

REAL ESTATE FUND
«Samruk-Kazyna»



Annual Report 2012



Renewing life

CONTENTS

Statement of the Chairman of the Board of Directors • 4

Statement of the Chairman of the Management Board • 5

About the Real Estate Fund • 7–8

Company History and Shareholders • 7

Mission, Vision, Strategic Directions and Goals • 7–8

Key Corporate Events of 2012 • 9

Key Performance Indicators • 11–15

Analysis of Financial and Economic Indicators • 12–15

Main Activity Directions • 17–27

I. Assist the State to stabilize the real estate market • 17–21, 26–27

II. Implementation of the program “Affordable Housing — 2020” • 22–25

Corporate Governance • 29–47

Corporate Governance Principles • 29–44

Risk Management • 44–45

Conflict of Interest • 45

Information Policy • 46

Sustainable Development • 49–55

Interaction with the Society • 49–50

Interaction with the Staff • 51–55

Environmental Responsibility • 55

Prospects for 2013 • 57

About the Report • 59

Annex 1. Analysis of housing construction sector • 61–69

Annex 2. Consolidated financial statement for 2012 and Independent auditors’ report • 71–104

Annex 3. Table of standard elements of GRI • 105–107

STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Ladies and gentlemen!

The Message of the President of the Republic of Kazakhstan to the people, "Socio-economic modernization — the main vector of development of Kazakhstan" defines affordable housing as one of the priority areas for development. The Program "Affordable Housing — 2020" was approved by the Government of the Republic of Kazakhstan in June 2012. This Program is aimed at a comprehensive solution to the problems of residential development in order to increase affordability of housing for people. The Real Estate Fund became one of the operators that implement this Program.

In 2012, the Real Estate Fund, in the framework of the program "Affordable Housing — 2020", started to finance the construction of two residential complexes in the Almaty region and the Aktobe city, with the total area of 201.4 thousand square meters. Funding for these facilities is based on the principles of partnership with private capital. The share of the developers in the project financing makes at least 20%. The first batch of these facilities will be commissioned in late 2013.

During the reporting year, the Real Estate Fund continued its anti-crisis program at the market. As of December 31, 2012, the construction of 20 out of 21 objects, financed by the Fund under the Program, was completed. 17 sites were commissioned including 3 objects in 2012. The remaining objects are expected to be commissioned in 2013. Thus, the Real Estate Fund has almost completed the implementation of the anti-crisis program. Participation of the Real Estate Fund enabled the completion of the construction with the total area of about one million square meters (more than 7 thousand apartments) and solved the problems of over 3 thousand shareholders.

The financial performance of the Company for the year 2012 exceeded the targets and indicators of 2011.

In 2012, the improvement of the corporate governance system continued. The Board of Directors approved the Development Strategy of the Real Estate Fund for the years 2012–2022. The Audit Committee, Nomination and Remuneration Committee were formed and started operating under the Board of Directors. The amendments to the Charter of the Company, as well as a number of internal regulations were approved with the aim to detail and separate powers between the bodies of the Company.

In the reporting period, the Policy of Corporate Social Responsibility and Policy of Resolving Conflicts of Interest, the Regulation on the Ombudsman and other documents in the sphere of risk management, internal control, and personnel management were developed and approved.

As the result, the corporate governance rating increased and made 57.8%.

For 2013, the Real Estate Fund has new goals. The large-scale implementation of the program "Affordable Housing — 2020" begins.

On behalf of the Board of Directors, I would like to wish the Real Estate Fund team success in implementation of the tasks.

Munzhassarov Zh.A.

Chairman of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

Ladies and gentlemen!

For the Real Estate Fund, as well as for the whole country, 2012 was the year when the program “Affordable Housing — 2020” began.

This program, in contrast to the previously implemented government housing programs, ensures a complex approach with consideration of not only construction but the development of the construction industry, development of housing and utility services as well, and seeks to address the housing problems of the general population.

In 2012, the Real Estate Fund almost completed the implementation of the anti-crisis program in the real estate market. To date, solved the problems of over 3 000 shareholders.

Also, 2012 was a significant year for the Real Estate Fund due to the approval of a long-term Development Strategy and the beginning of its implementation. Strategic directions and goals, key performance indicators for the years 2012–2022 were defined.

In 2012, the Real Estate Fund has embarked on a program “Affordable housing — 2020”. Sale of housing will be implemented through the direct sale of real estate and lease with purchase.

I would like to point out that last year we have made almost all the planned activities, thus ensuring the financial stability of our Company. The Real Estate Fund secured the achievement of planned financial and economic indicators. The net income amounted to 3 379.3 million tenge, exceeding the targeted one by 19.1% and the level of 2011 by 3.2%.

The Real Estate Fund carried out serious work on improving its business processes, refocusing their implementation for the new strategic direction, improving its corporate governance rating.

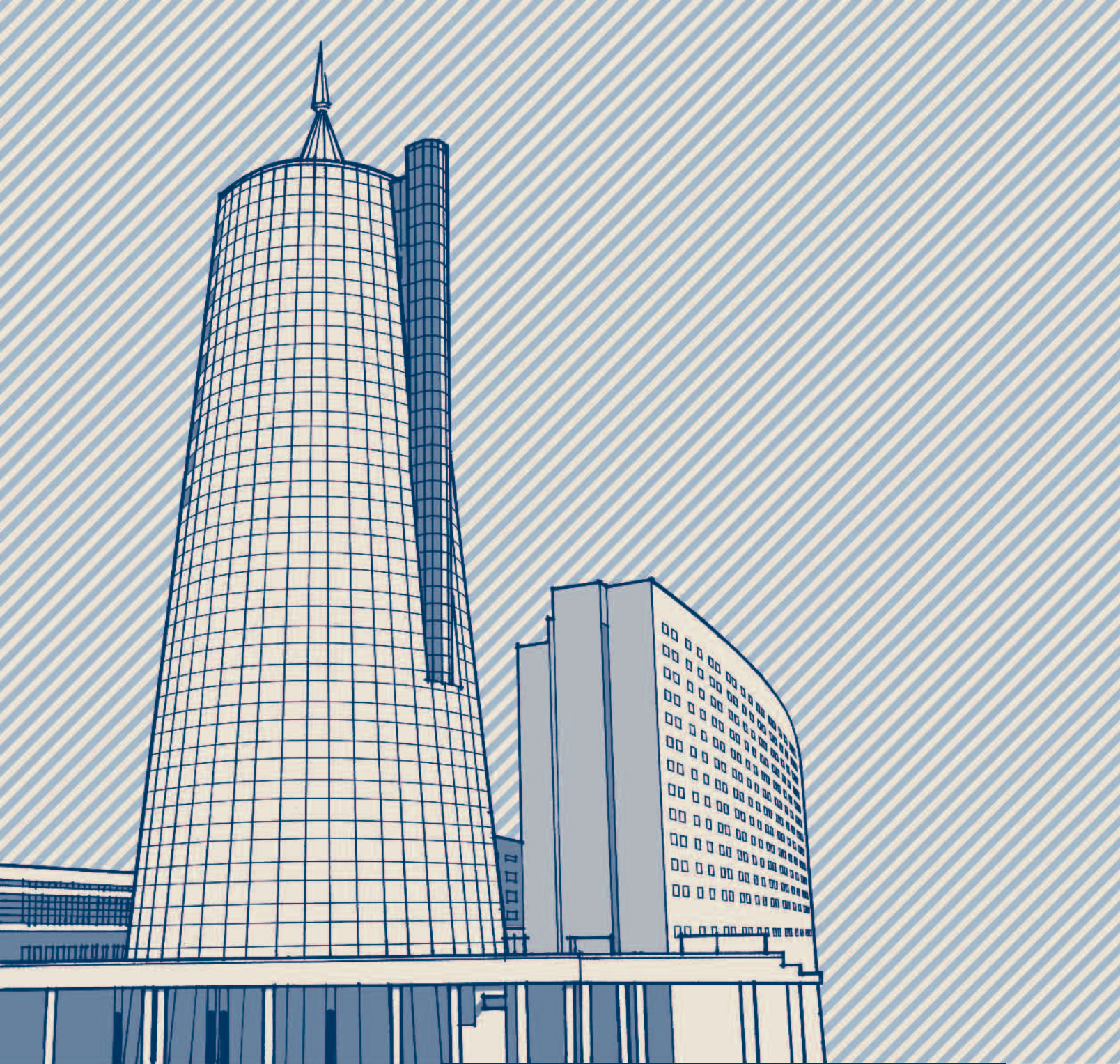
This report is the first integrated annual report which reflects a holistic approach to evaluating the performance of the Real Estate Fund consistent with its sustainable development policies.

Let me assure you that the Real Estate Fund will continue improving accountability and proper disclosure of information to all interested parties.

On behalf of the management I would like to thank our partners for successful cooperation, as well as all employees of the Real Estate Fund, whose professionalism has allowed us to achieve such results and lay the foundation for a successful and sustainable development of the Company in the future.

Palymbetov B.A.

Chairman of the Management Board of “Real Estate Fund “Samruk-Kazyna” JSC



ABOUT THE REAL ESTATE FUND

► Company History and Shareholders

“Real Estate Fund “Samruk–Kazyna” JSC (hereinafter — the Real Estate Fund, the Company) was established in accordance with the Regulation No.265 by the Government of the Republic of Kazakhstan dated March 6, 2009 “On certain measures to address the problems at the real estate market”.

The activities of the Real Estate Fund seek to promote housing development in the Republic of Kazakhstan.

In accordance with the Charter of the Real Estate Fund, it provides:

- creation of new assets in the form of residential and commercial premises;
- financing of construction projects, acquisition of residential and non–residential (commercial) premises in completed or under–construction objects;
- real estate management (leasing, including lease–purchase, sale, organization of work on operation, maintenance and repair, etc.).

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

As of December 31, 2012, the total number of authorized and outstanding shares equals to 16,247,541 units. All shares are ordinary, including 15,000,000 shares of par value per share of 1 000 tenge; 1,247,540 shares of par value per share of 4,000 tenge, 1 share of par value per share of 2,490 tenge.

The register of holders of securities of the Company is kept by “The Integrated Securities Registrar” JSC.

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

The key strategic directions of “Samruk–Kazyna” JSC are:

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

Information on the activities of “Samruk–Kazyna” JSC is disclosed on the website — www.s-k.kz.

► Mission, Vision, Strategic Directions and Goals

Mission

Increasing of public housing affordability by investing in housing construction.

Vision

The leading financial institution in the country that invests in housing and carries out the effective management of real estate.

The Real Estate Fund shall be transformed out of the anti–crisis instrument of the public policy into a highly effective company that will mobilize resources for housing development and create the benchmark at the economy class housing market by the ratio of “quality — cost”.

Along with the improvement of business processes, there will be a transformation of the corporate culture from the one focused on the implementation of anti–crisis measures to the one focused on the need of the population to have high–quality and affordable housing.

The medium and long–term activities of the Real Estate Fund aim to increase the Company's value.

The main strategic directions of the Real Estate Fund:

- assist the Government in stabilizing the real estate market;
- investment in housing construction;
- improvement the efficiency of business performance.

In accordance with the first strategic direction, the Company plans to achieve the following strategic objectives:

- completion of unfinished projects and addressing the problems of shareholders;
- promotion of local content in construction projects;
- ensuring of compliance with the modern standards of housing development.

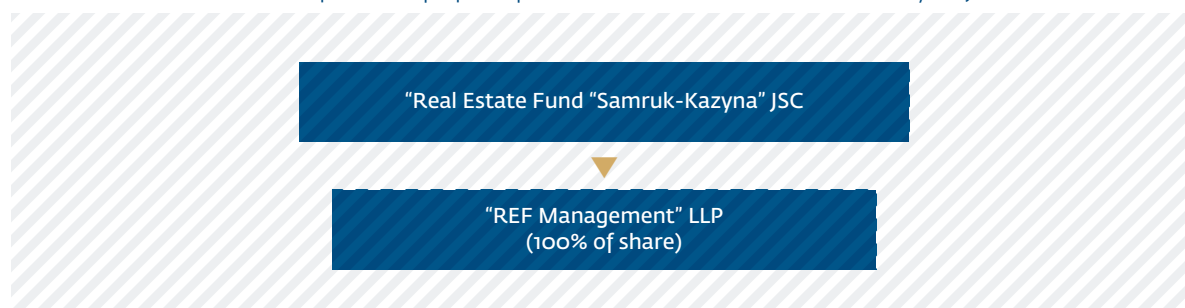
In accordance with the second strategic direction, the Company plans to achieve the following strategic objectives:

- increase the supply of affordable housing at the market;
- the use of advanced construction technologies and improving the quality of housing;
- attraction of private investment in housing construction;
- support of local suppliers of goods, work and services.

In accordance with the third strategic direction, the Company plans to achieve the following strategic objectives:

- ensuring effective asset management and financial sustainability;
- improving the level of corporate governance;
- human capital development;
- commitment to the principles of corporate social responsibility.

..... Structure of the Group of Companies "Real Estate Fund "Samruk-Kazyna" JSC¹



"REF Management" LLP was created in 2010. The sole founder is the Real Estate Fund. The main activity of the "REF Management" LLP is the lease of residential and commercial premises, control of the maintenance and operation of the real estate.

In January 2012, the Real Estate Fund sold a 100% interest in the authorized capital of the subsidiary — "Zaulim" LLP, formed in 2010. The main activity of "Zaulim" LLP was the construction of building and facilities, planning and surveying activities, expert work and engineering services in the sphere of architecture, urban planning and construction activities.

¹ As of 31.12.2012.

KEY CORPORATE EVENTS OF 2012

January

Commissioning of a residential complex “Bogenbai batyr” (Astana).

April

Commissioning of the third line of the residential complex “Khan Tengri” (Almaty region).

The Board of Directors approved the Development Strategy of the Real Estate Fund for the years 2012–2022

May

Munzhassarov Zh.A. was appointed as the Chairman of the Board of Directors. The Board of Directors was reduced from 7 to 5 members.

Audited consolidated financial statement for 2011 was approved and published.

June

The Government of the Republic of Kazakhstan by the Regulation No.821 dated 21.06.2012 approved the program “Affordable Housing — 2020” and the Real Estate Fund became one of its operators.

August

The Board of Directors approved the Policy of Corporate Social Responsibility.

The Board of Directors approved the Report on compliance with the principles of corporate governance and the Report on transparency and efficiency of the processes of information disclosure for 2011.

September

The Real Estate Fund concluded the first agreements of investment in housing construction in the framework of the program “Affordable Housing — 2020”.

October

Amendments to the Charter of the Company

The Ombudsman was appointed and the Regulations governing its activities were approved.

The Board of Directors approved the Policy on Conflict of Interest in “Real Estate Fund “Samruk–Kazyna” JSC.

November

Commissioning of the residential complex “Turan” (Astana).

Commissioning of the 4th and 5th lines of the residential complex “Khan Tengri” (Almaty region).

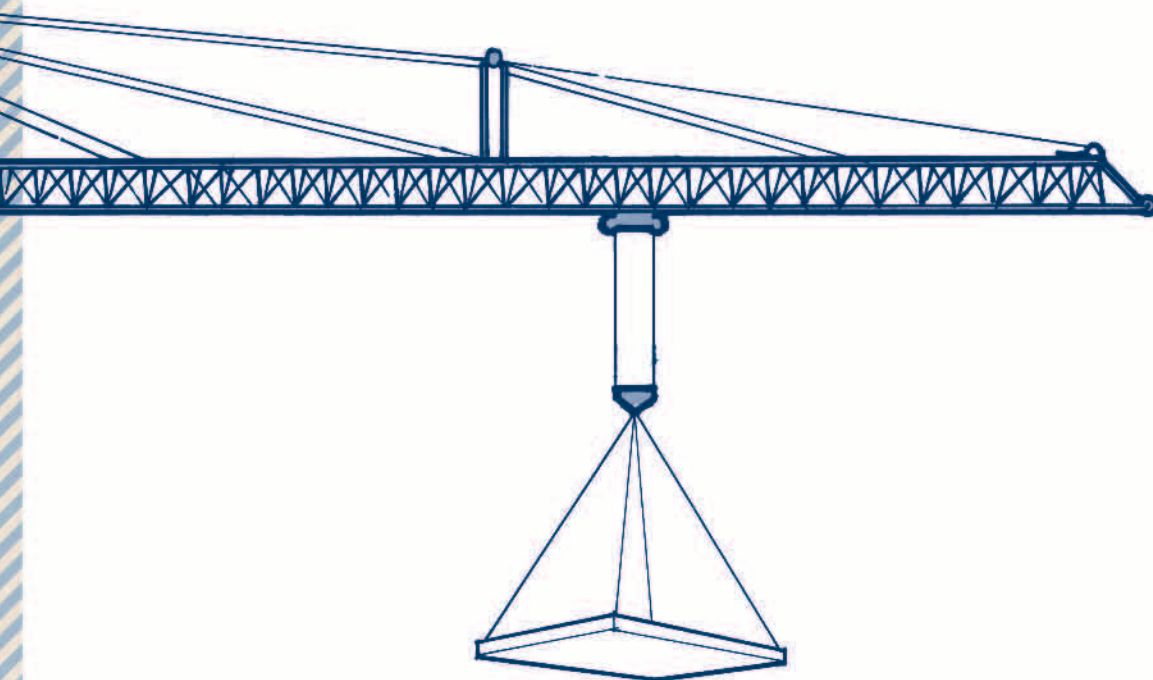
December

The Board of Directors approved the updated Development Strategy of Real Estate Fund for the years 2012–2022 due to the adoption of the Development Strategy of “Samruk–Kazyna” JSC.

The Board of Directors approved the adjustment of Development Plan for 2011–2015 in terms of the indicators for 2013–2015.



KEY PERFORMANCE INDICATORS



Financial Indicators

Name	Unit of measurement	2010	2011	2012
EBITDA margin	%	40*	60,6*	64
ROA	%	0,57	3,47	3,38
ROACE	%	0,6	3,6	3,72
Net Income	mln. tenge	383,2	3 273,3	3 379,3

* Indicators were recalculated acc. to the methodology approved by the Sole Shareholder

Performance Indicators

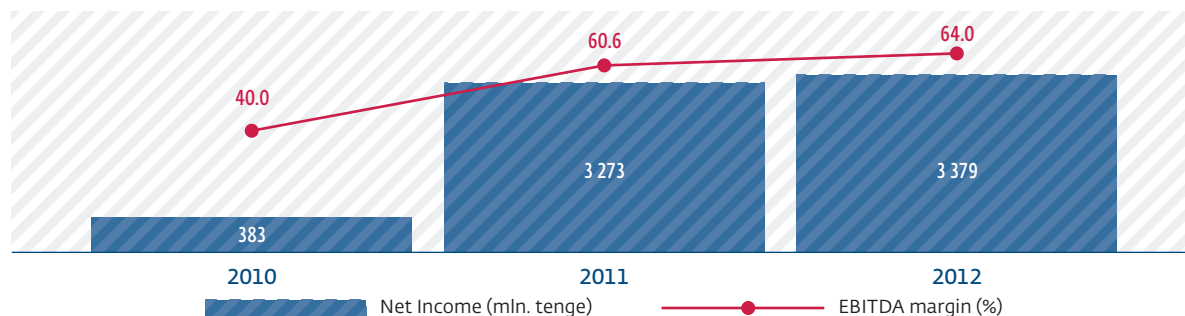
Name	Unit of measurement	2010	2011	2012
Pool of the real estate in the framework of the anti-crisis program ²	thousand sq.m	561,9	532,5	565,2
— residential	thousand sq.m	373,1	344,6	394,5
— commercial	thousand sq.m	188,8	187,9	170,7
Real estate sold within the anti-crisis program	%	30	70	82,5
Pool of the real estate in the framework of the program "Affordable Housing — 2020"	thousand sq.m	—	—	115 , 15
The share of private investment attracted in housing construction	%	—	—	20,7
Local (Kazakhstan) content in procurement of contractors	%	61	68	74

² Less terminated contracts.

▷ ANALYSIS OF FINANCIAL AND ECONOMIC INDICATORS

In 2012, the Company ensured the achievement of the planned financial and economic indicators.

The net income amounted to 3 379.3 million tenge which is above the targeted by 19.1%, higher than in 2011 by 3.2%. The growth in net income was due to reduced overall costs.



Total revenues amounted to 7 046.8 million tenge, exceeding the targeted by 4.4%. The decline in revenues compared to 2011 is planned and due to the fact that in 2010–2011 most of the Company's pool of the real estate within the anti-crisis program had been sold.

Aggregated (total) revenues and expenses, mln. tenge

Name	2010	2011	2012			
	Fact	Fact	Plan	Fact	in % to plan	in % to fact of 2011
Total revenues	4 381,5	8 431,6	6 747,9	7 046,8	104,4	83,6
Total expenses	3 567,8	4 056,8	3 239,3	2 875,5	88,8	70,9
Corporate income tax expenses	430,5	1 101,6	672,3	792,0	117,8	71,9
Net income (loss)	383,2	3 273,3	2 836,3	3 379,3	119,1	103,2

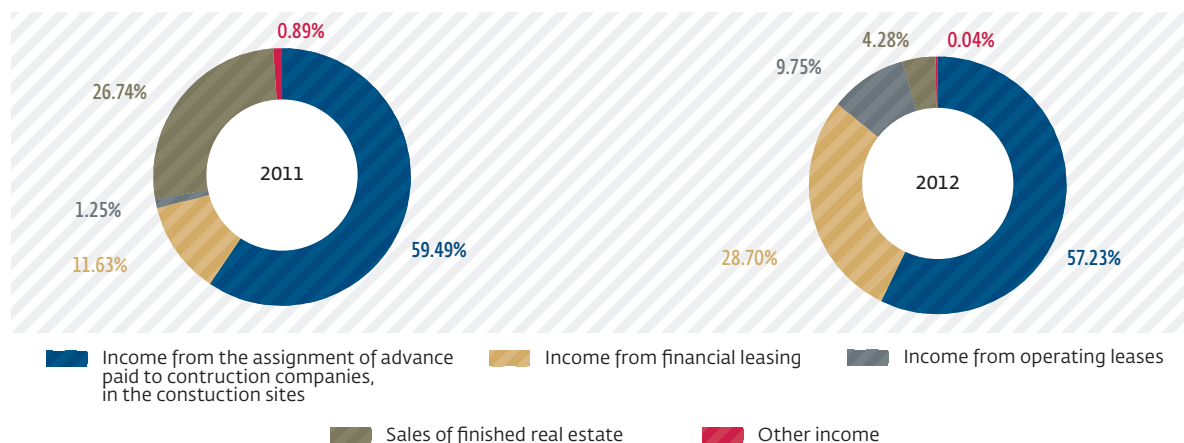
The income from sales in 2012 amounted to 3 326 million tenge (103.4% of the plan).

