Real Estate Fund "Samruk-Kazyna" JSC

Consolidated Financial Statements

For the year ended December 31, 2012
with Independent Auditors' Report

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Real Estate Fund "Samruk-Kazyna" JSC

We have audited the accompanying consolidated financial statements of Real Estate Fund "Samruk-Kazyna" JSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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.

Ernst & Young

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Aisulu Narbayeva
Auditor

Auditor Qualification Certificate
No. 0000137 dated 21 October 1994

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

20 February 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2012

In thousands of Tenge	Notes	2012	2011
ASSETS			
Non-current assets			
Property and equipment	5	**4,921,366**	4,944,989
Investment property	6	**1,639,635**	1,629,330
Advances paid to construction companies	8	**14,008,807**	3,547,395
Intangible assets		**17,011**	24,008
Non-current financial assets	9	**13,309,583**	21,585,886
		33,896,402	31,731,608
Current assets			
Inventories		**8,467**	9,812
Inventory property	7	**157,046**	673,667
Advances paid to construction companies	8	**1,750,111**	224,410
Accounts receivable	11	**624,044**	608,813
Prepaid income tax		**2,516**	131,109
Other current financial assets	12	**22,094,540**	12,725,422
Other current assets	13	**6,821**	23,205
Cash and cash equivalents	14	**37,145,010**	32,976,265
		61,788,555	47,372,703
Assets classified as held for sale	10	**–**	25,172,720
TOTAL ASSETS		**95,684,957**	104,277,031
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**19,990,162**	19,876,956
Additional paid-in capital	15	**3,437,245**	7,611,892
Available-for-sale reserve	15	**(10,473)**	87,997
Retained earnings		**6,008,379**	3,611,055
		29,425,313	31,187,900
Non-current liabilities			
Parent loans	16	**166,718**	15,320,839
Deferred tax liability	25	**128,769**	149,184
Other non-current liabilities	17	**451,982**	417,928
		747,469	15,887,951
Current liabilities			
Current portion of Parent loans	16	**65,084,011**	54,249,344
Obligations under "repo" agreements	18	**–**	2,254,003
Accounts payable	19	**46,636**	106,651
Income tax payable		**32,186**	–
Other current liabilities	20	**349,342**	591,182
		65,512,175	57,201,180
Total liabilities		**66,259,644**	73,089,131
TOTAL EQUITY AND LIABILITIES		**95,684,957**	104,277,031

Chairman of the Management Board — *Palymbetov B. A.*

Managing Director — *Karibzhanov M. Kh.*

Chief accountant — *Sipuldina B. K.*

The accompanying notes on pages 5 through 32 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012

In thousands of Tenge	Notes	2012	2011
Revenue	21	**3,325,995**	5,239,208
Cost of revenue	22	**(151,906)**	(1,326,057)
Gross profit		**3,174,089**	3,913,151
General and administrative expenses	23	**(1,564,171)**	(1,293,013)
Bad debt provision	12	**(407,778)**	–
Operating profit		**1,202,140**	2,620,138
Finance income	24	**3,596,818**	2,981,818
Finance cost	24	**(751,630)**	(1,437,681)
Other income		**123,973**	210,586
Profit before tax		**4,171,301**	4,374,861
Income tax expense	25	**(792,000)**	(1,101,604)
Profit for the year		**3,379,301**	3,273,257
Other comprehensive income			
Net (loss) / gain on available-for-sale financial assets	12	**(120,469)**	109,996
Income tax effect	25	**21,999**	(21,999)
Other comprehensive (loss) / income for the year, net of tax		**(98,470)**	87,997
Total comprehensive income for the year, net of tax		**3,280,831**	3,361,254

Chairman of the Management Board — *Palymbetov B. A.*

Managing Director — *Karibzharov M. Kh.*

Chief accountant — *Sipuldina B. K.*

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

The accompanying notes on pages 5 through 32 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2012

In thousands of Tenge	Share capital	Additional paid-in capital	Available-for-sale reserve (*Note 15*)	Retained earnings	Total
At 31 December, 2010	15,000,000	11,356,866	–	395,272	26,752,138
Profit for the year	–	–	–	3,273,257	3,273,257
Other comprehensive income for the year	–	–	87,997	–	87,997
Total comprehensive income for the year	–	–	87,997	3,273,257	3,361,254
Issue of share capital (*Note 15*)	4,876,956		–	–	4,876,956
Change in Parent loan terms (*Note 16*)	–	(3,744,974)	–	–	(3,744,974)
Dividends (*Note 15*)	–	–	–	(57,474)	(57,474)
At 31 December, 2011	19,876,956	7,611,892	87,997	3,611,055	31,187,900
Profit for the year	–	–	–	**3,379,301**	**3,379,301**
Other comprehensive income for the year	–	–	**(98,470)**	–	**(98,470)**
Total comprehensive income for the year	–	–	**(98,470)**	**3,379,301**	**3,280,831**
Issue of share capital (*Note 15*)	**113,206**	–	–	–	**113,206**
Change in Parent loan terms (*Note 16*)	–	**(4,174,647)**	–		**(4,174,647)**
Dividends (*Note 15*)	–	–	–	**(981,977)**	**(981,977)**
At December 31, 2012	**19,990,162**	**3,437,245**	**(10,473)**	**6,008,379**	**29,425,313**

Chairman of the Management Board — *Palymbetov B. A.*

Managing Director — *Karibzhanov M. Kh.*

Chief accountant — *Sipuldina B. K.*

The accompanying notes on pages 5 through 32 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

