respectively.

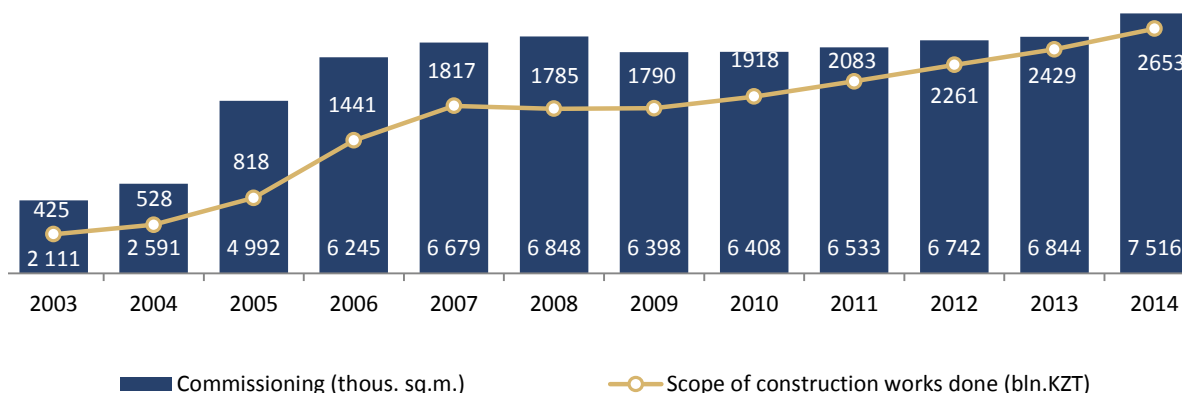
Sources of housing construction investments in the Republic of Kazakhstan



Source: The Agency of Statistics of the Republic of Kazakhstan

### 1.3. Scope of performed construction works and commissioning of residential buildings

Scope of performed construction works and commissioning of residential buildings



Source: The Agency of Statistics of the Republic of Kazakhstan

**The scope of performed construction works (services)** in Kazakhstan in January- December 2014 increased by 4.1 in comparison with 2013 and equaled 2 652.5 billion tenge.

The largest scope from the total scope of construction works in the republic was performed by the private construction organizations – 86.3%, foreign – 13.1%, state – 0.6%.

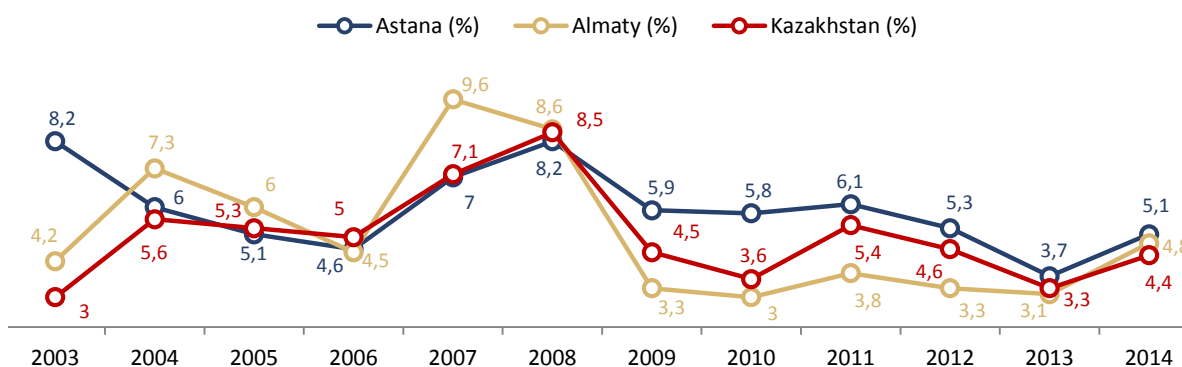
Increasing in scope of construction works is observed in twelve regions of the republic. In this case, a significant increase has been observed in Astana (+35.8%), West Kazakhstan region (+24.1%), Pavlodar region (+16.8%), Akmola regions (+16.1%) and in Almaty (+11.7%).

**The total area of commissioned residential buildings** in 2014 increased by 9.8% compared with 2013 and equaled 7 516.5 thousand sq.m. Totally in the country 63 724 apartments **were put into operation**. The major part of housing- 5 884,7 thousand sq.m. or 78.3% was put into operation by private developers, among them by the population- 3 785,4 thousand sq.m., that is 50.4% from the total scope.

Increase in commissioning of housing is observed in all regions of the republic. A significant increase was recorded in Almaty region (+33.3%), Pavlodar region (+24.3%), Mangystau region (+10.1%), in Almaty (+14.5%) and Astana (+9.6%).

**1.4. The price index in the construction sector** for 2014 was 104.4%. The prices of construction and installation works, machinery and equipment increased by 4.5% per annum, prices of other works and expenses – by 43.9%. Average actual construction costs of 1 square meter of housing in multifamily houses in January – December 2014 were 108,4 thousand tenge, and in residential houses, constructed by the population- 58,8 thousand tenge.

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

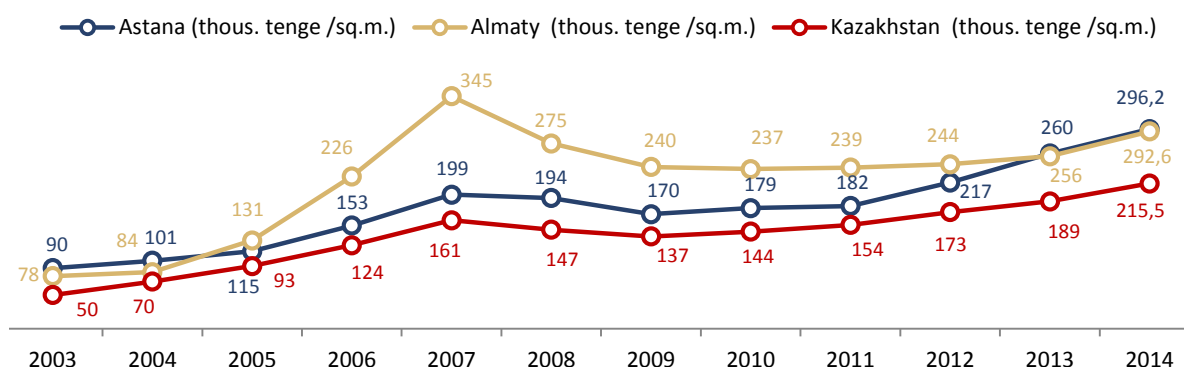


Source: The Agency of Statistics of the Republic of Kazakhstan

In addition to that, it should be noted that devaluation of the national currency held in February 2014 significantly influenced cost of construction.

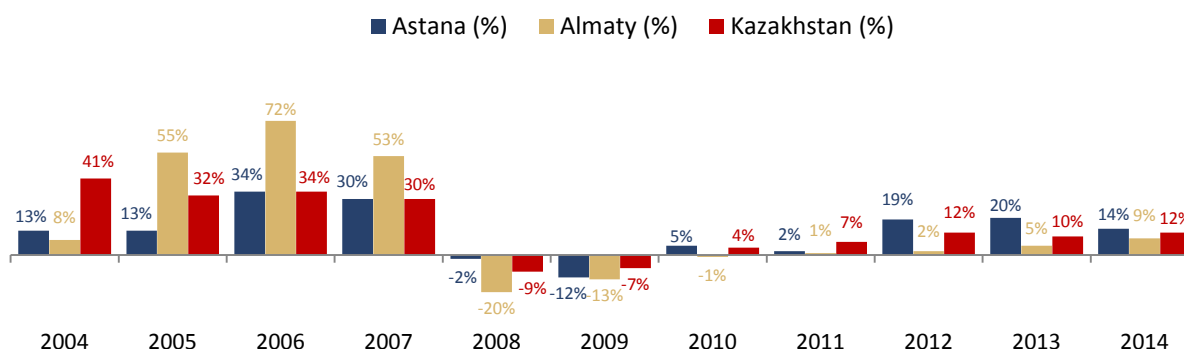
### 1.5. Dynamics of sales prices (primary and secondary housing) and residential lease, number of housing purchase and sale transactions

Sale prices of the new housing



Source: The Agency of Statistics of the Republic of Kazakhstan

Change of sale prices of new housing (in % by December of the previous year)