The structure of revenues from sales, mln. tenge

Name	2010	2011	2012			
	Fact	Fact	Plan	Fact	in % to plan	in % to fact of 2011
Income from the assignment of advances paid to construction companies, in the construction sites	521,5	3 116,8	1 856,2	1 903,5	102,5	61,1
Income from financial leasing	133,9	609,2	1 002,6	954,7	95,2	156,7
Income from operating lease		65,7	289,3	324,2	112,0	493,7
Sales of finished real estate	676,8	1 401,0	67,9	142,4	209,6	10,2
Other income	26,4	46,5		1,4		2,9
Total	1 358,6	5 239,2	3 216,1	3 326,0	103,4	63,5

The structure of sales revenues substantially changed in 2012 demonstrating a growing share of income from finance leases and income from operating lease.

Structure of Sales Revenues



The total expenses of the Company amounted to 2 875.5 million tenge in 2012, which is 11.2% lower than the target figure and 29.1% below the level of 2011. Decrease in comparison with planned expenditure occurred due to the optimization of the overall administrative expenses, reducing financing costs as a result of early repayment of loans provided by the Sole Shareholder for the anti-crisis program implementation. The decrease of the total expenses compared with 2011 was due to lower costs by reducing the sales of real estate and reducing of the financing costs as the result of early repayment of obligations under the credit line. The growth of general and administrative expenses was related to the costs of maintenance of the administrative building (depreciation, taxes, maintenance expenses) transferred to the Company in 2011.

Structure of aggregated (total) expenses, mln. tenge

Name	2010	2011	2012			
	Fact	Fact	Plan	Fact	in % to plan	in % to fact 2011
Cost of sales	746,9	1 326,1	131,0	151,9	115,9	11,5
General and administrative expenses (GAE)	782,5	1 293,0	1 886,4	1 564,2	82,9	121,0
Expenses on the provisions for impairment	–	–	449,1	407,8	90,8	
Finance cost	2 038,4	1 437,7	772,8	751,6	97,3	52,3
Total	3 567,8	4 056,8	3 239,3	2 875,5	88,8	70,9

Cost of sales in 2012 amounted to 151.9 million tenge. Significant cost savings, compared to 2011, were achieved due to a planned reduction in the volume of the real estate sales related to the completion of the anti-crisis program.

Cost of sales, mln. tenge

Name	2010	2011	2012
Cost of real estate sales	581,6	1 207,8	104,2
Maintenance of facilities	93,9	45,1	–
Depreciation of investment property	18,8	29,8	21,1
Other	52,7	43,3	26,6
Total	746,9	1 326,1	151,9

▷ Assets

The assets of the Real Estate Fund, as of December 31, 2012, amounted to 95.7 billion tenge. A decrease (by 8.2%) compared with the figure as of December 31, 2011, was due to the sale of assets including a 100% interest in "Zaulim" LLP and early repayment of loan obligations. Long-term assets on the reporting date amounted to 33.9 billion tenge (an increase over the year by 6.8%) including fixed assets and intangible assets — 4.9 billion tenge, advances issued to construction companies — 14 billion tenge, investment property — 1.6 billion tenge, long-term financial assets — 13.3 billion tenge. Current assets amounted to 61.8 billion tenge (an increase over the year by 30.4%), including cash and cash equivalents — 37.1 billion tenge, other current financial assets — 22.1 billion tenge, advances issued to construction companies — 1.75 billion tenge, real estate for sale — 0.2 billion tenge, accounts receivable — 0.6 billion tenge.

..... Dynamics of the Assets, mln. tenge



▷ Shareholders' Equity

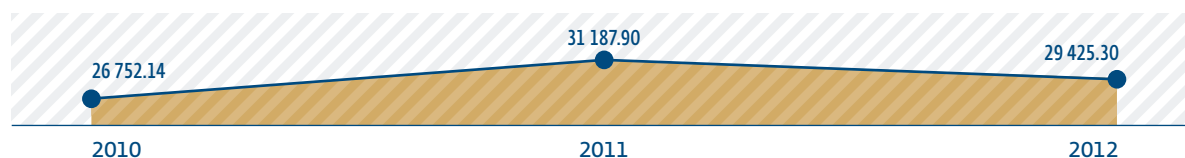
Shareholders' equity of the Company, as of December 31, 2012, amounted to 29.4 billion tenge. The changes in the shareholders' equity (decrease of 5.6%) were due to the depreciation of additional paid-in capital (from 7.6 billion tenge in 2011 to 3.4 billion tenge on the reporting date) as the result of early repayment of the loan and the revision of the effective interest rates.

Additional paid-in capital was formed by a loan provided by the Sole Shareholder. The loan accounted for at fair value, calculated as the present value of future cash outflows for the loan, discounted at the rate of government bonds on the date of receiving the loan. The differences between the loan amount received and its fair value at the date of obtaining the loan is recorded as additional paid-in capital.

The authorized capital of the Real Estate Fund was formed by the Sole Shareholder in the amount of 19.99 billion tenge. In 2012, the contribution to the authorized capital of 0.11 billion tenge was made by the Sole Shareholder in the form of equipment for the administrative building.

Retained earnings amounted to 6 billion tenge as of December 31, 2011.

..... Dynamics of the Authorized Capital, mln. tenge



▷ Liabilities

The liabilities of the Real Estate Fund, as of December 31, 2012, amounted to 66.3 billion tenge. Reduction of the liabilities (by 9.3%) was the result of early repayment of the loan. Long-term liabilities amounted to 0.7 billion tenge, including the loan from the parent company — 0.2 billion tenge (at fair value). Current liabilities amounted to 65.5 billion tenge, including a loan from the parent company — 65.1 billion tenge (at fair value).

..... Dynamics of Liabilities, mln. tenge



► Funding

Funding of the Company to complete construction projects within the anti-crisis program was made by the Sole Shareholder in accordance with the Agreement on a credit line No.10/FN13 between the Company and the Sole Shareholder dated 18.08.2009. Under the terms of the agreement, the credit line of 155 billion tenge would be provided to the Real Estate Fund in tranches. The loan term is 15 years including a grace period on principal repayment — 36 months, after which the principal amount is payable in equal annual installments. The interest rate for each tranche received in the first twenty four months is 0.02% p.a., in the later years — 2% p.a.

As of December 31, 2012, the Real Estate Fund obtained 98.4 billion tenge under the credit line. In 2012, an early repayment in the amount of 30.5 billion tenge was made. The outstanding principal balance on the reporting date amounted to 53.3 billion tenge.

To implement pilot projects under the housing construction program for 2011–2014, the Sole Shareholder granted a credit line in the amount of 17.1 billion tenge in 2012, with maturities up to 2021. The interest rate — 2%. The grace period on principal repayment — 2.5 years. As of December 31, 2012, the Real Estate Fund received 5 billion tenge.

In 2012, the Sole Shareholder has also granted a credit line totalling 99.053 billion tenge on the financing of housing projects in the framework of the program "Affordable Housing — 2020". The maturity of credit line — up to 2022. The interest rate is set at 2%. The grace period on principal repayment — 2.5 years. As of December 31, 2012, the Real Estate Fund received 6.2 billion tenge under the credit line.

► Financial Soundness Indicators

"Debt/ EBITDA" ratio made in 2012 — 23.81, in 2011 — 17.73. The growth rate, despite the reduction in the Company's debt as of 31.12.2012, was due to lower total revenues of the Company following the completion of the anti-crisis program. "Interest Coverage" ratio made in 2012 — 8.7, in 2011 — 37. The decline was due to lower total revenues of the Company following the completion of the anti-crisis program as well as the growth of paid remuneration in 3 times.

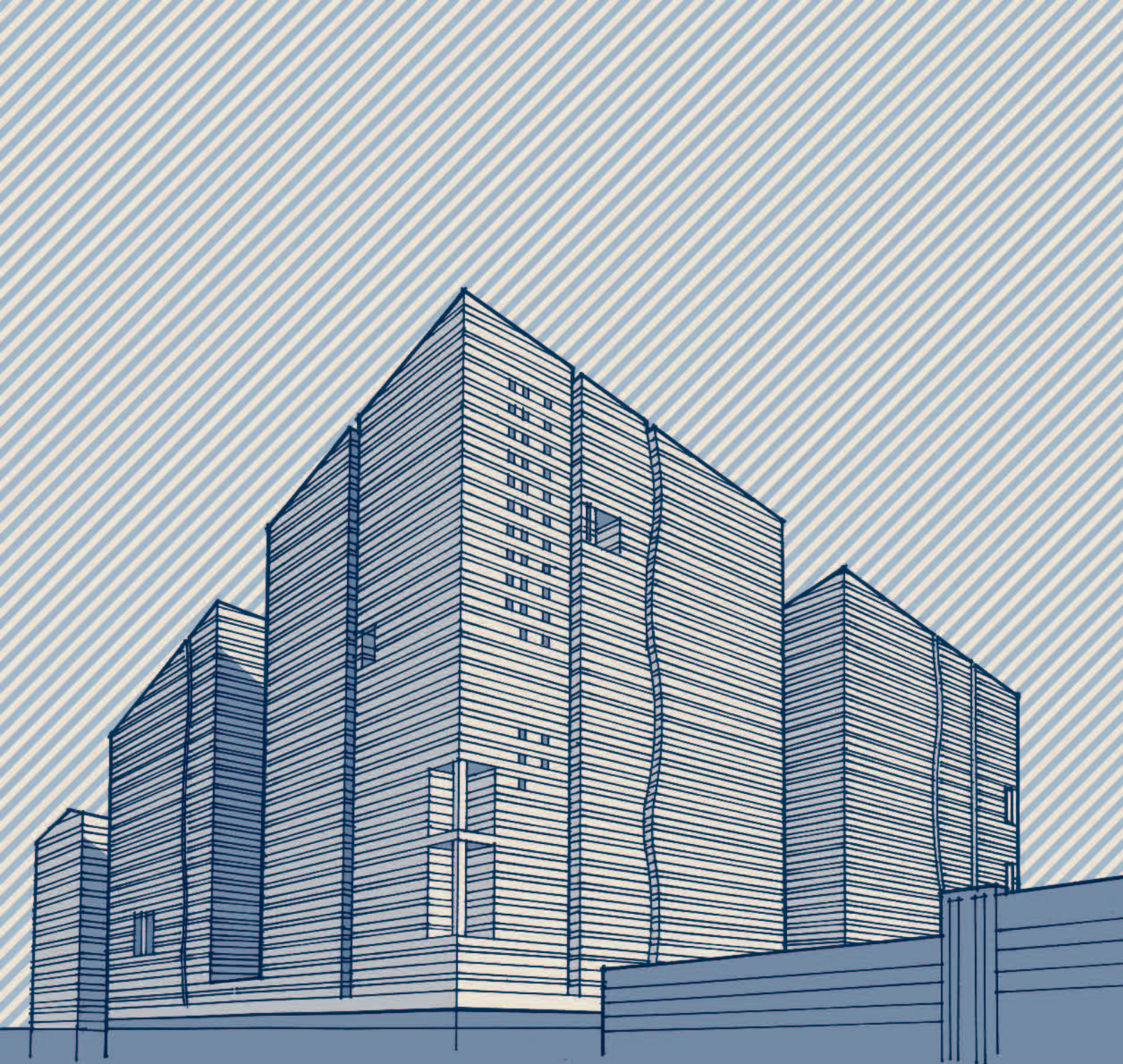
► Dividends per share according to the results of 2011

The positive dynamics of economic and financial results of the Company was reflected in the substantial increase in the amount of dividends paid to the Sole Shareholder in 2011.

The size of dividends for 2011 amounted to 60.5440 tenge per an ordinary share. In total the dividends made 981.98 million tenge, or 30% of the consolidated net income of the Group of the Real Estate Fund. The payment of dividends to the Sole Shareholder was made on June 22, 2012.

..... Dividends per share

	Dividend per ordinary share, tenge	Total amount of the dividends, mln. tenge	Dividend share in net income, %
2011	60,5440	981,98	30%
2010	3,8316	57,47	15%
2009	0,1425	2,14	15%



MAIN
ACTIVITY
DIRECTIONS

► I. Assist the State to stabilize the real estate market

As part of the anti-crisis program at the real estate market, the Company undertook the obligations to complete the construction of 21 objects for a total of 83.5 billion tenge. 17 sites of them were located in the city of Astana (51.4 billion tenge), 3 objects in Almaty (16 billion tenge), 1 object in the Almaty region (16.1 billion tenge).

In 2012, the contract on investing of 11.3 billion tenge in the construction of the residential complex "Akzent" (Almaty) was concluded.

Under the contracts, the problems of over three thousand shareholders were resolved, a purchased pool of real estate amounted to 565.2 thousand square meters, including residential area — 394.5 thousand square meters (4 642 apartments); 170.7 thousand square meters — commercial (non-residential) area; 1 135 parking spaces.

As of December 31, 2012, the Real Estate Fund invested 82.8 billion tenge in the construction of 21 objects.

As of the reporting date, the construction of 20 objects was completed, 17 sites were commissioned, including 3 projects commissioned in 2012. The problems of over 2 thousand shareholders were resolved, including in 2012 — 874 shareholders.

Thus, in 2012, the Real Estate Fund almost completed the implementation of the anti-crisis program. The remaining 3 projects will be commissioned in 2013.

As of December 31, 2012, the Real Estate Fund took into the ownership 110.4 square meters of housing, including 99.3 thousand square meters — residential, 11.1 thousand square meters — commercial. In 2012, premises in the residential complexes "Caspian Palace" and "Bogenbai batyr" were taken into ownership.

► Projects put into operation in 2012

RC “Bogenbai batyr”

Commissioning — 31.01.12

Housing Class — economy (III on SNiP of RK)

Astana, Bogenbai Batyr Ave.,
Toraigyrov Street and Pushkin Street.



RC “Khan Tengri”

Commissioning — 1 Line — 19.10.10

2 Line — 01.02.11

3 Line — 27.04.12

4 and 5 Lines — 30.11.12

Housing Class — business (II on SNiP of RK)

Almaty region, Karasai district, Kargaly village



RC “Turan”

Commissioning — 12.11.12

Housing Class — economy (III on SNiP of RK)

Astana, intersection of Zhubanov Street
and Tarkhan Street



► Completed construction in 2012:

RC “Etalon”

Completion date — 4th quarter of 2012

Housing Class — economy (III on SNIIP of RK)

Almaty, Alatau district, Raiymbek Ave. 481 A
(corner of Sain Street)



RC “Khan Tengri”, 2 line

Completion date — 4th quarter of 2012

Housing Class — economy (III on SNIIP of RK)

Astana, intersection of Kenessary Street
and Sembinov Street





Saule Kuanyshbayeva
Interestholder of Residential Complex 'Khan Tengri'

FIRST PERSON COLUMN

To understand the happiness of investors, who at last were able to get their own housing thanks to government anti-crisis program, words alone are not enough. Such opinion has an investor of residential estate "Khan-Tengri" Saule Kuanyshbayeva.

— Of course, we had some doubts concerning whether the house would be finished or not when the crisis came on. We are sincerely grateful to the Fund "Samruk-Kazyna" for support, adoption of timely effective programs. I guess that our gratitude is beyond words as housing is the most important issue for every citizen of our country. Many thanks to "Elitstroy Group" LLP for the fulfillment of its obligations. The houses are very comfortable, warm, of good quality, and the most important thing is their location — far away from polluted city center, at the foot of the Trans-Ili Alatau. The infrastructure of complex is rapidly developing here.

According to Saule Kuanyshbayeva, her family, especially her children and parents had been looking forward for this joy and now are absolutely excited of it. Buying a home is always a very significant and important step, accompanied by not only a great joy, but also by great responsibility. Real estate is an investment in the future, so one should approximate to its choice very thoroughly.

This residential estate does meet the high standards. The main advantage of apartments in "Khan tengri", as Saule Kuanyshbayeva says, is disposition of rooms — it is very convenient, all the rooms are bright and spacious. The loggias are also very comfortable — they all have view to the mountains. In a word — we are very excited!



Zheltyrguzov Azamat Kayratovich,
Lessee of Residential Complex 'Gorodskoy Romans'

FIRST PERSON COLUMN

I, Zheltyrguzov Azamat Kayratovich, purchased an apartment in RC "Gorodskoy romans (Urban romance)" for lease–purchase. I am lead opera soloist of K. Bayseitova National Opera and Ballet Theatre. This possibility turned out acceptable and convenient for me.

Using the system of rental housing, I can say that the positive aspect of this system are larger than the negative ones: the payments are below market rates, and, what is the most important thing is that with these payments one redeems housing in the future. Thus, you know that your money goes to purchase housing purpose and is not wasted. And even if for different reasons the termination of the contract occurs, a part of your payments would be returned to you. In essence — it is the same installment purchase, but the difference is that the real estate becomes your property not at the beginning of payments, but after carrying out all payments. Moreover, you don't have to complete a loan anywhere.

We have a two–room apartment. And my payment per month is 95213 KZT. There is no need to make initial payment, but still the right to make it is an asset as thus you kind of minimize your rent payment.

The housing is of high quality. The complaints, which arose when receiving keys, were eliminated before our moving in.

► II. Implementation of the Program “Affordable Housing — 2020”

As part of the implementation of the priority areas identified in the Message of the President of the Republic of Kazakhstan to the people, “Socio-economic modernization — the main vector of development of Kazakhstan”, the Government of the Republic of Kazakhstan approved the program “Affordable Housing — 2020” in June 2012.

This program is aimed at a comprehensive solution to the problems of housing construction, housing affordability for the population. The main directions of the program are set out in Annex 1 (Section 4).

The Real Estate Fund was selected as one of the main operators of the program “Affordable Housing — 2020”.

In accordance with the Program, the key mechanisms of the construction of residential projects with the participation of Real Estate Fund are:

1. Organization of construction on the investment applications of private developers (investors).

In accordance with the internal procedures of “Real Estate Fund “Samruk-Kazyna” JSC, the selection of projects for construction of residential facilities (hereinafter — projects), submitted by private developers (investors), was carried out.

In the selection, the priority was given to those projects in which a developer (investor) had a more significant share of funding.

Project requirements:

- 1) availability of land, free of encumbrances and with the engineering and communication infrastructure;
- 2) availability of design and estimate documentation with the conclusion of state examination;
- 3) housing comfort class — not higher than Class 3 acc. to the SNiP of the RK 3.02-43-2007 “Residential buildings”. The total area of an apartment by the Real Estate Fund should not exceed 120 square meters and / or for a low-rise single-family house (cottage) — no more than 200 square meters, the availability of commercial premises and parking spaces in accordance with the SNiP of the Republic of Kazakhstan. The construction base cost of 1 square meter of housing (apartments) would be, in the prices of 2012, 150 thousand tenge in Astana, Almaty, Atyrau, and their suburban areas, no more than 120 thousand tenge — in other regions of the Republic of Kazakhstan;
- 4) the share of a developer (investor) in the project in terms of funds should be at least 20% of the project cost, including the cost of acquisition of land (on the cadastral value) and the development of design estimates, provided with appropriate guarantees or confirmed funding for up to the completion of construction of the facility;
- 5) the general contractor should have a public license for construction and assembly work and other permits, availability of production facilities, construction experience of at least 3 years.

2. Implementation of Real Estate Fund's projects on land properties of the local authorities.

In the case of the local authorities provided the Real Estate Fund with land lots that had adequate engineering infrastructure, the Fund would organize the construction of real estate with involvement of private developers (investors). In the absence of proposals from developers (investors), the Real Estate Fund would pursue an independent implementation of the projects.

3. Implementation of projects with the help of specific deposits.

To finance the construction of housing, the Real Estate Fund can place specific deposits in commercial banks by concluding agreements on the specific fixed-term deposits, at the expense of which the commercial banks would credit developers for the construction of residential properties. The terms of the specific deposits will include the transition of the objects (real estate) to the Fund's real estate portfolio as part of repayment of the amount of a specific fixed-term deposit.

In order to regulate the internal procedures to implement the program “Affordable Housing — 2020”, the Real Estate Fund developed and approved the following documents in 2012:

- Rules of selection of housing construction projects (Decision of the Board of Directors dated July 2, 2012 No.63);
- Order of reviewing the investment projects (Decision of the Management Board dated July 4, 2012 No.27/2012);
- Rules on financing housing construction projects (Decision of the Management Board dated July 4, 2012 No.27/2012).

In 2012, in the framework of the program “Affordable Housing — 2020” the Real Estate Fund signed 2 contracts on investing in the construction of residential units for a total of 21 billion tenge. The total area of residential facilities — 201.4 thousand square meters, including a share of the Real Estate Fund — 115.15 thousand square meters.



Orazbekov Kayrat Aytmoldayevich
President of "Elitstroy Group" LLC
Residential Complex «Khan Tengri» developer

FIRST PERSON COLUMN

"Elitstroy" company became one of the first developers, which awarded a contract with Real Estate Fund "Samruk-Kazyna" within the frames of government program on property market stabilization. In the course of implementation of joint with Real Estate Fund "Samruk-Kazyna" anti-crisis program, "Elitstroy" company gained sufficient experience in implementation of similar projects. The program was successfully completed at the end of 2012 and thanks to it more than 700 investors of RC "Khan-Tengri" were provided with housing, and 14 bln. KZT were returned to the state.

The president of "Elitstroy Group" LLP Kayrat Orazbekov told us the details of joint work with Real Estate Fund.

— "Elitstroy" company highly appreciate the partnership with Real Estate Fund "Samruk-Kazyna" thanks to which nowadays our company actively supports the implementation of state plans. Participation in the program imposes on us a great responsibility, and we are

ready to confirm the compliance of work at all facilities with the highest standards of the field. The successful experience of joint projects with Real Estate Fund "Samruk-Kazyna" is a transition to a new standard of housing in republic — affordable, reliable and comfortable housing. Large and proven construction companies of Kazakhstan are ready and have all opportunities to participate in new programs of affordable housing construction for Kazakh people — he says.