In thousands of Tenge	Notes	2012	2011
Operating activities			
Profit before income tax		**4,171,301**	4,374,861
Adjustments for:			
Depreciation and amortization		**173,567**	63,517
Write-off of property, plant and equipment		**1,355**	–
Finance income	24	**(3,596,818)**	(2,981,818)
Finance cost	24	**751,630**	1,437,681
Gain on sale of business center	21	**(1,684,950)**	–
Income from sale of subsidiary		**(57,831)**	–
Bad debt provision	12	**407,778**	–
Working capital adjustments			
Increase in inventories		**305,062**	(5,098)
Increase in accounts receivable		**334,813**	919,189
Decrease in other current assets		**(110,670)**	1,169,770
Decrease in accounts payable		**(60,015)**	88,473
Decrease in other current liabilities		**(241,840)**	(5,561)
		393,382	5,061,014
Income tax paid		**(629,637)**	(934,185)
Interest paid		**(315,365)**	(101,405)
Net cash flows (used in) / from operating activities		**(551,620)**	4,025,424
Investing activities			
Prepayments for acquisition of real estate properties		**(13,169,997)**	(26,414,469)
Funds returned by contractors		**41,723,182**	12,472,645
Bank deposits		**(22,201,000)**	-
Return of bank deposits		**7,288,280**	5,968,200
Purchases of property, equipment and intangibles		**(8,735)**	(63,623)
Transactions with securities, net		**(27,617)**	394,704
Interest received		**3,187,660**	1,548,274
Net cash from / (used in) investing activities		**16,791,773**	(6,094,269)
Financing activities			
Proceeds from Parent loans		**22,562,252**	22,238,034
Repayment of Parent loans		**(31,397,680)**	(14,585,824)
Cash received under "repo" agreements		**(2,254,003)**	1,402,999
Dividends paid		**(981,977)**	(57,474)
Net cash flows (used in) / from financing activities		**(12,071,408)**	8,997,735
Net increase in cash and cash equivalents		**4,168,745**	6,928,890
Cash and cash equivalents at January 1	14	**32,976,265**	26,047,375
Cash and cash equivalents at December 31	14	**37,145,010**	32,976,265

Non cash transactions are disclosed in *Note 26.*

Chairman of the Management Board — Palymbetov B. A.

Managing Director — Karibzhanov M. Kh.

Chief accountant — Sipuldina B. K.

The accompanying notes on pages 5 through 32 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2012

1. CORPORATE INFORMATION

Real Estate Fund "Samruk-Kazyna" JSC (the "Company") was created by the decree of the Government of the Republic of Kazakhstan №265 dated March 6, 2009 (the "inception date").

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

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

In 2010 the Company formed two subsidiaries – "FN Management" LLP and "Zaulim" LLP (together – the "Group"). Principal activities of the subsidiaries are disclosed in *Note 2.*

The Company's mission is to improve affordability of housing for population through investments into construction of residential premises. The Company's major 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;

These financial statements present, on a consolidated basis, the financial performance for the year ended December 31, 2012 and financial position as at that date for the Group.

The consolidated financial statements of the Group for the year, ended December 31, 2012 were authorized for issue by the management of the Group on February 20, 2013.

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).

The consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the explanatory notes.

The consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") and all values are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends and are eliminated in full.

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Subsidiaries

The following subsidiaries have been included in these consolidated financial statements as of December 31, 2012:

Name	Country of residence	Principal activity	Percentage of ownership 2012	Percentage of ownership 2011
"FN Management" LLP	Kazakhstan	Sale and rent of real estate properties and their maintenance	**100%**	100%
"Zaulim" LLP	Kazakhstan	Construction of an administrative building	**–**	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 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 described 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.

Classification of financial instruments as held for trading 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. As a result of analysis conducted in 2011, the Group reclassified its financial assets held for trading to available-for-sale financial assets (*Note 12*) due to absence of management's intention to sell them in the foreseeable future.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. As a source information for this model, information from active markets is used, where available, however if it is not practicable, it requires judgment to establish a fair value.

The judgments include use of such source data as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, recognized in the consolidated financial statements.

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 are therefore measured at the amount actually paid to construction companies. Advances paid in the amount of 1,750,111 thousand Tenge are classified as current, based on Group's plans to realize received real estate properties within 12 months after the reporting date.

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

Interest bearing financing of construction companies

The Group signs agreements with construction companies, and under the terms of such agreements, the Group does not receive real estate property, but receives interest from provided financing.

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.

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 inventory property

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 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 before or on completion of construction.

Assets classified as held for sale

In 2011 the Group announced its intention to sell its 100% share in "Zaulim" LLP to "KazMunayGasService" LLP, the company, which is under control of Parent company. The only business of "Zaulim" LLP was to construct a business center for its subsequent operating lease. Therefore, the subsidiary together with the constructed business center were classified as assets held for sale as of December 31, 2011.

Sale of "Zaulim" LLP was completed in 2012. Total consideration received amounted to 27,049,064 thousand Tenge (*Note 10*).

Valuation of investment property and inventory property

Investment property is measured at cost less accumulated depreciation and accumulated impairment. The fair values are determined based on recent real estate transactions with similar characteristics and locations to those of the Group assets. Fair value of investment property is disclosed in *Note 6*.

