REAL ESTATE FUND
«Samruk-Kazyna»

Annual Report 2011

REAL ESTATE FUND «Samruk-Kazyna»

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT - BOARD OF DIRECTORS

Ladies and gentlemen!

In 2011 "Real Estate Fund "Samruk-Kazyna" JSC continued its activities under the anti-crisis program aimed at promoting stabilization of the real estate market, namely solution to the problems of co-investors (stakeholders) and completion of troubled construction projects.

As of December 31, 2011, the Real Estate Fund invested in construction of 21 objects 72.6 billion tenge, including 26.5 billion tenge for 2011.

In 2011, 10 sites were commissioned that helped to solve the problem of more than 1 500 stakeholders.

Net income of the Real Estate Fund Group for 2011 amounted to 3.2 billion tenge that ninefold exceeds indicators of the previous year.

During the reporting period, the Real Estate Fund continued the rental housing program. Under this program, repurchased apartments are sold to the population by lease with an option to buy.

Two pilot projects for construction of residential buildings were approved which will be launched in the nearest future. More than 17 billion tenge will be allocated for implementation of the projects.

In 2012, the Real Estate Fund has the tasks to complete the anti-crisis program, participate in implementation of Program "Affordable Housing - 2020", sounded within the frameworks of the Address of President of the Republic of Kazakhstan to the People in 2012.

Considerable attention will be paid to improving of corporate governance and increasing effectiveness of the Board of Directors of the Real Estate Fund.

In 2012, the Real Estate Fund has ambitious plans. I would like to express confidence that the staff of the Real Estate Fund will ensure a successful and effective implementation of the tasks assigned.

Bishimbayev K.V.
Chairman of the Board of Directors of "Real Estate Fund "Samruk-Kazyna" JSC

CHAIRMAN'S STATEMENT - EXECUTIVE BOARD

Ladies and gentlemen!

Presenting to your attention the report of "Real Estate Fund "Samruk-Kazyna" JSC for 2011, first of all, I would like to thank our partners and colleagues for fruitful co-operation, as a result of which the company was able to achieve its goals.

In 2011, the activity of the Real Estate Fund was focused on implementation of anti-crisis measures.

Thus, as of December 31, 2011, the Real Estate Fund invested 72.6 billion tenge in construction of 21 buildings.

Therefore, as of December 31, 2011, with participation of the Real Estate Fund, the problems of 1581 stakeholders were solved.

In parallel with implementation of the anti-crisis program, the Real Estate Fund developed and submitted to the Government of the Republic of Kazakhstan the Project of the Housing Construction Program, aimed at increasing availability of housing for the population.

As a result, at the end of 2011 by Regulation No. 1524 of the Government of the Republic of Kazakhstan as of 13.12.2011, changes were made to the Housing Construction Program of the Republic of Kazakhstan for 2011-2014, approved by the Regulation No. 329 of the Government of the Republic of Kazakhstan as of March 31, 2011. In particular, these changes allow for funding of pilot projects by the Real Estate Fund for construction of residential buildings in Astana and Shymkent. Implementation of pilot projects will allow to put into operation 146 square meters of housing additionally.

2012 will be a new stage of development for the Real Estate Fund: the anti-crisis program is to be completed, the Housing Construction Program of "Sovereign Wealth Fund "Samruk-Kazyna" JSC provided until 2020 to be launched.

The Real Estate Fund will continue to promote the local content in construction of residential buildings financed by the Fund.

As a part of asset management activities of the Real Estate Fund will be directed to increasing the share of the sold real estate, optimization of costs associated with maintenance of the real estate.

The Action Plan to improve the system of corporate governance including risk management will be implemented.

I am confident that the staff of the Real Estate Fund will ensure effective implementation of the tasks assigned.

Palymbetov B.A.
Chairman of the Executive Board of "Real Estate Fund "Samruk-Kazyna" JSC

ABOUT THE REAL ESTATE FUND

History and Shareholders

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

The Real Estate Fund was created within the framework of the Joint Action Plan of the Government of the Republic of Kazakhstan, National Bank of Kazakhstan and Agency of the Republic of Kazakhstan for Regulation and Supervision over Financial Markets and Financial Institutions for 2009-2010 (hereinafter - the Joint Action Plan) to stabilize the real estate market through acquisition of residential and commercial premises in construction projects, provision of effective management of the property mentioned.

The Sole Shareholder of the Real Estate Fund is Joint-Stock Company "Sovereign Wealth Fund "Samruk-Kazyna" (hereinafter – "Samruk-Kazyna", the Sole Shareholder). "Samruk-Kazyna" JSC has over 400 subsidiaries and affiliated with them legal entities. The largest of these legal entities are: "NC "KazMunayGas" JSC, "Kazakhstan Temir Zholy (Railway)" JSC, "Kazakhtelecom" JSC, "KEGOC" JSC, "NAK "Kazatomprom" JSC, "Air Astana" JSC.

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

– promotion of modernization and diversification of national economy,
– assistance in stabilizing the country's economy
– improvement of effectiveness of companies' activities.

The Real Estate Fund was registered by the registration authorities of the Ministry of Justice of the Republic of Kazakhstan on 19 March 2009.

Issuance of shares for the moment of incorporation of the Company comprised 15,000,000 ordinary shares. The value of one share was 1,000 tenge.

On September 5, 2011, the Board of Directors decided to place 1,247,541 ordinary shares, 1,219,239 shares of which were placed as of December 31, 2011. The value of one share was 4 000 tenge.

100% of shares are owned by "Samruk-Kazyna" JSC (hereinafter the Sole Shareholder).

The Register of holders of securities is kept by "Securities Registration System" JSC acting on the basis of license No. 0406200345 as of March 10, 2005.

[1] 28 302 shares were placed on February 29, 2012, including 28,301 shares at a par value of 4000 tenge, 1 share at a par value of 2490 tenge.

Mission, vision, strategic directions and goals

Mission

Improving affordability of housing by investing in housing construction.

Vision

The leading financial institution in the country, carrying out investment in housing construction and efficient management of real estate.

The Real Estate Fund should be transformed from an anti-crisis instrument of the state policy to a high-efficiency company mobilizing resources for housing construction and forming a benchmark at the market of economy class housing according to "price-quality" relationship.

Along with improvement of business processes corporate culture will be refocused from oriented on implementation of anti-crisis measures to the needs of the population for high-quality and affordable housing and making a profit.

Activities of the Real Estate Fund in the medium and long term aims at increasing the Company's value.

The key strategic directions of the Real Estate Fund are:

1) provision assistance to the state in stabilizing the housing market;
2) investment in housing construction;
3) asset management.

Within the framework of the first direction the Company plans to achieve the following strategic goals:

– completion of construction of uncompleted projects by means of purchase of premises or by other means of financing,
– increase of the local content in construction projects,
– ensuring of construction projects' conformity with the modern housing standards.

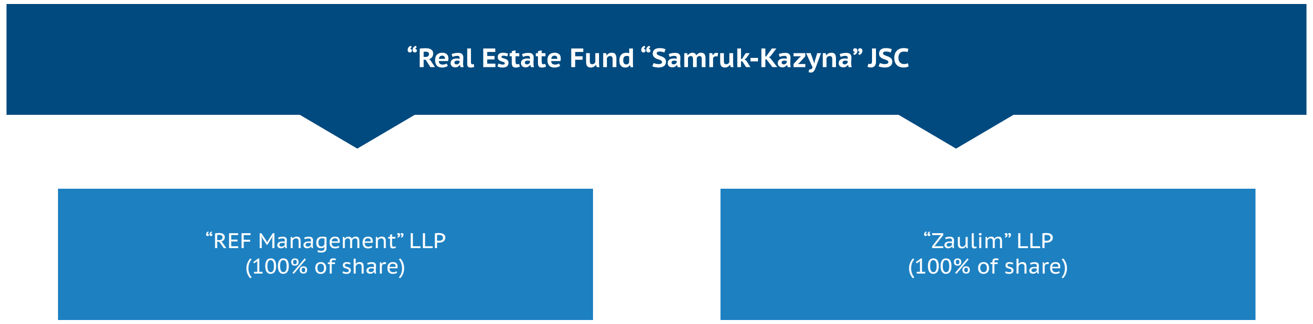
Within the framework of the second direction the Company plans to achieve the following strategic goals:

– increase the supply of affordable housing at the market;
– use of advanced construction technologies and improvement of the quality of housing;
– attraction of private investments to housing construction;
– development of the building industry and institutional development of construction companies.

Within the framework of the third direction the Company plans to achieve the following strategic goals:

– reduction of the share of the unsold real estate pool,
– cost optimization and achievement of financial stability.

Structure of "Real Estate Fund "Samruk-Kazyna" JSC Group of companies[2]



The Real Estate Fund works to optimize and improve efficiency of the structure of the group of companies.

In 2010, a new subsidiary company "REF Management" LLP was established, the sole founder of which is the Company. The main direction of activities of "REF Management" LLP is renting residential and commercial premises. In 2011 activities of the subsidiary company on maintenance of residential buildings was transferred to the competitive environment.

The main direction of activities of "Zaulim" LLP is construction of buildings and facilities, planning and surveying activities, expert works and engineering services in the sphere of architectural, town-planning and building activities.

[2] As of January 25, 2012 Real Estate Fund sold 100% of the subsidiary of "Zaulim" LLP to "KazMunayGazService" LLP.

CORPORATE GOVERNANCE

Corporate governance system

Activities of the Real Estate Fund are guided by the corporate governance principles set forth by the Corporate Governance Code of "Real Estate Fund "Samruk-Kazyna" JSC:

- principle of protection of rights and interests of the Sole Shareholder;
- principle of effective management of the Company by the Board of Directors and Executive Board;
- principle of independent activity of the Company;
- principles of transparency and objectivity in disclosure of information on activities of the Company;
- principles of legality and ethics;
- principles of effective dividend policy;
- principles of effective human resources management policy;
- principle of environmental protection;
- principle of settlement of corporate conflicts and conflict of interests;
- principle of responsibility.