— Kayrat Aytmoldaevich, the reputation of "Elitstroy" company remains impeccable during all the years. Why did you choose Real Estate Fund "Samruk-Kazyna" as your partner?

— The creation of Real Estate Fund "Samruk-Kazyna" as anti-crisis institute within the bounds of property market stabilization and supporting conscientious builders showed, that the partnership of state and private business creates an opportunity for strategic companies to recover from crisis of 2007–2009, which had no intention to leave the market, but for objective reasons were in the beach. Besides, due to the implementation of housing program, favorable conditions for construction materials market development were created and that creates a multiplier effect in reconstruction and development of the industry as a whole.

It should be noted that when choosing a partner for construction, it is important for both partners to have the same views on housing key parameters. Real Estate Fund "Samruk-Kazyna" as well as "Elitstroy" company in its new concept of building development face the challenge of not just to finish the "share" housing, but also to make it of high quality and affordable for Kazakh people.

— Tell us about the joint facilities under the program "Affordable housing" through "Real Estate Fund "Samruk-Kazyna" JSC?

— "Elitstroy Project" in association with Real Estate Fund begins the implementation of the project on construction of RC "Asyl Arman" under the program "Affordable Housing — 2020". The complex is located in the northwest, on the border of Almaty. The total area of construction is 120 000 sq. m, with the total number of apartments — 2 376. The area of apartments is from 35 to 65 sq. m; the apartments are commissioned with final finishing. The designated squaring of apartments is primarily due to the greatest demand from buyers, as this area allows calculating in optimal way the abilities concerning mortgage loan services both for young family and budding entrepreneurs. The date of the first stage completion — the end of 2013, and the date of the second stage completion is the end of 2014.

► Construction of residential complex «Asyl Arman» in the Almaty region

The cost of the project, thousand tenge: 17 792 238
Share of the Real Estate Fund,% — thousand tenge: 80 — 14 233 790
Share of the Developer, % — thousand tenge: 20 — 3 558 448
Housing Class: III (Economy)
Cost of construction 1 sq.m: 149 987,16 tenge
Apartment area, sq.m: 118 625,07
Total number of apartments, units: 2376
Construction term: 2012–2014



On September 4, 2012, the agreement on investment in the construction of a residential complex was signed.

Current status of the project as of 31.12.2012:

- Completion of preparatory work on improvement of the site.
- Completion of the works on the development of pits and frames for the device monolithic reinforced-concrete foundation.
- Completion of the works on filling the foundation with concrete.
- Completion of concreting floors of basements.
- Works are carried out on installing of the reinforced frames into the basement walls.
- Financed — 2.1 billion tenge.



► Construction of residential complex “UniCity” in Aktobe

The cost of the project, thousand tenge: 3 239 511
Share of the Real Estate Fund,% — thousand tenge: 75 — 2 429 633
Share of the Developer, % — thousand tenge: 25 — 809 878
Housing Class: III (Economy)
Cost of construction 1 sq.m: 119 989 tenge
Apartment area, sq.m: 26 998,3
Total number of apartments, units: 560
Construction term: 2012–2013



On September 13, 2012, the agreement on the investment in the construction of a residential complex was signed.

Current status of the project as of 31.12.2012:

- Completion of preparatory work on improvement of the site.
- Completion of the works on the development of pits of Buildings 2, 7.
- Work is under way on the foundations of Building 2, completion of the installation of foundations of Building 7, works on masonry exterior walls of the 1st floor.
- Financed — 536.9 million tenge



Also in 2012, it was agreed to fund the construction of the residential complex "Azhar" (Aktau city) of 1.3 billion tenge, the total area of 7 thousand square meters.

A total number of proposals from developers and investors reviewed by the Real Estate Fund in 2012 were over 100.

The working group on the results of the primary consideration selected 5 housing construction projects in Astana, Almaty, Taraz, Karaganda, Ust-Kamenogorsk.

The total cost — 9.3 billion tenge, total area — 65.9 thousand square meters. These projects undergo examination of structural divisions of the Real Estate Fund.

The process of consideration and selection of housing construction projects is regulated by internal documents that are posted on the corporate website: www.fnsk.kz.

Sale of housing in the framework of "Affordable Housing — 2020" will be implemented by the Fund through the direct sale of real estate and lease with purchase.

The base price for direct sale of 1 square meter of housing (apartments) in the first year of sale by the Real Estate Fund will not exceed 180 thousand tenge in Astana, Almaty, Atyrau, Aktau and their suburban areas, no more than 144 thousand tenge — in other regions of the Republic of Kazakhstan. In the subsequent years, a direct selling price will be specified to reflect changes in the cost of construction of 1 square meter of housing (apartments).

Lease with purchase of residential premises will be carried out for a period of 15 years. Rent is determined based on the principles of recovery of funds allocated to finance the construction and financial sustainability of the Real Estate Fund.

After the complete execution of the tenant's obligations under the lease-purchase agreement the residential premise will be transferred by Real Estate Fund to the ownership of the tenant.

► Monitoring the Volume, Timing and Quality of Construction Works

The basis for the monitoring is the tranche funding of a developer via a special account in accordance with the schedule of construction and assembly work. Expenditure of funds from the special account of the Developer shall be carried out in the agreement with the Real Estate Fund. The actual execution of work at the construction site and the quality of CAW monitored and controlled by supervisors of the Real Estate Fund.

Construction projects funded by the Real Estate Fund and put into operation in 2010–2012 complied with the requirements set by the SNiP of the Republic of Kazakhstan.

▷ Monitoring of Local Content in the Procurement of Contractors

Increase in the local content in construction projects is one of the strategic objectives of the Real Estate Fund.

The Real Estate Fund, in order to achieve this task:

- holds regular meetings of the Technical Council of the Management Board on domestic support and reducing the use of similar imported products;
- concludes memoranda with domestic producers, with signing of agreements (contracts), including long-term ones for supply of building materials and equipment at fixed prices during the construction period;
- monitors procurement of contractors, reviewing the prices of building materials and consolidated ordering of local enterprises;
- organizes round tables, seminars and meetings between developers and local producers.

As part of the anti-crisis program 27 memorandums of intent and cooperation with major producers of building materials and equipment were signed under the price-cap. As part of these memoranda developers, funded by the Real Estate Fund, signed 121 contracts for the supply of materials and equipment.

The projects under the program of “Affordable Housing — 2020” carried out the work on transfer of procurement contractors primarily on exchange trades. Exchange trades will provide transparency to the procurement process, as well as reduce the cost of purchasing construction materials. The tenders for the procurement of cement, concrete, metal profiles were held.

In 2012, the percentage of local content in the procurement of contractors amounted to 74%.

▷ Real Estate Sales

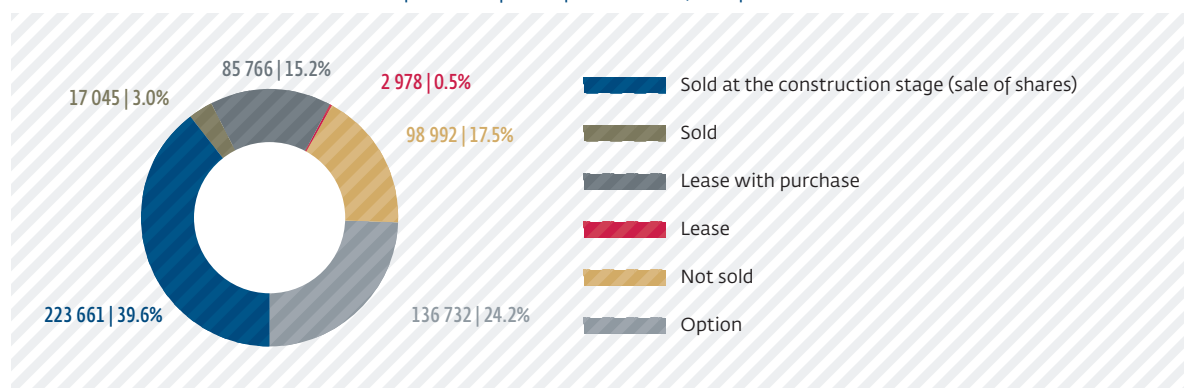
Sale of purchased premises under the anti-crisis program is implemented by the Real Estate Fund in accordance with the “Rules of selling of residential and commercial (non-residential) premises” of “Real Estate Fund “Samruk-Kazyna” JSC.

The basis of the Rules is guided by the following key principles:

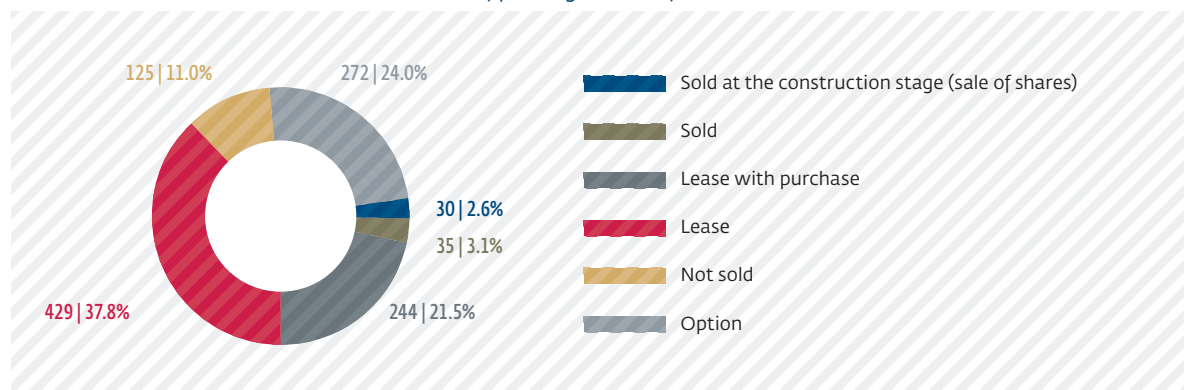
- ensuring the repayment of funds from the National Fund of the Republic of Kazakhstan by establishing requirements for the solvency of the applicants;
- preventing speculation by imposing a moratorium on the early redemption or resale of the premises within 3 years from the date of the contract;
- guaranteed rental payments and preservation of the integrity of the buildings of the Real Estate Fund through the instrument of indemnity payment.

As of December 31, 2012, from the pool of real estate of 565.2 thousand square meters, under the anti-crisis program, 466.2 thousand square meters (82.5%) were sold, including 313.7 thousand square meters (79.5%) out of 394.5 thousand square meters of residential properties, 152.5 thousand square meters (89.5%) out of 170.7 thousand square meters of commercial space. Also, 1 010 parking lots (89%) were sold.

..... Sales from the pool of real estate, as of 31.12.2012



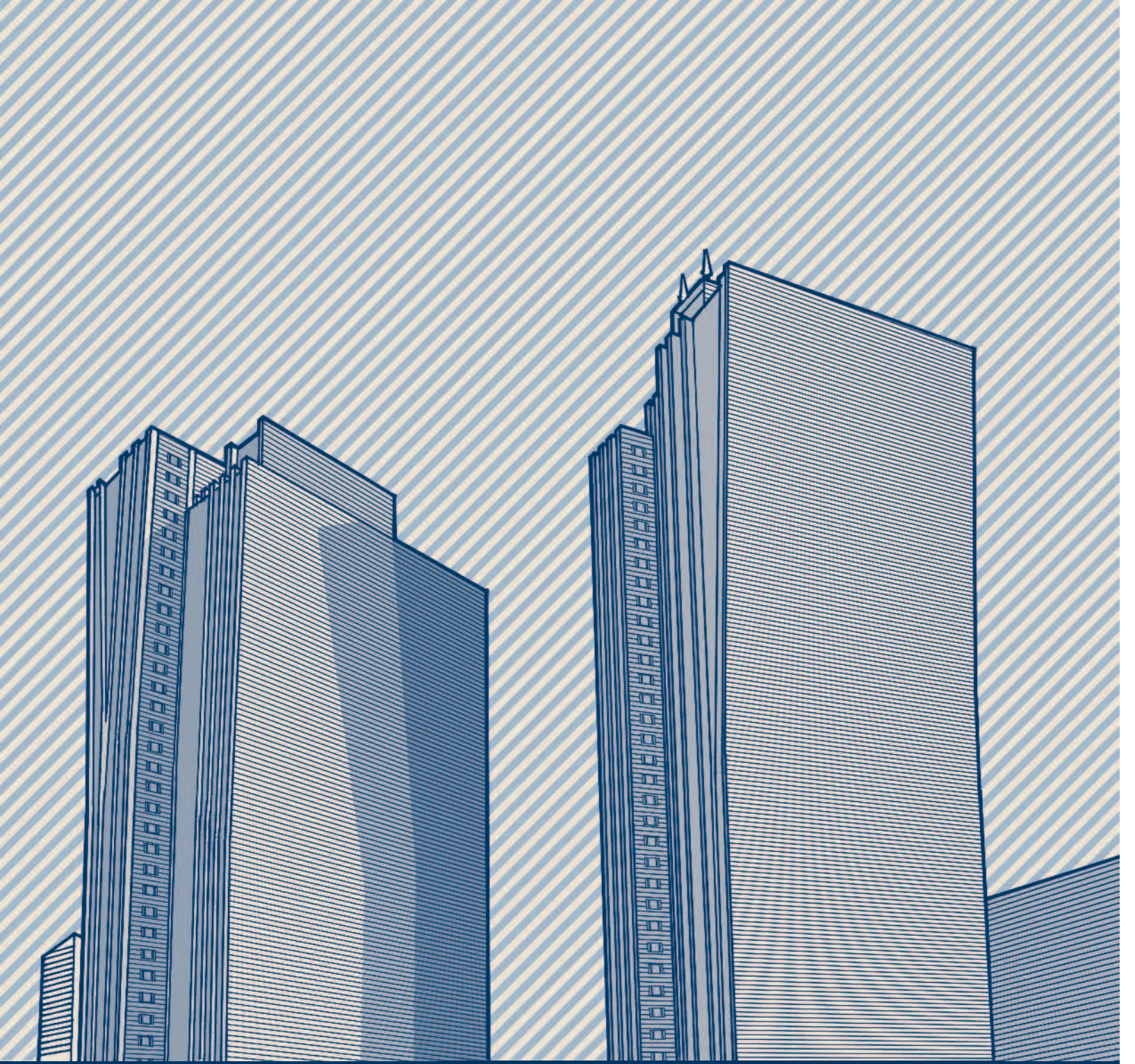
..... Sales of parking lots as of 31.12.2012



Revenues from the sale of real estate amounted to 3.3 billion tenge in 2012, including revenues from the sale of real estate and interests in construction — 2 billion tenge, income from financial and operating lease — 1.3 billion tenge.

Sales of real estate by providing rental and lease with purchase is the main activity of the subsidiary of Real Estate Fund — “REF Management” LLP. As of 31.12.2012, from the pool of real estate transferred into the ownership of “REF Management” LLP, 96.3% was sold. The net income of the subsidiary in 2012 amounted to 9.5 million tenge, exceeding the figure of 2011 by 79% (in 2011 — 5.3 million tenge).

As of 31.12.2012, the assets of “REF Management” LLP amounted to 691.3 million tenge.



CORPORATE GOVERNANCE

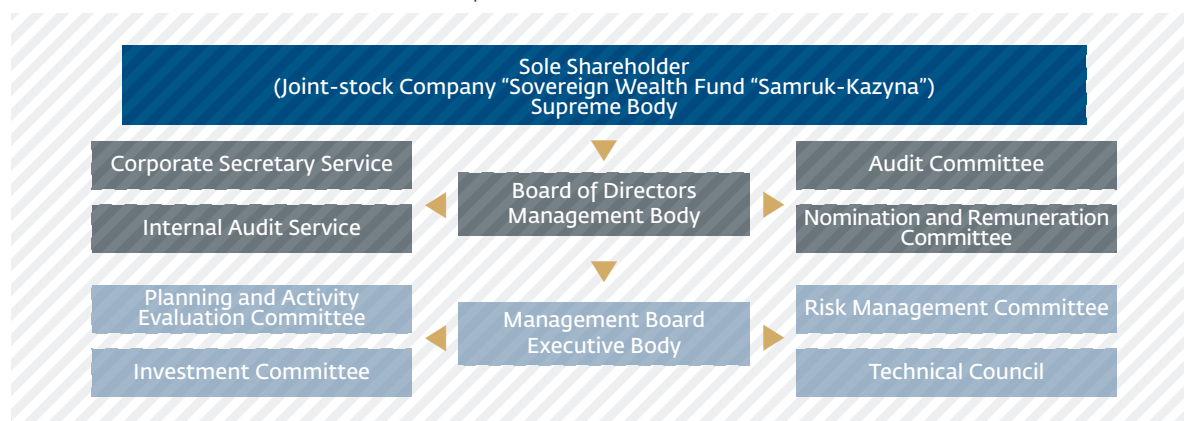
► Corporate Governance Principles

The Real Estate Fund is guided by the principles of corporate governance, which are defined by the Code of corporate governance of "Real Estate Fund "Samruk-Kazyna" JSC:

- The principle of protection of the rights and interests of the Sole Shareholder;
- The principle of effective management of the Board of Directors and the Management Board;
- The principle of independent activities of the Company;
- The principles of transparency and fairness of information disclosure on the Company;
- Rules of law and ethics;
- Principles of effective dividend policy;
- Principles of effective human resource management policies;
- Principle of environmental protection;
- Settlement of corporate conflicts and conflicts of interest;
- The principle of responsibility.

In 2012, the Real Estate Fund prepared for the first time report on compliance with the principles of corporate governance, which was approved by the Board of Directors (see report on the corporate website www.fnsk.kz).

Corporate Governance Structure



The supreme body of the Company is **the Sole Shareholder** — Joint-Stock Company "Sovereign Wealth Fund "Samruk-Kazyna". The Sole Shareholder makes decisions in accordance with the competence defined by the Charter of the Company.

The Management Body — the Board of Directors. The Board of Directors is responsible for general management of the Company, as well as control over the activities of the Executive Body, except for the matters referred to the exclusive competence of the Sole Shareholder. The Board of Directors is accountable to the Sole Shareholder and has the responsibility for the performance of its duties.

The Executive Body — the Management Board manages the current operations of the Company, makes decisions on the activities not falling within the competence of other bodies and officials of the Company.

The Internal Audit Service monitors the financial and operational activities, assessment of internal control, risk management, execution of documents in the field of corporate governance and counseling to improve the performance of the Company. The Internal Audit Service reports directly to the Board of Directors. The employees of the Internal Audit cannot be elected to the Board of Directors and the Management Board.

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

▷ Board of Directors

The Board of Directors and its members perform based on the principles of efficiency and accountability, compliance and maximizing of the interests of the Sole Shareholder and the Company, professionalism, prudence and diligence, honesty and objectivity.

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

Decision on the structure and term of the Board of Directors, election of its members and early termination of their powers, the election of the Chairman of the Board of Directors, as well as the decision on the amount and terms of remuneration payment to the members of the Board of Directors lays within the exclusive competence of the Sole Shareholder.

▷ Criteria for the Selection of Board Members

Candidates for the Board of Directors and the members of the Board of Directors will have relevant experience, knowledge, skills and positive achievements in the business and (or) industrial environment necessary to perform their duties and effective operation of the Board of Directors on behalf of the Sole Shareholder and the Company.

Board members must meet the following requirements:

- 1) experience in senior positions in government, commercial and other organizations either as part of the Management Board or the Board of Directors of joint-stock companies of not less than 3 years;
- 2) good business reputation.

Cannot be elected as a member of the Board of Directors a person who:

- has no higher education;
- has not canceled or withdrawn in accordance with the law a criminal record;
- formerly a chairman of the board, chief executive (CEO), deputy director, chief accountant of another legal entity in a period not more than one year prior to the adoption of decisions on compulsory liquidation or forced redemption of shares, or preservation of another legal entity, declared bankrupt in the prescribed manner. This requirement applies for a period of five years after the date of adoption of the decision on liquidation or forced redemption of shares, or preservation of another legal entity, declared bankrupt, in the prescribed manner.

▷ Criteria for Independent Directors

According to Paragraph 20 of Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter and the Code of Corporate Governance of the Company, an independent director is defined as a member of the Board of Directors, which is:

- not affiliated with the Company and was not within three years prior to his election to the Board of Directors (exception in the case of his tenure as an Independent Director of the Company);
- not affiliated with vis-à-vis affiliated persons of the Company;
- not affiliated with officials reporting to Company or organizations — affiliates of the Company and was not connected with those individuals of subordination within the three years prior to his election to the Board of Directors;
- not the auditor of the Company and was not within three years prior to his election to the Board of Directors;
- not involved in the audit of the Company as an auditor in the audit firm, and did not take part in such audits for three years prior to his election to the Board of Directors;
- not a civil servant;
- is not a representative of the Sole Shareholder of the Company at the meetings of the Companies' bodies and was not within three years prior to his election to the Board of Directors.

Members of the Board of Directors shall give an advance notice to the Board of Directors in relation to reconciling work in other organizations and the positions of members of the Board of Directors.

Members of the Board of Directors of the Company may not be members of the Board of Directors and substitute for executive positions in organizations — competitors of the Company.

Independent Directors of the Real Estate Fund Stapleton N. and Abdykarimova Zh.M., at the date of this report, are fully in line with the criteria for independence set out in the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter and the Code of Corporate Governance of the Company.

► The Board of Directors

The Board of Directors of the Company complies with the requirements of the legislation of the Republic of Kazakhstan and consists of two representatives of the Sole Shareholder, two independent directors, as well as the Chairman of Management Board of the Real Estate Fund.

..... Board of Directors (as of December 31, 2012)



Munzhassarov Zhumagali Akhmetgaliyevich

**Chairman of the Board of Directors,
The representative of the Sole Shareholder**

Date of birth: 30/05/1977

Nationality: Republic of Kazakhstan

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

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

Education:

2001–2004 — A.Baitursynov Kostanay State University, specialty: Finance and Credit, qualification: Economist

1994–1998 — A.Baitursynov Kostanay State University, specialty: Law, qualification: Lawyer.

Place of work and positions occupied in organizations for the past five years:

February, 2012 — Present: — “Sovereign Wealth Fund “Samruk–Kazyna” JSC, Managing Director;

January, 2012 — February, 2012 — “Sovereign Wealth Fund “Samruk–Kazyna” JSC, Advisor to the Chairman of the Board;

02.2009–12.2011 — Advisor to the Deputy Prime Minister of the Republic of Kazakhstan;

03.2007–12.2008 — Deputy Director of the State-owned Utility “Almatyzher”.