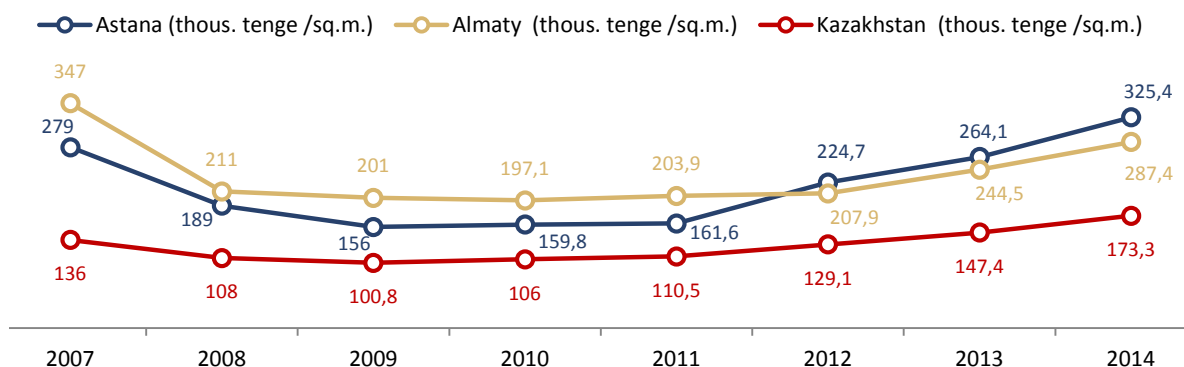


Source: The Agency of Statistics of the Republic of Kazakhstan

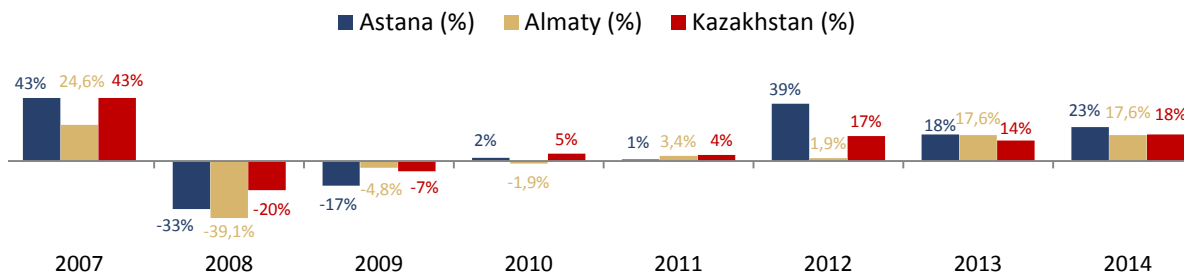
In 2014 the trend of increase of prices in the housing market continued. Average in the country the price of 1 sq.m. of new housing was 215,5 thousand tenge (growth by December 2013 by 11.5%), resale of housing with amenities was 173.3 thousand tenge (growth by December 2013 by 17.6%). The price of real estate rent also increased compared with December 2013.

The greatest increase in the prices of new housing compared with December 2013 is observed in Kokshetau (+23.9%), Aktau (+21.3%) and Pavlodar (+19.0%). In Astana, Almaty, Shymkent and Atyrau the price of 1 sq.m. of new housing was 296,2 thousand tenge, 292,6 thousand tenge, 242,4 thousand tenge and 221,1 thousand tenge respectively. In other major cities of Kazakhstan, this indicator is lower than the average value in the republic.

Prices of resale of housing with amenities (secondary housing)

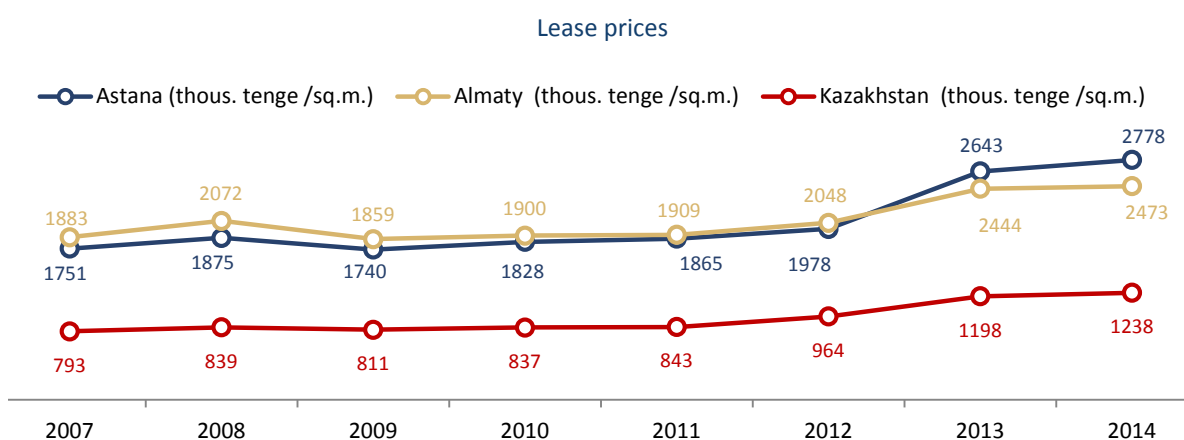


### Change of prices of resale of housing with amenities (secondary housing) (%, to the previous year)



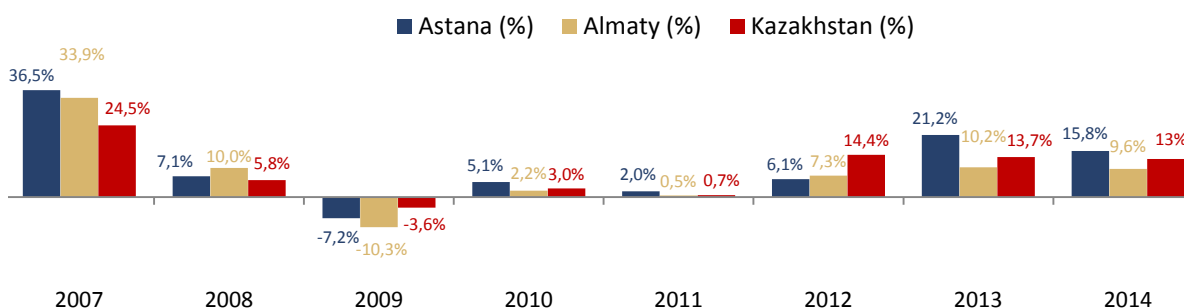
Source: The Agency of Statistics of the Republic of Kazakhstan

### Residential lease prices



Source: The Agency of Statistics of the Republic of Kazakhstan

### Change of residential lease prices (in % by December of the previous year)



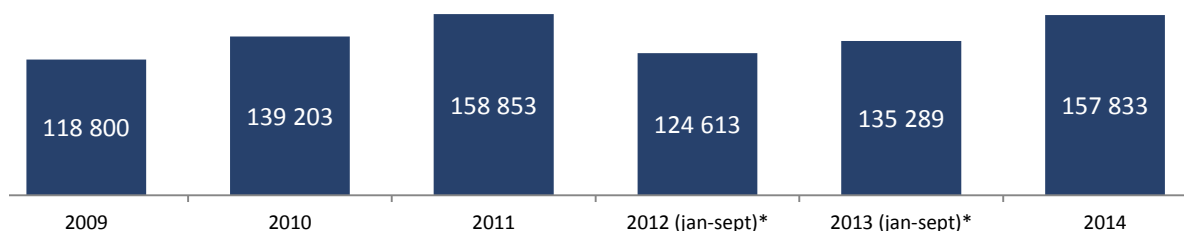
Source: The Agency of Statistics of the Republic of Kazakhstan

**The average price of lease of housing with amenities** in December 2014 was 1 238 tenge per 1 sq.m., and the growth by December 2013 was 13%. The highest price of lease was recorded in Astana (2 778 tenge per 1 sq.m.), Almaty (2 473 tenge per 1 sq.m.), Aktau (2 184 tenge per 1 sq.m.), Karaganda (1 552 tenge per 1 sq.m.), Atyrau (1 418 tenge per 1 sq.m.), Ust-Kamenogorsk (1 310 tenge per 1 sq.m.). In the other big cities this figure is lower than the average value in the country. And the greatest increase of prices of lease of housing compared with December 2013 was in Kokshetau (+30.6%), Shymkent (+28.9%), Karaganda and Pavlodar (+19.2%), Kostanay (+17.8%), Taldykorgan (+17.4%), Astana (+15.8%).



In 2014 activity on the market of sale and purchase of housing decreased. In 2014 **the number of housing sale and purchase transactions<sup>1</sup>** was 157 833, and compared with the corresponding period of 2014 decreased by 13.7%. Decrease of activity in the segment of sale and purchase of apartments in multifamily houses was recorded in 13 regions. Figures for another two regions remained more or less without changes.

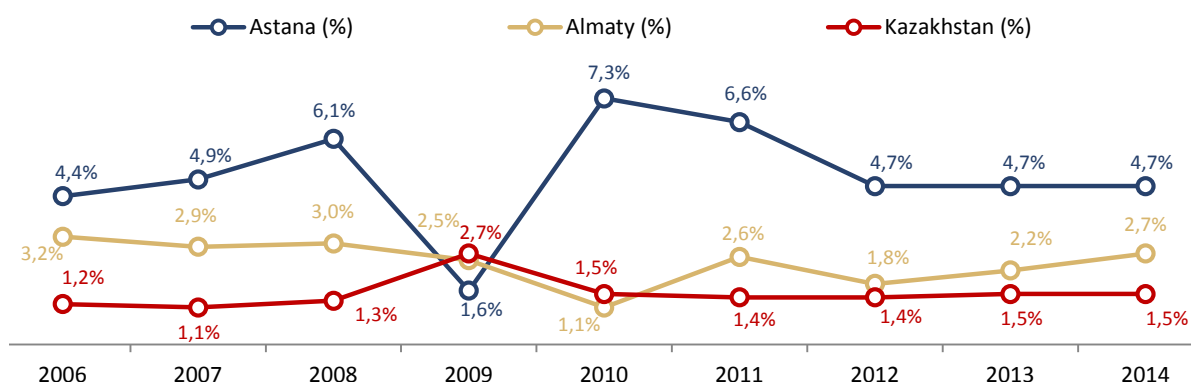
Number of housing sale and purchase



Source: The Agency of Statistics of the Republic of Kazakhstan

## 2. The key indicators affecting housing construction sector

Accession rate of the population of Kazakhstan



Source: The Agency of Statistics of the Republic of Kazakhstan

**2.1.** Accession rate of the population of the country compared with 2013 has not changed, while for the reporting period the population of RK has increased by 1.5% compared with the value of the indicator at the end of 2013, and was 17 417,5 thousand people, including in Astana 853 thousand people and in Almaty 1 548 thousand people.