The supreme body of the Company is the Sole Shareholder - "Sovereign Wealth Fund "Samruk-Kazyna" JSC. The Sole Shareholder is authorized to take decisions on all matters relating to activities of the Company. Its functions and activities are defined by the legislation of the Republic of Kazakhstan, as well as the provisions of the Charter and internal documents of the Sole Shareholder.

The **Board of Directors** provides overall management of the Company, as well as control over activities of the executive body, except for matters within the exclusive competence of the Sole Shareholder. The Board of Directors is fully accountable to the Sole Shareholder and is responsible for fulfillment of its obligations.

The **Executive Board** is the executive body, which manages current activities of the Company.

The **Internal Audit Service** supervises financial and economic activities, evaluates internal control, risk management, execution of documents within corporate governance and gives advice to improve the performance of the Company. The Internal Audit Service reports directly to the Board of Directors. Employees of the Internal Audit Service cannot be elected to the Board of Directors and the Executive Board.

Board of Directors of the Company

The Board of Directors consists of 7 members (including the Chairman of the Board of Directors) including two independent directors.

Composition of the Board of Directors of the Company (as of December 31, 2011)

Bishimbayev Kuandyk Valikhanovich • Chairman of the Board of Directors

Date of Birth: 11.04.1980.
Citizenship: Republic of Kazakhstan

Date of the first election to the Board of Directors: June 21, 2011
Date of the current election to the Board of Directors: June 21, 2011

Education: Ph.D. in Economics;
1999 - 2001 – George Washington University, MBA (Master of Business Administration), (the Bolashak program);
1997 - 2002 – M.H.Dulati Taraz State University (Jurisprudence);
1995 - 1999 – Kazakh State Administration Academy, International Economic Relations;

Place of employment and positions occupied in organizations during the last five years:
2011 – up to date – "Sovereign Wealth Fund "Samruk-Kazyna" JSC, Deputy Chairman of the Executive Board;
2010 - 2011 – Vice-Minister of Economic Development and Trade of the RK;
2009 - 2010 – Administration of the President of the RK, Assistant to the President of the RK;
2008 - 2009 – Administration of the President of the RK, Head of Social and Economic Monitoring Sector;
2007 - 2008 – Ministry of Industry and Trade of the RK, Vice-Minister;
2006 - 2007 – "Center for Development of Trade Policy" JSC under the Ministry of Industry and Trade of the RK, President;
2006 – Adviser to Deputy Prime-Minister, Office of the Republic of Kazakhstan Prime-Minister.
2005 - 2006 – Ministry of Economy and Budget Planning of the RK, Adviser to the Minister

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

Palymbetov Bolat Abylkassymovich • Member of the Board of Directors

Date of Birth: 28.07.1961
Citizenship: Republic of Kazakhstan
Date of the first election to the Board of Directors: May 23, 2011
Date of the current election to the Board of Directors: May 23, 2011

Education: Ph.D. in Economics;
1979-1984 – V.I. Lenin Kazakh Polytechnic Institute, System Engineer

Place of employment and positions occupied in organizations during the last five years:
May, 2011 – up to date - "Real Estate Fund "Samruk-Kazyna" JSC, Chairman of the Executive Board;
2010 - 2011 – National Company "KazMunayGas" JSC, Managing Director - Deputy Chairman of the Board;
2007 - 2010 – "National Company "Social-Entrepreneurship Corporation "Caspiy" JSC, Chairman of the Board;
2006 - 2007 –"KazPetroMash" LLP, Chairman of the Supervisory Board (the Board of Directors);
January, 2006 – October, 2006 - Ministry of Economy and Budget Planning of the RK, Vice-Minister;
2002 - 2006 – Akim of Mangistau region

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

Prasad Bamre • Member of the Board of Directors

Date of Birth: 13.08.1968
Citizenship: Canada
Date of the first election to the Board of Directors: November 7, 2011
Date of the current election to the Board of Directors: November 7, 2011

Education:
2002 - 2003 – Kennedy School of Management, Harvard University (USA), Master of Public Administration (Economics, Inter national Finance);
1990 - 1992 – University of Toronto (Canada), Master of Information Systems;
1985 - 1989 – University of Pune (India), Bachelor of Production Engineering.

Place of employment and positions occupied in organizations during the last five years:
2011 – up to date – "Sovereign Wealth Fund "Samruk-Kazyna" JSC, Managing Director;
2007 - 2011 – "Kun Renewables Solar Polysilicon" (Kazakhstan), President;
2006 - 2007 – Sustainable Development Fund "Kazyna", Deputy Chairman of the Board;
2004 - 2006 – Ministry of Economy and Budget Planning, Adviser to the Minister for Economic Affairs

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

Zhaksybayev Bakhyt Kalmurzayevich • Member of the Board of Directors

Date of birth: 04.11.1981
Citizenship: Republic of Kazakhstan
Date of the first election to the Board of Directors: November 7, 2011
Date of the current election to the Board of Directors: November 7, 2011

Education:
2006-2008 – University of Shymkent, Accounting and Auditing;
2005 – Institution of Advanced Training for employees of justice authorities, government and other organizations of the RK, Career Development Courses;
1999-2004 – Al-Farabi Kazakh National University, International Law

Place of employment and positions occupied in organizations during the last five years:
May, 2011 – up to date – "Sovereign Wealth Fund "Samruk-Kazyna" JSC, Director of Department of Industry-Specific Programs;
2010 - 2011 – Ministry of Economic Development and Trade of the RK, Deputy Director of the Department of Regional Policy and Intergovernmental Relations, Director of the Department for the Development of Economic Sectors;
2010 – Administration of the President of the RK, Consultant of the Office of the President of the RK;
2009 - 2010 – Administration of the President of the RK, Expert of the Department of Social and Economic Analysis;
2008 - 2009 – Ministry of Industry and Trade of the RK, Expert of the Department of Industrial Development;
2007 - 2008 – Ministry of Industry and Trade of the RK, Chief Specialist of the Department 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.

Dolzhenkov Viktor Anatolyevich • Member of the Board of Directors

Date of birth: 19.05.1948
Citizenship: Republic of Kazakhstan
Date of the first election to the Board of Directors: March 17, 2009
Date of the current election to the Board of Directors: March 17, 2009

Education:
1974-1979 – Kazakh Polytechnic Institute named after V.I. Lenin, Civil Engineer;
1963 -1967 – Almaty Construction Technical School, Industrial and civil engineering

Place of employment and positions occupied in organizations during the last five years:
2008 – up to date – Deputy Akim of Almaty;
1995 - 2008 – First Deputy Akim of Almaty oblast

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

Abdizhapparov Talgat Kayyrbayevich • Independent Director

Date of Birth: 28.09.1961
Citizenship: Republic of Kazakhstan
Date of the first election to the Board of Directors: October 14, 2009
Date of the current election to the Board of Directors: October 14, 2009

Education: Ph.D. in Economics;
2007-2008 – Executive MBA, "Strategic Management" course;
2004-2006 – Kazakh National University named after Al-Farabi, Faculty of Law;
2002-2004 – Kazakh National University named after Al-Farabi, Master of Economics;
1997-2002 – Kazakh National University named after Al-Farabi, Economics and Business.

Place of employment and positions occupied in organizations during the last five years:
2009 – up to date - Deputy of Almaty Maslikhat of the 4th convocation, Adviser to the Secretary of PDP "Nur Otan";
2005 – up to date - Deputy Chairman of the Executive Board of the Association of Afghanistan war veterans "Kazakhstan Ardagerleri", member of the social council for control over police activity of Almaty;
2004 – 2007 General Director of ECC "Strategiya Uspekha" LLP;
2001 – 2008 General Director of "A-Trade" LLP

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

Nigel Stapleton • Independent Director

Date of birth: 01.11.1946
Citizenship: United Kingdom of Great Britain and Northern Ireland
Date of the first election to the Board of Directors: November 7, 2011
Date of the current election to the Board of Directors: November 7, 2011

Education:
1982 – Stanford University, Managers Program (USA).
1973 – Institute of Accountants and Manufacturing Enterprises and Management
1965-1968 - University of Cambridge (United Kingdom), Master's degree (Economics and Politics);

Place of employment and positions occupied in organizations during the last five years:
2009 - up to date – "KazPost" JSC, Independent Director of the Board of Directors;
2009 - up to date – "Mineworkers Pension Scheme", Chairman of the Board of Trustees (part-time).
2001 - 2011 – London Stock Exchange, Non-Executive Director
2004 - 2011 – Postal Services Commission (the Postal Services Commission of the United Kingdom), Chairman of the Commis sion and the Head of Department (non-governmental organization, independent regulator of the UK postal services).
2001 - 2006 – "Uniq" JSC, Chairman of the Board of Directors

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

In 2011 17 meetings of the Board of Directors of the Real Estate Fund were held including 5 meetings in presentia and 12 meetings in absentia. 92 issues on key aspects of the Fund were discussed, on which 171 decisions were taken.

The Board of Directors approved the following documents

– HR policy of "Real Estate Fund "Samruk-Kazyna" JSC;
– Policy of "Real Estate Fund "Samruk-Kazyna" JSC in engaging the services of auditors;
– Dividend Policy of "Real Estate Fund "Samruk-Kazyna" JSC for 2011-2013;
– Rules for paying salaries and bonuses to the employees of "Real Estate Fund "Samruk-Kazyna" JSC (as amended);
– Rules for assessing and rewarding executive and administrative employees of "Real Estate Fund "Samruk-Kazyna" JSC;
– The Regulation on the Audit Committee and the Regulation on the Nomination and Remuneration Committee.