Non-shareholder of the Company, nor its suppliers or competitors.

.....



Abdykarimova Zhanar Muratovna

Independent Director

Date of birth: 25/02/1966

Nationality: Republic of Kazakhstan

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

Membership in Committees:

Chairman of the Remuneration and Nomination Committee

Education:

1983–1988 — Pavlodar Industrial Institute “Manufacture of building products and constructions” (Engineer–technologist).

1994–1997 — The Karaganda State University named after E.A. Buketov “Accounting and Auditing” (Economist).

2004–2006 — Kazakh Humanitarian Law University (Bachelor of Law).

Place of work and positions occupied in organizations for the past five years:

2012 — Present: — Deputy Chairman of the Council of ULE “Financial Institutions’ Association of Kazakhstan”;

2009–2011 — ULE “Financial Institutions’ Association of Kazakhstan”, Managing Director;

2006–2011 — “BTA Bank” JSC, Advisor to the Chairman of the Management Board;

1997–2005 — “Danabank” JSC, Deputy Chairman of the Management Board, Chairman of the Management Board, Deputy Chairman of the Board of Directors.

Non–shareholder of the Company, nor its suppliers or competitors.



Zhaksybayev Bakhyt Kalmurzayevich

**Member of the Board of Directors,
The representative of the Sole Shareholder**

Date of birth: 04/11/1981

Nationality: Republic of Kazakhstan

Date of first election to the Board of Directors: November 7, 2011

Date of the current election to the Board of Directors:
November 7, 2011

Membership in Committees:

Member of the Audit Committee

Education:

2006–2008 — University of Shymkent, Accounting and Auditing;
2005 — Institution of Advanced Training for employees of judicial authorities, governmental and other organizations of the Republic of Kazakhstan, Career Development Courses;
1999–2004 — Al-Farabi Kazakh National University, International law.

Place of work and positions occupied in organizations for the past five years:

May, 2011 — Present: — “Sovereign Wealth Fund “Samruk-Kazyna” JSC, Director of Department of Industry-Specific Programs;
2010–2011 — Ministry of Economic Development and Trade of the Republic of Kazakhstan, Deputy Director of the Department of Regional Policy and Intergovernmental Relations, Director of the Department for the Development of Economic Sectors;
2010 — the Administration of the President of the Republic of Kazakhstan, Consultant Office of the President of the Republic of Kazakhstan;
2009–2010 — the Administration of the President of the Republic of Kazakhstan, Expert of the Socio-economic analysis;
2008–2009 — the Ministry of Industry and Trade of the Republic of Kazakhstan, Expert of the Department of Industrial Development;
2007–2008 — the Ministry of Industry and Trade of the Republic of Kazakhstan, Chief Specialist of Industrial and Innovation Policy;
2005–2006 — Department of Justice of East Kazakhstan region, Leading Specialist.

Non-shareholder of the Company, nor its suppliers or competitors.



Palymbetov Bolat Abylkassymovich

**Member of the Board of Directors,
Chairman of the Management Board**

Date of birth: 28/07/1961

Nationality: Republic of Kazakhstan

Date of first election to the Board of Directors: May 23, 2011

Date of the current election to the Board of Directors: May 23, 2011

Education:

PhD in Economics

Eurasian Institute of Market, Economics and Management;

Kazakh Polytechnic Institute named after V.I. Lenin, System Engineer.

Place of work and positions occupied in organizations for the past five years:

May, 2011 — Present: — "Real Estate Fund "Samruk-Kazyna" JSC, Chairman of the Management Board;

2010–2011 — National Company "KazMunayGas" JSC, Deputy Chairman of the Management Board;

2007–2010 — "Caspiy" Socially Responsible Corporation National Company" JSC, Chairman of the Management Board;

2006–2007 — "KazPetroMash" LLP, Chairman of the Supervisory Board (Board of Directors);

January, 2006 — October, 2006 — Vice-Minister of Economy and Budget Planning of the Republic of Kazakhstan;

2002–2006 — Akim of Mangystau region.

Non-shareholder of the Company, nor its suppliers or competitors.



Nigel Stapleton

Independent Director

Date of birth: 01/11/1946

Nationality: United Kingdom of Great Britain and Northern Ireland

Date of first election to the Board of Directors: November 7, 2011

Date of the current election to the Board of Directors:
November 7, 2011

Membership in Committees:

Chairman of Audit Committee

Member of the Remuneration and Nomination Committee

Education:

1982 — Stanford University, Program for Executives (USA);

1973 — Institute of Accountants and Manufacturing Enterprises and Management;

1965–1968 — University of Cambridge (United Kingdom), MA (Economics and Politics).

Place of work and positions occupied in organizations for the past five years:

2009 — Present: — “Kazpost” JSC, Independent Director of the Board of Directors;

2009 — Present: — “Mineworkers Pension Scheme” Ltd., Chairman of Trustees (part-time);

2001–2011 — The London Stock Exchange, Non-Executive Director;

2004–2011 — Postal Services Commission (United Kingdom), Chairman of the Commission and the Head of the Office (non-governmental organization, Independent regulator of UK postal services);

2001–2006 — “Uniq” Plc., Chairman of the Board of Directors.

Non-shareholder of the Company, nor its suppliers or competitors.

► Report of the Board of Directors in 2012

In 2012, according to the plan, the Board of Directors held 12 meetings, 9 of which were in-person and 3 in-absentia meetings. Total of 121 questions was reviewed in relation to the key aspects of the Company, upon which 218 decisions were made and 38 orders were given. Out of the 38 approved orders (Management Board — 30, Internal Audit Service — 4, Corporate Secretary Service — 4) 35 orders were carried out, 2 orders are in the work, 1 order was removed from the control. Violations of the terms of execution of orders of the Board of Directors were not identified.

..... Participation of members of the Board of Directors in the Board meetings in 2012:

No.	Name	Participation in the Board meetings	%
1.	Munzhassarov Zh.A.	12 out of 12	100%
2.	Zhaksybayev B.K.	12 out of 12	100%
3.	Palymbetov B.A.	12 out of 12	100%
4.	Stapleton N.	11 out of 12	92%
5.	Abdykarimova Zh.M.	2 out of 2	100%
6.	Abdizhapparov T.K.*	4 out of 5	80%
7.	Bishimbayev K.V.*	3 out of 4	75%
8.	Dolzhenkov V.A.*	1 out of 3	33%

* Removed from the Board of Directors

The main issues considered by the Board of Directors:

1) Identification of priority areas for development, adoption of the Development Strategy, approval of the Development Plan adjustments and monitoring of its implementation.

The Development Strategy of "Real Estate Fund "Samruk-Kazyna" JSC for 2012–2022 was approved by the decision of the Board of Directors on April 10, 2012.

The Strategy defines the mission, vision, strategic directions, goals, objectives, and strategic key performance indicators for 2012–2022 years. The strategy also includes a plan of action ("roadmap") for its implementation.

In accordance with the Development Strategy, a new organizational structure of the Real Estate Fund was approved (the decision of the Board of Directors dated 30.05.12).

In December 2012, there was an update to the Development Strategy of the Real Estate Fund in accordance with the Development Strategy of "Samruk-Kazyna" JSC.

Quarterly, the Board of Directors reviewed the reports on implementation of the Development Plan of the Company and approved the adjustments of the Development Plan for 2013–2015.

2) The implementation of the housing construction projects.

The Board of Directors adopted the decision on the financing of the first projects under the Program "Affordable Housing — 2020", regularly reviewed the reports of the Management Board on implementation of housing construction projects.

The Board of Directors approved funding within the framework of the program "Affordable Housing — 2020" for the following projects:

- The construction of I-st line of the RC "Asyl Arman" in Almaty region (suburban area of Almaty), the developer — "ElitstroyProject" LLP;
- The construction of the RC «UniCity» in Aktobe, the developer — "OksyBuild" LLP;
- The construction of I-st line of the RC "Azhar", Aktau.

3) Improvement of corporate governance

The Board of Directors monitored the improvement of corporate governance, as well as measures to improve the efficiency of the Board of Directors.

The Board of Directors approved a Plan to improve corporate governance in 2012, the reports on its implementation were considered quarterly.

Updating and improving the instruments in the sphere of corporate governance was carried out, as well as the exchange of experiences within the group of companies "Sovereign Wealth Fund "Samruk-Kazyna" JSC.

The Board of Directors approved a number of internal regulations, which aimed to detail and separate of powers within the Company and improve corporate governance:

- Policy in the field of Corporate Social Responsibility,
- Policy on Conflict of Interest,
- Regulations on the Ombudsman,
- Policy Assessment of the activities of the Board of Directors, Committees of the Board of Directors and of each Board member,
- the new version of Risk Management Policy of "Real Estate Fund "Samruk-Kazyna" JSC,
- changes in the Regulation on the Corporate Secretary of "Real Estate Fund "Samruk-Kazyna" JSC and other documents in the sphere of risk management, internal control, personnel management.

The Board of Directors preliminarily approved:

- amendments to the Charter of "Real Estate Fund "Samruk-Kazyna" JSC;
- amendments to the Regulations on the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC.

► Committees of the Board of Directors

According to the international best practices, independent directors have been elected as the chairmen of committees.

The Audit Committee assists the Board of Directors by making recommendations on the establishment of an effective system of control over financial and economic activity of the Company, completeness and reliability of financial reporting, monitor the reliability and effectiveness of the systems of internal control and risk management, monitoring the independence of the external and internal audit, monitoring compliance with the legislation of the Republic of Kazakhstan.

In 2012, 5 in-person meetings of the Audit Committee took place. 48 questions on key competences of the Committee were examined, on which 83 decisions made with appropriate recommendations provided to the Board of Directors.

Nomination and Remuneration Committee makes recommendations to the Board of Directors on matters of appointments to the Board of Directors and other executives of the Company, as well as the system of motivation and compensation of employees and officials of the Company.

In 2012, 6 in-person meetings of the Nomination and Remuneration Committee were held. 33 questions on key competences of the Committee were reviewed, on which 44 decisions made, the appropriate recommendations provided to the Board of Directors.

• The structure of the Audit Committee and the participation of its members in the meetings (as of 31.12.2012): •

No.	Name	Participation in the Board Meetings	%
1	Stapleton N. Chairman of the Committee	5 out of 5	100%
2	Zhaksybayev B.K. Committee member	3 out of 5	60%
3	Davletova G.M. (Expert)	5 out of 5	100%

Members of the Nomination and Remuneration Committee and the participation of its members in the meetings (as of 31.12.2012):

No.	Name	Participation in the Board Meetings	%
1	Abdykarimova Zh.M. Chairman of the Committee	—	—
2	Munzhassarov Zh.A. Committee member*	5 out of 6	83%
3	Stapleton N. Committee member**	6 out of 6	100%
4	Raisova G.B. (Expert)	5 out of 5	100%

* Removed from the Committee on November 22, 2012.

** served as Chairman of the Nomination and Remuneration Committee from December 2, 2011 to November 22, 2012. From November 22, 2012 the Chairman of the Committee — appointed Abdykarimova Zh.M.

▷ The remuneration of the members of the Board of Directors

Members of the Board of Directors, with the exception of the independent directors, carry out their work without charge. Procedure for payment of remuneration and (or) reimbursement of costs to independent directors is governed by the Rules of remuneration and reimbursement of expenses of independent directors of "Samruk-Kazyna" JSC.

Independent directors are paid the following remuneration:

- fixed remuneration for the performance of duties as a member of the Board of Directors. Fixed remuneration is paid in cash once in a half year, commensurate with the period of the Director's work in the corresponding half of the calendar year;
- additional remuneration for participation in-person meetings of the committees of the Board of Directors, which shall be paid within the month following the date of in-person meeting of the Committee.

The Independent Director is also offset by the costs associated with going to the meetings of the Board of Directors (travel, accommodation, daily allowance), conducted outside the place of residence of the Independent Director.

..... Remuneration of Independent directors for 2012

	Name	Fixed Remuneration	Additional Remuneration	Total
1	Abdizhapparov T.K.	350 thousand tenge	—	350 thousand tenge
2	Stapleton N.	40 000 USD	22 000 USD	64 000 USD

▷ Performance Evaluation of the Board of Directors

The Policy on performance evaluation of the Board of Directors, Committees of the Board of Directors and each member of the Board of Directors of the Company was approved by the decision of the Board of Directors on October 24, 2012 No.67.

The criteria for evaluating the Board of Directors include the following factors:

- Composition and structure of the Board of Directors;
- Role and tasks of the Board of Directors, the Chairman of the Board of Directors;
- Procedures of the Board of Directors, the information support of its activities;
- Work of the Committees of the Board of Directors;
- Interaction of the Board of Directors and the Management Board;
- Remuneration policy of members of the Board of Directors.

This assessment will allow the Board of Directors to:

- Identify the strengths and weaknesses of the Board of Directors, its committees and each director;
- Make adjustments to the work; identify the need to involve experts in the training of directors.

In 2012, the assessment of the Board of Directors, its committees had not been conducted. This assessment is planned to be held in 2013.

▷ Professional Development of the Members of the Board of Directors

The Policy on improving the qualifications of the members of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC and the use of external experts by the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC was approved by the decision of the Board of Directors on August 29, 2012 No.65.

This policy defines the rights and obligations of the members of the Board of Directors to enhance their skills and engaging external experts, regulates the planning and decision making process of professional development and involvement of external experts as members of the Board of Directors.

Implementation of the measures aimed at development of skills and qualifications of the members of the Board of Directors will enhance the effectiveness of the Board of Directors. In addition, the members of the Board of Directors are provided with an opportunity to implement their rights through the involvement of external experts in cases where the issues addressed by the Board of Directors require external professional and independent expertise.

► Management Board

The Management Board, as a collective executive body of the Company, complies with the decisions of the Sole Shareholder and the Board of Directors, is accountable to the Board of Directors and shall be responsible to them for the performance of duties.

The rights and obligations of the members of the Management Board are determined by the Charter, the Regulations on the Management Board and the employment contract.

► Management Board (as of December 31, 2012):



Palymbetov Bolat Abylkassymovich

Chairman of the Management Board

Date of birth: 1961

Nationality: Republic of Kazakhstan

Elected to the Management Board: 23/05/2011

Education:

PhD in Economics

Eurasian Institute of Market, Economics and Management;

Kazakh Polytechnic Institute named after V.I. Lenin, System Engineer.

Professional experience:

Has extensive experience in executive positions in government agencies, financial institutions and national companies. He served as Deputy Chairman of the Management Board of "Halyk Bank of Kazakhstan" OJSC, Deputy Akim of Atyrau region, Vice-Minister of Economy and Trade of the Republic of Kazakhstan, General Director of "KazTransOil" JSC, Akim of Mangystau region, Vice-Minister of Economy and Budget Planning of the Republic of Kazakhstan, the Chairman of the Management Board of "Caspiy" SRC NC" JSC. Prior to his appointment as Chairman of the Real Estate Fund he worked as Deputy Chairman of the Management Board of NC "KazMunayGas" JSC.

Carries out general management of the Real Estate Fund, is organizing the implementation of the decisions of the Sole Shareholder and Board of Directors.

Non-shareholder of the Company, nor its suppliers or competitors.



Nurgaliyev Nurlan Amanzholovich

Deputy Chairman of the Management Board

Date of birth: 1969

Nationality: Republic of Kazakhstan

Elected to the Management Board: 19/05/2010

Education:

Krasnodar Higher Military School named after General of the Army Shtemenko S.M., Central-Asian University of Almaty, the Karaganda State University named after E.A. Buketov.

Professional experience:

Worked in the Ministry of Internal Affairs of the Republic of Kazakhstan, Head of the Department of Customs convoy of cargoes of the Main Directorate of customs protection and treatment under the Customs Committee of the Ministry of Public Revenues of the Republic of Kazakhstan. He worked in various positions at the Akimat of the Karaganda region, held executive positions at "NC "Kazakhstan Temir Zholy" JSC, "NTA Groups" LLP, "IPK ZHERSU" LLP, Deputy General Director of "Samruk-Kazyna Contract" LLP.

In May 2010 he was appointed Deputy Chairman of the Management Board of "Real Estate Fund "Samruk-Kazyna" JSC.

Coordinates the activities of technical control of construction projects.

Non-shareholder of the Company, nor its suppliers or competitors.



Kusherov Adilbek

Managing Director — Member of the Management Board

Date of birth: 1955

Nationality: Republic of Kazakhstan

Elected to the Management Board: 07/02/2012

Education:

Kazakh Polytechnic Institute named after V.I. Lenin (Electrical engineer)

Professional experience:

He worked in various positions in the oil and gas industry of Mangystau region, in senior positions in public organizations, including the Local authority of Mangystau region — led Centre of Standardization and Certification, Regional Department of Economy, Industry and Trade, the Department of Business and Industry. He served as Managing Director, Deputy Chairman of the Management Board of “Caspiy” SRC NC” JSC, the Deputy Director of “HazarMunay” LLP.

In June 2011, he was appointed as Managing Director, in July 2012 — Managing Director — Member of the Management Board of “Real Estate Fund “Samruk-Kazyna” JSC.

Oversees investment activities, activities for the implementation of residential and non-residential (commercial) facilities.

Non-shareholder of the Company, nor its suppliers or competitors.

In 2012, the Management Board held 52 meetings in which decisions were made on 220 issues.

The main issues considered by the Management Board:

- Matters related to the consideration, selection, financing residential construction projects, as well as the issues appearing in the construction phase;
- Approval and submission to the Board of Directors of the Company's Development Strategy, performance monitoring and adjustment of the Development Plan, approval, monitoring and adjustment of the Company's budget;
- Risk management issues, placement of temporarily free funds;
- Approval of the documents adopted to organize the activities of the Company other than the documents approved by the Sole Shareholder or the Board of Directors.

The Management Board approved the following documents:

- Information security policy;
- Policy for working with reports of potential or known facts of fraud, abuse and other illegal activities;
- Anti-corruption policy;
- The environmental policy;
- Rules of the auction of collateral;
- The procedure for the calculation of income tax;
- Regulation on involving independent appraisers;
- Accreditation of commodity exchanges;
- Rules on the formation of a detailed analysis of the financial statements;
- Map of stakeholders;
- Project risk assessment methodology;
- Rules on planning, coordination and implementation of payments.

The consulting and advisory bodies operate under the Management Board — the Committee on Planning and Assessment Activities, Investment Committee, Risk Management Committee, the Technical Council.

The purpose of the Committee on Planning and Assessment Activities is to ensure a timely and quality development of instruments for the medium-term and current planning, analysis of implementation of the approved plans.

In 2012, 16 meetings were held at which the Committee considered the following issues:

- 1) Report on the Development Plan for 2011;
- 2) Adjustment to the budget of general and administrative expenses and capital costs;
- 3) Adjustment of the Development Plan for 2011–2015 (on indicators for 2012);
- 4) Draft annual budget of the Company for 2013;
- 5) Adjustment of the Development Plan for 2011–2015 (on indicators for 2013);
- 6) Analysis of the financial statements.

The Investment Committee reviews the implementation of the investment policy of the Company.

In 2012, 25 meetings were held at which the Committee considered 44 questions, including 22 questions related to the implementation of projects within the framework of the anti-crisis program. Also the recommendations on six housing construction projects in the framework of "Affordable Housing — 2020" were made.

Risk Management Committee makes recommendations to the Management Board for decision-making on risk management, as well as monitoring the effectiveness of risk management system and making recommendations to structural divisions on minimization of risks, enhancement the efficiency of business processes and achievement of strategic objectives.

In 2012, there were 4 meetings at which the Committee considered the following issues:

- 1) Plan of work of the Committee for 2012–2013;
- 2) Rules of insurance protection organization in the Company and its subsidiaries;
- 3) Quarterly reports on risks;
- 4) Register and risk map for 2013;
- 5) Approval of the holding capacity and appetite for risk;
- 6) Setting limits on banks, counter-partners;
- 7) Plan to minimize the critical risks for 2013;
- 8) Plan to improve corporate risk management system for 2013–2015.

The Technical Council — a consultancy and advisory body, the purpose of which is to make recommendations on technical issues in the field of construction and maintenance of the building materials and equipment, as well as the approval of the list of organizations providing engineering and other services related to construction projects financed by the Fund. The Technical Council consists of representatives of the Company, the Sole Shareholder, the Agency of Construction, Housing and Public Utilities, Akimats of Astana and Almaty, the NDP “Nur Otan”, the Union of Entrepreneurs “Atameken”, Association of Developers of Kazakhstan.

In 2012, three meetings of the Technical Council were held, which considered the following issues:

- Use of precast concrete in the implementation of housing construction projects by the Real Estate Fund;
- Presentation of specialized technology for landscaping of the TTE system;
- Application of technology of muff joint fittings;
- Analysis of the lift equipment.

► Remuneration of the Management Board

Remuneration of the Management Board includes the salary and remuneration for the results of the year. The size of the salary of members of the Management Board is determined by decision of the Board of Directors of the Company and is reflected in the employment contract. Remuneration based on the annual performance is paid to the management personnel for the financial year after approval in the prescribed manner the results of financial and economic activity of the Company based on the audited financial statements.

The Management Board members are guaranteed an annual paid leave for which the financial assistance in the amount of no more than two salaries is paid for health recovery purposes.

► Internal Audit

The Internal Audit Service was established in March 2010. The Company has approved the Regulation on the Internal Audit Service (hereinafter — IAS) (BD decision No. 26 from April 21, 2010), which defines the objectives, functions, rights and obligations of the IAS, and the order of interaction with the IAS Board and the structural units of the Company.

In 2012, by Board of Directors of Real Estate Fund “Samruk-Kazyna” JSC approved the following techniques aimed at improving the IAS and provide a systematic approach to the evaluation of the system of internal control, risk management and assessment of the effectiveness of IAS:

- 1) Methods of assessing the effectiveness of the IAS and its Director (BD decision No. 66 from September 24, 2012);
- 2) Methods of assessing the effectiveness of corporate risk management (BD decision No. 68 from November 22, 2012);
- 3) Methods of assessing the effectiveness of the internal control system (BD decision No. 68, from November 22, 2012).