**2.2. Per capita nominal income of the population** in December 2014, according to the preliminary data, was 72 201 tenge, having increased compared with the corresponding period of 2013 by 10.2%. Real income increased by 2.6%.

The leading position in terms of per capita income in December 2014 was taken by Atyrau region, Astana and Mangystau region, where this figure exceeded the average national level in 2.1-1.9 times.

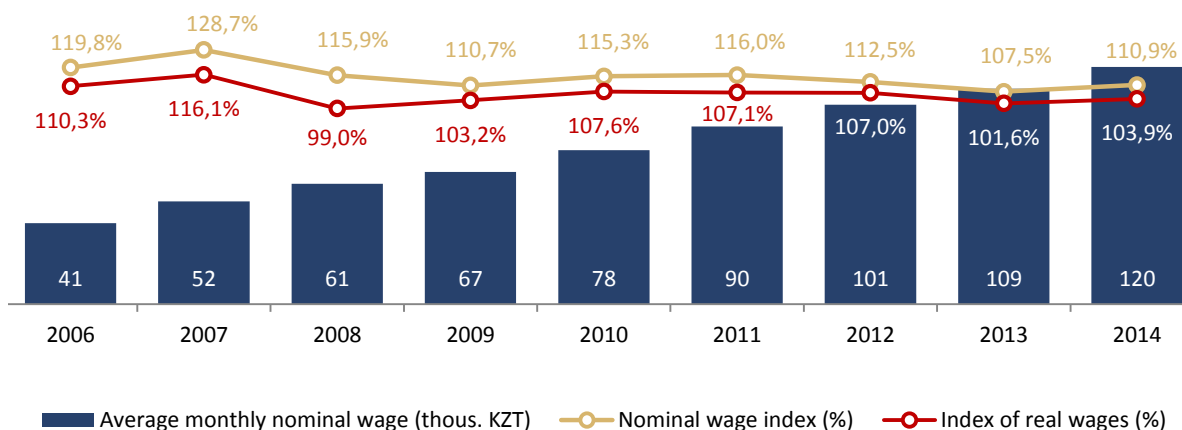
Among the most low-income regions in December 2014 were South Kazakhstan, Zhambyl region and Almaty region, where the amount of income of the population by 28-43% lower than the national level. However, the highest rates of growth of real incomes of population were recorded in Mangystau region and Astana.

The ratio between the maximum and minimum values of the nominal incomes by regions in December 2014 was 3.7 times (in December 2013-3.6 times).

<sup>1</sup>Information has been prepared by ASRK on the basis of data from the Ministry of Justice of the Republic of Kazakhstan as of 06.01.2015

\* As of 31.12.2014 according to data of The Agency of Statistics of RK under Ministry of Justice of the Republic of Kazakhstan suspended provision of information about the number of housing sale and purchase transactions to Statistical Agency of RK in order to exclude the publications of unreliable data for the period of October – December 2012, as well as for the period of October – December 2013 due to lack of data for the same period of 2012.

The average monthly salary

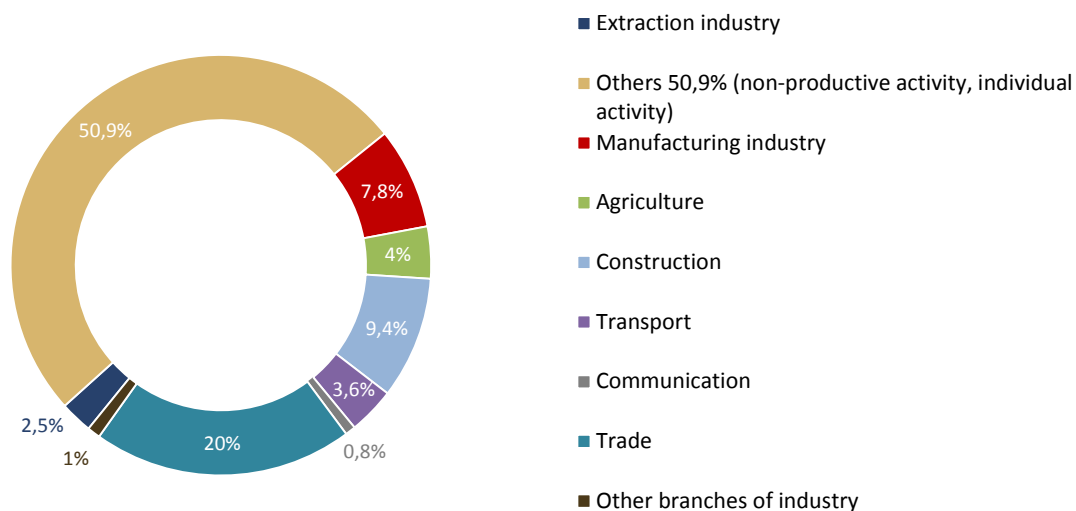


Source: The Agency of Statistics of the Republic of Kazakhstan

In 2014 the average monthly nominal salary in RK was 120.5 thousand tenge versus 108.6 thousand tenge in 2013. The index of the nominal salary in 2013 was 110.9%, actual – 103.9%.

**2.3.** Construction remains one of the main industry, credited by second-tier banks. On January 1, 2015 in the **loan portfolio of second-tier banks** construction makes about 9.4% or 1 143,6 billion tenge (on January 1, 2014- 12.3% or 1 383,3 billion tenge). In addition, non-productive sphere (including individual activity) composes 50.9% of the total loan portfolio, trade – 20%. On January 1, 2014 these figures were 49.2% and 19.5 respectively.

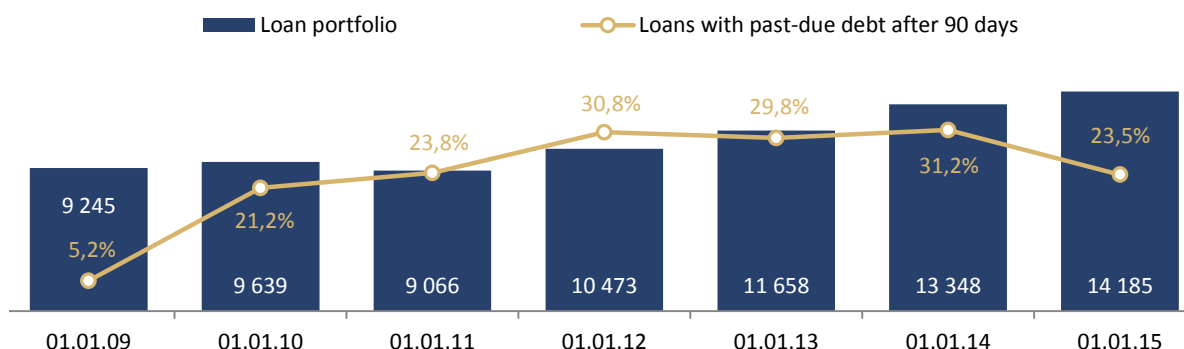
The loans of STB by economic activity



Source: National Bank of the Republic of Kazakhstan

## The loan portfolio of STB

Dynamics of the loan portfolio and loans with overdue repayments of debt over 90 days of the banking sector of RK



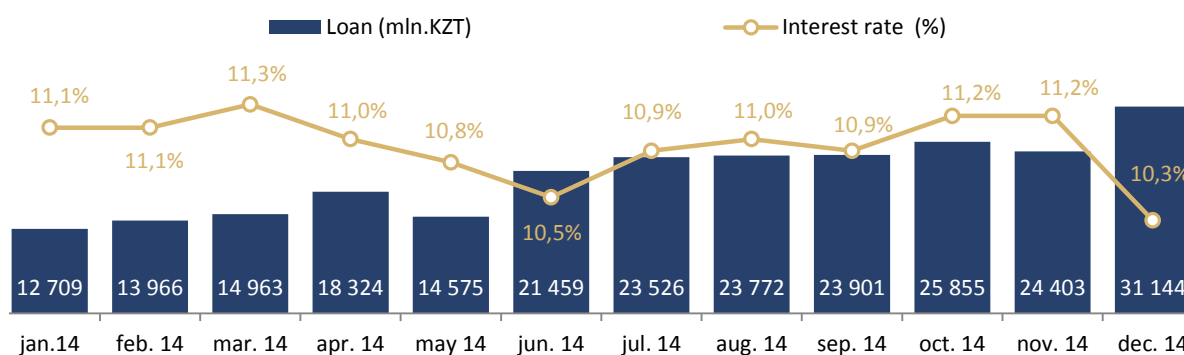
Source: Committee on the control and supervision of the financial market and financial organizations of the National Bank of the Republic of Kazakhstan

The loan portfolio of the banking sector of RK on January 1, 2015 was 14 185 billion tenge, having increased compared with the beginning of the year on 837 billion tenge or 6.3%.