Inventory property is stated at the lower of cost and net realizable value (NRV). NRV for inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market conditions.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In 2012 and 2011 the Group did not recognize any impairment losses on non-financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

New and amended standards and interpretations

- *IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- *IFRS 1 First-Time Adoption of International Financial Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS7 Financial Instruments: Disclosures (Amendments)*
- *IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – SevereHyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group made a voluntary change in accounting policy to recognise actuarial gains and losses in other comprehensive income in the current period. However, the amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

Annual improvements of IFRS (May 2012)

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Group's consolidated financial statements 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 150.74 Tenge to 1 US Dollar as at December 31, 2012 (2011: 148.4 Tenge to 1 US Dollar).

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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria 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 specific recognition criteria described below must also be met before revenue is recognised.

Sale of real estate properties

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

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into the leases, is recognized on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises.

Interest income

For all financial instruments measured at amortized cost, 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 finance income in the income statement.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements 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 asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

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, at the reporting date in the countries where the Group operates and generates taxable income.

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

Deferred income tax

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

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

- when 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 recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized except:

- when 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 income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized 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 realized 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 and loss. Deferred tax items are recognized in correlation to the underlying transaction either in other 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and cash equivalents, short-term and long-term bank deposits, government bonds, trade and other receivables, loans and other amounts receivable, such as interest bearing advances paid to construction companies.

Subsequent measurement

The subsequent 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.

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 statement of comprehensive income.

The Group has no financial assets at fair value through profit and loss.

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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, 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 in hand and short–term deposits with an original maturity of three months or less.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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 fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Available-for-sale financial investments

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets 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 do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held to maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised 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 the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- 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, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses 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 amount 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 income statement. 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 income statement. 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 future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Available-for-sale financial investments

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 amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, 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. 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 income statement, the impairment loss is reversed through the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include accounts payable and Parent loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Accounts payable

Liabilities for accounts payable are recognized 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 subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) 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 cost in the income statement.

Derecognition

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 29*.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Guarantee payments made by lessees

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

Advances paid to construction companies

Advances paid to construction companies represent advances paid for the construction of the property which later will be shown as investment property or inventory property. Advances paid to construction companies are measured at cost (the consideration paid) less impairment loss, if any. Advances paid to construction companies are settled upon transfer of title to the property from the construction company to the Group.

Investment properties

Investment property comprises property held to earn rentals or for capital appreciation or both.

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. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is computed on a straight-line basis over the useful life, which is estimated to be 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 income statement in period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

Non-current assets held for sale

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification

Investment property, once classified as held for sale are not depreciated or amortised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

Intangible assets with finite lives are amortised over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense for intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets consist primarily of software and licenses. Intangible assets are amortized on a straight-line basis over their estimated useful lives, generally from 5 to 10 years.

Property and equipment

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

	Years
Building	46
Office equipment	3-7
Machinery and equipment	7

An item of property, plant and equipment is derecognised 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 income statement in the year the asset is derecognised.

The assets' residual values, useful lives, methods of depreciation are reviewed and adjusted if appropriate at each financial year end.

Property and equipment consists primarily of administrative building, land, office equipment and vehicles.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and 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. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering s 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 on inventories are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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 CGU'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 income statement.

Inventories

Inventories are valued at the lower of cost or net realisable 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. The same cost formula is used for all inventories having a similar nature and use. All inventories are valued on the weighted-average cost basis.

Inventory property

Inventory property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

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

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

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for 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 that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, 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 finance income and increase in the lease receivable so as to achieve a constant rate of interest on the remaining balance of the liability. Finance income is recognised in the income statement.

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 operating expense in the income statement on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee

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

5. PROPERTY AND EQUIPMENT

The movement of property and equipment for the years ended December 31, 2012 and 2011 was as follows:

In thousands of Tenge	Land	Buildings	Office equipment	Vehicles	Construction in progress	Total
Cost						
At December 31, 2010	–	–	52,080	2,530	4,507,491	4,562,101
Additions	26,101	4,850,855	55,330	–	17,981,544	22,913,830
Transfer to investment property	–	–	–	–	(22,489,035)	(22,489,035)
Disposals	–	–	(1,762)	–	–	(1,762)
At December 31, 2011	26,101	4,850,855	105,648	2,530	–	4,985,134
Additions	–	–	121,939	–	–	121,939
Disposals	–	–	(2,447)	–	–	(2,447)
At December 31, 2012	**26,101**	**4,850,855**	**225,140**	**2,530**	**–**	**5,104,626**
Accumulated depreciation and impairment						
At December 31, 2010	–	–	(10,945)	(28)	–	(10,973)
Depreciation charge for the period	–	(17,576)	(11,843)	(169)	–	(29,588)
Depreciation on disposal	–	–	416	–	–	416
At December 31, 2011	–	(17,576)	(22,372)	(197)	–	(40,145)
Depreciation charge for the year	–	(105,453)	(38,588)	(167)	–	(144,208)
Depreciation on disposal	–	–	1,093	–	–	1,093
At December 31, 2012	**–**	**(123,029)**	**(59,867)**	**(364)**	**–**	**(183,260)**
Net book value						
At December 31, 2011	26,101	4,833,279	83,276	2,333	–	4,944,989
At December 31, 2012	**26,101**	**4,727,826**	**165,273**	**2,166**	**–**	**4,921,366**

Construction in progress is represented by capital expenditures related to the construction of the business-center building. In 2011, following changes in Group's plans, this construction in progress was transferred into investment property (*Note 6*).