In 2012, the Internal Audit Service held 8 scheduled and 4 unscheduled audits.

The main objectives of these audits were:

- Assessment of the compliance with established procurement procedures;
- Evaluation of the reliability and efficiency of the internal control system, as well as risk management system;
- Evaluation of the effectiveness of the system of corporate governance;
- Evaluation of the reliability and completeness of accounting and financial reporting;
- Assessment of compliance of the Company with the requirements of legislation of the Republic of Kazakhstan;
- Analysis of the implementation of the decisions of the Board of Directors of the Company (including measures based on the results of the previous audits.)
- Also with the assistance of an independent consultant — KPMG made audit of information technologies and information security.

According to the results of the audits, the recommendations were made on the basis of which approved the plans of corrective and preventive actions and management decisions aimed at improving the effectiveness of the Real Estate Fund, minimizing risk, improvement of the system of internal control and corporate governance.

The Internal Audit Service monitors the implementation of recommendations based on the results of its audits and the recommendations of the external auditor.

► External Audit

External audit of the Company is performed by independent auditing company — the representative of the “big four” Ernst & Young LLP.

In 2012, an assessment of the corporate governance system of the Real Estate Fund was held in accordance with the Methodology of diagnosis of corporate governance in the group of companies of “Samruk-Kazyna” JSC. The inspection was made by the Internal Audit Service with a verification assessment by KPMG. Based on the results of the evaluation of corporate governance rating was 57.8%, which demonstrates the growth compared to the 2011 estimate by 8.7 percentage points.

► Risk Management

Real Estate Fund recognizes the particular importance of risk management issues. The Company’s risk management is a continuous and ongoing process, and is designed to ensure timely identification and adoption of measures to minimize the risks that could adversely affect the Company’s operations.

The purpose of risk management is to achieve a balance between maximum use of opportunities in order to benefit and loss prevention. This process is an important component of the management process and an integral part of a developed system of corporate governance.

The basis of the risk management process is the relationship with the specifics of the organization, the main principles of activity, business processes, and the involvement of each employee in the risk management process.

The structure of the risk management system in the Real Estate Fund is a risk management at several levels with the involvement of the following bodies and units of the Fund: Board of Directors, Management Board, Risk Management Committee, and the structural unit responsible for risk management.

The Board of Directors oversees and approves the documents in the field of risk management. The Management Board is responsible for the organization of an effective system of risk management and ensuring adherence to corporate policies. The Risk Management Committee acts as a consultative and advisory body to the Management Board on risk management issues. The structural unit responsible for risk management organizes and coordinates the process of identification, evaluation and risk management of the Real Estate Fund.

In the Real Estate Fund there is a structural unit that manages risk. Also there is the Risk Management Committee, which is an advisory and consultative body to the Management Board.

Risks of the Real Estate Fund and methods to reduce their effects are classified under the following categories:

Strategic risk — the risk of losses resulting from changes or errors (defects) in defining and implementing intervention strategies and the development of the Fund, changes in the political environment, the regional situation, the industry downturn, and other external factors of a systemic nature.

Reduction and control of strategic risks through monitoring of implementation of the approved long-term strategy and medium-term development plan, based on which corrective measures are taken, including the ones to reflect changes in the internal and external environment.

Financial risks — include the risks associated with capital structure of the Real Estate Fund, reduced profitability, loss of liquidity, credit risks, fluctuations in interest rates, etc.

Methods for reducing and controlling financial risks include setting limits on the level of accepted risk in accordance with the Rules/ Policies for setting limits for the balance sheet and off-balance sheet obligations to counter-party banks.

Legal risk — the risk of losses due to non-compliance of the Fund with requirements of the legislation of the Republic of Kazakhstan, in dealing with non-residents of the Republic of Kazakhstan — the laws of other states, as well as internal rules and procedures.

Methods to reduce and control the legal risks of the Fund include monitoring changes in legislation by the legal service, which, in conjunction with the relevant structural units assess the impact of changes on the Real Estate Fund and develop measures necessary for their adoption. Any document which regulates the internal procedures or in accordance with which the Real Estate Fund undertakes obligations must undergo a mandatory legal review.

Operational risk — the risk of loss resulting from faults or errors in the implementation of the internal processes made by the staff (including the risks of staff), the operation of information systems and technology (technological risks) and also due to external events.

Reduction and control of operational risks is carried out through analysis of business processes and develop appropriate action plans for improvements in accordance with the Rules of identification and assessment of risks and operational risk management rules.

Reports on operating risks are considered in the Risk Management Committee, as well as by the Management Board and the Board of Directors.

Risks of investment projects are a potential threat to non-receipt of the planned outcome of the investment.

The ability to manage this type of risk is based on the concept of acceptable risk, which corresponds to a certain balance between the expected profits and the threat of losses, which provides a set of procedures to assess project risk and management of project risk.

In 2012, the Board of Directors approved the amendments to the Risk Management Policy, as well as key risk indicators, retention capacity and appetite for risk. The new risk register and risk map of the Real Estate Fund were developed and approved.

► Conflict of Interest

Real Estate Fund formalized procedures aimed at preventing conflict of interest by officials and employees of the Company. The Policy on conflict of interest was approved by the Board of Directors in 2012 and defines the concept of conflict of interest, the procedures to address them.

In accordance with this Policy, all officials and employees of the Company are obliged to refrain from acts that will or can potentially lead to a conflict of interest, to refrain from taking decisions on matters in which there is a conflict of interest, notify supervisor and responsible unit information on the existence of a conflict of interest, not to disclose confidential information about the Company.

The Company appointed an Ombudsman, whose responsibilities performed by the Corporate Secretary. The Ombudsman's functions include settlement of conflict of interest, the procedures for violation of the principles enshrined in the Code of Business Ethics.

The Company has a mechanism for collection and handling of confidential information about a violation of the Code of Business Ethics. This mechanism is embodied in the Policy for dealing with reports on suspected or known facts of fraud, abuse and other illegal actions.

In 2012, no violations by the staff of the Real Estate Fund of the Code of Business Ethics and Policy on conflict of interest were identified.

Also, there have been no complaints or reports of violations of the Code of Business Ethics, Policy on conflict of interest, the legislation of the Republic of Kazakhstan on the part of the Company's employees and stakeholders.

► Information Policy

The Real Estate Fund, while respecting the principles of corporate governance, implements a policy aimed at ensuring transparency and fair disclosure of information on its activities. Disclosure of the information about the Company is carried out in accordance with the legislation of the Republic of Kazakhstan, the internal documents of the Company, including Regulations on information disclosure approved by the Board of Directors.

The Real Estate Fund provides:

- 1) full implementation of the rights of the Sole Shareholder to obtain information affecting its interests, as well as essential for making investment and management decisions;
- 2) timely and accessible to interested parties (stakeholders) subject to disclosure of information about the Company;
- 3) establishing a transparent and trusting relationship with all stakeholders.

In 2012, the stakeholder map was approved. It determines the degree of influence of different stakeholder groups on the Fund's activities. The two zones of influence were identified — the groups that have a direct and legitimate influence, and groups that have an indirect impact. The stakeholder map is available on the website www.fnsk.kz.

Disclosure of information about the Real Estate Fund and its work is carried out on the corporate website www.fnsk.kz and through publications in mass-media.

The website is regularly updated and provides relevant information about the Company, in accordance with the international best practices and internal documents of the Company.

In 2012, the regular press conferences were held along with the organization of two thematic round tables, three press tours, publishing of more than 100 interviews and comments with the speakers of the Fund, shareholders and developers. The top management of the Real Estate Fund participated in the debate club "Expert" and the club of the Institute of political decisions in dialogue with leading experts on the talk show "Open Studio". Management of the Real Estate Fund participated in the parliamentary hearings on housing construction.

The Real Estate Fund participated in the trade fairs "Kazbuild", "Astanabuild", V Astana Economic Forum.

Continuous feedback from the public is provided by preparing answers to the questions on the activities of the Real Estate Fund, clarifications concerning the rental housing, program "Affordable Housing — 2020".

In connection with the launch of the program "Affordable Housing — 2020" in 2012, the Company's website was redesigned that became part of rebranding of the Real Estate Fund.

► Information about transactions with the interested parties

In accordance with the Rules of transactions between companies belonging to the group of "Samruk-Kazyna" JSC, concerning the commission of which the Law of the Republic of Kazakhstan "On Joint Stock Companies" established special conditions, the decision on the conclusion of inter-company transactions with related parties shall be made collectively by executive bodies of the respective companies.

In 2012, the Company carried out the following transactions with the interested parties:

- "Samruk-Kazyna" JSC contract from 04/01/2012 No.12 on the purchase of office space rental services in the administrative building of the Real Estate Fund;
- "Kazakhtelecom" JSC contract on rendering of telecommunication services from 12.01.2012, No.3836/CC/22/2;
- "Zaulim" LLP supplementary agreement No.5 dated 27/01/2012 to the Contract of purchase, sale of land and the acquisition of work and services for the construction of "turn-key" office building from May 8, 2009 No.4;
- "Development Bank of Kazakhstan" JSC dated 29/02/2012, No.92/12/44 for the purchase of office space rental services in the administrative building of the Real Estate Fund;
- "Samruk-Kazyna" JSC supplementary agreement No.2 dated 06/03/2012 to the Loan Agreement dated 03/03/2010, No.14/AHK;
- "REF Management" LLP Office Lease Agreement from 13/03/2012 No.47/2;
- "Samruk-Kazyna" JSC Agreement on opening non-renewable credit line No.157-I dated 14/03/2012;
- Astana branch "Kazpost" JSC agreement dated 14/03/2012 No.49 on the supplement of periodicals;
- "Samruk-Kazyna Contract" LLP agreement dated 28/03/2012, No.50-KM/TC/11 for purchase of technical support services and monitoring maps of local content;
- "REF Management" LLP agreement No.4 dated 12/04/2012 to the Trust Deed dated 27/06/2011 No.79 (transfer in trust of 12 parking lots in ARC "Na vodno-zelyonom bulvare");
- "RauanMediaGroup" LLP agreement on advertising services dated 01/06/2012, No.012/2/44/1;
- "REF Management" LLP supplementary agreement from 28/06/2012 to the trust management contracts for residential complexes "Akzhayik", "Al-Arka", "Astana zhuldyzy", "Na vodno-zelyonom bulvare", "Gorodskoy Romance", "Zapad", "Maria", "Severnoe siyanie";
- "Entrepreneurship Development Fund "Damu" JSC agreement from 3/07/2012 No.75-DTZ-AD/105 on the assignment of the claim;
- "Kazakh Institute of Oil and Gas" JSC from 20/08/2012 No.235-5/2012, the contract of sale of commercial premises in the residential complex "Zapad";
- "Samruk-Kazyna" JSC credit agreement dated 05.09.2012, No.187-I;
- "REF Management" LLP trust management contract dated 06/11/2012 on the transfer of residential premises in RC "Caspian Palace"; supplementary agreement No.5 from 06/11/2012 to the trust management contract from 18/02/2011 on transfer of 1 parking lot in RC "Severnoe siyanie";
- "Samruk-Kazyna Contract" LLP contract from 13/12/2012 No.175 for the provision of the Uniform Product Guide of goods, work and services;
- "Samruk-Kazyna Invest" LLP, the contract from 27/12/2012 No.278/182/1 on the purchase of office space rental services;
- "Development Bank of Kazakhstan" JSC contract from 29/12/2012 No.188 on the purchase of office space rental services.



SUSTAINABLE
DEVELOPMENT

Sustainable development is the foundation for further growth and development of the Company. The company intends to establish a reliable and effective system of occupational safety and health management, social responsibility, environmental impact management.

An essential step in the formation of the management of sustainable development was the approval in 2012 of the Policy in the sphere of corporate social responsibility, Environmental policy.

The Real Estate Fund is aware of and has a corporate social responsibility to all stakeholders: society, government, shareholders, partners and staff.

In accordance with the Policy in the sphere of corporate social responsibility, the main areas of corporate social responsibility are:

- Conducting of responsible business practices;
- Development of human resources and labour relations;
- Management of environmental impacts;
- Socially oriented activities.

► Interaction with the Society

The activities of the Real Estate Fund have a pronounced social-oriented nature.

The Fund's activities as an operator of the anti-crisis program at the real estate market was aimed at addressing important social task — completion of facilities and addressing the problems of shareholders. Within 2009–2012, 17 housing construction objects were commissioned, more than 3 thousand of shareholders were assisted with their housing problems, the population was provided 776 apartments in the long-term lease with purchase.

Implementing the program "Affordable Housing — 2020" the Real Estate Fund aims to provide quality and affordable public housing.

As part of this Program, the Real Estate Fund supports projects that ensure the effective and efficient use of energy resources in operating residential buildings, the implementation of sanitary-epidemiological and environmental requirements for the protection of human health and the environment, as well as the safety of occupants in using elements of buildings and engineering equipment.

The Real Estate Fund assists in the support of domestic producers of building materials, products, work and services. Kazakhstan content in the procurement of contractors, funded by the Real Estate Fund, made 74% in 2012.

The Real Estate Fund makes a significant contribution in addressing the problems of unemployment by maintenance and creation of jobs in the financed construction projects. Within 2010–2012, more than 8 thousand jobs were maintained on construction sites, including about 1.6 thousand working places in 2012.

In 2012, the Company took an active part in the introduction of a dual system of education and training in the business directions of "Samruk-Kazyna" JSC. In December 2012, the Real Estate Fund has signed the memoranda of social partnership with schools in Astana — International Professional Academy "Turan Profi" and Polytechnic College. The Memoranda aimed at construction industry training, assistance in job internships in the period of study and future employment of graduates of engineering majors at facilities funded by the Real Estate Fund. Similar memoranda are planned to be signed in other regions of the Real Estate Fund's operations. Strengthening social partnership between institutions and construction companies (developers) is aimed to reduce the deficit of demanded experts on construction sites, the development of human resources in the regions.

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

- is guided by the principles of openness, fairness, respect for the interests of mutual benefit, understanding of accountability for commitments;
- complies with the terms of contractual relationships;
- is committed to continuous improvement in the quality of services provided;
- shows respect and integrity in relationships in accordance with the Code of Business Ethics, Code of Corporate Governance;
- ensures compliance with generally accepted moral and ethical norms.

The basic mechanisms of interaction with partners, developers and other interested parties are consultations, negotiations, round tables, specialized press conferences, seminars, exhibitions and other events, allowing to discuss a wide range of issues, including the economic, technological, environmental, social and legal aspects. For example, in 2012 in order to introduce the mechanisms for implementing program "Affordable Housing — 2020" the Real Estate Fund held special press conferences,

as well as workshops for developers (construction companies), organized a regional tour, during which the round tables and seminars were conducted with the participation of local authorities, representatives of government bodies in the field of architecture and construction, Association of developers, construction companies and the manufacturing companies and suppliers of construction materials and the equipment. For the latter, special seminars were organized on transfer of purchases to commodity exchanges. Meetings were held with the leading construction companies with domestic manufacturers of materials and equipment in order to introduce the products and capabilities of domestic manufacturers.

In accordance with the principles of transparency and objectivity the Real Estate Fund provides timely and reliable disclosure of information to interested parties, including the financial situation, results of activity, ownership structure and management (see section "Information Policy").

Exchange of relevant information, building professional relationships, work to enhance the image and reputation of the Company is to maintain and develop the position of the Real Estate Fund as a successful company, assisting the government in the development of housing construction.

The Real Estate Fund actively cooperates with the government authorities on the introduction of modern standards of housing construction, technical evaluation of construction projects, improvement of legislation on housing construction and housing relations, cooperation on analytical studies on housing, housing construction, real estate transactions.

The Real Estate Fund is a responsible and conscientious taxpayer. In 2012, the taxes and other payments paid to the budget totaled 893.2 million tenge.

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

2010	2011	2012
154,7	1 107,6	893,2

The Real Estate Fund in its operations ensures compliance with the legislation of the Republic of Kazakhstan, the terms of international treaties, takes measures for corruption counteraction. The Real Estate Fund adopted the Anti-corruption policy in 2012, which is based on the following principles:

- Legitimacy,
- Publicity and openness of activities,
- Promotion of a legal culture of the employees, who reject corruption and ensuring the principles of honesty and integrity in carrying out job responsibilities,
- Carrying out the anti-corruption expertise of legal documents of the Company,
- Cooperation in the field of anti-corruption efforts with the public authorities, partners and clients of the Real Estate Fund.

The company has adopted a number of documents aimed at preventing and combating corruption. The Policy for dealing with reports on suspected or known facts of fraud, abuse and other illegal actions includes measures to improve the effectiveness of the prevention and detection of such cases, including measures allowing all employees anonymously to report violations.

In 2012, no cases of fraud, abuse and other illegal activities were identified.

No fines and penalties for non-compliance with the legislation of the Republic of Kazakhstan were imposed on the Company in 2012.

► Sponsorship and Charity

According to the Policy of sponsorship and charity, the funds for sponsorship or charity may be provided in the budget of the Company.

Due to the nature of activities and funding of the Company, funds for sponsorship and charitable activities were not provided in the budget for 2012.

Charitable actions are carried out by employees of the Company on a voluntary basis.

In 2012, the employees of the Company provided targeted assistance to five veterans of the Great Patriotic War in celebration of the Victory Day.

Charitable aid to the children's charity «Umit», as well as to children of hemato-oncology department of the Center of motherhood and childhood were delivered.

► Interaction with the Staff

Organization of labour and human resources development are carried out in accordance with the Personnel policy. The basic principle of the Policy is the recognition of the main strategic resource — personnel, the quality of which is essential for achieving the strategic goals and objectives of the Company.

The Real Estate Fund is a socially responsible employer, which is reflected in ensuring the observance of human rights, labour standards, the recognition of workers' rights to decent conditions of work, the provision of social guarantees and benefits, implementation of human resources policies.

Strategic directions of personnel policy:

- a single model of human resource management;
- improving the effectiveness of labour;
- improving the quality of human resources;
- the development of a unified corporate culture.

► Staff

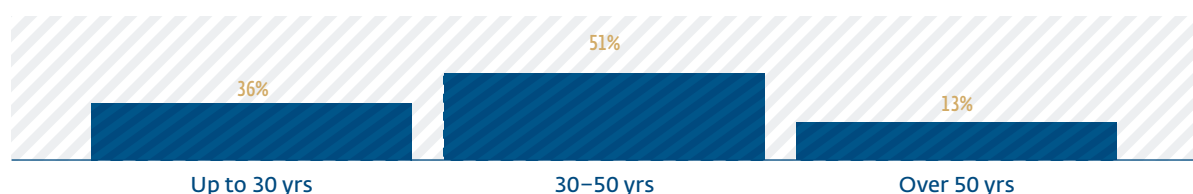
The average number of employees of the Company as of 31.12.2012 amounted to 94.

All the Company's employees have higher education, including:

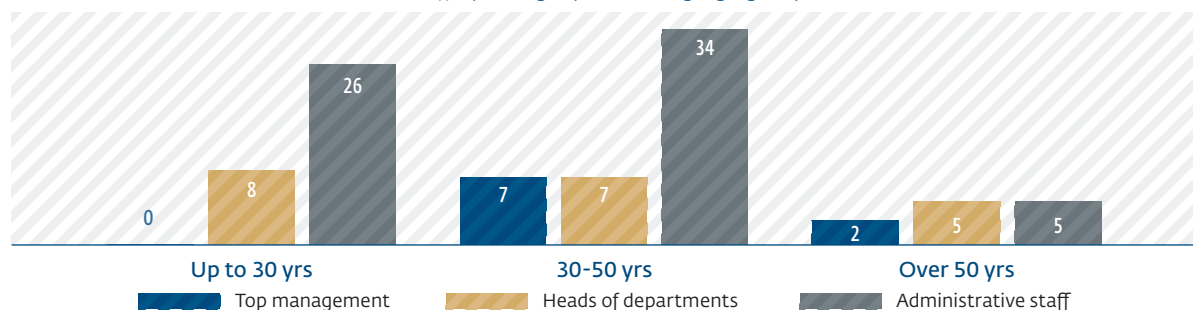
- 2 candidates of economic sciences (PhD);
- 17 employees have a Master's degree.

The majority of the Company's employees relate to age range of 30 to 50 years. In 2012, this category consists of top management — 14.5%, the heads of departments — 14.5% and administrative staff — 71%.

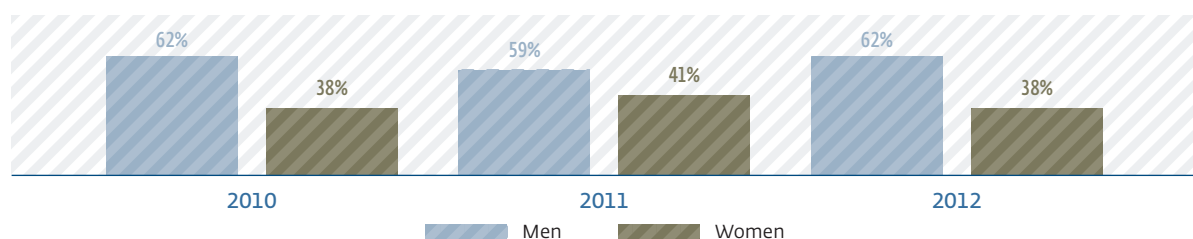
..... the Personnel Structure by Age Categories



..... Staff by Category, indicating Age group



..... Structure of the Personnel by Gender, %

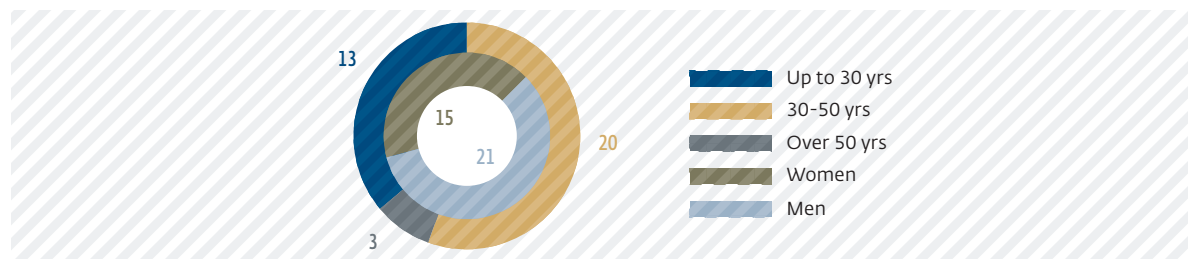


In 2012, the greatly improved turnover rate (13% lower than in 2011), despite optimization of organizational structure of the Company in accordance with the approved in 2012 Development Strategy for 2012–2022 years. In the course of optimizing enhanced structural units responsible for monitoring construction, investment and innovation.