At the same time improvement of the quality of the total loan portfolio of STB is observed: on January 1, 2015 the loans with overdue repayment of debt over 90 days composes 3 340,4 billion tenge or 23.5% of the loan portfolio (at the beginning of 2014 it was 4 158 billion tenge or 31.2 of the loan portfolio).

Reduction of the growth of rate of credit granting by STB to private individuals for construction and purchase of real estate takes place. On January 1, 2015 loans to private individuals for purchase and construction of housing was 1 004.3 billion tenge, including mortgage loans – 935.0 billion tenge, having increased from the beginning of the year by 1.6% versus 5.8% in 2013. The average weighted interest rate on mortgage loans was 10.9%.

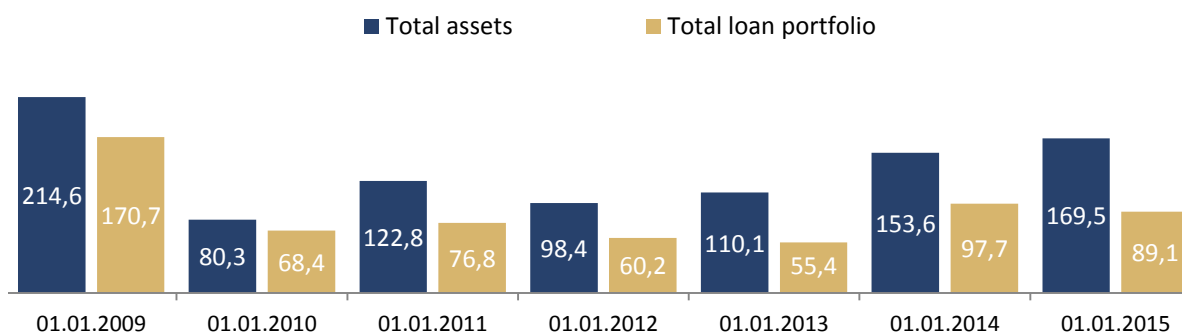
### Loans of STB provided to individual persons for construction and purchase of real estate



Source: National Bank of the Republic of Kazakhstan

## The structure of the loan portfolio of mortgage institutions

Total assets and loans provided by mortgage institutions



Source: Committee on the control and supervision of the financial market and financial organizations of the National Bank of the Republic of Kazakhstan

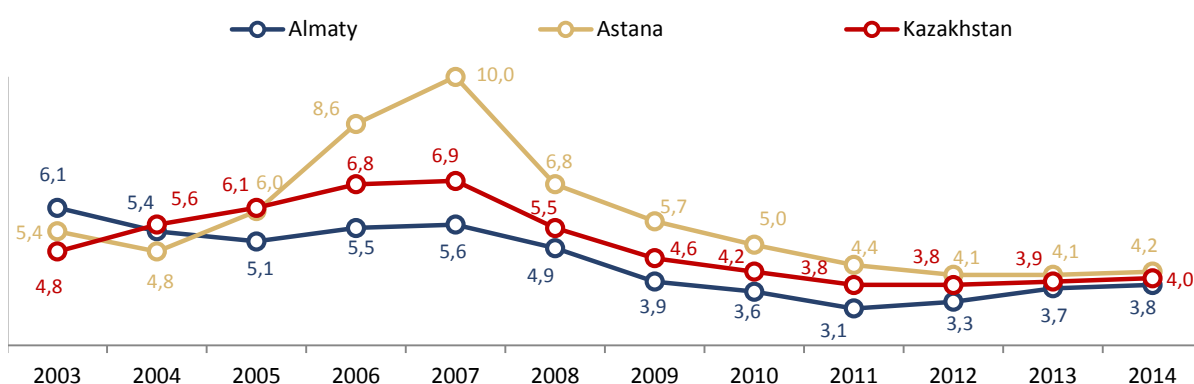
The analysis of mortgage programs offered by STB shows deceleration in growth of loan offer in the mortgage market: from December 8, 2014 some STB have suspended mortgage lending. Relative share of mortgage loans in the total volume of loans decreased from 6.7% to 6.6 for the year. Effective interest rates on mortgage loans ranges from 13.5% to 14.6%. Some STB waived the mandatory initial installment, if a borrower provides additional security.

On January 1, 2015 3 **mortgage institutions** operated on the financial market. The largest share in the total loan portfolio of mortgage institutions takes loans provided by "Mortgage Institution "Kazakhstan Mortgage Company" JSC.

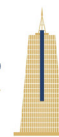
On January 1, 2015 the aggregated amount of assets of mortgage institutions was 169.5 billion tenge, having increased by 10.4% compared with January 1, 2014. The total loan portfolio of mortgage institutions on January 1, 2015 was 89.1 billion tenge, having decreased by 8.8% for one year.

### 3. The analysis of housing affordability

Housing affordability coefficient



Source: Calculations of Real Estate Fund "Samruk – Kazyna"



**3.1.** From 2007 to 2012 in the whole of Kazakhstan the tendency on improvement of **housing affordability<sup>2</sup>** was traced. However, since 2013 decrease in housing affordability compared with 2011-2012 has been observed, reaching in 2014 a value of 4 years, that reflects the transition from the category “fairly unaffordable housing” to “seriously unaffordable housing”. It is necessary to note that with an increase in the level of sales prices for new housing by 11.5%, the rate of growth of the real salary was 103.9%. Housing affordability coefficient in Almaty still remains high, having increased by 0.1 percentage points compared with 2013.

#### 4. Measures of state support for housing construction

In pursuance of the Message of the President of the Republic of Kazakhstan dated 27.01.2012 “Social and economic modernization is the main direction of development of Kazakhstan”, “Affordable housing-2020” program was approved by the Decree of the Government of the Republic of Kazakhstan dated 21.06.2012.

Amendments and alterations to “Affordable housing-2020” program in terms of mechanisms of housing distribution through “Real Estate Fund “Samruk – Kazyna” JSC by the local executive boards were approved by the Decree of the Government of RK dated March 31, 2014.

“Program of development of the regions until 2020” (hereinafter – the Program) was approved by the Decree of the Government of RK dated June 28, 2014 No. 728. Due to this fact since January 1, 2015 “Affordable housing-2020” program has ceased to be effective as an independent program, becoming the part of the new Program.

Goal	Tasks	Areas of activity
<b>A comprehensive solution of the problems of housing construction development, providing a further increase in the housing affordability for the population</b>	<ul style="list-style-type: none"> <li>Formation of full-fledged sustainable housing market;</li> <li>Development of utilities and communications infrastructure of the areas of housing development;</li> <li>Solution of an issue of demolition of housing in disrepair;</li> <li>Development of individual housing construction;</li> <li>Support of housing construction by non-profit associations of citizens, including housing construction cooperatives, as well as individual developers.</li> </ul>	<ol style="list-style-type: none"> <li>Housing for people on the waiting lists of Akimats (Mayor’s offices) of the regions, Astana and Almaty.</li> <li>Housing through Housing construction saving bank of Kazakhstan:               <ol style="list-style-type: none"> <li>For all categories of the population;</li> <li>For young families.</li> </ol> </li> <li>Housing of “Mortgage Institution “Kazakhstan Mortgage Company” JSC.</li> <li>Repair of housing stock under the Program of modernization in the Republic of Kazakhstan for 2011-2020.</li> <li>Housing under pilot projects for demolition of housing in disrepair.</li> <li>Individual housing construction.</li> <li>Construction of utilities and communications infrastructure.</li> <li>Housing of “Real Estate Fund “Samruk – Kazyna” JSC</li> </ol>

Under the Program of development of the regions until 2020 (“Affordable housing-2020” program) a complex of measures of state support of the following main areas of housing construction is provided: housing construction by the local executive boards for people on the waiting list, as well as through “Housing Construction Saving Bank of Kazakhstan” JSC for all categories of citizens and for young families, construction of rental housing through “Mortgage Institution “Kazakhstan Mortgage Company” JSC, financing of construction and sale of housing through “Real Estate Fund “Samruk – Kazyna” JSC, development of utilities and communications infrastructure of built-up areas, individual housing construction and other areas. The main goal of public housing policy is to create conditions for citizens with affordable housing.

<sup>2</sup>Housing affordability is evaluated based on special index which is calculated as the average price of 1 sq.m. multiplied by 18 (housing norm according to SNIP RK) and divided by the salary per 1 year (the average monthly salary multiplied by 12 (number of the months) and multiplied by 3/2 (3 persons in a family: 2 adults and 1 child; 2 salaries). Fluctuation range of this coefficient characterizes affordable housing (up to 3), fairly unaffordable housing (3.1-4), seriously unaffordable housing (4.1-5), significantly unaffordable housing (over 5.1). This coefficient assesses how many years a family of 3 members must work to earn an apartment with the area of 54 sq.m/ provided that all income is invested in the apartment.