In 2012 the Group received from the Parent company a contribution to the share capital in the form of equipment for the administrative building with fair value of 113,206 thousand Tenge (2011: administrative building with fair value of 4,850,855 thousand Tenge and related land with fair value of 26,101 thousand Tenge) (*Note 15*). Fair value was estimated by an independent accredited appraiser "Ocenochnyi-yuridicheskyi center" LLP. Fair value was determined according to market prices. It means that the fair values were determined based on active market prices, adjusted for differences in characteristics, location or condition of assets.

6. INVESTMENT PROPERTY

The movement of investment property for the years ended December 31, 2012 and 2011 was as follows:

In thousands of Tenge	Apartments	Commercial premises	Parking lots	Total
Cost				
At December 31, 2010	846,792	53,748	1,190,000	2,090,540
Property, received from construction companies	–	1,164	40,000	41,164
Transferred from property and equipment	–	22,489,035	–	22,489,035
Transferred to assets held for sale	–	(22,489,035)	–	(22,489,035)
Leased out to finance lease	(252,240)	(71,520)	(130,000)	(453,760)
Transfers	(594,552)	594,552	–	–
At December 31, 2011	–	577,944	1,100,000	1,677,944
Property, received from construction companies	318,688	–	–	318,688
Transferred from inventory property (*Note 7*)	–	195,384	4,000	199,384
Leased out to finance lease	(318,688)	(46,908)	(120,000)	(485,596)
At December 31, 2012	**–**	**726,420**	**984,000**	**1,710,420**
Accumulated depreciation and impairment				
At December 31, 2010	–	(806)	(17,967)	(18,773)
Depreciation charge for the year	(3,145)	(9,933)	(24,377)	(37,455)
Disposals	3,145	1,102	3,367	7,614
At December 31, 2011	–	(9,637)	(38,977)	(48,614)
Depreciation charge for the year	–	(5,353)	(17,008)	(22,361)
Depreciation on disposal	–	–	190	190
At December 31, 2012	**–**	**(14,990)**	**(55,795)**	**(70,785)**
Net book value				
At December 31, 2011	–	568,307	1,061,023	1,629,330
At December 31, 2012	**–**	**711,430**	**928,205**	**1,639,635**

Transfer of commercial premises, representing construction of the business-center building, to assets held for sale, was performed following Group's plans to sell this business-center (*Note 10*).

Investment property mainly comprises of parking lots and commercial premises. Disposals of investment property represent financial lease of premises. Management believes that as of December 31, 2012 the fair value of investment property equals to 2,205,888 thousand Tenge (2011: 2,268,791 thousand Tenge).

7. INVENTORY PROPERTY

The movement of inventory property for the year ended December 31, 2012 was as follows:

In thousands of Tenge	Apartments	Commercial premises	Parking lots	Total
At December 31, 2010	541,212	139,560	–	680,772
Inventory property, received from construction companies	1,009,301	93,907	80,000	1,183,208
Inventory property sold	(1,138,313)	–	(52,000)	(1,190,313)
At December 31, 2011	412,200	233,467	28,000	673,667
Inventory property sold	**(54,900)**	**(27,283)**	**(22,000)**	**(104,183)**
Leased out to financial lease	**(200,254)**	**(10,800)**	**(2,000)**	**(213,054)**
Transferred to investment property (*Note 6*)	**–**	**(195,384)**	**(4,000)**	**(199,384)**
At December 31, 2012	**157,046**	**–**	**–**	**157,046**

During 2012 Management of the Group has reconsidered purpose of some property and reclassified commercial premises and parking lots to investment property, due to conclusion of operating lease agreements. Also, some properties were leased out to finance lease.

8. ADVANCES PAID TO CONSTRUCTION COMPANIES

The Group concludes agreements with construction contractors (the "Contractor") on acquisition of residential and non-residential premises and parking lots under construction in Almaty, Astana and Aktobe complexes. In accordance with the terms of the agreements, the Group is committed to make advance payments to the Contractor and the Contractor are committed to complete the construction in accordance with the set deadlines. The Group becomes the owner of the respective premises upon completion of the construction by the Contractor. Completion of the prepaid construction of the premises is expected during 2013-2014.

The agreements with Contractor contain a guarantee clause under which the Contractor provide collateral in form of land plots and construction in progress to secure prepayments of the Group.

The movement of advances paid to construction companies for the years ended December 31, 2012 and 2011 was as follows:

In thousands of Tenge	**2012**	2011
At the beginning of the period	**3,771,805**	23,135,138
Advances paid for the period	**13,169,997**	19,030,453
Funds returned by Contractors	**(2,150)**	(1,500,993)
Acquired property	**(318,688)**	(6,864,983)
Transfer of advances paid to construction companies in the objects under construction	**(730,358)**	(10,404,724)
Transferred to own construction in progress	**–**	(17,981,544)
VAT on construction in progress	**–**	(2,157,784)
Reclassified to financial assets	**(263,250)**	–
Other	**131,462**	516,242
At the end of the period	**15,758,918**	3,771,805
Less: advances paid for objects, which will be realised in 2012	**1,750,111**	224,410
Advances paid for objects, which will be leased out	**14,008,807**	3,547,395

In 2012 the Group gave some construction companies rights to sell some properties constructed. Therefore, the Group reclassified 263,150 thousand Tenge to Interest bearing financing of construction companies.