Amendments and additions have been made in the following documents:

– Corporate Governance Code of "Real Estate Fund "Samruk-Kazyna" JSC;
– Regulations on Information Disclosure of "Real Estate Fund "Samruk-Kazyna" JSC;
– Approved and submitted for consideration by the Sole shareholder of "Real Estate Fund "Samruk-Kazyna" JSC attached amendments to the Charter of "Real Estate Fund "Samruk-Kazyna" JSC

The Board of Directors defined mission, vision, strategic direction and objectives of the Company's activity, approved the changes to the medium-term Development Plan, examined the issues on current planning and making adjustments to the budget, reports on implementation of the Development Plan, as well as the results of activities.

The Audit Committee and Nomination and Remuneration Committee were established under the Board of Directors in accordance with the Corporate Governance Code of the Company.

Audit Committee provides assistance to the Board by making recommendations to establish an effective system of control over financial and economic activities of the Company, completeness and reliability of financial statements, control of reliability and effectiveness of internal control and risk management; control over independence of external and internal audit; control over compliance with legislation of the Republic of Kazakhstan.

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

Participation of members of the Board of Directors in meetings of the Board of Directors in 2011

	Meetings of the Board of Directors
Bishimbayev K.V.	9 from 9
Abdizhapparov T.K.	15 from 17
Aytekenov K.M.*	8 from 8
Dolzhenkov V.A.	13 from 17
Zhaksybayev B.K.	3 from 3
Palymbetov B.A.	9 from 9
Prasad B.	2 from 3
Stapleton N.	3 from 3
Utepbayev B.O.*	14 from 14
Khoroshun S.M.*	9 from 13

**as of 31.12.2011 removed from the Board of Directors*

Remuneration of members of the Board of Directors of the Real Estate Fund is done in accordance with the laws and the internal acts of the Sole Shareholder and Real Estate Fund.

Remuneration for performance of functions of a member of the Board shall be paid only to independent directors.

The remuneration of independent directors – members of the Board of Directors of the Real Estate Fund consists of fixed and additional compensation. Additional remuneration is paid for participation in meetings of Committees of the Board of Directors.

In 2011 the total amount of fixed compensation to independent directors amounted to 2.14 million tenge. Additional remuneration to independent directors in 2011 was not paid.

Executive Board of the Company

The Executive Board of the Company, as a collegial executive body, implements decisions of the Sole Shareholder and Board of Directors, being accountable and responsible to the Board of Directors for the performance of assigned duties.

The Executive Board of the Company consists of 5 members including the Chairman of the Executive Board.

Composition of the Executive Board of the Company (as of December 31, 2011)

Palymbetov Bolat Abylkassymovich
Chairman of the Executive Board

Year of birth: 1961
Citizenship: Republic of Kazakhstan
Elected to the Executive Board: 23.05.2011

Education: Ph.D. in Economics;
1979-1984 - V.I. Lenin Kazakh Polytechnic Institute, System Engineer

Professional experience:
He has extensive experience in managerial positions in government agencies, financial institutions and national companies. He worked as Deputy Chairman of the Executive Board of "Halyk Bank of Kazakhstan" JSC, Deputy Akim of Atyrau region, Vice Minister of Economy and Trade of the RK, General Director of "KazTransOil" JSC, Akim of Mangistau region, Vice-Minister of Economy and Budget Planning, Chairman of the Executive Board of "NC "SEC "Caspiy" JSC. Prior to his appointment as Chairman of the Executive Board of the Real Estate Fund he worked as Managing Director - Deputy Chairman of the Executive Board of NC "KazMunayGas" JSC.

He provides overall management of the Real Estate Fund's activities in accordance with the Charter, and is accountable to the Board of Directors and the Sole Shareholder.

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

Koshchanova Zhanarkul Toguzbayevna
Deputy Chairperson of the Executive Board

Year of birth: 1975
Citizenship: Republic of Kazakhstan
Elected to the Executive Board: 14.04.2009

Education:
Kazakh National University named after Al-Farabi.

Professional experience:
She has occupied managerial positions at the Ministry of Justice of the RK, RSE "Institute of Environmental Studies" MEBP, "National Innovation Fund" JSC, "Center of Marketing and Analytic Studies" JSC, "Sustainable Development Fund "Kazyna" JSC, "Small-scale Entrepreneurship Development Fund" JSC.
In March 2009, she was appointed as the Deputy Chairperson of Executive Board of "Real Estate Fund "Samruk-Kazyna" JSC. She is responsible for organization and coordination of work in the part of the legal and general business issues.

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

Nurgaliyev Nurlan Amanzholovich
Deputy Chairman of the Executive Board

Year of birth: 1969
Citizenship: Republic of Kazakhstan
Elected to the Executive Board: 19.05.2010

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

Professional experience:
He has worked within the system of the Ministry of Internal Affairs of the RK, occupied the position of the 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 RK. He held various posts in the Akimat of Karaganda region, occupied managerial positions in "Kazakhstan Temir Zholy" JSC, "NTA Group" LLP, "IPK ZHERSU" LLP, worked as the Deputy Director General of "Samruk-Kazyna Contract" LLP.

In May 2010, he was appointed as the Deputy Chairman of Executive Board of "Real Estate Fund "Samruk-Kazyna" JSC. He performs coordination of activities related to technical control of construction projects.

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

Imankulov Murat Seydaliyevich
Managing Director – Member of Executive Board

Year of birth: 1963
Citizenship: Republic of Kazakhstan
Elected to the Executive Board: 01.10.2009

Education:
Kazakh State University named after Kirov, Academy of National Economy.

Professional experience:
He occupied managerial positions at FEZ "Information Technologies Park" at the Ministry of Industry and Trade of the RK, RSE "832 Military Plant" under the Ministry of Defense of the RK, JV "Kumak", Association of small-scale enterprises of Kazakhstan. He occupied the position of the Deputy Chairman of Executive Board of "Entrepreneurship Development Fund "Damu" JSC. In October 2009, he was appointed as the Managing Director – Member of Executive Board of "Real Estate Fund "Samruk-Kazyna" JSC. He manages activities of the Representative office of the Real Estate Fund in Almaty.

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

Karibzhanov Marat Khayratovich
Managing Director – Member of Executive Board

Year of birth: 1981
Citizenship: Republic of Kazakhstan
Elected to the Executive Board: 10.04.2010

Education:
Kazakh State University of Law,
University College of London. Has master's degree in public policy awarded by University College of London.

Professional experience:
He occupied various positions at the Ministry of Justice of the RK, consulting company "Scott Wilson" (London, Great Britain), "Development Bank of Kazakhstan" JSC. From 2008, he held position of the Director of Treasury Department of "Development Bank of Kazakhstan" JSC.

In April 2010, he was appointed as the Managing Director – Member of Executive Board of "Real Estate Fund "Samruk-Kazyna" JSC. He is responsible for financial policy, business accounting and corporate governance.

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

In 2011, 61 meetings of the Executive Board were held, on which decisions were made on 245 issues.

There are consultative and advisory bodies in the Executive Board of the Company: Planning and Evaluation Committee, Investment Committee, Risk Management Commitee and Technical Council.

The purpose of the Planning and Evaluation Committee is to ensure timely and high-quality preparation of documents with respect to medium-term and current planning, and to analyze implementation of approved plans.

The Investment Committee examines the issues related to the implementation of the Company's investment policy.

The Risk Management Committee makes recommendations to the Executive Board for making decisions on risk management, and monitoring effectiveness of risk management systems and developing recommendations to structural divisions to minimize risks, improve efficiency of business processes and strategic objectives.

The Technical Council is a collegial advisory body, the purpose of which is to develop recommendations on technical issues in the sphere of construction and supply of building materials and equipment, as well as to approve the list of organizations that provide engineering and other services related to construction of projects financed by the Fund. The structure of the Technical Council includes representatives of the Company, Sole Shareholder, Agency for Construction, Housing and Utilities of the Republic of Kazakhstan, Akimats of Astana and Almaty, PDP "Nur Otan", Union of Entrepreneurs "Atameken", Association of Developers of Kazakhstan.

In 2011 the total amount of remuneration (salary) paid to members of the Executive Board of the Company amounted to 64.1 million tenge, no remuneration (bonuses) was paid to the members of the Executive Board.

Internal Audit

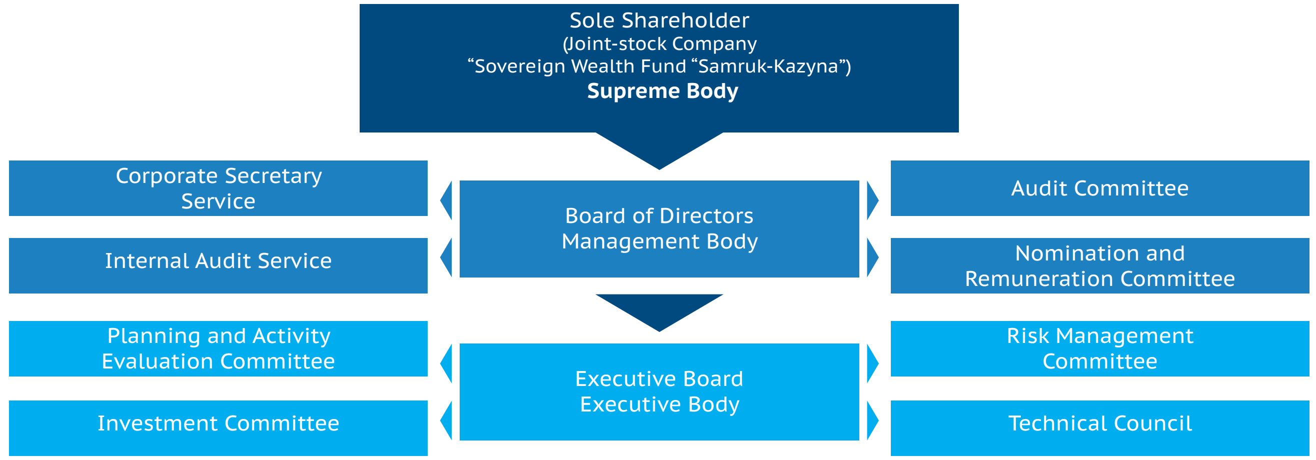
In 2011, 9 audits were conducted by the Internal Audit Service.