Under “Affordable housing-2020” program through Housing Construction Saving Bank of Kazakhstan totally 132 residential buildings with the total area of 610 thousand sq.m., 9.3 thousand apartments<sup>3</sup> were put into operation. In 2014 through “housing for all categories of the population” 4 834 apartments with the total area of 301.4 thousand sq.m. were put into operation.

Under implementation of the Program “Mortgage Institution “Kazakhstan Mortgage, Company” JSC totally put into operation in Almaty 2 residential buildings with 108 apartments with the total area of 6 thousand sq.m.

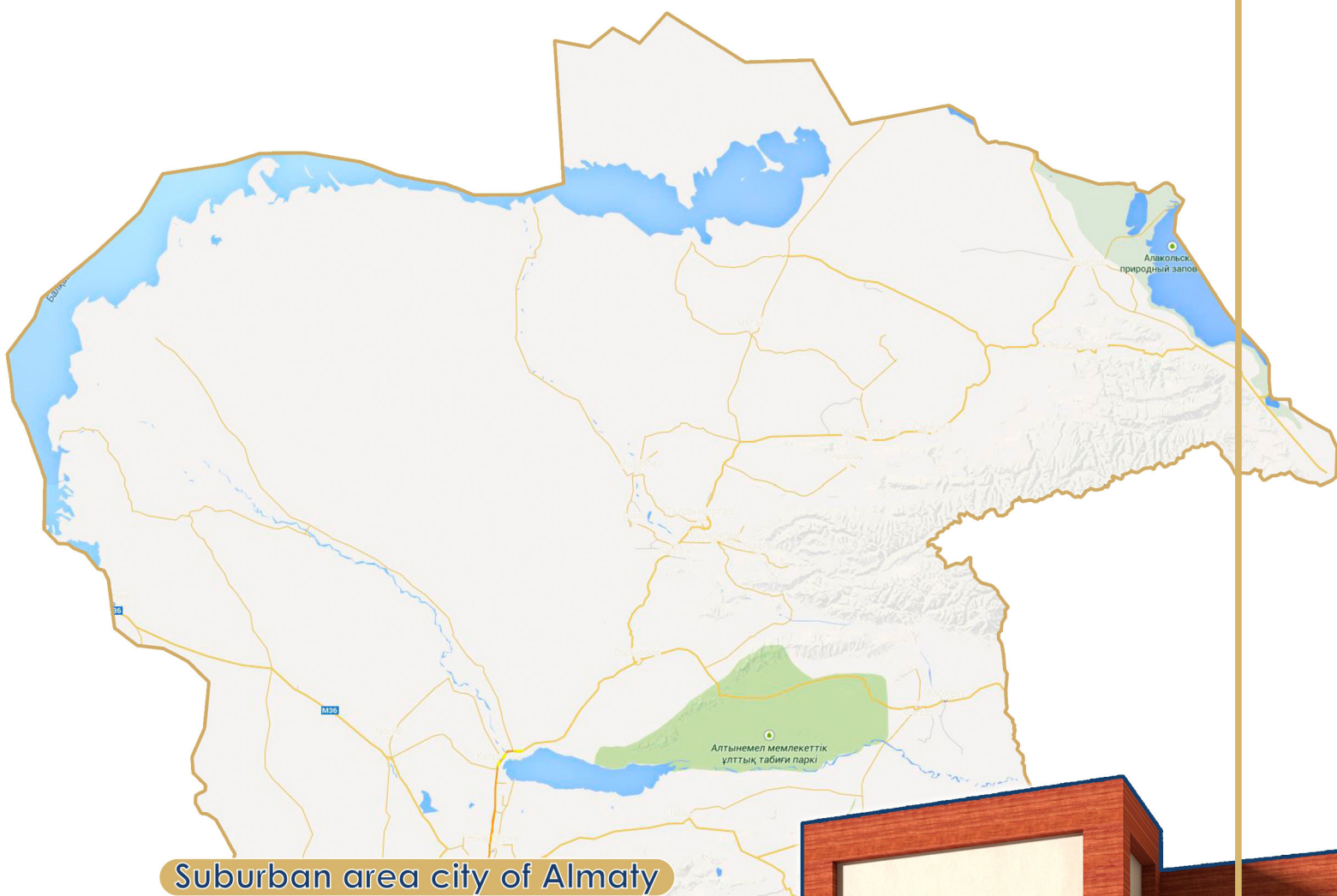
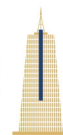
“Real Estate Fund “Samruk – Kazyna” JSC under “Affordable housing-2020” program provided commissioning of residential buildings with the total area of 197.16 thousand sq.m., 3 757 apartment in Aktobe, Taraz, Almaty and Almaty region. The Real Estate Fund invested to the construction 46.3 billion tenge, including in 2014-15.7 billion tenge.

Launch of a new program of housing construction of social rental housing was announced in the Message of the President of the Republic of Kazakhstan dated 11.11.2014 “Nurly – Zhol is a way to the future”. The State will construct social rental housing and provide it to the population in the long-term lease with the right to purchase. Provision of housing directly with no middlemen involved and under lowest possible interests for the loan will allow to reduce cost of its purchase. The lack of the first installment and low interest rates for mortgage will make housing more affordable for the large sections of Kazakhstan.

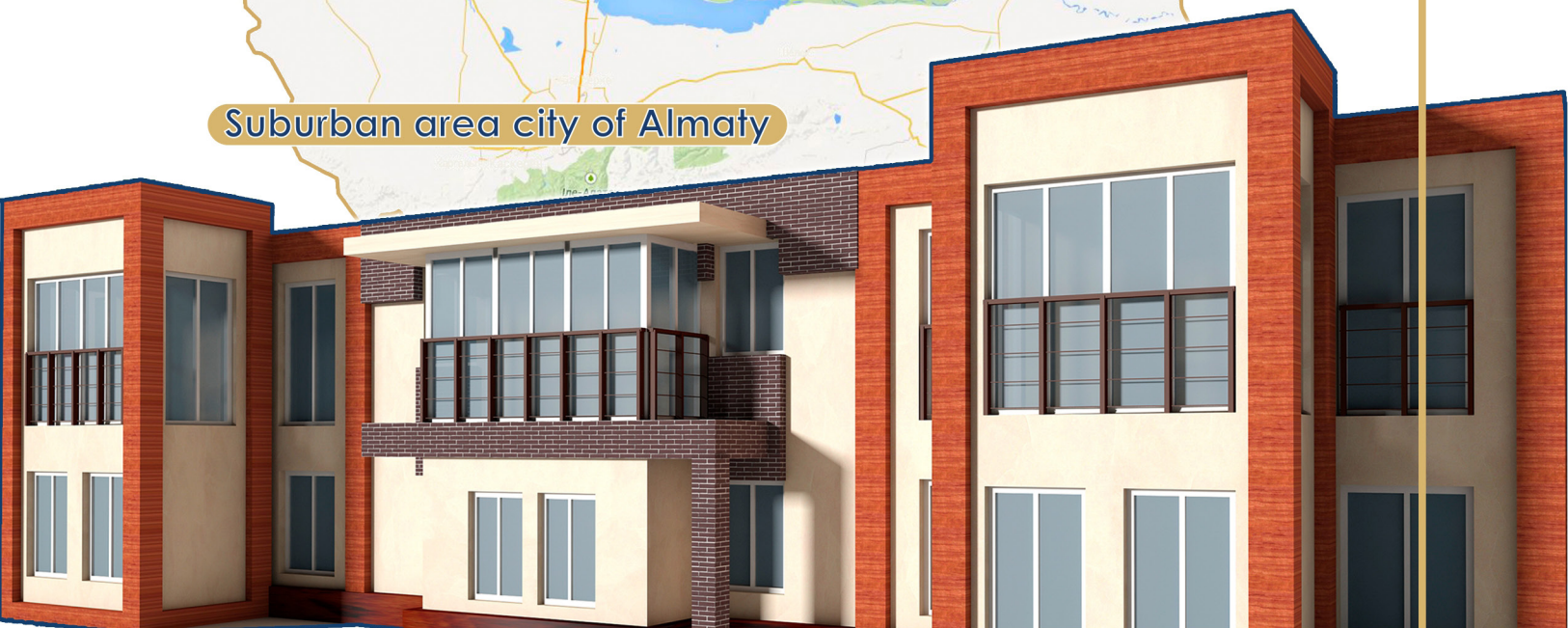
For this purpose decision on additional increase financing of construction of rental housing in the amount of 180 billion tenge during 2015-2016, of which 35 billion tenge have been allocated for utilities and communications infrastructure.