9. NON-CURRENT FINANCIAL ASSETS

In thousands of Tenge	**2012**	2011
Finance lease receivables	**8,244,180**	8,379,932
Bank deposits	**5,000,000**	1,501,280
Interest bearing financing of construction companies	**65,403**	11,704,674
	13,309,583	21,585,886

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 7% 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%, which represents market rates under similar financial instruments. The difference between the nominal value of financing made and its fair value was recognized in the income statement as finance income (*Note 24*).

As of December 31, 2012 short-term portion of interest bearing financing of construction companies comprises 485,645 thousand Tenge (2011: 2,471,171 thousand Tenge) (*Note 12*).

Finance lease receivables

Finance lease receivables represent lease of real property – residential and commercial premises. Finance lease receivables are denominated in Tenge.

9. NON-CURRENT FINANCIAL ASSETS (continued)

Finance lease receivables (continued)

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

In thousands of Tenge	2012		2011	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**1,537,638**	**592,990**	1,325,028	422,906
After one year but not more than five years	**6,150,550**	**2,829,805**	6,625,139	2,644,070
More than five years	**9,085,277**	**5,414,375**	8,127,684	5,735,862
Total minimum lease payments	**16,773,465**	**8,837,170**	16,077,851	8,802,838
Less amounts representing finance income	**(7,936,295)**	**–**	(7,275,013)	–
Present value of minimum lease payments	**8,837,170**	**8,837,170**	8,802,838	8,802,838
Less: amounts to be received within 12 months		**(592,990)**		(422,906)
Amounts to be received after more than 12 months		**8,244,180**		8,379,932

Bank deposits

At the end of 2012 the Group placed deposit denominated in Tenge in "TemirBank" JCS, maturing in February 2014 and earning interest rate of 7%. At the end of 2011 the Group had a Tenge denominated deposit in ATF Bank, which was placed in 2009 with maturity in 2014 and interest rate of 10%. In February 2012 the Group closed the deposit in ATF Bank.

10. ASSETS CLASSIFIED AS HELD FOR SALE

In 2011 the Group announced its intention to sell its 100% share in "Zaulim" LLP to "KazMunayGasService" LLP, the company, which is under control of Parent company. The only business of "Zaulim" LLP was to construct a business center for its subsequent operating lease. Therefore, the subsidiary together with the constructed business center were classified as assets held for sale as of December 31, 2011.

Sale of "Zaulim" LLP was completed in 2012. Total consideration received amounted to 27,049,064 thousand Tenge (*Note 10*), including gain of disposal business-center in amount of 1,684,950 thousand Tenge (*Note 21*).

Assets of the subsidiary were classified as assets classified as held for sale at December 31, 2012 in the consolidated statement of financial position and comprised of the following:

In thousands of Tenge	**2012**	2011
Construction in progress *(Note 6)*	**–**	22,489,035
Office equipment	**–**	1,077
VAT recoverable	**–**	2,673,713
Other	**–**	8,895
	–	25,172,720

11. ACCOUNTS RECEIVABLE

In thousands of Tenge	**2012**	2011
Short-term finance lease receivable	**592,990**	422,906
Receivable from third parties from sale of participation shares in the objects under construction	**–**	64,660
Other	**31,054**	121,247
	624,044	608,813

11. ACCOUNTS RECEIVABLE (continued)

Accounts receivable as of December 31, 2012 and 2011 are denominated in Tenge. The Group has no bad debt allowance on accounts receivable as of December 31, 2012 and 2011.

As of December 31, the ageing analysis of accounts receivable is as follows.

		Neither past	Past due but not impaired				
	Total	due, nor impaired	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	> 120 days
2012	**624,044**	**624,044**	–	–	–	–	–
2011	608,813	608,813	–	–	–	–	–

12. OTHER CURRENT FINANCIAL ASSETS

In thousands of Tenge	2012	2011
Bank deposits	**17,309,000**	5,895,000
Financial assets available-for-sale	**2,707,144**	2,906,078
Interest receivable	**909,065**	499,907
Loans given	**964,411**	953,266
Interest bearing financing to contractors (*Note 9)*	**485,645**	2,471,171
Other	**127,053**	-
Less: Bad debt reserve	**(407,778)**	-
	22,094,540	12,725,422

Bank deposits

The bank deposits were placed in second-tier banks on the territory of Kazakhstan and mature in 2013. Deposits earn interest of 4.2%-8.5% per annum.

Financial assets available-for-sale

Financial assets available-for-sale comprise of government bonds with coupon rate of 5% to 6.7% per year. As a result of analysis conducted in 2011, the Group reclassified its financial assets held for trading to available-for-sale financial assets (*Note 12*) due to absence of management's intention to sell them in the foreseeable future. In 2012 unrealised losses from changes of fair value amounted to 120,469 thousand Tenge.

As of December 31, 2011 under "repo" agreements were pledged financial assets available-for-sale with carrying value of 2,415,748 thousand Tenge (2012: were not pledged).

Interest receivable

Interest receivable represents interest on government bonds, current bank accounts and bank deposits.

Loans given

On November 2, 2011 the Group concluded an agreement with the Parent company on assignment of rights of demand, which granted the Group a right to claim from the Parent company's debtors "Omiruzak and Co" LLP and "Capitalstroyservis" LLP interest-free financial aid given to them by the Parent company in amount of 270,000 thousand Tenge and 136,537 thousand Tenge and accrued fines in amount of 27,000 thousand Tenge and 15,527 thousand Tenge, respectively. The original term of financial aid payment was extended until July 1, 2013. In its turn, the Group recognized for these amounts a loan payable to the Parent company, which will be repaid after repayment of the financial aid by the debtors (*Note 16*). As of December 31, 2012 Management created reserves for impairment in amount of 297,000 thousand Tenge for debt of "Omiruzak and Co" LLP and in amount of 83,795 thousand Tenge for debt of "Capitalstroyservis" LLP.