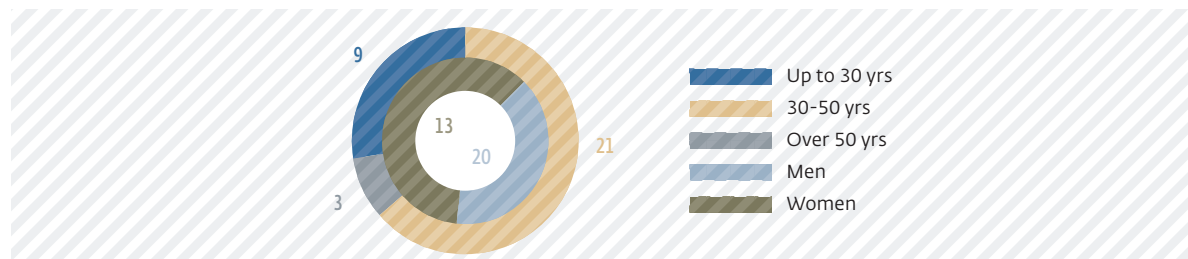
Turnover Rate, %



Number of employees hired again in 2012



Number of employees who left in 2012



The Company adheres to the principles of respect for human rights, including the prohibition of discrimination on any grounds — racial, national, social, religious and others. Selection and promotion of employees are carried out on the basis of professional skills and knowledge.

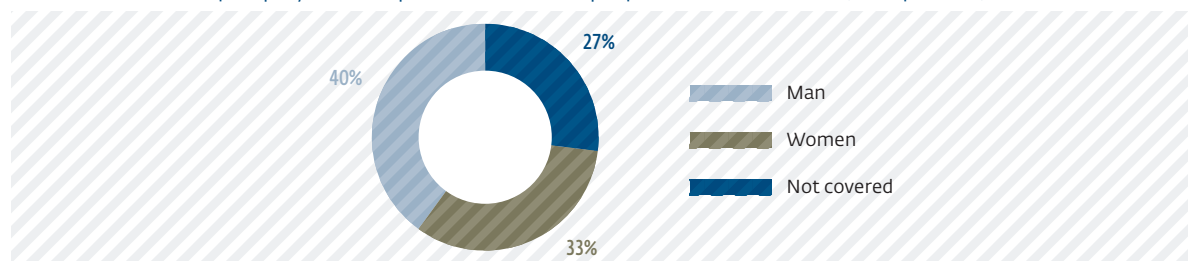
Within the recruitment, an open competition is held for the vacant positions. In 2012, there were 12 competitions to fill the 22 vacancies. The competition attracted 79 applicants. According to the results of competitions, 15 people were employed.

All employees are provided with equal opportunities to realize their potential in the workplace, an impartial and fair evaluation of performance.

The Company employs the system of performance evaluation. Annually approved the card objectives and individual development plans for administrative employees; implemented a system of performance monitoring and correction purposes.

In 2012, according to the results of the final evaluation of administrative staff of 11 people recommended for inclusion into the reserve, 8 employees recommended for increasing the salary.

Share of employees who passed the overall performance evaluation (Certification) in 2012



Formation of the personnel reserve is carried out to ensure continuity, to identify employees with high potential, increase motivation of employees.

In accordance with the Rules of formation and organization of work with personnel reserve, the personnel reserve system consists of a single personnel reserve of the Sole Shareholder and internal personnel reserve of the Company. As the result of calibration session of top management, 3 employees were recommended for inclusion in single personnel reserve.

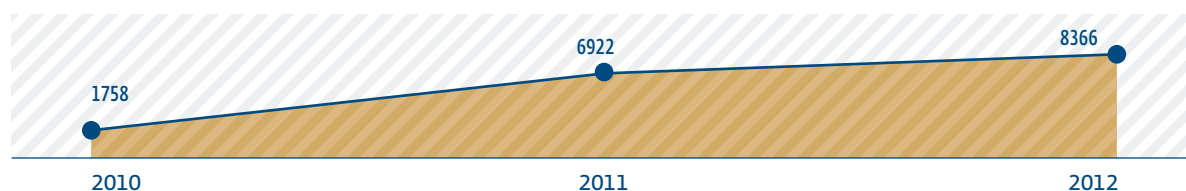
► Training and professional development

The purpose of the Policy on improvement of personnel skills is to create an effective system of training and education of employees, development of managerial competences and leadership potential of managers, the acquisition of professional knowledge and skills that meet the interests and needs of the Company.

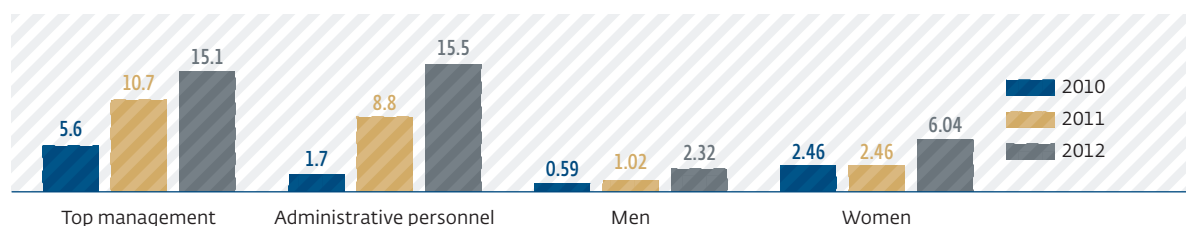
On the basis of individual development plans of employees annual schedules of professional training and development of employees are formed.

In 2012, 51 employees have received training and professional development.

..... Dynamics of Expenses on Personnel Training, thousand tenge



..... Average Hours of Training per Employee



► Motivation

For staff motivation, there is the system of material and non-material incentives.

The system of material incentives for the administrative staff includes a quarterly bonus system in the amount of not more than one salary, depending on the performance evaluation of the employee.

Non-financial incentives include awards granted at the national level, awards of the Sole Shareholder and the Real Estate Fund. At the end of 2012, the best employees were awarded diplomas of the Real Estate Fund.

► Social Guarantees and Benefits

The Social policy of the Company is based on compliance with the labour legislation and aimed at protecting labour, labour safety, provision of support to groups in need of social assistance.

In order to ensure the health and safety of workers the Policy in the field of labour protection and industrial safety was approved, under which measures are being taken to create an enabling, healthy and safe working environment for staff, the prevention of occupational accidents and diseases. Regular carried out training on safety at work and fire safety.

In accordance with the Rules of social support for employees of "Real Estate Fund "Samruk-Kazyna" JSC, material assistance to employees include:

- for improvement in the provision of paid annual vacation at the rate of not more than 2 (two) months' salary;
- in connection with the birth/ adoption of a child of not more than 1 (one) months' salary of the employee;
- in connection with the death of:
- an employee — in the amount of not more than 1 (one) month base salary with a lump sum to one member of the family;
- spouse, children, parents of an employee — in the amount of not more than 10 minimal wages;
- for medical treatment/ operations of an employee in accordance with the list of diseases, which can be installed for temporary incapacity to work for more than two months.

Employees are paid compensation for temporary incapacity for work in accordance with the labour laws.

Pregnant women, women who have given birth to a child (ren), employees who have adopted of a newborn child (ren) are provided in accordance with the Labour Code of the Republic of Kazakhstan, the following maternity leave:

- Maternity leave,
- Leave without pay to care for a child under the age of three years.

In 2012, the amount of social contributions and social support amounted to 103.7 million tenge, which exceeds the 2011 figure by 10.3%.



The Company carries out voluntary health insurance for employees and their families, and the insurance of employees against accidents.

In 2012, the Real Estate Fund concluded the contract on insurance of employees in case of illness with a total amount of 15.8 million tenge (in 2011 — 14.2 million tenge).

Also, the contract on compulsory insurance of employees against accidents in the performance of labour (service) duties was concluded in the amount of 270.3 thousand tenge (in 2011, the amount of the contract was 209.4 thousand tenge).

In 2009–2012 occupational injuries did not take place.

Under the current legislation of the Republic of Kazakhstan, all staff members are required to pay pension contributions to pension funds.

..... Mandatory pension contributions of employees, thousand tenge

2010	2011	2012
48 805	59 793	59 812

▷ Staff involvement degree

In order to measure social well-being in the workplace annually the Company holds studies on the involvement of staff in accordance with the Methodology for researching of the staff involvement by the Sole Shareholder through a web-based survey of the staff.

Staff involvement degree as a result of the evaluation in 2012 was 70%, which is characterized by a stable and positive situation in the team, and is one of the highest rates among group of companies of "Samruk-Kazyna" JSC.

This index includes:

Satisfaction Index — 75%

Loyalty Index — 70%,

Index Support Initiatives — 64%.

94% of employees were satisfied with the content of the work, relationship with supervisor, 93% — compliance qualifications of supervisor, 92% — relationships with colleagues, 83% — the opportunity to learn something new, 77% — working conditions, 74% — labour payment system.

A key indicator of employees' satisfaction of the Company is the lack of labour disputes.

► Environmental Responsibility

In 2012, the Real Estate Fund adopted the Environmental policy. The Real Estate Fund strives to uphold the principles of maximum respect for the environment and the rational use of natural resources, helps to prevent negative impacts on the environment, takes initiatives aimed at increasing responsibility for the environment, contributes to the development and diffusion of environmentally-friendly and energy-saving technologies.

The project selection phase:

The Fund in selecting projects is guided by a list of recommended technologies for comfort, safety, efficiency in servicing of residential facilities in accordance with the SNiP of the Republic of Kazakhstan and international experience.

This allows for the use of energy-efficient technologies, sustainable use of resources and minimizing of environmental risks.

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

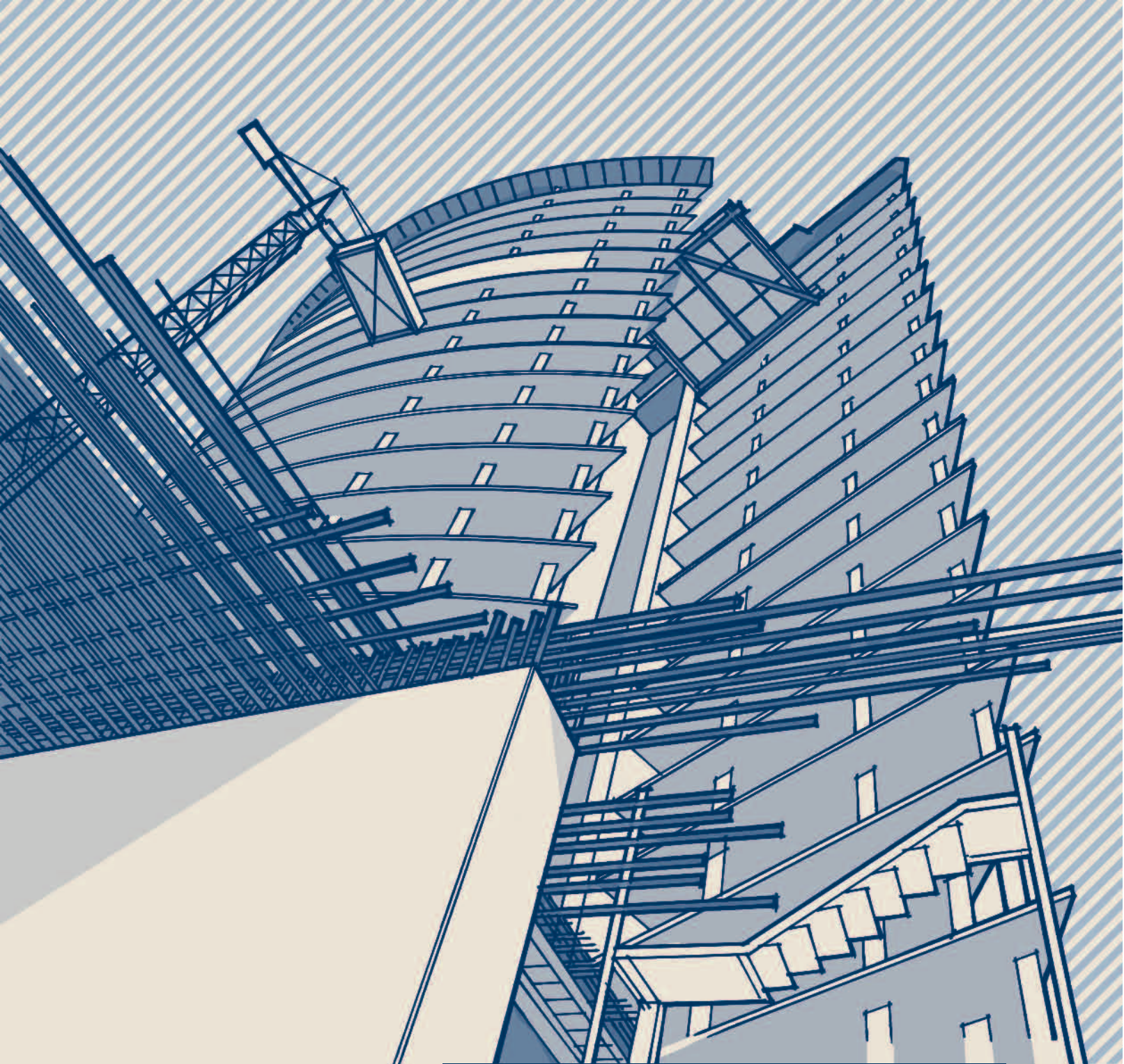
- Monitoring of air protection by monitoring the presence of catalytic converters for exhaust gas cleaning in cars that use unleaded petrol as fuel, monitoring implementation of fuel additives that reduce the toxicity of exhaust gases and smoke of the fulfilled, equipping vehicles powered by diesel engines with exhaust gas neutralizers, control of the implementation and improvement of the technical and technological solutions (including a switch to other (alternative) fuels, raw materials, etc.) allow to reduce the negative impact on the environment, not covered by the project documentation;
- Monitoring of the protection and rational use of water resources, by monitoring the construction of drainage networks for transportation, mining and storm water, domestic, industrial and agricultural waste water and waste (sludge tanks, sumps, ash dumps, evaporation ponds, etc.);
- Monitoring of land resources, by monitoring the implementation of measures aimed at the restoration of natural fertility or increase soil humus, monitoring mandatory greening the residential complex and increase green areas;
- Monitoring of waste production and consumption by controlling implementation of technologies for the collection, transportation, disposal, use and processing of all types of waste, including unattended, control activities to eliminate unauthorized (natural) landfills and historical pollution, measures to prevent future pollution, timely reclamation of land disturbed by contamination of industrial, municipal solid and other wastes;
- Monitor the implementation of regulations and proposals issued by the competent authorities in the sphere of environmental protection, in accordance with the requirements of the environmental legislation;
- Monitor the implementation of energy-saving technologies, control over the replacement of energy-intensive processes and materials by more energy-efficient ones, the introduction of technologies designed to efficiently use energy in buildings (energy-saving glass, silent elevators, floor heating, light control system, artificial acclimatization, wireless, etc.) as well as other innovative technologies to reduce the negative impact on the environment.

Application of ecological principles in the implementation of common activities:

The corporate center and subsidiaries of the Real Estate Fund, in order to manage its own impact on the ecological environment and the implementation of these principles, take the measures on implementing lean consumption of paper and energy supplies; embedded system and improved electronic workflow, electronic reporting system, etc.

The Real Estate Fund in its activities, following the principles of the most careful and rational approach to the environment will support initiatives to protect the environment, including:

- Prevention of adverse effects on the environment, the use of best environmental practices;
- Promoting the development and diffusion of environmentally friendly technologies;
- Initiatives for the use of alternative energy sources, reducing energy consumption and improving energy efficiency.



PROSPECTS FOR 2013

In 2013, the Real Estate Fund will continue to implement the program "Affordable Housing — 2020" approved in 2012.

It is planned to increase the pool of real estate under this program up to 550 thousand square meters. Investment in construction will amount to 38.3 billion tenge.

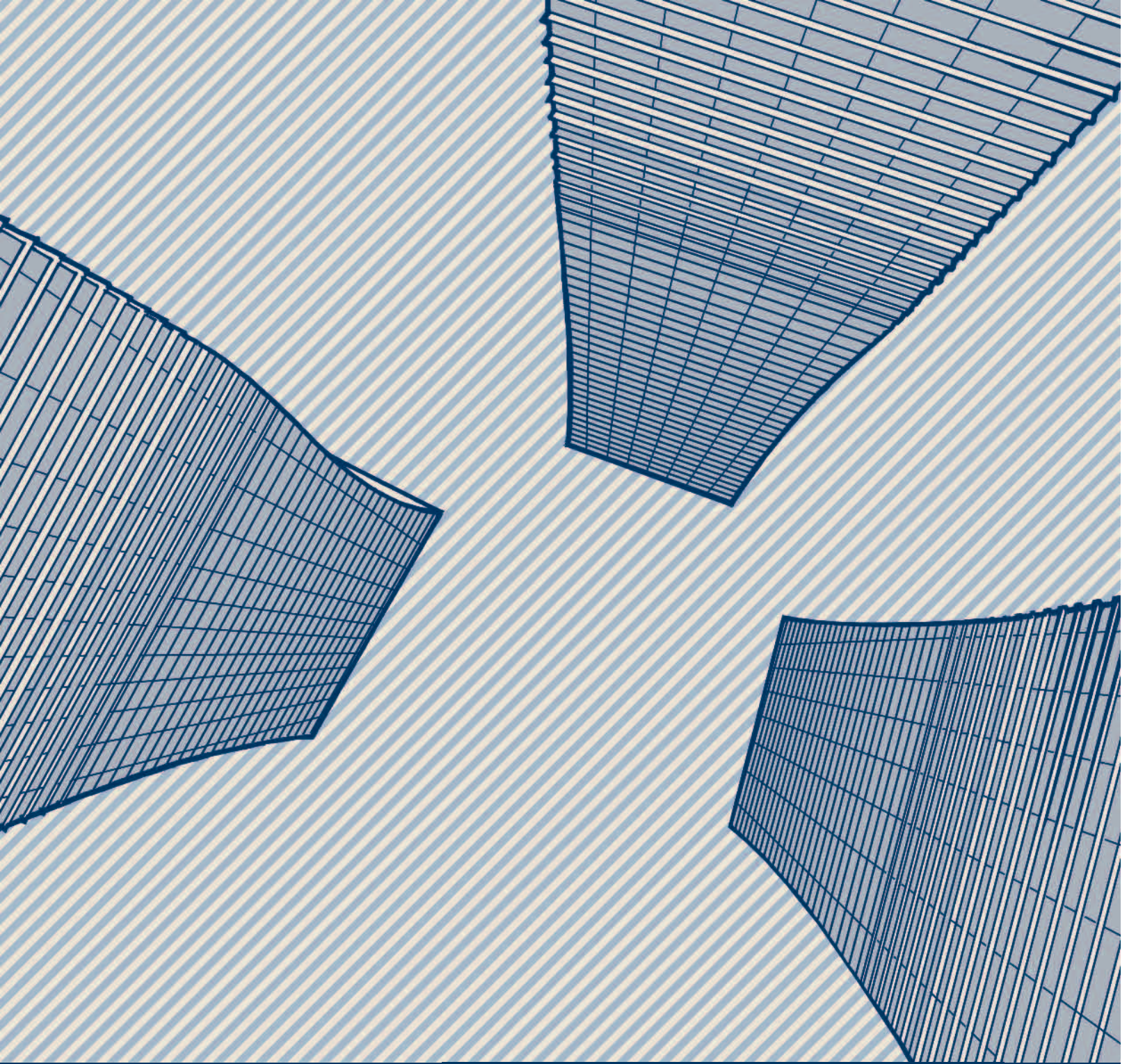
At the end of 2013, the first line of residential properties (75.9 thousand square meters) will be put into operation in the framework of the "Affordable Housing — 2020".

In 2013, it is planned to complete the anti-crisis program. The last three objects in the program will be commissioned.

The Real Estate Fund will help to increase the local content in the construction of the financed facilities. The planned rate of local content is 70%.

As part of the asset management activities, the Real Estate Fund will aim at increasing the pool of real estate sold, which should be 86%, as well as optimizing the costs of real estate maintenance.

The Real Estate Fund will continue to improve corporate governance. The corporate governance rating of not less than 60% is planned to be achieved.



ABOUT THE REPORT

The Real Estate Fund seeks to provide timely, accurate and comprehensive information on performance results.

Following the current trends in information disclosure, the Real Estate Fund presents the first integrated report for 2012, which describes a holistic approach to assessing the Company's performance based on the policy of sustainable development.

Scope and Limits of the Report

The report reflects the activities of the Real Estate Fund for the period from January 1 to December 31, 2012.

The report is prepared in accordance with the requirements of the Guide to reporting on sustainable development of the Global Reporting Initiative (GRI), version 3.1, and the sectoral annexes to the Guidance for the financial services sector. The report meets the criteria for level of "C". The list of indicators and degree of disclosure are shown in the Table of standard elements of the GRI.

Information disclosed in the report, presented in consolidated form and covers the activities of the entire Group of the Real Estate Fund.

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

- Determination of the interests and expectations of the interested parties;
- The identification of themes and issues those are relevant in terms of impact on the operations and implementation of the development strategy of the Fund;
- Determine the impact of the Real Estate Fund on the economy, society, environment and the interested parties.

Integrated Report for 2012 in Kazakh, Russian and English, is available on the corporate website www.fnsk.kz, as well as the annual reports of the Company for the previous years.

Hard copies of the Report are available upon request at the following contact information listed below.

Certification

This report did not undergo the independent assurance of indicators for sustainable development. The Real Estate Fund is aware that an independent assurance of reports on sustainable development can improve balance, reliability and validity of the results of the Company, as well as meet the requirements of the interested parties.

Given that this report is the first integrated annual report, the Real Estate Fund will seek for independent certification of similar reports in the future.