<sup>3</sup>According to data of “National Management Holding “Baiterek” JSC on implementation of housing construction programs in Majilis at the meeting of the fraction of “Nur Otan” party on December 8, 2014





Suburban area city of Almaty



## **Real Estate Fund “Samruk-Kazyna” JSC**

Consolidated financial statements

*For the year ended 31 December 2014*

*with Independent auditors’ report*

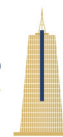
Consolidated statement of financial position

Consolidated statements of comprehensive income

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes to the consolidated financial statements



## 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

Auditor Qualification Certificate  
№ 0000374 dated 21 February 1998

27 February 2015



Evgeny Zhemaletdinov  
General Director Ernst & Young LLP

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

<i>In thousands of tenge</i>	<i>Notes</i>	<i>2014</i>	<i>2013*</i>
<b>Assets</b>			
<b>Non-current assets</b>			
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
		<b>52,364,040</b>	<b>60,824,067</b>
<b>Current assets</b>			
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
		<b>81,929,720</b>	<b>59,998,683</b>
<b>Total assets</b>		<b>134,293,760</b>	<b>120,822,750</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
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
<b>Total equity</b>		<b>31,920,580</b>	<b>30,454,392</b>
<b>Non-current liabilities</b>			
Parent loans	18	619,688	393,203
Other non-current liabilities	19	717,272	487,373
Deferred tax liabilities	0	257,554	155,780
		<b>1,594,514</b>	<b>1,036,356</b>
<b>Current liabilities</b>			
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
		<b>100,778,666</b>	<b>89,332,002</b>
<b>Total liabilities</b>		<b>102,373,180</b>	<b>90,368,358</b>
<b>Total equity and liabilities</b>		<b>134,293,760</b>	<b>120,822,750</b>

\* 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.

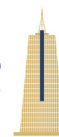
Managing director

Kakim R.K.

Chief accountant

Sipuldina B.K.

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

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

Chairman of the Board

Managing director

Chief accountant



Palymbetov B.A.

Kakim R.K.

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

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Available-for-sale reserve (Note 17)	Retained earnings	Total
<b>At 31 December 2012</b>	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)
<b>Total comprehensive income</b>	—	—	<b>(19,918)</b>	<b>1,555,892</b>	<b>1,535,974</b>
Dividends (Note 17)	—	—	—	(506,895)	(506,895)
<b>At 31 December 2013</b>	<b>19,990,162</b>	<b>3,437,245</b>	<b>(30,391)</b>	<b>7,057,376</b>	<b>30,454,392</b>
Profit for the period	—	—	—	1,732,955	1,732,955
Other comprehensive income	—	—	(33,383)	—	(33,383)
<b>Total comprehensive income</b>	—	—	<b>(33,383)</b>	<b>1,732,955</b>	<b>1,699,572</b>
Dividends (Note 17)	—	—	—	(233,384)	(233,384)
<b>At 31 December 2014</b>	<b>19,990,162</b>	<b>3,437,245</b>	<b>(63,774)</b>	<b>8,556,947</b>	<b>31,920,580</b>

Chairman of the Board

Managing director

Chief accountant



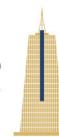
Palymbetov B.A.

Kakim R.K.

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

<i>In thousands of tenge</i>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
<b>Operating activities</b>			
Profit before tax		2,152,324	2,018,901
<b>Adjustments for:</b>			
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)
<b>Working capital adjustments</b>			
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)
<b>Net cash flows used in operating activities</b>		<b>(26,561)</b>	<b>(1,074,040)</b>
<b>Investing activities</b>			
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
<b>Net cash flows used in investing activities</b>		<b>(14,636,530)</b>	<b>(43,320,373)</b>
<b>Financing activities</b>			
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)
<b>Net cash flows from financing activities</b>		<b>10,708,713</b>	<b>23,257,776</b>
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
<b>Cash and cash equivalents as at 31 December</b>	<b>16</b>	<b>12,053,995</b>	<b>16,008,373</b>

Non-monetary operations are disclosed in Note 27.

Chairman of the Board

Managing director

Chief accountant



*Palymbetov B.A.*

*Kakim R.K.*

*Sipuldina B.K.*

Palymbetov B.A.

Kakim R.K.

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

### 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:

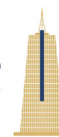
- I. Increasing the long-term value of the Company.
- II. Implementation of innovation into the construction industry.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION (continued)

The development strategy will be executed within two stages:

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

These financial statements represent, on a consolidated basis, the financial results of the Group for the year ended 31 December 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. BASIS OF PREPARATION (continued)

#### Basis of consolidation (continued)

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.

#### Subsidiaries

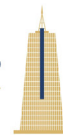
As at 31 December 2014 the Group had the following subsidiaries included into these consolidated financial statements:

Name	Country of residence	Principal activities	Ownership	
			2014	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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### **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.

#### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

##### *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.

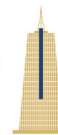
##### *Annual improvements 2010-2012 Cycle*

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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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).

##### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Standards issued but not yet effective (continued)

##### *Annual improvements 2011-2013 Cycle (continued)*

##### *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.

##### *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.

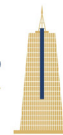
The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments 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 expected 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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.

#### 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 is current when it is:

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

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

- It is expected to be settled 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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.

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.

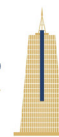
External valuers are involved for valuation of significant assets, such as derivative financial assets. Involvement of external valuers is decided upon annually by the valuation group after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### **Revenue recognition**

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

#### *Sale of real estate properties*

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.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Income tax (continued)

##### *Deferred income tax*

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

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

- 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.

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

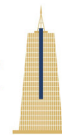
##### *Social tax*

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.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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.

##### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Financial assets (continued)

##### **Subsequent measurement (continued)**

##### *Financial investments available-for-sale (continued)*

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised within other operating income, or until the investment is impaired, at which time the cumulative loss is reclassified from the available-for-sale reserve to 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.

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**

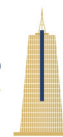
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### **Impairment of financial assets (continued)**

##### *Financial assets carried at amortised cost*

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statement of comprehensive income. Loans together with the associated 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Financial liabilities (continued)

##### **Subsequent measurement**

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

##### *Accounts payable*

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

##### *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.

##### **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.

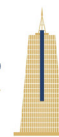
##### **Investment property**

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Investment property (continued)

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.

#### 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Property and equipment (continued)

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.

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### Inventory property (continued)

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

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

#### Guarantee payments 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:

<i>In thousands of tenge</i>	<b>Before reclassifications</b>	<b>Reclassifications</b>	<b>As reclassified</b>
<b>Consolidated statement of financial position as at 31 December 2013</b>			
[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

## 5. PROPERTY AND EQUIPMENT

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

<i>In thousands of tenge</i>	Land	Buildings	Office equipment	Vehicles	Total
<b>Cost</b>					
<b>At 31 December 2012</b>	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)
<b>At 31 December 2013</b>	<b>26,101</b>	<b>4,882,767</b>	<b>277,435</b>	<b>6,365</b>	<b>5,192,668</b>
Additions	–	–	9,235	–	9,235
Disposals	–	–	(14,470)	–	(14,470)
<b>At 31 December 2014</b>	<b>26,101</b>	<b>4,882,767</b>	<b>272,200</b>	<b>6,365</b>	<b>5,187,433</b>
<b>Accumulated depreciation</b>					
<b>At 31 December 2012</b>	–	(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
<b>At 31 December 2013</b>	–	<b>(228,536)</b>	<b>(101,481)</b>	<b>(499)</b>	<b>(330,516)</b>
Depreciation charge for the year	–	(106,076)	(48,276)	(1,500)	(155,852)
Depreciation on disposal	–	–	13,702	–	13,702
<b>At 31 December 2014</b>	–	<b>(334,612)</b>	<b>136,055</b>	<b>1,999</b>	<b>(472,666)</b>
<b>Net book value</b>					
<b>At 31 December 2013</b>	<b>26,101</b>	<b>4,654,231</b>	<b>175,954</b>	<b>5,866</b>	<b>4,862,152</b>
<b>At 31 December 2014</b>	<b>26,101</b>	<b>4,548,155</b>	<b>136,145</b>	<b>4,366</b>	<b>4,714,767</b>

## 6. INVESTMENT PROPERTY

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

<i>In thousands of tenge</i>	Commercial premises	Parking lots	Total
<b>Cost</b>			
<b>At 31 December 2012</b>	726,420	984,000	1,710,420
Leased out to finance lease	(145,754)	(190,000)	(335,754)
<b>At 31 December 2013</b>	<b>580,666</b>	<b>794,000</b>	<b>1,374,666</b>
Transferred to Inventory property (Note 7)	(67,536)	(92,000)	(159,536)
Write off of impaired property	(111,153)	–	(111,153)
<b>At 31 December 2014</b>	<b>401,977</b>	<b>702,000</b>	<b>1,103,977</b>
<b>Accumulated depreciation and impairment</b>			
<b>At 31 December 2012</b>	(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)
<b>At 31 December 2013</b>	<b>(135,089)</b>	<b>(62,015)</b>	<b>(197,104)</b>
Depreciation charge for the year	(4,458)	(7,017)	(11,475)
Write off of impaired property	111,153	–	111,153
<b>At 31 December 2014</b>	<b>(28,393)</b>	<b>(69,032)</b>	<b>(97,426)</b>
<b>Net book value</b>			
<b>At 31 December 2013</b>	<b>445,577</b>	<b>731,985</b>	<b>1,177,562</b>
<b>At 31 December 2014</b>	<b>373,584</b>	<b>632,968</b>	<b>1,006,551</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. ADVANCES PAID TO CONSTRUCTION COMPANIES (continued)

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

<i>thousands of tenge</i>	<b>2014</b>	<b>2013</b>
<b>At the beginning of the year</b>	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
<b>At the end of the year</b>	<b>28,662,670</b>	<b>42,698,951</b>
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)
<b>Advances for objects under construction, which will be leased out</b>	<b>19,755,111</b>	<b>38,863,404</b>

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:

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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	–
	<b>15,453,247</b>	<b>9,143,262</b>

*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:

<i>In thousands of tenge</i>	<b>2014</b>		<b>2013</b>	
	<b>Minimum lease payments</b>	<b>Present value of payments</b>	<b>Minimum lease payments</b>	<b>Present value of payments</b>
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
<b>Total minimum lease payments</b>	<b>36,093,268</b>	<b>16,103,858</b>	<b>19,554,219</b>	<b>9,041,473</b>
Less financial income	(19,989,410)	–	(10,512,746)	–
<b>Present value of minimum lease payments</b>	<b>16,103,858</b>	<b>16,103,858</b>	<b>9,041,473</b>	<b>9,041,473</b>
Less: amounts due for settlement within 12 months (Note 13)		(1,059,006)		(786,913)
<b>Amounts due for settlement after 12 months</b>		<b>15,044,852</b>		<b>8,254,560</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

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

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. OTHER NON-CURRENT ASSETS

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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
	<b>11,378,807</b>	<b>2,200,256</b>

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 nor impaired. As of 31 December 2014 trade receivable was denominated in tenge.