Also, loans given include a loan given in 2010 to the company "Caspian Development Center" LLP, which matures in 2012. At the reporting date this loan was not repaid, however Management believes that the Group will recover carrying amount of the loan after sale of collateral during 2013.

13. OTHER CURRENT ASSETS

As of December 31, 2012 and 2011 other current assets mainly comprise of prepaid taxes other than income tax.

14. CASH AND CASH EQUIVALENTS

In thousands of Tenge	2012	2011
Cash on current accounts	**37,143,329**	32975,201
Cash on hand	**1,681**	1,064
	37,145,010	32,976,265

As of December 31, 2012 and 2011 cash and cash equivalents included Tenge-denominated cash on current bank accounts. The current bank accounts earn interest at rates of 1%-4%.

15. EQUITY

Authorised share capital (number of shares)

	2012	2011
Ordinary shares	**16,247,541**	16,219,239
	16,247,541	16,219,239

Issued and paid shares

	Number of shares	Thousands of Tenge
As at January 1, 2011	15,000,000	15,000,000
As at December 31, 2011	16,219,239	19,876,956
As at December 31, 2012	**16,247,541**	**19,990,162**

The authorized share capital of the Company as of December 31, 2012 comprised 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. The authorized ordinary shares of the Company were issued and fully paid by the Parent.

In 2012 addition to share capital in the amount of 113,206 thousand Tenge was made by the Parent company in the form of the office equipment (2011: 4,876,956 thousand Tenge in a form of administrative building and land).

Additional paid-in capital

As described in *Note 16*, 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 as at the dates of tranches. Accordingly, the difference between the amounts of obtained funds and their fair value totaling 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 (2011: 3,744,974 thousand Tenge).

Dividends

In 2012 the Group declared and paid dividends on its ordinary shares for 981,977 thousand Tenge (2011: 57,474 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 12*).

16. PARENT LOANS

In thousands of Tenge	% rate	Repayment	2012	2011
Credit facility #1	**1.5%**	**2024**		
Balance at beginning of period			**68,283,774**	55,371,344
Loans obtained			**11,324,252**	22,238,121
Interest accrued			**222,113**	1,515,159
Recognition of written-off portion of discount in the consolidated statement of changes in equity			**4,174,647**	3,744,974
Repayment of loans			**(30,497,680)**	(14,585,824)
Balance at ending of period			**53,507,106**	68,283,774
Credit facility #2	**2.0%**	**2022**		
Balance at beginning of period			**–**	–
Loans obtained			**5,000,000**	–
Interest accrued			**76,111**	–
Balance at ending of period			**5,076,111**	–
Credit facility #3	**2.0%**	**2022**		
Balance at beginning of period			**–**	–
Loans obtained			**6,238,000**	–
Interest accrued			**22,721**	–
Balance at ending of period			**6,260,721**	–
Financial aid *(Note 12)*				
Balance at beginning of period			**1,286,409**	858,190
Loans obtained			**–**	406,537
Interest accrued			**20,382**	21,682
Repayment of loans			**(900,000)**	–
Balance at ending of period			**406,791**	1,286,409
			65,250,729	69,570,183
Current portion of loans			**65,084,011**	54,249,344
Non-current portion of loans			**166,718**	15,320,839

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 bln Tenge and three years' grace period to pay the principal. In August 2010 the initial amount was reduced to 155 bln 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 2010 additional changes in the credit facility terms were introduced. The key change to the terms represents the Parent's right in December of each year to demand early settlement of tranches issued within the credit facility except for tranches received in 2009. As at 31 December 2012, the balance of funds obtained in 2009 was fully repaid (2011: balance amounted to 19,550,881 thousand Tenge).

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 borrowings, 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 (2011: 3,744,974 thousand Tenge).

As of 31 December 2012, interest rates on balance of withdrawn amounts varies from 0,02% to 2.00% p.a. (2011: 0,02% to 2.00%). Interest is paid on a semi-annual basis.

16. PARENT LOANS (continued)

Credit facility #2

This credit facility was opened in 2012 to the total amount of 17,100,000 thousand Tenge to finance pilot projects in Astana and Shymkent with the Housing Construction Program in Kazakhstan for 2011-2014. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts at the end of each financial year. Interest of 2% is paid on an 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 dated 21 June 2012 No. 821. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts at the end of each financial year. Interest of 2% is paid on an annual basis.

All obtained funds were not secured by guaranties or collateral.

17. OTHER NON-CURRENT LIABILITIES

Other long-term liabilities of the Group in the amount of 451,982 thousand Tenge (2011: 417,928 thousand Tenge) represent guarantee payments contributed by lessees to secure obligations under finance lease agreements. The Group uses these guarantee payments to settle lessees' obligations under finance lease agreements at the end of lease term.

18. OBLIGATIONS UNDER REPO AGREEMENTS

The Group attracts cash under automatic "repo" agreements against pledging of existing government securities (at the rate of 0.1%-1.0%) for 14-28 days through a broker. Attracted cash were deposited to the Company's bank accounts earning interest accrued on balance.

As at 31 December 2012, there were no open operations under REPO agreements (2011: liabilities under REPO agreements amounted to 2,254,003 thousand Tenge).