Contact Information

Please send your questions, comments and suggestions on this report, as well as requests for the hard copy of the report to:

For general information:

"Real Estate Fund "Samruk-Kazyna" JSC
010000, Astana, Orynbor Street, 10.
Tel. +7 7172 570 210 (reception)
Fax +7 7172 575 522 astana@fnsk.kz, office@fnsk.kz

In case of questions regarding the report or its contents, please contact us:

Berishbaeva Raisa Agzamovna,
Manager of Corporate Development Department
Tel. +7 7172 570 190 r.berishbayeva@fnsk.kz



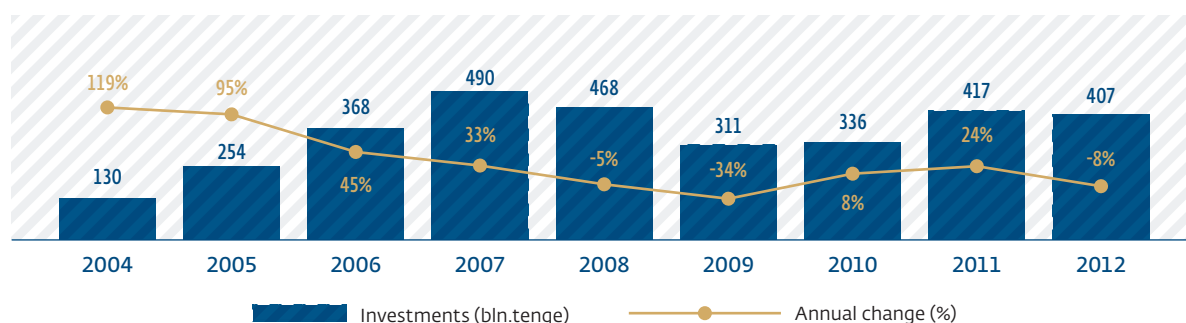
ANALYSIS OF HOUSING CONSTRUCTION SECTOR

1. Key indicators of the housing construction sector

1.1. Investments in housing construction

In 2012, the **investments in housing construction** across the Republic totaled 407.0 billion tenge, which is 8.4% less than in 2011. Regionally, in January–December 2012 to Almaty and Astana were transferred 64.9 billion tenge and 61.2 billion tenge, respectively.

..... Volume and dynamics of investment in housing construction, 2004–2012



Source: The Agency of Statistics of the Republic of Kazakhstan

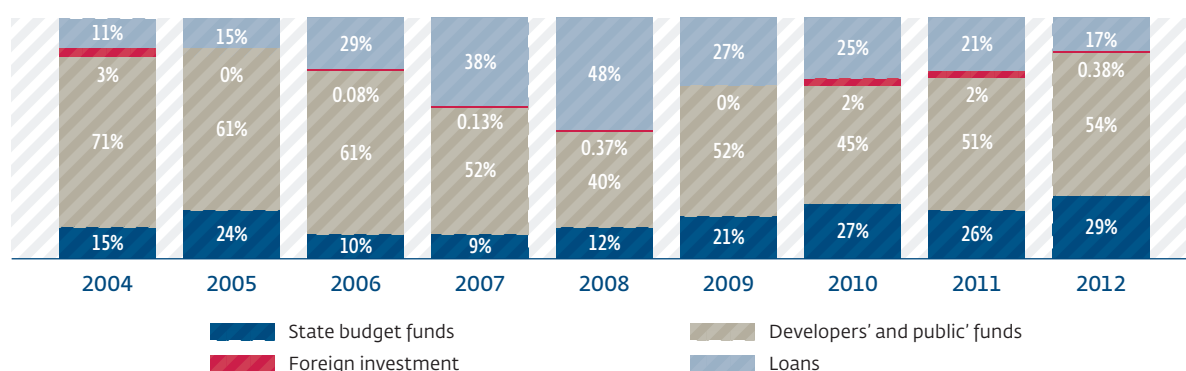
1.2. Sources of investment in housing construction in 2012. In Kazakhstan, the main sources of investment in housing construction are the developers' and public' funds. In 2012, their share made 54% which is 3% higher than in 2011.

Starting from 2009, there has been a growth of the funds allocated from the budget for housing construction while the share of loans has decreased. This trend continued during the reporting period: the proportion of funds allocated from the budget amounted to 29% against 26% in 2011, the leverage ratio decreased by 4% from 21% in 2011 to 17% in 2012.

In Almaty, the share of loans for 2012 amounted to 39%.

In Astana, the share of loans was 49%, the developers' and public' funds as well as budget funds made 27% and 24%, respectively.

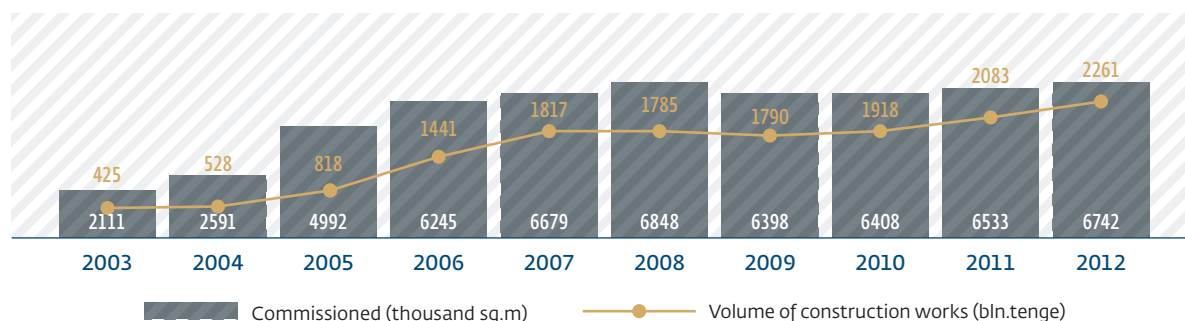
..... Sources of investment in housing construction in the Republic of Kazakhstan, 2004–2012



Source: The Agency of Statistics of the Republic of Kazakhstan

1.3. The volume of construction works and commissioning of residential buildings

..... The volume of construction works and commissioning of residential buildings



Source: The Agency of Statistics of the Republic of Kazakhstan

The volume of construction works (services) in Kazakhstan in January–December 2012 increased by 2.9% compared to 2011 and amounted to 2 261.5 billion tenge.

Increase in the volume of construction works observed practically in all regions with the exception of Atyrau, West Kazakhstan and Mangystau regions. Significant increase was observed in the Zhambyl (1.7 times), Kostanay (1.3 times), Aktoobe and Pavlodar (1.2 times) regions, Almaty city (by 7.1%).

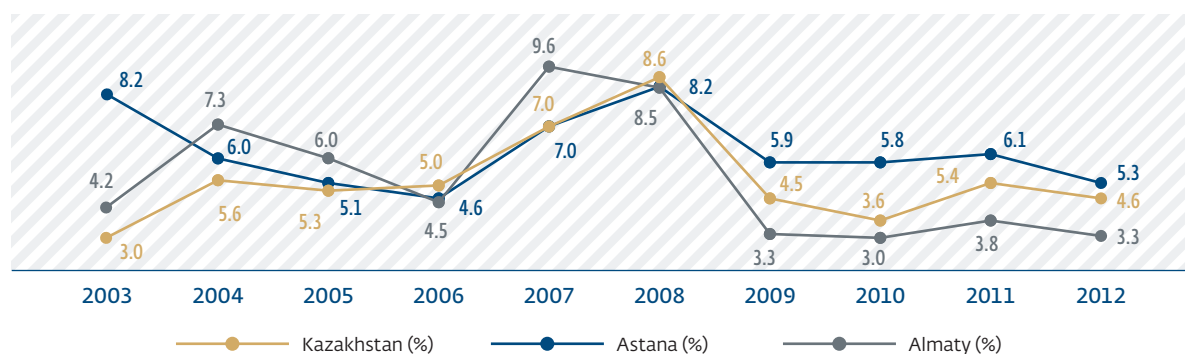
However, leaders of the shares in the volume of construction works as a whole across Kazakhstan are Astana (13.5%), Atyrau region (12.7%) and Almaty (10.3%).

The total area of commissioned housing in 2012 increased by 3.2% compared with 2011 and amounted to 6 741.9 thousand square meters. Total commissioned apartments in the country made 58 256. Most of the housing — 5 464 thousand square meters, or 81.0%, was commissioned by private developers, of which the public share — 3 336 thousand square meters that made the total input of 49.5%.

The increase in commissioning of residential buildings was observed in the twelve regions. Significant growth was recorded in Pavlodar (1.6 times), South Kazakhstan (1.5 times), Almaty (1.2 times) regions and Almaty city (1.5%).

1.4. The price index in the construction sector was 104.6% in 2012. Prices of construction and assembly works increased for the year by 5.3%, machinery and equipment — by 2.5% and other works and costs — by 4.6%.

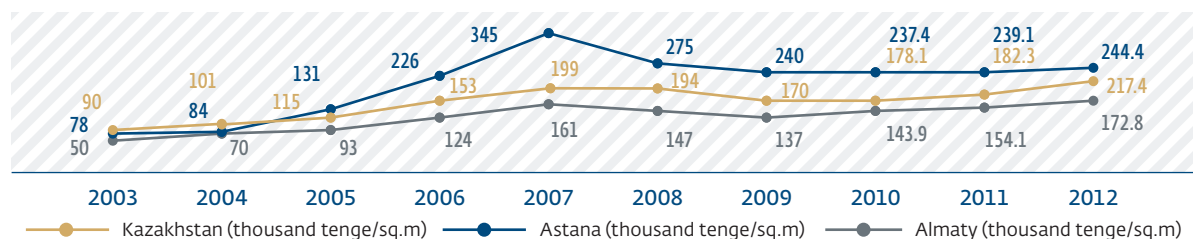
.... Price change in the technological structure elements (at the end of the period, to December of the previous year)



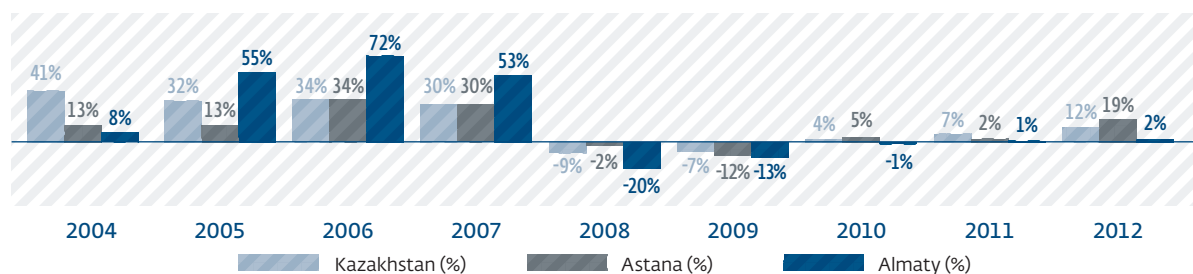
Source: The Agency of Statistics of the Republic of Kazakhstan

1.5. Sales price dynamics (primary and secondary housing) and rent, the number of purchase and sale transactions in the housing sector

Prices for the new housing



Change in the price for new housing (% to December of the previous year)

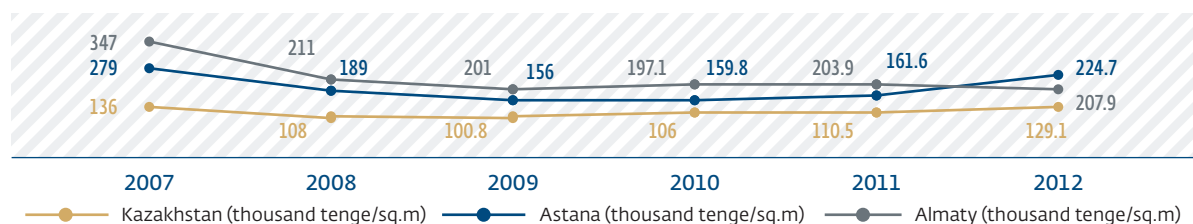


Source: The Agency of Statistics of the Republic of Kazakhstan

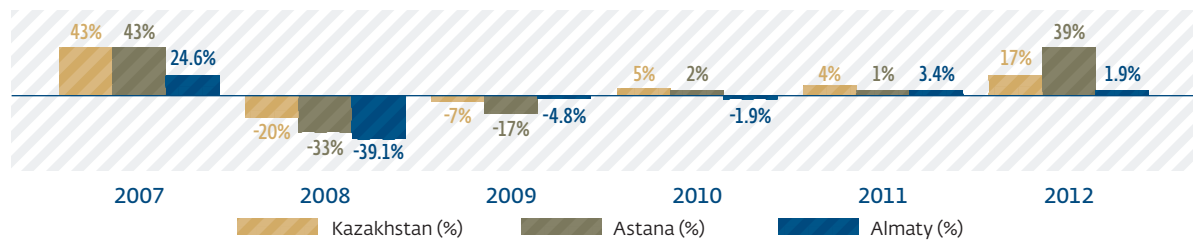
In 2012, the upward trend in prices continued in the housing market. The average price in the country of 1 square meter of new housing was 172.8 thousand tenge (growth by December, 2011 — by 12.1%); of secondary resale — 129.1 thousand tenge (growth by December, 2011 — by 16.8%). Rent prices also increased compared with the year of 2011.

The largest increase in the price for new housing, compared to 2011, was observed in Aktobe (+35.6%), Taldykorgan (+32.7%), Semey (+27.3%). In Almaty, Astana and Atyrau the price of 1 square meter of new housing was 244.4 thousand tenge, 217.4 thousand tenge and 199.3 thousand tenge, respectively. In other large cities of Kazakhstan the figure was below the average for the country.

Prices for the decent resale (secondary) housing

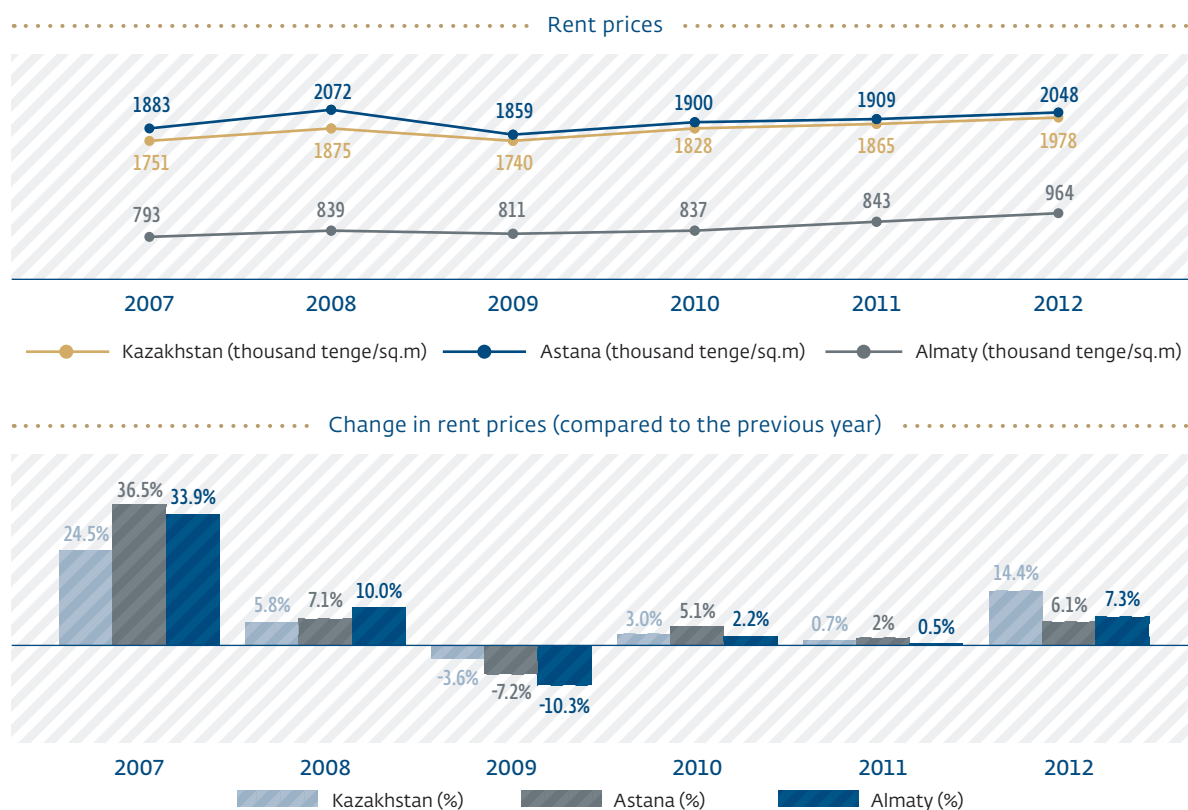


Change in the price of decent resale (secondary) housing (% to the previous year)



Source: The Agency of Statistics of the Republic of Kazakhstan

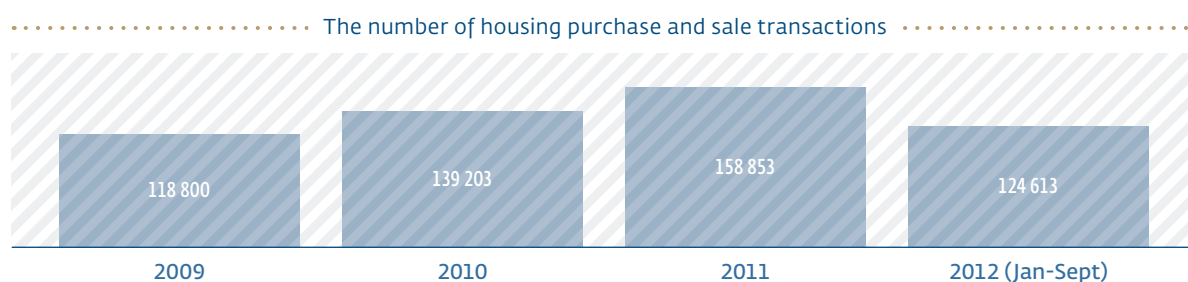
Rent prices



Source: The Agency of Statistics of the Republic of Kazakhstan

In 2012, the average price of rent for decent housing in 2012 for the country amounted to 964 tenge per 1 square meter, with the increase of 14.4% to December, 2011. The highest price of rent per 1 square meter was recorded in Almaty (2 048 tenge), Astana (1 978 tenge), Aktau (1 796 tenge), Atyrau (1 304 tenge), Aktobe (967 tenge), in the other major cities this figure was below the average for the country. The highest rent price increase, compared to December, 2011, accounted for Aktau (+113.8%) and Aktobe (+31.7%).

The number of housing purchase and sale transactions³ in January–September, 2012, amounted to 124 613, an increase of 9.3% compared with the same period of 2011.

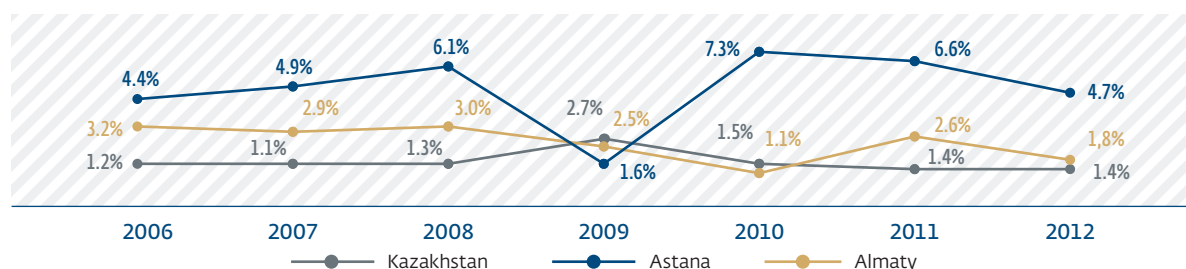


Source: The Agency of Statistics of the Republic of Kazakhstan

³ According to the Agency of Statistics the Ministry of Justice of Republic of Kazakhstan suspended the provision of information on the number of transactions in housing to the Agency of Statistics in order to avoid publication of false data for the period of October–December 2012.

2. The key indicators influencing the housing construction sector

..... The population growth rate in Kazakhstan



Source: The Agency of Statistics of the Republic of Kazakhstan

2.1. As of January 1, 2013, **the population of the Republic of Kazakhstan** amounted to 16 911.9 thousand people, including in Astana — 778.1 thousand people and in Almaty — 1 475.6 thousand people.

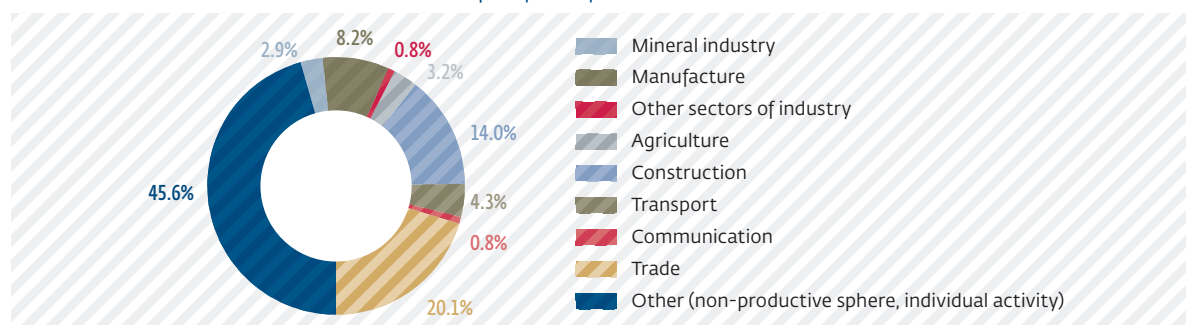
2.2. According to the preliminary data, **the average nominal income per capita** in December, 2012 amounted to 59 423 tenge, the increase of 5.9% compared with the corresponding period of 2011. The real income of the population compared to the corresponding period declined by 0.1%.

Leading positions in the size of the average nominal income per capita in December, 2012 remain Atyrau region, Almaty and Astana, where this figure exceeded the average level by 2,2–1,9 times. Among the low-income regions in December, 2012 marked South Kazakhstan, Zhambyl and Almaty regions, in which the value of income of the population ranged from 57.1% to 75.6% of the national average.

However, the highest rates of real income growth of the population were recorded in Almaty and East Kazakhstan regions. The ratio between the maximum and minimum values of nominal income across the regions in December, 2012 was 3.9 times (in December, 2011 — 3.8 times).

2.3. Construction remains one of the main sectors financed by commercial banks. As of January 1, 2013, construction is about 14%, or 1 397.0 billion tenge, in the loan portfolio of commercial banks. However, non-productive sphere (including individual activity) makes 45.6% of the loan portfolio, trade — 20.1%. In 2011, these indicators were 44% and 20.8%, respectively. Thus, the structure of the loan portfolio of commercial banks for 2012 has not change much.