Main objectives of the audits:

– Assessment of safety and effectiveness of internal control system, including risk management systems;
– Assessment of accuracy and completeness of accounting and financial reporting;
– Assessment of compliance of the Company's activity with the requirements of the legislation of the Republic of Kazakhstan
– Analysis of execution of decisions made by the Company's management bodies (including decisions made according to results of previously conducted audits).

According to the results of conducted audits recommendations were suggested aimed to increase effectiveness of activities performed by the Company's group of companies, minimize risks, and improve the internal control system. Based on these recommendations, plans of corrective and preventive actions were developed and appropriate management decisions are taken.

Corporate Governance Structure



Disclosure of information

The Real Estate Fund with due observance of the corporate governance principles, conducts the policy aimed at ensuring transparency and disclosure of information regarding activities of the Company.

Disclosure of information about the Company is done in accordance with the legislation of the Republic of Kazakhstan, internal documents of the Company including the Rules on disclosure of information approved by the Company's Board of Directors.

The Company provides:

1) full exercise of the right of the Sole Shareholder to receive information affecting its interests as well as information required for investment and management decisions;
2) timely and clear provision of information subject to disclosure to the interested parties (state bodies, partners, general public etc.;
3) establishment of transparent and trust relations with all parties concerned.

The corporate website www.fnsk.kz provides regularly updated comprehensive information about the Company in accordance with the best international practice and the internal documents of the Company.

External audit of the Company is done by an independent audit company - one of "The Big Four" companies - Ernst & Young LLP.

In 2011, evaluation of the corporate governance system of the Real Estate Fund was conducted. Audit was conducted by KPMG in accordance with the Corporate Governance Audit Procedure of "Samruk-Kazyna" JSC Group of companies. According to the evaluation results, the rating reached up to 49.1%.

In 2012, the Company will continue improvement of the corporate governance system.

KEY CORPORATE EVENTS

February	– Residential complex "Na vodno-zelyonom bulvare" (Astana) has been put into operation.
March	– The second stage of the residential complex "Khan Tengri" (Almaty region) has been put into operation.
April	– Residential complex "Zapad" (Astana) has been put into operation
May	– Palymbetov B.A. has been appointed as the Chairman of the Executive Board
June	– Bishimbayev K.V. has been appointed as the Chairman Board of Directors. – Residential complexes "Astana Zhuldyzy" (Astana) and "Gorodskoy Romance", spot 1B and 1G (Astana) have been put into operation – Audited financial statements for 2010 have been approved
July	– Residential complexes "Ishim" (Astana), "Aya" (Astana) have been put into operation
October	– Alterations and additions have been made to the Charter of the Company (the order of the Sole Shareholder dated 26 October 2011 No. 99-p)
November	– An award in the contest of annual reports for 2010 has been received in the category "Best interactive version of the annual report" ("Expert RA "Kazakhstan") – Number of the Board of Directors has been increased from 5 to 7 people. – Residential complex "Aigerim" (Astana) has been put into operation
December	– Alterations and additions have been made to the Housing Construction Program for 2011-2014, approved by the Decree of the Government of the Republic of Kazakhstan dated 31.03.2011, No. 329. These alterations provide funding by the Real Estate Fund the pilot projects for the construction of residential buildings in the cities of Astana and Shymkent – Corporate Governance Code has been approved by the Decision of the Sole Shareholder – Residential complexes "Skazochniy Mir" spots - 1,2 (Astana), "Caspian Palace" (Astana), as well as administrative complex "Izumrudniy Quartal" (Astana) have been put into operation – Board of Directors approved adjustments to the Development Plan for 2011-2015

KEY PERFORMANCE INDICATORS

Financial indicators

Item	Unit of measurement	2011	2010	2009
EBITDA	million tenge	6 026	2 883,4	480,5
EBITDA margin	%	70	65,8	51,6
ROA	%	3,5	0,57	0,04
Profitability of activity (ratio between net profit and total expenses)	%	78	10,7	1,6
Net profit	million tenge	3 273,3	383,2	14,3

Operating indicators

Item	Unit of measurement	2011	2010	2009
Real Estate Pool[3]	thousand sq.m.	532,5	561,9	594,2
- including residential premises	thousand sq.m.	344,6	373,1	390,4
- including commercial premises	thousand sq.m.	187,9	188,8	203,8
Stakeholders	units	2 813	2 794	2 710
Total area of objects	thousand sq.m.	983,1	1025,7	1 052,5
Real estate taken into ownership	thousand sq.m.	107,2	46,9	–
Distributed real estate (from the number of real estate the ownership of which was taken)	%	92,4	74	–
Local content in developers purchases	%	68	61	71
Area of housing units, for which operation services are rendered	thousand sq.m.	–*	56,9	–

** activities of the subsidiary "REF Management" LLP on rendering maintenance services have been transferred to the competitive environment.*

[3] *Less terminated contracts.*

Assets

Assets of the Real Estate Fund as of December 31, 2011 made up 104.3 billion tenge being increased by 23.3%. From them long-term assets made up 31.7 billion tenge, including fixed assets and intangible assets - 5.0 billion tenge, advances to construction companies - 3.5 billion tenge, investment property - 1.6 billion tenge, long-term financial assets - 21.6 billion tenge. Current assets made up 47.4 billion tenge, including cash and cash equivalents - 33.0 billion tenge, other current financial assets -12.7 billion tenge, property for distribution - 0.7 billion tenge, trade receivable - 0.6 billion tenge, advances to construction companies - 0.2 billion tenge, other current assets (inventories, etc.) - 0.2 billion tenge. Assets classified as held for sale (assets of subsidiary "Zaulim" LLP) made up 25.2 billion tenge.

Liabilities

Liabilities of the Real Estate Fund as of 31 December 2011 made up 73.1 billion tenge. From them long-term liabilities made up 15.9 billion tenge, including the loan from the parent company - 15.3 billion tenge (at fair value). Current liabilities made up 57.2 billion tenge, including the loan from the parent company – 54.2 billion tenge (at fair value).

Capital

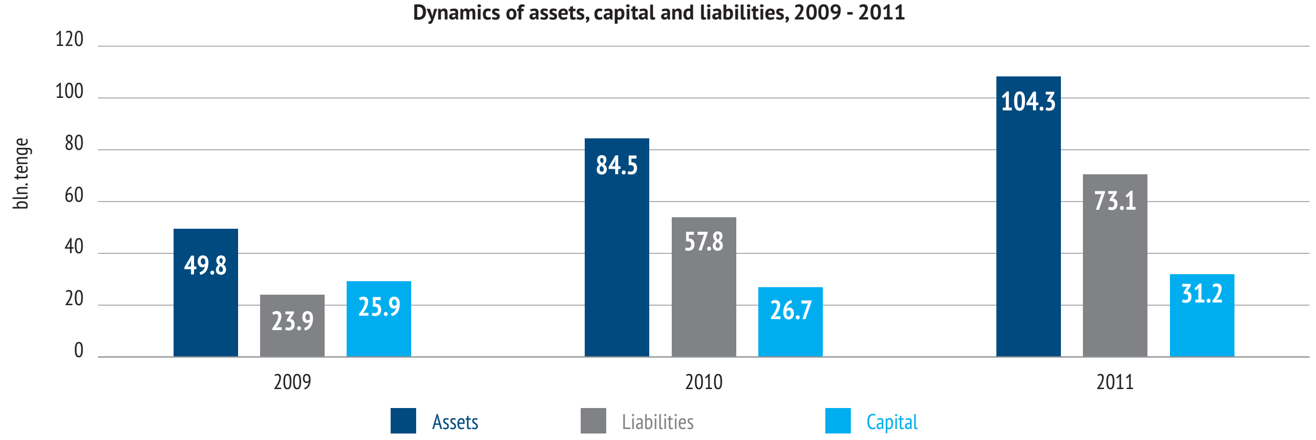
Equity capital of the Company as of December 31, 2011 made up 31.2 billion tenge.

Authorized Capital of the Real Estate Fund was formed by the Sole Shareholder in the amount of 19.88 billion tenge. In 2011, a contribution into the Authorized Capital amounted to 4.88 billion tenge was made by the Sole Shareholder in the form of an office building and land.

Additional paid-in capital amounting 7.6 billion tenge was formed through the loan provided by the Sole Shareholder. The loan is accounted at the fair value, calculated as the present value of future cash outflows under the loan, discounted at the rate of government bonds on the date of extending the loan (5.59% – 7.23%). A difference arising between the amounts of the loan received and its fair value at the date of extending the loan is accounted as additional paid-in capital.

Retained income as of 31 December 2011 amounted to 3.6 billion tenge.

Dynamics of assets, capital and liabilities, 2009 - 2011



Funding

Funding of the Company devoted to the financing of the completion of construction projects is performed by the Sole Shareholder in accordance with the facility agreement No. 10/FN signed by the Company and the Sole Shareholder on 18 August 2009. According to the terms of this agreement, the facility in the amount of 155 billion tenge will be extended to the Fund in tranches. The loan term is 15 years, including a 36 months grace period on repayment of the principal amount, after which the principal amount shall be repaid in equal annual payments. Interest rate under each tranche received during the first twenty four months is 0.02% p.a., later on - 2 % p.a.

As of December 31, 2011, the Real Estate Fund received 87.1 billion tenge under the mentioned facility agreement. In 2011, tranches received in 2009 amounting to 14.6 billion repaid early. The balance of principal on the balance sheet date amounted to 72.5 billion.