19. ACCOUNTS PAYABLE

As at December 31, 2012 and 2011 accounts payable comprised, mainly, payables to suppliers of services. Accounts payable were denominated in Tenge and did not bear interest.

20. OTHER CURRENT LIABILITIES

In thousands of Tenge	**2012**	2011
Due to employees	**197,791**	219,078
Guarantee obligations	**96,124**	255,937
Taxes, other than income tax	**21,946**	5,508
Other current liabilities	**33,481**	110,659
	349,342	591,182

21. REVENUE

In thousands of Tenge	**2012**	2011
Sale of advances paid to construction companies in the objects under construction	**1,903,450**	3,116,805
Revenue from finance lease	**954,674**	609,224
Revenue from operational lease	**324,150**	65,663
Sale of residential and commercial premises	**142,369**	1,401,009
Other revenue	**1,352**	46,507
	3,325,995	5,239,208

21. REVENUE (continued)

Sale of advances paid to construction companies in 2012 included gain on disposal of a business-center in amount of 1,684,950 thousand Tenge, calculated as a difference between consideration received in amount of 26,846,870 thousand Tenge and carrying amount of this building in amount of 25,161,920 thousand Tenge. Remaining amount of sales of advances paid to construction companies in amount of 218,500 thousand Tenge was calculated as a difference between consideration received in amount of 948,858 thousand Tenge and carrying amount of advances transferred in amount of 730,358 thousand Tenge (2011: sale of advances paid to construction companies in amount of 3,116,805 thousand Tenge was calculated as a difference between consideration received in amount of 13,521,529 thousand Tenge and carrying amount of advances transferred in amount of 10,404,724 thousand Tenge).

22. COST OF REVENUE

In thousands of Tenge	2012	2011
Cost of residential and commercial premises	**104,183**	1,207,811
Real estate properties service	**-**	45,148
Depreciation and amortization	**21,132**	29,841
Other	**26,591**	43,257
	151,906	1,326,057

23. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	2012	2011
Payroll and related taxes	**860,869**	911,120
Maintenance of building	**175,344**	25,329
Depreciation and amortization	**152,844**	33,676
Taxes and fines	**112,085**	47,521
Professional services	**66,595**	126,089
Rent	**46,821**	81,592
Advertising expenses	**20,188**	9,219
Materials	**17,853**	6,739
Business trip	**16,272**	9,640
BOD maintenance	**12,522**	2,300
Communication	**11,185**	9,231
Repair and maintenance	**5,713**	4,448
Bank charges	**3,230**	3,328
Other	**62,650**	22,781
	1,564,171	1,293,013

24. FINANCE INCOME / (FINANCE COST)

In thousands of Tenge	2012	2011
Finance income		
Interest income on bank deposits and current bank accounts	**2,380,046**	1,826,450
Income on government bonds	**162,233**	98,852
Interest income on interest bearing financing of construction companies	**1,043,394**	1,043,298
Interest income on loan given	**11,145**	13,218
	3,596,818	2,981,818
Finance cost		
Interest expense on the Parent loan	**(654,020)**	(1,250,704)
Unwinding of discount on interest bearing financing of construction companies (*Note 9*)	**(10,982)**	(186,977)
Other	**(86,628)**	
	(751,630)	(1,437,681)

25. INCOME TAX

The major components of income tax expense for the years ended December 31, 2012 and 2011 were as follows:

In thousands of Tenge	**2012**	2011
Current income tax charge	**790,415**	997,998
Deferred income tax expense resulting from origination and reversal of temporary differences	**1,585**	103,606
	792,000	1,101,604

Reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate to income tax expense is as follows for December 31, 2012 and 2011:

In thousands of Tenge	**2012**	2011
Profit before income tax	**4,171,301**	4,374,861
Statutory tax rate	**20%**	20%
Income tax at the statutory tax rate	**834,260**	874,972
Unwinding of discount on financial instruments	**2,070**	226,342
Coupon on financial assets	**(32,447)**	(22,578)-
Other (non-taxable income) / non-deductible expenses	**(11,883)**	22,868
	792,000	1,101,604

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

	Consolidated statement of financial position		**Consolidated income statement**	
In thousands of Tenge	**2012**	2011	**2012**	2011
Deferred tax assets:				
Tax losses carry–forward	**81,556**	–	**81,556**	–
Prepaid taxes	**874**	190	**684**	(190)
Financing of construction companies	**–**	9,106	**(9,106)**	(9,106)
Other	**41,137**	44,736	**(3,599)**	(44,736)
	123,567	54,032	**69,535**	(54,032)
Deferred tax liabilities:				
Intangible assets	**–**	(677)	**677**	190
Financial assets held for sale	**–**	(43,216)	**43,216**	43,216
Property and equipment	**(252,337)**	(159,323)	**(93,014)**	136,231
	(252,337)	(203,216)	**(49,121)**	179,637
Net deferred tax liability	**(128,770)**	(149,184)		
Deferred income tax income			**20,414**	125,605

Reconciliation of net deferred tax liabilities:

In thousands of Tenge	**2012**	2011
At January 1	**(149,184)**	(23,579)
Income tax expense recognized in profit or loss	**(1,585)**	(103,606)
Income tax expense recognized in other comprehensive income	**21,999**	(21,999)
At December 31	**(128,770)**	(149,184)

As of December 31, 2012 and 2011 the Group did not have any unrecognized deferred tax assets.