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

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

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
At the beginning of the period	8,730	–
Charge	–	8,730
<b>At the end of the period</b>	<b>8,730</b>	<b>8,730</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
Loans receivable	12,581,284	476,046
Impairment provision	(475,913)	(476,046)
	<b>12,105,371</b>	<b>–</b>

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.

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 Capitalstroysservice LLP in the amount of 152,064 thousand tenge and from “Alyansstroysservice” LLP in the amount of 26,982 thousand tenge (2013: 270,000 thousand tenge from Omiruzak and Co LLP, 136,537 thousand tenge from Capitalstroysservice LLP).

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. CURRENT FINANCIAL ASSETS

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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:

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

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

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. EQUITY (continued)

#### 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

<i>In thousands of tenge</i>	<i>% rate</i>	<i>Repayment</i>	<b>2014</b>	<b>2013</b>
<b>Credit facility № 1</b>	0,02-2%	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)
<b>Balance at ending of year</b>			<b>45,406,713</b>	<b>49,398,261</b>
<b>Credit facility № 2</b>	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)
<b>Balance at ending of year</b>			<b>4,666,667</b>	<b>5,000,000</b>
<b>Credit facility № 3</b>	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)
<b>Balance at ending of year</b>			<b>46,938,000</b>	<b>34,338,000</b>
<b>Financial aid (Note 12)</b>				
Balance at beginning of year			406,537	406,791
Loans obtained			3,300,000	–
Repayment of loans			(406,537)	(254)
<b>Balance at ending of year</b>			<b>3,300,000</b>	<b>406,537</b>
			100,311,380	89,142,798
<b>Current portion of loans</b>			<b>99,691,692</b>	<b>88,749,595</b>
<b>Non-current portion of loans</b>			<b>619,688</b>	<b>393,203</b>

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18. PARENT LOANS (continued)

#### Credit facility № 1 (continued)

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.

#### 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.

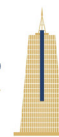
All obtained funds were not secured by guaranties or collateral.

#### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
Other liabilities related to real estate	127,612	215,002
Advances received	155,429	110,225
Payables to Ayt Housing Complex LLP	22,876	36,037
Liabilities to payments under guarantee	209,137	–
Salary payable	37,368	100,083
Taxes payable other than income tax	257,529	–
Other current liabilities	201,641	22,425
	<b>1,011,592</b>	<b>483,772</b>

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.

### 22. REVENUE

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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
	<b>2,794,752</b>	<b>2,152,603</b>

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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. COST OF REVENUE

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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
	<b>1,264,123</b>	<b>527,607</b>

## 24. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
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
	<b>1,868,130</b>	<b>2,333,560</b>

## 25. FINANCE INCOME / (FINANCE COSTS)

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
<b>Finance income</b>		
Interest income on bank deposits and current bank accounts	3,798,533	3,752,083
Income on government bonds	165,936	91,452
Interest income on loan issued	–	254
Other	46,439	–
	<b>4,010,908</b>	<b>3,843,789</b>
<b>Finance costs</b>		
Interest expenses on loans from the Parent	(1,601,545)	(1,100,137)
Other	–	(20,851)
	<b>(1,601,545)</b>	<b>(1,120,988)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. INCOME TAX EXPENSE

Income tax expenses for 2014 and 2013 are as follows:

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
Current income tax expense	301,853	451,740
Deferred income tax charge relating to origination and reversal of temporary differences	117,516	11,269
	<b>419,369</b>	<b>463,009</b>

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at 31 December 2014 and 2013 is as follows:

<i>In thousands of tenge</i>	<b>2014</b>	<b>2013</b>
<b>Profit before tax</b>	<b>2,152,324</b>	<b>2,018,901</b>
Statutory tax rate	20%	20%
<b>Income tax at statutory income tax rate</b>	<b>430,465</b>	<b>403,780</b>
Coupon on government securities	(42,501)	(18,290)
Recognition of discount on financial instruments	93,495	—
Non-deductible VAT expenses	—	73,517
Option recognised at fair value	(75,695)	—
Unwinding of discount on financial instruments	(4,355)	3
Other non-deductible expenses	17,960	3,999
	<b>419,369</b>	<b>463,009</b>

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

<i>In thousands of tenge</i>	<b>Consolidated statement of financial position</b>		<b>Consolidated statement of comprehensive income</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Deferred tax assets</b>				
Loans given, current financial asset and trade accounts receivable	97,126	97,152	(26)	15,596
Losses carried forward	—	16,572	(16,572)	16,572
Taxes	1,383	2,246	(863)	1,372
Impairment of investment property	—	22,232	(22,232)	22,232
Other	32,056	50,478	(18,422)	9,340
	130,565	188,680	(58,115)	65,112
Deferred tax assets offset against liabilities	(130,565)	(172,938)	42,373	(49,370)
<b>Deferred tax assets</b>	<b>—</b>	<b>15,742</b>		<b>15,742</b>
<b>Deferred tax liabilities</b>				
Property and equipment	(388,119)	(328,718)	(59,401)	(76,381)
	(388,119)	(328,718)	(59,401)	(76,381)
Deferred tax assets offset against liabilities	130,565	172,938	(42,373)	49,370
<b>Deferred tax liabilities</b>	<b>(257,554)</b>	<b>(155,780)</b>	<b>(101,774)</b>	<b>(27,011)</b>
<b>Net deferred tax expenses</b>			<b>(117,516)</b>	<b>(11,269)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 26. INCOME TAX EXPENSE (continued)

Reconciliation of net deferred tax liabilities:

<i>In thousands of tenge</i>	2014	2013
<b>Balance at 1 January</b>	<b>(140,038)</b>	<b>(128,769)</b>
Income tax expenses recognized in profit or loss	(117,516)	(11,269)
<b>Balance at 31 December</b>	<b>(257,554)</b>	<b>(140,038)</b>

As at 31 December 2014 and 2013 the Group did not have any unrecognized deferred tax assets.

## 27. NON-CASH TRANSACTIONS

As of 31 December 2014 the Group recognized call option with estimated fair value of 378,618 thousand tenge according to the agreement concluded in 2013 on mutual realization of the Green Quarter project under sale-purchase agreement for 49.9% share in Expo Village LLP.

This transaction has been excluded from the consolidated statement of cash flows.

## 28. RELATED PARTY TRANSACTIONS

The category 'parent-controlled entities' comprises entities controlled by the Parent. Starting from 15 May and 11 December 2014 Temirbank JSC and Alliance Bank JSC are not related parties due to disposal of companies from Parent's Group.

Related party transactions were made on terms agreed to between the parties. Purchases and sales transactions are made on market terms. Outstanding balances at the year-end are unsecured, short-term and settlement occurs in cash, except as discussed below.

As at 31 December 2014 and 2013, the Group has not recorded any impairment of accounts receivables relating to amounts owned by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Major transactions with related parties for 2014 and 2013 are as follows:

<i>In thousands of tenge</i>	2014	2013
<b>Entities under the Parent's control</b>		
Accrued interest on bank deposits	238,058	1,263,505
Gain on operating lease	346	73,331
Purchases from related parties	54,658	39,252
	293,062	1,376,088

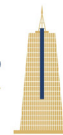
As a result of the above transactions, the Group had the following amounts due from related parties (due to related parties) as at 31 December 2014 and 2013:

<i>In thousands of tenge</i>	2014	2013
<b>Entities under the Parent's control</b>		
Cash balances in current bank accounts	—	798,417
Deposits with banks	—	12,868,488
Trade accounts receivable	357	119
Trade accounts payable	(2,057)	(3,667)

In 2014 the Group signed an agreement on compensation with "Ayt Housing Complex" LLP according to which "Shekerbank" Turkish Joint Stock Company becomes a guarantor for fulfilment of obligations in the amount of 15,814,847 thousand tenge and is related party of Parent company.

**Parent loans**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES  
(continued)**Liquidity risk**

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

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. As at 31 December 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.