According to the agreement between the Company and the Sole Shareholder dated November 26, 2010, the Sole Shareholder provided an interest-free loan to the amount of 900 billion tenge for the purpose of improving the effectiveness of "Caspian Energy Hub" Project management. The loan period is 2 years and the repayment will be made as a lumpsum payment.

Financial Soundness Indicators

- Debt/EBITDA ratio improved in 2011, reaching 11.5, compared with 2010 (19.6).
- "Interest Coverage" Indicator is much better than the permitted level, and in 2011 amounted to 37, in 2010 - 79.

Dividends per share according to results of 2010

The size of dividends according to the results of 2010 was 3.8316 tenge per one ordinary share. The total amount of dividends was amounted to 57.47 million tenge, or 15% of consolidated net income of the Real Estate Fund Group. Payment of dividends was made on June 21, 2011.

Dividend per ordinary share, tenge

	Dividend, tenge
at year-end 2009	0,1425
at year-end 2010	3,8316

MAIN DIRECTIONS OF ACTIVITIES

Assisting the State in stabilizing the real estate market

As part of the anti-crisis program at the real estate market the Fund assumed obligations for the completion of 21 projects totaling 76.1 billion. From them 18 facilities are located in the city of Astana (55.3 billion tenge), two projects in Almaty (4.7 billion tenge), 1 project in the Almaty region (16.1 billion tenge).

As part of these contracts the problems of 2813 stakeholders will be solved, purchased pool of real estate will be 532.5 thousand square meters, including the residential area - 344.6 thousand square meters (3816 apartments, at that developers of 1465 apartments gained the free sale right), 187.9 thousand square meters - commercial (non-residential) areas, 1135 parking slots.

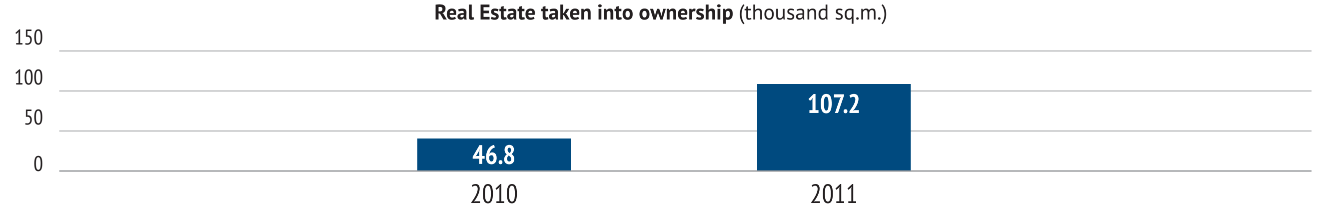
In 2011 the Special Deposit Contract was terminated with "ATF Bank" JSC concerning funding residential complexes "Gratsiya" (stages 2 and 4) and "ASI-33/23" totaling 2.68 billion tenge in connection with notification of the bank on termination of funding of these housing complexes.

On December 31, 2011 the Real Estate Fund invested 72.6 billion tenge in the construction of 21 projects.

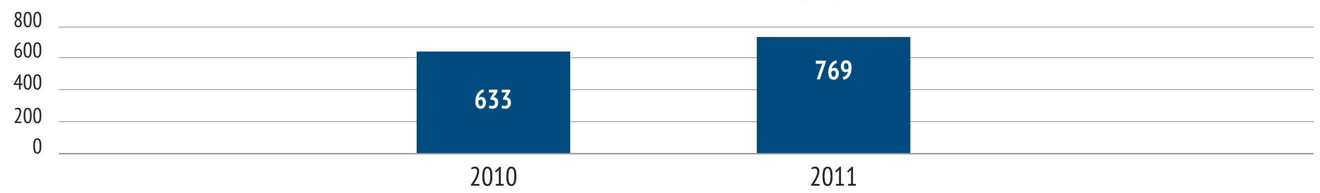
As of the reporting date 14 projects and 2 stages of one project have been put into operation, from them in 2011, 10 projects and a part of one object have been put into operation. Thus, on December 31, 2011, with the participation of the Real Estate Fund, the problems of 1581 stakeholders were solved.

Real Estate Fund have taken into ownership 107.2 thousand square meters of premises, including 96.1 thousand square meters - residential, 11.1 thousand square meters – commercial premises. During the year this figure increased by 2.3 times. In 2011 the premises in residential complexes "Astana Zhuldyz", "Zapad", "Na vodno-zelyonom bulvare", "Gorodskoy Romance", "Aigerim" have been taken into ownership.

Real Estate taken into ownership (thousand sq.m.)



Parking slots taken into ownership (pcs.)



[4] *Real Estate Fund performed funding commitments of the residential complex "Bes Tulga", the share of which is fully realized in September 2011.*

Construction projects put into operation in 2011

1. "Na vodno-zelyonom bulvare" ARC (spots 2,3)
Putting into operation:
- February 2011
Class - Economy (III under SNRC of RK)
Astana city, Konaev Str.

2."Khan-Tengri" RC, 2 stage
Putting into operation: March, 2011
Class - Business (II under SNRC of RK)
Almaty region, Karassay district

3. "Zapad" RC
Putting into operation: April, 2011
Class - Economy (III under SNRC of RK)
Astana city, crossing of Zhangeldin Str. and Saryarka Ave.

4. "Astana Zhulduzy" RC
Putting into operation: June, 2011
Class - Economy (III under SNRC of RK)
Astana city, near the Building of Ministries

5. "Gorodskoy Romance" RC, "Frantsuzskiy Quartal", spots 1B, 1Г
Putting into operation: June, 2011
Class - Economy (III under SNRC of RK)
Astana city, to the south of 19th Str.

6. "Ishim" RC
Putting into operation: July, 2011
Class - Economy (III under SNRC of RK)
Astana city, 36th Str., to the south of 19th Str.

7. "Aya" RC
Putting into operation: July, 2011
Class - Economy (III under SNRC of RK)
Astana city, crossing of streets Internationalnaya, Gabdullina, Akmolinskaya, Imanbayeva

8. "Aigerim" RC
Putting into operation: November, 2011
Class - Economy (III under SNRC of RK)
Astana city, microdistrict No. 3, house No. 30/1

9. "Caspian Palace" RC
Putting into operation: December, 2011
Class - Business (II under SNRC of RK)
Astana city, to the south of 19th Str.

10. "Skazochniy Mir" RC, spots 1,2
Putting into operation: December, 2011
Class - Economy (III under SNRC of RK)
Astana city, near the of President's Park and 12th main road

11. "Izumrudniy Quartal" AC, block B
Putting into operation: December 2011
Business-Center of "A" Class
Astana city, left bank

Control over volume, timing and quality of construction

The Real Estate Fund carries out the control over targeted use of funds, timing, volume and quality of construction.

Monitoring of targeted use of funds by the developers and control over volume, quality and timing of construction is carried out through:

– Registration of Job Completion Certificates, registers of payments, contracts, invoices for payment provided by the developer;
– Monitoring the targeted payment for materials and services;
– Control over volume and quality of construction and assembly works;
– Control over cost, quality and quantity of construction materials;
– Monitoring of implementation of combined financing plans and performance of works.

The monitoring is based on the principle of tranche funding of the developer through a special account in accordance with the schedule of construction and assembly works. Disbursement from the special accounts of the developer is made under consent of the Real Estate Fund. The Real Estate Fund's supervisors monitor and control actual performance of work at the construction site.

At the decision making stage

Two-stage examination

State examination

Independent Technical Audit*

**Including audit by international companies – AECOM-SAVANT; KVL*

At the implementation stage

Control over disbursement of funds

Developer may use funds after approval of the Real Estate Fund

Control over construction process

Technical supervision (supervisors institute)

Control over developers' purchases

– Direct purchase from suppliers
– Long-term fixed prices of construction materials
– Control over the local content

Introduction of new standards of housing

The Real Estate Fund has developed additional requirements to the residential units, as defined in the SNRC of RK 3.02-43-2007 "Residential Buildings".

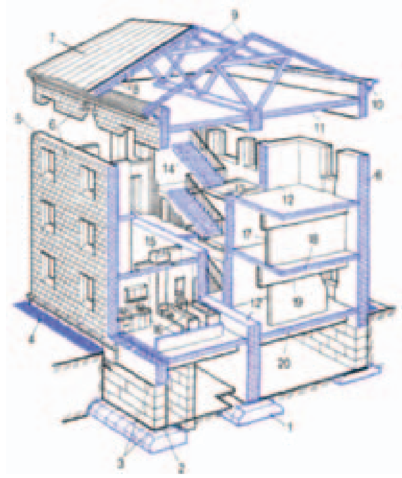
Requirements of the Real Estate Fund contribute to improving the quality of housing due to application of systems of security, comfort, economy of operation.

Requirements of the Real Estate Fund to the purchased facilities:

Comfort	Safety	Economy
– Finishing and interior of apartments in accordance with the class of housing; – Noiseless elevators serviced by certified staff; – Metering instruments of public utilities consumption with remote data transfer; – Kitchens are equipped with cooking stove	– Safeguarded surrounding; – CCTV at the entrance to the building; – Insulated metal door with thickness of at least 2 mm; – Intercom; – Intruder-fire alarm system – Safety post.	– Glazing of windows: (safe, energy-saving glass); – Internet connection, unified management of the building.

Methodology of calculating the correction factor states that each developer must apply at least 4 items of technologies used for calculation of K3 factor[5] :

– water purification system;
– heated floors,
– engineering systems control;
– air-conditioning system (artificial climate);
– fibre-optic communication cable;
– wireless communication;
– lighting management system.

Standard Norms and Rules of Construction	Fund's compulsory minimum requirements	Additional requirements (K3)
	• Energy-saving glazing • Noiseless elevators • Safeguarded surroundings • Video surveillance • Intercom	• Water purification system • Heated floors • System of control of engineering networks • Wireless communication system • Air-conditioning system (artificial climate) • Fibre-optic communication cable • Lighting management system

Increase of local content in the procurements made by the Developers, funded by the Real Estate Fund

The following measures assist to increase the local content:

– monitoring of local content of the materials and services within the framework of contracts signed to finance construction projects;
– conclusion of Memoranda of intentions and cooperation with major domestic producers with agreed ceiling prices of building products;
– conclusion of direct contracts on supply of construction materials between domestic producers and developers.