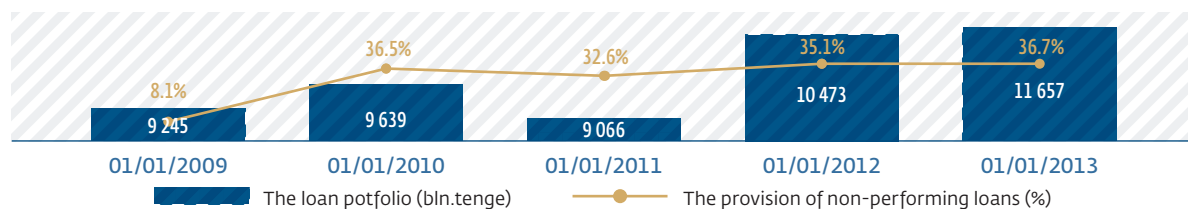
..... Loan portfolio of commercial banks



Source: The National Bank of Kazakhstan

Loan portfolio of commercial banks

..... The proportion of non-performing loans in the portfolio of commercial banks



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

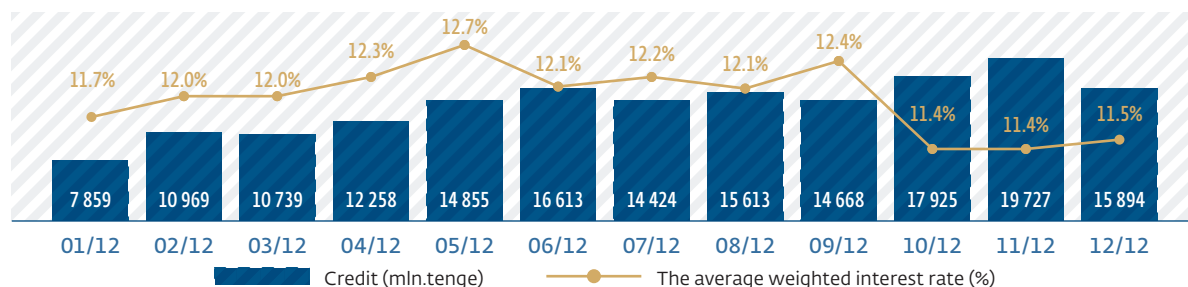
As of the reporting date, **the loan portfolio of the banking sector** of Kazakhstan amounted to 11 656.6 billion tenge, an increase of 1 183.8 billion tenge, or 11.3%, in comparison with the beginning of the year.

At the same time, there had been a slight decline in total loan portfolio quality of commercial banks: the percentage of non-performing loans (doubtful of category 5 and bad ones) of the total loan portfolio amounted to 36.7%, an increase of 1.6 percentage points from the beginning of the year.

The volume of loans by commercial banks to individuals for the construction and purchase of real estate increased. The volume of loans by commercial banks to individuals for the purchase and construction of housing, issued in 2012, is 36.4% higher than in 2011. **Loans to individuals for the purchase and construction of housing**, as of January 1, 2013, amounted to 919.9 billion tenge, including mortgage loans — 832.6 billion tenge. The average weighted interest rate on mortgage loans for 2012 amounted to 12.0%.

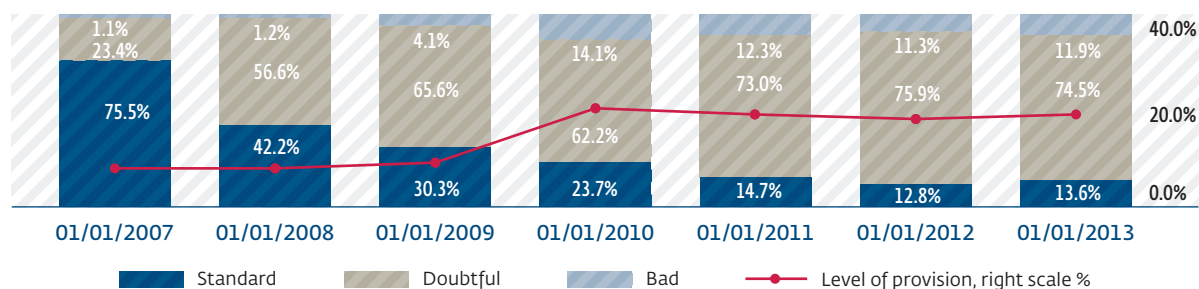
In the structure of mortgage housing loans, the share of standard loans increased slightly — from 12.8% to 13.6%, the growth of non-performing loans — from 11.3% to 11.9% while the share of doubtful loans decreased from 75.9% to 74.5%.

..... Loans of commercial banks to individuals for the purchase and construction of housing



Source: The National Bank of Kazakhstan

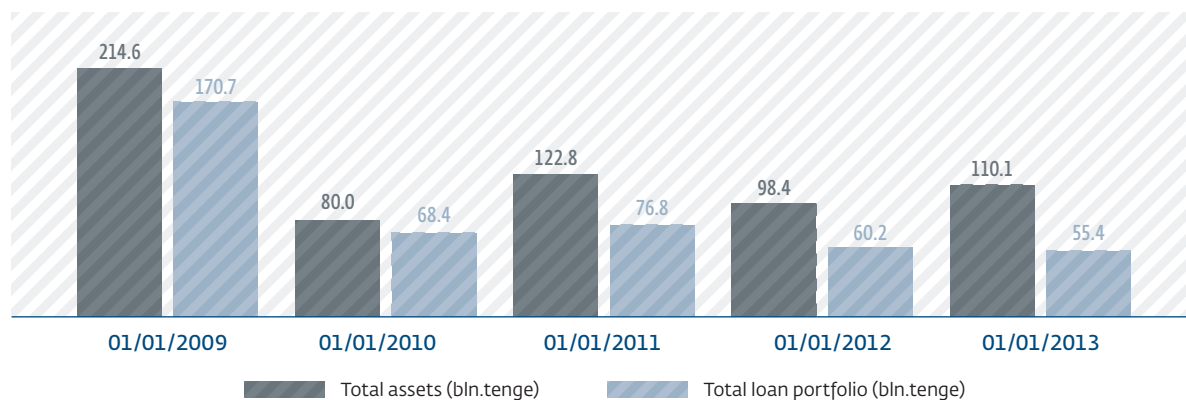
..... The quality of mortgage loans of commercial banks



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

The structure of the loan portfolio of mortgage companies

Assets and loan portfolio of mortgage companies



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

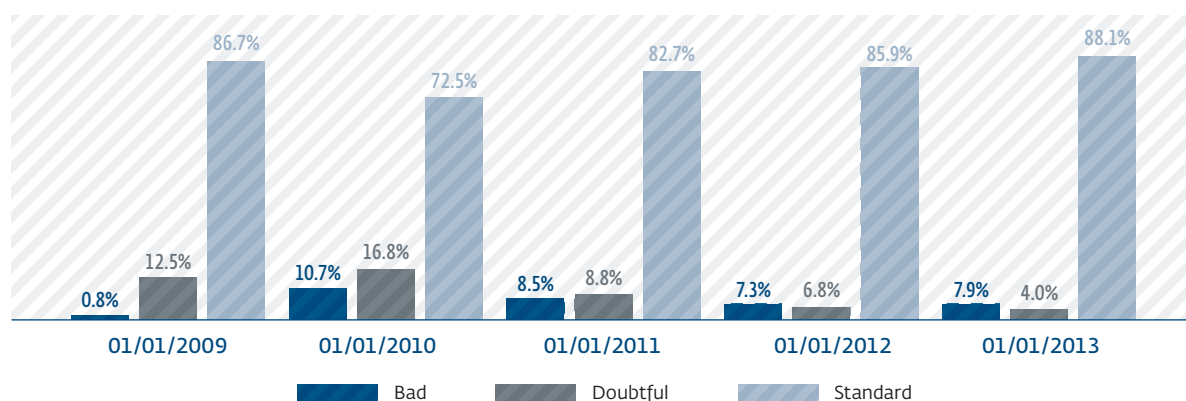
Analysis of mortgage lending programs offered by commercial banks shows that the situation at the mortgage market remains without major changes. Effective interest rates on mortgage loans range from 12.69% to 18.6%. Certain commercial banks do not require any mandatory down payment if the borrower provides additional security.

On January 1, 2013, **three mortgage companies** functioned at the financial market of the country. The largest share in the total loan portfolio of the mortgage companies belonged to "MC Kazakhstan Mortgage Company" JSC — 98.9%.

In 2013, the total assets of mortgage companies amounted to 110.1 billion tenge, an increase of 11.9% compared with January 1, 2012. However, the total loan portfolio of the mortgage companies has decreased over the year by 8.0%.

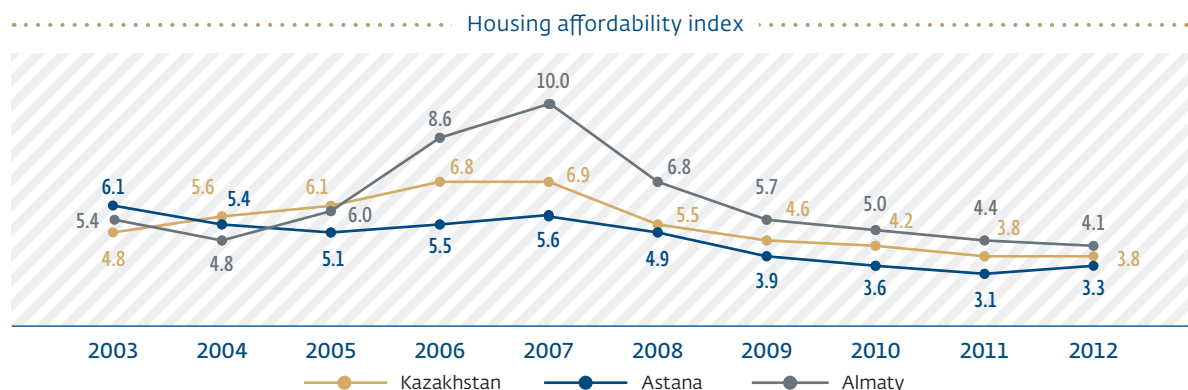
Analyzing the quality of loan portfolio structure of the mortgage companies, an increase in the share of standard loans should be noted. As of January 1, 2013, the share of standard loans accounted for 88.1%. The share of doubtful loans decreased from 6.8% to 4.0%, the share of non-performing loans increased from 7.3% to 7.9%.

The quality of loan portfolio of the mortgage companies



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

3. Housing affordability analysis



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

3.1. Since 2007, the overall trend in Kazakhstan shows an increase in **housing affordability**⁴. If at the end of 2007, the housing affordability index was about 7 years, by the end of 2011, it diminished to 4 years, reflecting the transition from the category of "significantly unaffordable housing" to "moderately unaffordable housing". The housing affordability index in Almaty remains high, although there was a significant improvement compared to 2007.

4. State support measures for housing construction

In response to the Message of the President of the Republic of Kazakhstan from January 27, 2012, "Socio-economic modernization — the main vector of development of Kazakhstan", the program "Affordable Housing — 2020" (hereinafter — the Program) was approved by Decree of the Government of the Republic of Kazakhstan on June 21, 2012, No.821.

This Program includes a set of the state support measures for the following existing and new key areas of housing construction: housing construction by local authorities for those awaiting on the list, as well as through "Housing Development Savings Bank of Kazakhstan" JSC for all citizens and young families; construction of rental housing through the "MC Kazakhstan Mortgage Company" JSC, construction and sale of housing through "Real Estate Fund "Samruk-Kazyna" JSC. Greater involvement of private investment is scheduled for housing construction and promoting of public-private partnership, development of engineering and communication infrastructure in the built-up areas, individual housing construction, as well as the development of the construction industry and other areas. The main purpose of the public housing policy is to create conditions to provide citizens with affordable housing.

Efforts are being made to improve the system of housing development savings. In 2012, "Housing Development Savings Bank of Kazakhstan" JSC concluded 88 912 contracts worth 219 240 billion tenge. In total, as of January 1, 2013, from the beginning of its activity "Housing Development Savings Bank of Kazakhstan" JSC concluded 372 857 thousand contracts on housing development savings with a total accumulation of 745.21 billion tenge. The total number of granted loans — 46 762 amounted to about 149.01 billion tenge. In 2012, with the help of housing development savings 32 object agreements were signed with local authorities for construction of more than 3 thousand apartments with the total area of 194 thousand square meters. In view of the agreements signed in 2011, the construction of 110 houses with 8 021 apartments with the total area of 529 thousand square meters was provided.

⁴ Housing affordability is measured using a special index, which is calculated as the average price of 1 square meter, multiplied by 18 (the rate of housing in accordance with SNiP of Republic of Kazakhstan) and divided by the value of wages for one year (average monthly salary, multiplied by 12 (number of months)) and multiplied by a factor of 3/2 (3 persons in a family of 2 adults and 1 child, 2 wages). Limits of variation of this ratio characterize the housing affordability (up to 3), moderately unaffordable housing (3,1–4), seriously unaffordable housing (4,1–5), significantly unaffordable housing (above 5,1). This ratio estimates how many years the family has to work as 3 people to earn an apartment of 54 square meters, provided that all income goes to pay the cost of housing.

Goal	Task	Measures
Comprehensive solutions for housing construction development, providing further increase of housing affordability for the population	<ul style="list-style-type: none"> • to ensure a balanced housing market. • to raise private investment in housing construction and encouraging public-private partnership; • development of engineering infrastructure areas of housing development; • the issue of demolition of emergency housing; • development of individual housing construction; • support for housing construction by non-profit associations of citizens, including housing construction cooperatives and individual contractors. 	<ol style="list-style-type: none"> 1. Housing for people registered on the list of the entitled for public housing or housing rented by local authorities from a private housing fund (housing for those on the a waiting list). 2. Housing through "Housing Development Savings Bank of Kazakhstan" JSC: <ol style="list-style-type: none"> 1) for all categories of the population; 2) for young families. 3. Housing through "MC Kazakhstan Mortgage Company" JSC. 4. Housing renovation acc. to the Program of modernization in the Republic of Kazakhstan for 2011–2020 (secondary housing). 5. Housing in the framework of pilot projects for emergency housing demolition. 6. Individual housing construction. 7. Construction of engineering-communication infrastructure. 8. Housing construction within the framework of the Employment Program–2020. 9. Housing construction by "Real Estate Fund "Samruk-Kazyna" JSC.

In 2012, with the help of "MC Kazakhstan Mortgage Company" JSC 21.4 hectares were received in 7 regions, including Astana and Almaty; in 2013, these lots will be used for housing construction in the amount of 7.7 billion tenge, with more than 10 billion tenge planned for 2014 totaling 170 thousand square meters.

In 2012, for the development and construction of engineering and communication infrastructure in the areas of housing development were allocated 57 004.4 million tenge as targeted transfers from the national budget, including Akmola region for preliminary work on the development of the village of Cauchy as a satellite town of Astana city — 1 939.6 million tenge and Almaty region for preliminary work on the construction of four satellite towns of Almaty city — 4 064.8 million tenge.

As part of this Program, "Real Estate Fund "Samruk-Kazyna" JSC finances projects for the construction of housing projects, including the pilot. For the construction of housing in this sphere will be used own funds of "Samruk-Kazyna" JSC as well as the funds of the National Fund.



INDEPENDENT AUDITORS' REPORT

Real Estate Fund "Samruk-Kazyna" JSC
Consolidated Financial Statements
For the year ended December 31, 2012
with Independent Auditors' Report

Independent Auditors' Report
Consolidated Financial Statements
Consolidated Statement of Financial Position
Consolidated Statement of Comprehensive Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the consolidated financial statements

INDEPENDENT AUDITORS' REPORT

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 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

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 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

Managing Director

Chief accountant



Palymbetov B. A.

Karibzhanov M. Kh.

Sipuldina B. K.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 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

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Chief accountant



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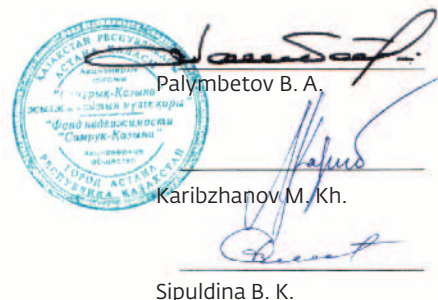
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2012

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

Managing Director

Chief accountant



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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	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 constructing real estate properties, in general, within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 property comprises property that is held for sale in the ordinary course of business. Principally, this is apartments, parking lots and commercial premises that the Group develops and intends to sell after completion of construction, in general, within 12 months.

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 the Parent company. The only business of "Zaulim" LLP was to construct a business center for the Company for its subsequent operating lease. Therefore, the net assets of subsidiary, including 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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) — Severe Hyperinflation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations including impairment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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-yuridicheskyy 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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))
Transferred 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
Transferred 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)
Transferred 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 transferred to finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 year	3.771.805	23.135.138
Advances paid for the year	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 (1)	(263.150)	–
Other	131.462	516.242
At the end of the year	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

(1) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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

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).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

	Total	Neither past due, nor impaired	Past due but not 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 "Capitalstroysevis" 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 "Capitalstroysevis" 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. CASH AND CASH EQUIVALENTS

In thousands of Tenge	2012	2011
Cash on current accounts	37.143.329	32.975.201
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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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:

In thousands of Tenge	Consolidated statement of financial position		Consolidated income statement	
	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)	(9.160)
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	–
Entrepreneurship 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

28. 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 assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years 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.

29. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Annex 3. Table of Standard Elements of GRI

GRI Index	Standard Elements of GRI	Pp. in the Report	Note, the Reference to Sections
1.	Strategy and Analysis		
1.1	Statement by a senior decision-maker of the organization	4–5	Statement of the Chairman of the Board of Directors, the Management Board
1.2	Description of key impacts, risks and opportunities	44–45	Risk Management
2.	Organization Profile		
2.1	Name of the organization	7–8	Information on the Real Estate Fund
2.2	Primary brands, products and/ or services	7–8	Information on the Real Estate Fund
2.3	Functional structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	www.fnsk.kz	Corporate Governance
2.4	Location of organization's headquarters	59	About the Report
2.5	Number of the countries where the organization operates, and names of the countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	7–8	Information on the Real Estate Fund
2.6	Nature of ownership and legal form	7–8	Information on the Real Estate Fund
2.7	Markets served (including geographic breakdown, sectors served and types of customers/ beneficiaries)	61	Analysis of Housing Construction Sector
2.8	Scale of the reporting organization	11–15, 51	Key Performance Indicators. Staff
2.9	Significant changes during the reporting period regarding size, structure or ownership	12–15	Key Performance Indicators. Analysis of Financial and Economic Indicators.
2.10	Awards received in the reporting period	—	In the reporting period the company has not received awards.
3.	Report parameters		
3.1	Reporting period (e.g. fiscal/ calendar year) for information provided	59	About the Report
3.2	Date of most recent previous report (if any)	59	About the Report
3.3	Reporting Cycle	59	About the Report
3.4	Contact Information	59	Contact Information
3.5	Process for defining report content	59	About the Report
3.6	Boundary of the report	59	About the Report
3.7	State any specific limitations on the scope or boundary of the report	59	About the Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/ or between organizations	59	About the Report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	59	About the Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/ acquisitions, change of base years/ periods, nature of business, measurement methods).	—	Report was previously not prepared in accordance with the GRI Guidelines.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	—	Report was previously not prepared in accordance with the GRI Guidelines.
3.12	Table identifying the location of the Standard Disclosures in the report	105	Table of standard Elements of GRI
3.13	Policy and current practice with regard to seeking external assurance for the report	59	About the Report
4.	Governance, Commitments and Engagement		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks	29, 37–38	Corporate Governance Principles
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	31	Corporate Governance Principles

GRI Index	Standard Elements of GRI	Pp. in the Report	Note, the Reference to Sections
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/ or non-executive members	31	Corporate Governance Principles
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	31	Corporate Governance Principles
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements) and the organization's performance (including social and environmental performance)	38, 43	Corporate Governance Principles
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	45	Conflict of Interest
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	38	Corporate Governance Principles
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation	29	Corporate Governance Principles
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	www.fnsk.kz	CSR Policy
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	38	Corporate Governance Principles
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	44–45	Risk Management
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	www.fnsk.kz	CSR Policy
4.13	Memberships in associations (such as industry associations) and/ or national and international advocacy organizations	—	
4.14	List of interested parties engaged by the organization	46, 49–50	Information Policy. Interaction with the Society
4.15	Basis for identification and selection of stakeholders with whom to engage	46	Information Policy
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	46	Information Policy
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting	49–50	Interaction with the Society
5.	Information on the Management Approach and Performance Indicators		
Economic Performance			
EC 1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	12–13 100	Key Performance Indicators. Analysis of Financial and Economic Indicators. Independent auditors' report
EC 6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	26	Monitoring of Local Content (Kazakhstan)
EC 9	Understanding and describing significant indirect economic impacts, including the extent of impacts	49	Interaction with the Society
Environmental Performance			
EN 6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	49, 55	Interaction with the society. Environmental Responsibility (existing initiatives to reduce the energy requirements)
Performance indicators for the organization of labor and decent work			
LA 2	Total number and rate of new employee hires and employee turnover by age group, gender and region	51–52	Interaction with the Staff

GRI Index	Standard Elements of GRI	Pp. in the Report	Note, the Reference to Sections
LA 3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	53–54	Social Guarantees and Benefits
LA 7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work related fatalities by region and by gender	54	Social Guarantees and Benefits
LA 10	Average hours of training per year per employee by gender and by employee category	53	Training and professional development
LA 12	Percentage of employees receiving regular performance and career development reviews by gender	52	Training and professional development
LA 13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	51	Staff
Indicators in the sphere of human rights			
HR 11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	45	Conflict of Interest
Indicators of interaction with the society			
SO 4	Actions taken in response to incidents of corruption	50	Interaction with the Society
SO 8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	50	Interaction with the Society
Indicators in the sphere of product liability			
PR 2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle by type of outcomes	26	Monitoring of the Volume, Timing and Quality of Construction Works
PR 9	Monetary value of significant fines for non-compliance with laws and regulations, concerning the provision and use of products and services	26	Monitoring of the Volume, Timing and Quality of Construction Works



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