	<i>On demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1-5 years</i>	<i>&gt;5 years</i>	<i>Total</i>
<b>31 December 2014</b>						
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
	<b>99,691,692</b>	<b>75,382</b>	<b>651,967</b>	<b>–</b>	<b>619,688</b>	<b>101,038,729</b>
<b>31 December 2013</b>						
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
	<b>88,343,058</b>	<b>98,635</b>	<b>639,270</b>	<b>–</b>	<b>393,203</b>	<b>89,474,166</b>

**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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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:

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

### 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.

## Annex 3. Table of standard GRI elements

GRI index	Standard GRI elements	Page number in the report	Notes, references to the sections
<b>1.</b>	<b>Strategy and analysis</b>		
1.1	Statement of senior employee making decision in the organization	4	Addresses of the Chairman of the Board of Directors, Chairman of the Board
1.2	Characteristics of key impacts, risks and capabilities	60	Risk management
<b>2.</b>	<b>Characteristics of the organization</b>		
2.1	Organization name	7	Information about the Real Estate Fund
2.2	The main brands, types of products and/or services	7	Information about the Real Estate Fund
2.3	Functional structure of the organization, including the main divisions, operating companies, subsidiaries and joint venture companies	www.fnsk.kz	Corporate governance
2.4	Location of the organization's headquarters	79	About the report
2.5	The number of countries, where the organization operates, and the name of countries, where the main activity is carried out or which are specifically significant in terms of sustainable development issues, covered in the report	7	Information about the Real Estate Fund
2.6	Nature of ownership and organizational and legal form	7	Information about the Real Estate Fund
2.7	Markets, in which the organization operates (including geographic split, sectors served and categories of customers and beneficiaries)	Annex 1	Analysis of housing construction sector
2.8	Size of the organization	12, 69	Key Performance Indicators. Personnel.
2.9	Significant changes of size, structure and ownership, occurred during the reporting period	12	Key Performance Indicators. Analysis of financial and economic indicators.
2.10	Awards, received during the reporting period	61	Information policy
<b>3.</b>	<b>Report parameters</b>		
3.1	Reporting period to which the provided information is related	79	About the report
3.2	Publication data of the most recent from the previous reports (if any)	79	About the report
3.3	Reporting cycle	79	About the report
3.4	Contact information	79	About the report
3.5	Process of content determination	79	About the report
3.6	Report boundary	79	About the report
3.7	Indicate any limitations of the scope or boundaries	79	About the report
3.8	The basis for inclusion to the report data on joint ventures, subsidiaries, leased facilities, transmission of the part of functions to external contractors and other organizational entities that can significantly affect comparability with the previous reports and/or another organizations	79	About the report
3.9	Methods of data measurement and calculations, including assumptions and methodology used for preparation of the Indicators and other information included in the report	79	About the report
3.10	Description of the meaning of any re-statement of information, provided in previous reports, as well as the reasons for such re-statement (for example, merge/ acquisition, change of the reporting period, nature of business, methods of assessment)	-	
3.11	Significant changes concerning previous reporting periods in the scope, boundaries and measurement methods, applied in the report	-	
3.12	The table indicating location of the Standard elements in the report	Annex 3	Table of standard GRI elements
3.13	Policy and applied practical approaches with regard of external confirmation of the report	79	About the report





### Annex 3. Table of standard GRI elements

GRI index	Standard GRI elements	Page number in the report	Notes, references to the sections
<b>4.</b>	<b>Governance, liabilities and interaction with stakeholders</b>		
4.1	Organization governance structure, including the main committees being part of the highest governing body, responsible for particular tasks	38, 40	Corporate governance principles (corporate governance structure, Committees of the Board of Directors)
4.2	Please indicate, whether the Chairman of the highest governing body is also the Executive Manager of the Company	38,40	Corporate governance principles (members of the Board of Directors)
4.3	For organizations which have a unitary Board of Directors, please indicate the number of independent members of the highest governing body and/or members not related to the executive management of the company	38,40	Corporate governance principles (members of the Board of Directors)
4.4	Mechanisms using which shareholders or employees of the organization are able to govern the activity of the highest governing body or give recommendations to it	38,48	Corporate governance principles (members of the Board of Directors, measures taken by the Board of Directors to consider opinion of the Sole shareholder)
4.5	Connection between payments to the members of the highest governing body, representatives of the highest executive management and senior employees (including dismissal compensation) and the results of the activity of the organization (including social and environmental performance)	38	Corporate governance principles
4.6	Current processes in the highest governing body to avoid conflicts of interests	61	Conflict of interests settlement
4.7	Processes of qualification and competence determination of the members of the highest governing body for determination of organization strategy on economic, environmental and social issues [sustainable development]	38	Corporate governance principles
4.8	Internally developed statements on mission or values, corporate governance code and principles significant in terms of economic, environmental and social performance, and status of their practical implementation	38	Corporate governance principles
4.9	Procedures used by the highest governing body to supervise how the organization assesses its economic, environmental and social performance and manage it, including risks and capabilities, as well as following and compliance with the international standards, corporate governance codes and principles	www.fnsk.kz	Corporate Social Responsibility Policy
4.10	Processes of assessment of own performance by the highest governing body, in particularly, with respect of economic, environmental and social performance of the organization	38	Corporate governance principles
4.11	Explanation of whether the organization uses precautionary principle and how	60	Risk management
4.12	Economic, environmental and social charters, principles or other initiatives developed by external parties, to which the organization has joined or supports	www.fnsk.kz	Corporate Social Responsibility Policy
4.13	Membership in associations (for example, industrial) and/or national and international interests protection organizations	-	The Company is not a member of interests protection associations
4.14	The list of stakeholders with which the organization cooperated	www.fnsk.kz	Stakeholders maps
4.15	Reasons for identification and selection of stakeholders for the purpose of further cooperation with them	www.fnsk.kz	Stakeholders maps
4.16	Approaches to interact with stakeholders, including frequency of cooperation by types and interested groups	66	Interaction with the society
4.17	Key topics and interests which has been raised or revealed in the process of cooperation with interested parties, and how the organization has responded to these topics and interests, including through its reporting	66, 62	Interaction with the society Information policy

## Annex 3. Table of standard GRI elements

GRI index	Standard GRI elements	Page number in the report	Notes, references to the sections
<b>5.</b>	<b>Information on management approaches and performance indicators</b>		
	<b>Economic performance</b>		
EC 1	Established and distributed direct economic value, including incomes, operating expenses, employees payments, donations and other community investments, undistributed profit, payments to capital providers and states	12, 92	Key Performance Indicators. Analysis of financial and economic indicators. Annex 2. «Independent auditors report», p. 23
EC 4	Significant financial aid obtained from the state	12	Analysis of financial and economic indicators.
EC 6	Policy, practical approaches to procurements from local suppliers and share of these procurements in the significant areas of the activity of the organization	31	Kazakhstan content monitoring
EC 9	Understanding and describing significant indirect economic impacts, including impact area	66	Interaction with the society
	<b>Environmental performance</b>		
EN 6	Initiatives for provision energy-efficient or renewable energy products and services, and reduction of energy demand as a result of these initiatives	66,74	Interaction with the society, environmental liability (information on existing initiatives to reduce energy consumption of the main types/groups of products and services has been published)
	<b>Performance Indicators of approaches to labor organization and decent work</b>		
LA 2	Total number and share of newly hired employees and turnover of employees, broken down by age group, gender and region	69	Interaction with personnel (Personnel)
LA 3	Payments and benefits provided to full-time employees, which are not available to employees working on temporary base or part-time employees broken down by significant areas of the activity of the organization	72	Interaction with personnel (Social guarantees and benefits)
LA 5	The minimum notice period regarding significant changes in the activity of the organization, and whether it is stated in the collective agreement	69	Interaction with personnel (Personnel)
LA 7	Accident frequency rate, occupational diseases rate, lost days coefficient and absentee coefficient, as well as total number of deaths related to work, broken down by regions and gender	72	Interaction with personnel (Social guarantees and benefits)
LA 10	Average hours of training per one employees per year, broken down by gender and employee category	72	Interaction with personnel (Training and advanced vocational training)
LA 12	Share of employees for whom periodical performance assessment and career development is carried out, broken down by gender	69	Interaction with personnel (Personnel)
LA 13	Membership of governing bodies and personnel of organization, broken down by gender and age, with indication of minority and other indicators of diversity	69	Interaction with personnel (Personnel)
	<b>Human right indicators</b>		
HR 11	Number of complaints related to human rights and recorded, considered and solved on the basis of formal mechanisms for submission and consideration of complaints	61	Conflict of interests settlement
	<b>Indicators of interaction with the society</b>		
SO 4	Actions taken in the response to cases of corruption	66	Interaction with the society
	<b>Indicators in the area of product liability</b>		
PR 2	Total number of cases of non-compliance with regulations and voluntary codes concerning the impact of products and services on health and safety, broken down by types of consequences	31	Monitoring of scopes, deadline and quality of civil and installation works
PR 9	Monetary value of significant fines for non-compliance with the legislation and regulations concerning provision and use of products and services	31	Monitoring of scopes, deadline and quality of civil and installation works