From the time of establishment of the Real Estate Fund, 27 memoranda of intentions and mutual cooperation were signed with major manufacturers of building materials and equipment, with agreed ceiling prices. Within the framework of those memoranda, the developers funded by the Real Estate Fund concluded 121 contracts on supply of materials and equipment.

As a result, as of December 31, 2011, the share of local content in the total volume of procurements made by the developers funded by the Real Estate Fund reached 68%.

[5]K3 – the coefficient of an increase in the purchase price of real estate by the Company when innovative technologies are used in the construction of real estate.

Distribution of housing stock

The distribution of the premises purchased by the Real Estate Fund is done in accordance with the "Rules for realization of residential and commercial (non-residential) units by the "Real Estate Fund "Samruk-Kazyna" JSC (hereinafter reffered to as the "Realization Rules").

The Realization Rules are based on the following basic principles:

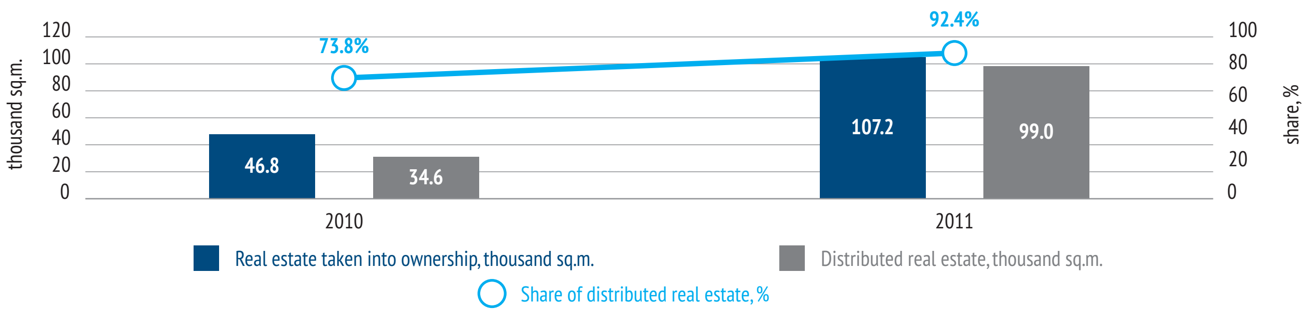
- Recoverability of funds disbursed by the National Fund of the Republic of Kazakhstan by means of imposing requirements to paying capacity of applicants;
- Prevention of black-marketing:
  - possibility for physical and legal persons to use their right to purchase residential units through the Real Estate Fund's program no more than once
  - moratorium on the early redemption or resale of the purchased premises for 3 (three) years from the date of signing the contract
- Lease payments and safety of the units owned by the Real Estate Fund are guaranteed through a warranty payment instrument.

On December 31, 2011 from the real estate taken into ownership 99 thousand square meters, or 92.4% have been distributed, including:

- 77 thousand sq.m of residential housing units and 3.3 thousand sq.m of commercial housing units were distributed by method of lease with an option to buy;
- 1.9 thousand sq.m of commercial housing units were distributed by lease method:
- 16.2 thousand sq.m of residential housing units and 0.6 thousand sq.m of commercial housing units were distributed by method of direct sale.

As of the reporting date contracts for sale of 361 parking spaces (47% taken into ownership) have been signed.

In addition, a part of the real estate pool has been distributed in the form of equity in construction projects (prior to taking into ownership.). According to this method 103.8 thousand sq.m of housing units and 30 parking slots have been distributed.



Income gained on distribution of real estate in 2011 amounted to 5.2 billion tenge, including income on sale of real estate and equity in construction projects – 4.5 billion tenge, income on financial and operating lease – 0.7 billion tenge.

Implementation of pilot projects under the Housing Construction Program of the Republic of Kazakhstan for 2011-2014

According to the Decree of the Government of the Republic of Kazakhstan No. 1524 dated 13.12.2011, alterations and amendments have been made to the Housing Construction Program of the Republic of Kazakhstan for 2011-2014, approved by the Decree of the Government of the Republic of Kazakhstan No. 329 dated March 31, 2011. In particular, these alterations relate to the funding by the Real Estate Fund of the pilot projects for the construction of residential buildings in Astana and Shymkent. The total investment in the pilot projects is 17.1 billion tenge. Implementation of pilot projects will allow to put into operation 146 thousand square meters of housing additionally.

In order to achieve a multiplier effect on investment in the implementation of pilot projects, the Real Estate Fund will be guided by the principle of partnership with private capital.

The participation of the Real Estate Fund will reduce the risks in construction and facilitate the access of construction companies to loans, create opportunities for attraction stakeholders' funds (the population). This will help stimulate private investment in housing, increase the total amount of new housing.

Mandatory requirements for partners of the Real Estate Fund, according to which the pilot projects are constructed:

1) the general contractor must have state license for construction and assembly work and other permits, production facilities, at least 4 years of experience in construction;
2) the developer must have experience in erecting buildings (at least 50 thousand square meters in Astana or not less than 15 thousand square meters in other regions);
3) the project proposed by the partner must comply with the following requirements:
   - Availability of a land plot free from encumbrances secured by appropriate engineering and communication infrastructure;
   - Availability of design and estimate documentation with the conclusion of the state examination;
   - Share of the developer in the project in terms of money must not be less than 20% of project costs, including costs of acquiring the land plot by the developer according to the cadastral value and development of design and estimate documentation. Priority in the selection of projects is given to projects with higher share of the developer in financing.
   - Total area of an apartment must not exceed 120 sq.m.

Base cost of construction of 1 sq.m of the total area of dwellings (apartments) in residential facilities of third class of comfort will be in the prices of 2011 less than or equal to 150 thousand tenge in Astana and 120 thousand tenge in Shymkent.

Distribution of housing units will be carried out through the methods of sale, lease and lease with an option to buy.

Information on interested party transactions

In 2011, the Company made the following transactions with interested parties:

- Contract for purchase of services for receiving and sending mail No. 21-11120/3/1 dated 05.01.2011, Contract for the subscription for periodicals No. 5 dated 05.01.2011 with "KazPost" JSC,
- Contracts for the provision of communications services No. 314996/10418 dated 15.01.2011, No. 3836 dated 07.12.2011 with "Kazakhtelecom" JSC,
- Contract for purchase of services of technical support and monitoring of local content map No. 96-KM/11 dated 28.01.2011 with "Samruk-Kazyna Contract" LLP,
- Claim Assignment Agreement No. 55 dated 01.04.2011, concerning "Na vodno-zelyonom bulvare" ARC, Claim Assignment Agreement No. 86 dated 22.07.2011 concerning "Gorodskoy Romance" RC, Claim Assignment Agreement No 86/1 dated 22.07.2011 concerning "Ishim", Purchase Agreement No. 1/1 dated 10.10.2011 concerning "Caspian palace" RC with "NAC "Kazatomprom" JSC,
- Contract of purchase of a housing unit in "Severnoye Siyaniye" RC, No. 6 dated 21.07.2011 with "EP "KMG" JSC,
- Trust Agreements dated 14.10.2011 concerning "Zapad" RC, dated 19.10.2011 concerning "Gorodskoy Romance" RC, dated 28.10.2011 concerning "Astana Zhulduzy" RC, Lease Agreement No. 61/79/2, dated 01.07.2011 with "REF Management" LLP,
- Additional Agreement No. 1 dated 01.11.2011, to the Agreement No. 36/11/53-11 dated 31.12.2010 for purchase services for office space lease, Agreement No. 07/12 dated 30.12.2011, for purchase of services for office space lease with "Development Bank of Kazakhstan" JSC,
- Contract of purchase of housing units in "Gorodskoy Romance" RC No. 7 dated 07.12.2011 with "Semser Security" LLP;
- Contract for purchase of a share in charter capital of "Zaulim" LLP No. 161/544/05 dated 14.12.2011 with "Kazmunaygaz Service" LLP,
- Contract for purchase of housing units No.8 dated 15.12.2011 with "KazTransGas" JSC,
- Agreement No. 164 dated 21.12.2011, for purchase of firefighting services, Contract No. 205 dated 30.12.2011 for purchase of firefighting services with "Semser – Ort Sondirushi" LLP,
- Additional agreement No. 1 dated 22.12.2011 to the Contract for purchase of services for office space lease No. 133 dated 11.01.2011, the Contract for purchase of services for office space lease No. 196 dated 29.12.2011 with "Samruk-Kazyna Invest" LLP.

RISK MANAGEMENT

The Real Estate Fund recognizes the particular importance of the issues of risk management. Risk Management in the Company is an ongoing and continuous process and is intended to ensure timely identification and adoption of measures to minimize the risks that can adversely affect the Company's activities.

The Fund has a special unit of real estate, performing risk management.

In addition the Risk Management Committee operates in the Company, which is a consulting and advisory body to the Executive Board of the Company.

Risks and methods for reducing their impact are classified into the following categories:

Strategic risk - the risk of losses due to changes or errors (defects) in the definition and implementation of business and development strategy of the Fund, changes in the political environment, regional environment, industry downturn, and other external factors of a systemic nature.

Reduction and control of the strategic risk of the Fund is carried out by monitoring the implementation of the approved short-term and long-term plans and strategies, which resulted in corrective actions, including to reflect changes in internal and external environment.

Financial risks - include risks associated with the structure of the Fund, reduction of profitability, loss of liquidity, exchange rate fluctuations, credit risks, interest rates fluctuations, etc.;

Methods to reduce and control the financial risks of the Fund include setting limits on the level of accepted risk in accordance with the rules for establishing and monitoring limits on corporate counterparts, the Rules for establishing limits on direct and contingent liabilities to banks-contractors, etc.