Changes in fair value of governmental securities are not taxable. Consequently, the Group reversed previously recognized tax effect relating to changes in fair value of financial assets available-for-sale.

26. NON-CASH TRANSACTIONS

During 2012 the Group received from Parent company the property and equipment with estimated fair value of 113,206 thousand Tenge (2011: 4,876,956 thousand Tenge). This transaction was excluded from the consolidated statement of cash flows.

27. RELATED PARTY TRANSACTIONS

The category 'parent-controlled entities' comprises entities controlled by the Parent company, except for banks controlled by the Parent company. "Temirbank" JSC and "Alliance Bank" JSC are related parties since they are controlled by Parent company.

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.

For the year ended December 31, 2012 and 2011, the Group has not recorded any impairment of trade 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.

The major transactions with related parties during the years ended December 31, 2012 and 2011 were as follows:

In thousands of Tenge	**2012**	2011
Parent-controlled entities		
Interest income on bank deposits	**679,115**	1,072,438
Assignment of advances paid to construction companies in objects under construction	**1,704,972**	1,067,209
Sale of premises to related parties	**113,609**	59,147
Rental income	**248,375**	38,088
Purchases from related parties	**145**	12,124
Sale of premises to related parties		
"KazTransGas" JSC	**63,135**	–
"Kazakhstan institute of oil and gas" JSC	**50,474**	–
"Exploration and Production "KazMunai Gas" JSC	**–**	24,592
"Semser Security" LLP	**–**	34,555
	113,609	59,147

In thousands of Tenge	**2012**	2011
Assignment of advances paid to construction companies in objects under construction		
"Zaulim" LLP	**1,684,950**	–
EntrepreneurshipEntrepreneurship development fund "Damu"	**20,022**	–
"NAC Kazatomprom" JSC		1,067,209
	1,704,972	1,067,209

As a result of the above transactions, the Group had the following balances due to / from related parties as of December 31:

In thousands of Tenge	**2012**	2011
Parent-controlled entities		
Cash in current bank accounts	**9,770,727**	14,248,174
Bank deposits	**5,216,000**	138,000
Trade receivables	**28,122**	37,029
Trade payables	**(1,491)**	(1,583)
Other current liabilities	**–**	(68,631)

Parent loans

Details of the Parent loans are described in *Note 16.*

Cash and cash equivalents

The Group's cash and cash equivalents in amount of 9,770,727 thousand Tenge were held in "Alliance Bank" JSC as of December 31, 2012 (2011: 14,248,174 thousand Tenge).

27. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

In 2012 key management personnel consisted of twelve persons (2011: twelve persons). Total compensation to key management personnel included in payroll costs amounted to 249,601 thousand Tenge for the reporting period (2011: 279,170 thousand Tenge). Compensation to key management personnel consists of the contractual salary and annual bonuses.

The Group performed additional procedures to determine related parties of key management personnel, which did not discover any related parties.

Government subsidies and guarantees

As of December 31, 2012 the Group did not obtain any subsidies and guarantees from the Government.

5. COMMITMENTS AND CONTINGENCIES

Contractual commitments

As at December 31, 2012 the Group had contractual commitments amounting to 16,013,429 thousand Tenge (2011: 2,532,115 thousand Tenge) under agreements with construction companies.

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 reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assesses 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 proceeding 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 December 31, 2012. As at December 31, 2012 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise the Parent loan, trade payables and other current liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group 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 the Group's financial instruments are liquidity risk and credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell the assets timely close to their fair values.

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2012 and 2011 based on contractual undiscounted payments:

	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
December 31, 2012						
Parent loan	–	76,111	65,007,900	–	166,718	65,250,729
Trade payables	–	46,636	–	–	–	46,636
	–	122,747	65,007,900	–	166,718	65,297,365

	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
December 31, 2011						
Parent loan	54,249,344	–	392,090	9,747,379	12,261,090	76,649,903
Trade payables	–	106,651	–	–	–	106,651
Obligations under "repo" agreements	–	2,254,003	–	–	–	2,254,003
	54,249,344	2,360,654	392,090	9,747,379	12,261,090	79,010,557

Credit risk

Financial instruments, which potentially subject the Group to credit risk, consist primarily of cash on bank deposits and current bank accounts, trade receivables and loan given. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Fair values of financial instruments

The carrying amount of all financial assets and financial liabilities as of December 31, 2012 and 2011 approximates their fair values.

The carrying amount of cash and cash equivalents, trade receivables, trade payables and other current monetary assets and liabilities approximates their fair value due to the short-term maturity of these financial instruments. Parent loans are stated at amortized costs which approximate their fair values.

The fair value of financial assets is estimated using discounted cash flow based on rates currently available to the Group with similar terms and average maturities. The fair value of financial assets is considered to be equal to their carrying values.

Capital management

The Group's key objective over the capital management is to ensure the stable sufficiency of the capital to support the operations of the Group and maximize the shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the year ended December 31, 2012.

The Group monitors capital using gearing ratio, which is net debt divided by total capital. The Group includes within net debt Parent loans, obligations under "repo" agreements and trade payables.

The table below shows the Group's gearing ratio as of December 31, 2012 and 2011:

In thousands of Tenge	**2012**	2011
Parent loan	**65,250,729**	69,570,183
Obligations under "repo" agreements	**–**	2,254,003
Accounts payable	**46,636**	106,651
Net debt	**65,297,365**	71,930,837
Equity	**29,425,313**	31,187,900
Gearing ratio	**2.2**	2.3