Legal risk is the risk of losses due to non-compliance with legal requirements of the Republic of Kazakhstan by the Fund, in relation to 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 are monitoring of changes in the legislation by the authorized legal department of the Fund which, together with relevant structural units carries out assessing of the impact of changes on the Fund's activities and develops the measures necessary for their adoption. Any document which regulates the internal procedures of the Fund, or according to which, the Fund has commitments, must pass a mandatory examination in an authorized legal service of the Fund.

Operational risk is the risk of loss due to defects or errors in the implementation of internal processes, committed by employees (including staff risks), operation of information systems and technologies (technological risks) and also due to external events.

Reduction and control of operating risks in the Fund is carried out by analyzing business processes and developing appropriate action plans to improve them in accordance with the Rules of Identification and Risk Assessment and Operational Risk Management Rules.

Reports on the operational risks are considered at the Risk Management Committee, as well as on the Execution Board and the Board of Directors for making a decision to minimize them.

Investment projects risks have the potential threat of inability to receive the planned result of the investment.

The basis of management of this type of risk is the concept of acceptable risk, which corresponds to a balance between the expected benefit and the risk of loss, which provides a set of procedures - project risk assessment of and project risk management.

HR MANAGEMENT

The main principle of HR Policy of the Company is recognizing employees to be the main strategic recourse; proficiency of the same is of paramount importance for the achievement of strategic goals and objectives of the Company.

Management and development of human resources is based on the key directions of Human Resource Strategy of the Sole Shareholder, as well as the HR Policy of the Real Estate Fund.

The strategic directions of HR Policy:

– unified model of HR management;
– increase of labor effectiveness;
– improvement of HR quality;
– development of the unified corporate culture.

As a part of the system of staff recruitment the conditions of competitive selection of candidates have been created. In 2011 according to the results of competitions to fill the vacancies 19 persons have been employed.

The Real Estate Fund forms personnel reserve to identify employees with high potential, increase motivation of employees in career growth and development of professional skills and managerial competencies. In 2011, 14 employees of the Real Estate Fund have been included into the reserve; two of them during the reporting period were assigned to higher positions.

The work on implementation of the employee performance evaluation system is carried out by Company. Target map and individual development plans of administrative workers are approved annually; a system of performance monitoring and adjustment of goals is introduced.

In 2011, 52 employees have completed appropriate training and professional development courses. Expenditure on staff training in 2011 amounted to 6922 thousand tenge.

Staff

As of December 31, 2011, the total number of staff of the Real Estate Fund Group was 96 persons (excluding “Zaulim” LLP) including:

– 1 Ph.D. in Technical Sciences;
– 2 Ph.D. in Economics;
– 16 employees have Master’s degree.

CORPORATE SOCIAL RESPONSIBILITY

In its activities the Real Estate Fund recognizes and bears corporate social responsibility to all interested parties: public, government, shareholders, partners and staff. In the short term it plans to approve the Policy on Corporate Social Responsibility of the Real Estate Fund.

The activities of the Real Estate Fund as an operator of anti-crisis program in the property market was aimed at solving social problems - the completion of projects and solving problems of stakeholders.

In implementing the strategic goal - improving housing affordability - the Real Estate Fund intends to pay special attention to innovative design solutions, providing an efficient and economical use of energy resources in the operation of residential buildings, ensuring the fulfillment of sanitary-epidemiological and environmental requirements to protect human health and the environment, as well as ensuring the safety of occupants while using elements of the building and engineering equipment. To do this, the Real Estate Fund will approve and annually update list of recommended technologies to improve comfort, safety, economical efficiency in maintenance of housing units in accordance with SNRC of RK and international experience, which will be used in selecting projects.

Managing environmental impact

Use of energy-saving materials

In analyzing the real estate projects, the Fund necessarily examines the possibility to use energy-efficient materials in the financed construction projects, replacement of energy-intensive processes and materials with more energy saving ones. Thus, in most construction projects funded by the Real Estate Fund, energy-saving windows are installed. Also, the Developers, in order to increase the K3 factor, used in determination of the Fund's purchasing price, are motivated to apply the following technologies to efficiently use the energy in the building:
- lighting management systems;
- air-conditioning system (artificial climate);
- water purification system;
- system of control of engineering networks.

Charity

The funds for sponsorship and charity activities are not envisaged in the budget of the Company. Charity actions are made by employees of the Company on a voluntary basis.

In 2011 employees of the Company rendered help to veterans of the Great Patriotic War within the framework of celebrating the Victory Day. Dreams of 5 children aged 12-15 years in receiving knowledge, useful skills and abilities were fulfilled within the campaign "Give knowledge to children".

PERSPECTIVES FOR THE YEAR 2012

In 2012, the Real Estate Fund plans to complete construction and commissioning of the five projects.

As part of the Program of housing construction in the Republic of Kazakhstan for 2011-2014, approved by the Decree of the Government of the Republic of Kazakhstan No. 329 dated March 31, 2011, distribution of 2 pilot projects - in Shymkent and Astana is planned.

Housing Construction Program until 2020 aimed at increasing the availability of housing to population will be initiated and launched by the "Sovereign Wealth Fund "Samruk-Kazyna" JSC.

New strategic goals and directions of activities of the Real Estate Fund will be set in the Development Strategy of the Real Estate Fund for 2012-2022 and will require adjustment of the Development Plan for 2011-2015.

The Real Estate Fund will promote increasing of local content in the construction projects financed by it. The planned local content index is 70%.

Within the framework of asset management, the activities of the Real Estate Fund will be aimed at increasing the share of sold real estate pool, optimization of costs associated with maintenance of real estate.

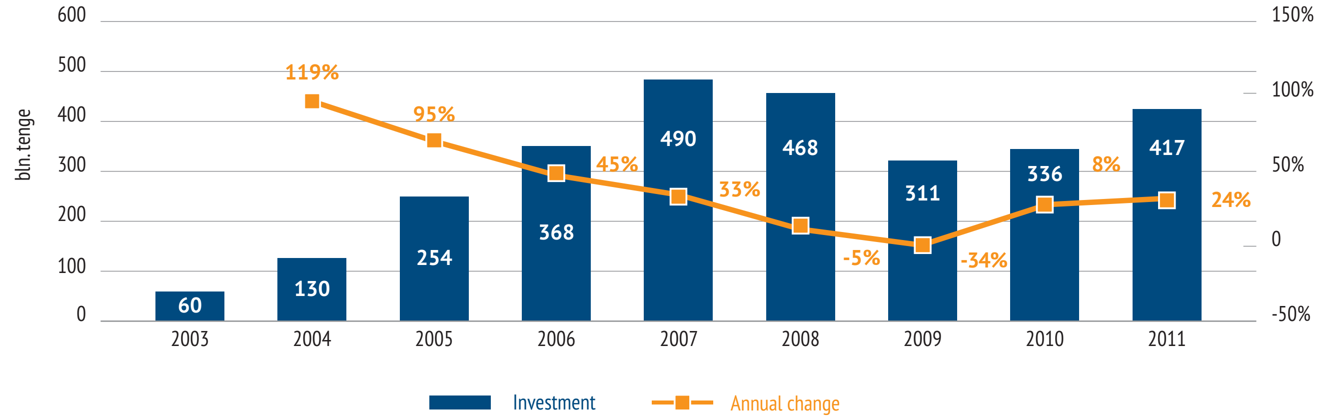
The Action Plan to improve the corporate governance system including risk management will be implemented.

ANALYSIS OF THE HOUSING CONSTRUCTION SECTOR

1. Key factors of the housing construction sector

1.1. Investment in housing construction

Volume and dynamics of investment in housing construction



Source: The Agency of Statistics of the Republic of Kazakhstan

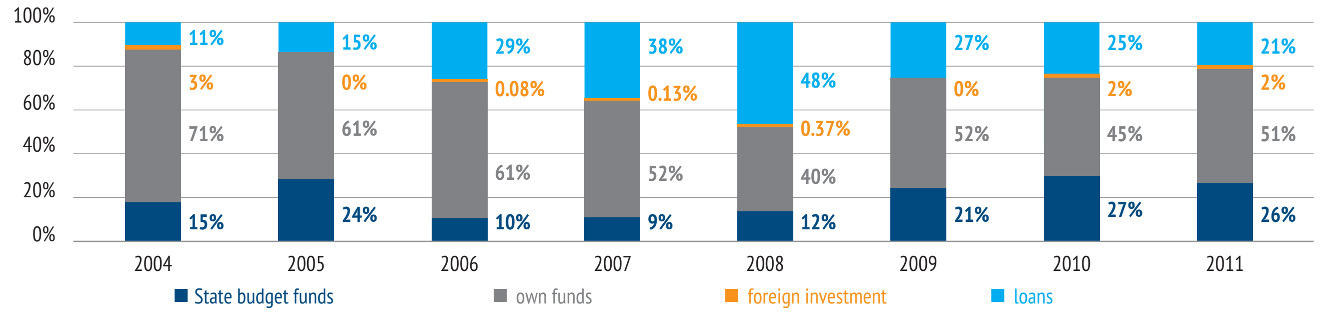
Total **investment in housing construction** throughout the Republic since the beginning of 2011 amounted to 417.1 bln. tenge, or 24.3% more than in 2010. Regionally, for January-December, 2011, 80.9 billion tenge and 74.7 billion tenge were allocated to Almaty and Astana, respectively.

1.2. Sources of investment in housing construction for 2011 in Kazakhstan. The main sources of investment in housing construction in Kazakhstan are developers' and the population's own funds, despite reduction in their share from 71% in 2004 to 51% in 2011. At the same time, in Almaty, loans comprise their predominant part, share of which for 2006-2007 reached 78%, for 2011 – 40%.

In Astana until 2007 housing construction was financed by own funds (70%-90%), in 2008-2011 the share declined substantially – down to 13%.

As a result, the share of loans in the structure of investment increased from 0% in 2004 to 50% in 2011, and the share of state budget also increased from 13% in 2004 to 37% in 2011. Across all regions the proportion of state budget increased (from 15% in 2004 to 26% in 2011).

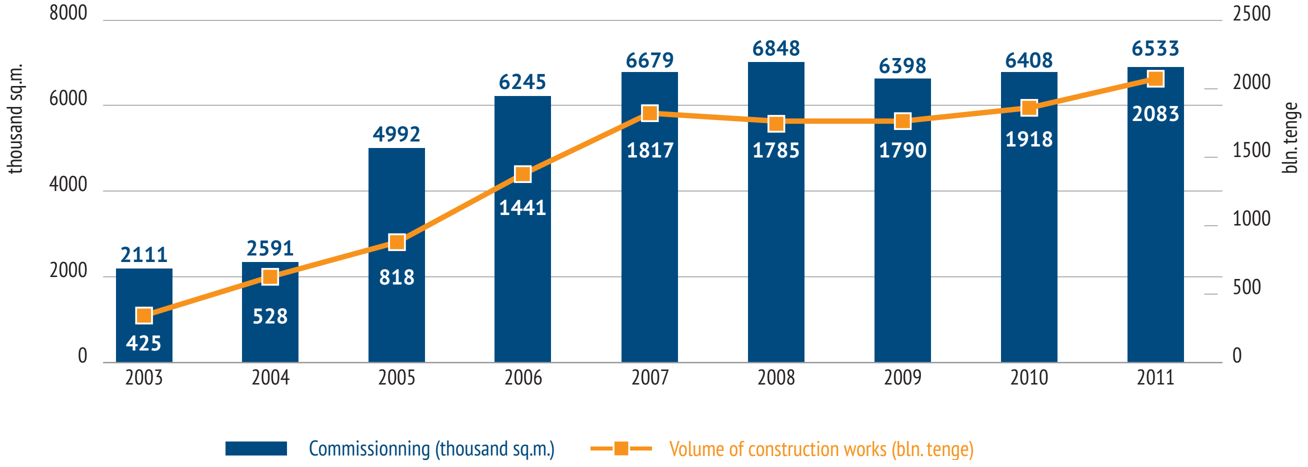
Sources of financing in housing construction in the Republic of Kazakhstan



Source: The Agency of Statistics of the Republic of Kazakhstan

1.3. Construction works and commissioned residential areas

Volume of construction works and commissioned residencial areas



Source: The Agency of Statistics of the Republic of Kazakhstan

Volume of construction works in Kazakhstan for January-December 2011 increased in comparison with the same period of the previous year and comprised 2 082.9 bln. tenge. In regional cross section, significant growth was shown in Kyzylorda (+43.5%) and Zhambyl (+20.3%) regions, while the maximum decline was recorded in Western Kazakhstan (-32%) and in Aktobe (-23.8%) regions.

However, the leaders of the share in the volume of construction works in Kazakhstan are Atyrau region (17.6%), Astana (13.7%) and Almaty (10%).

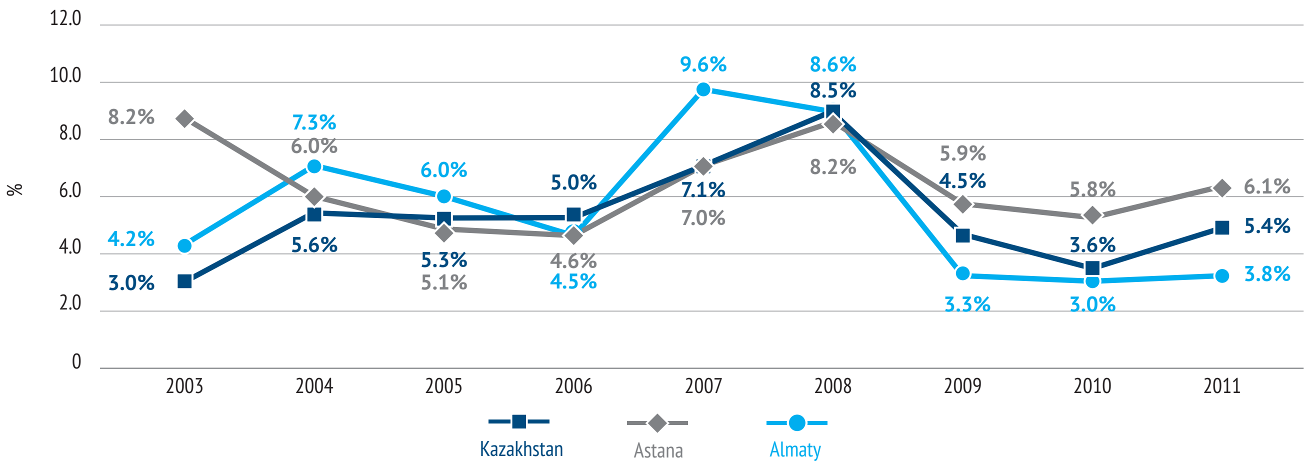
Commissioned residential areas for January-December 2011 amounted to 6 532.9 mln. sq.m., which is by 1.9% more than in 2010. The total amount of commissioned apartments is 55 511 pcs.

The greatest decrease, in regional context, was noted in Almaty (-26.6%) and Pavlodar region (-8.8%). However, the greatest increase in the volume of commissioned housing was observed in Akmolinsk (+101.3%) and West Kazakhstan (+14%) regions for the corresponding period of the previous year.

1.4. Price index in the construction sector for 2011 amounted to 105.4%. Prices of construction and installation works increased by 5.6%, prices of machines and equipment – 6.6%, for other work and expense – 4.3%.

Maximum increase in price index in the construction sector for 2011 was observed in Akmolinsk region (+7.9%) and South Kazakhstan region (+7.5%).

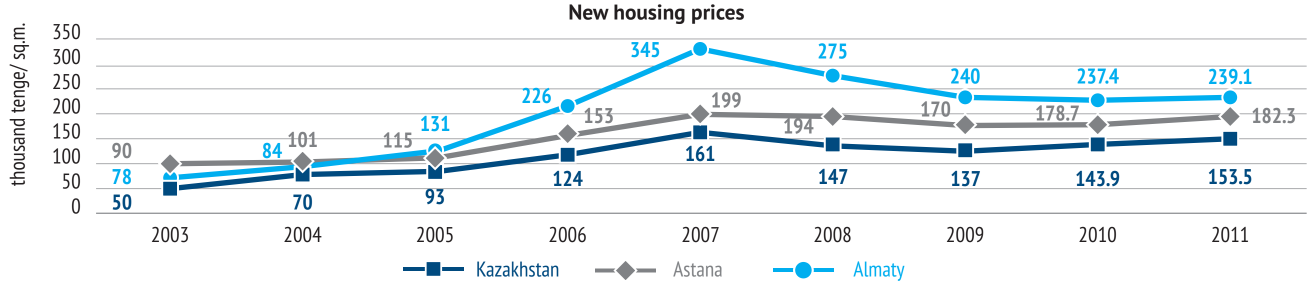
Price index in construction sector (in % to December of the previous year)



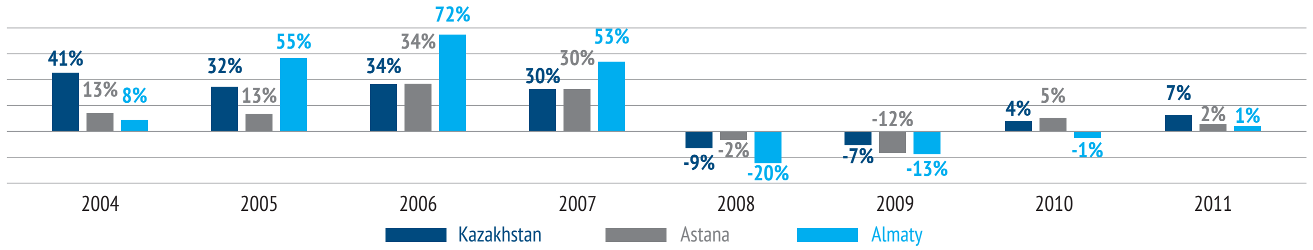
Source: The Agency of Statistics of the Republic of Kazakhstan

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

New housing prices



Change of new housing prices (compared to previous year)



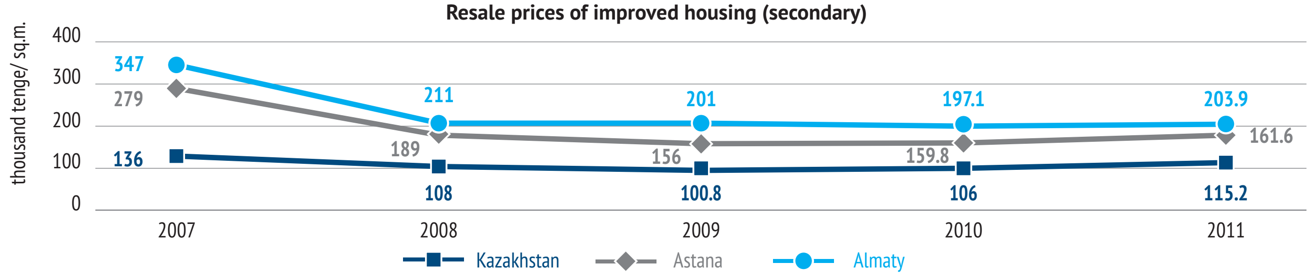
Source: The Agency of Statistics of the Republic of Kazakhstan

In general, in 2011 there was a slight rise in the real estate market in Kazakhstan. For example, in 2011 (December 2011 compared to December 2010) selling price of new housing rose by 6.7%, the resale price of improved housing - by 8.7%.

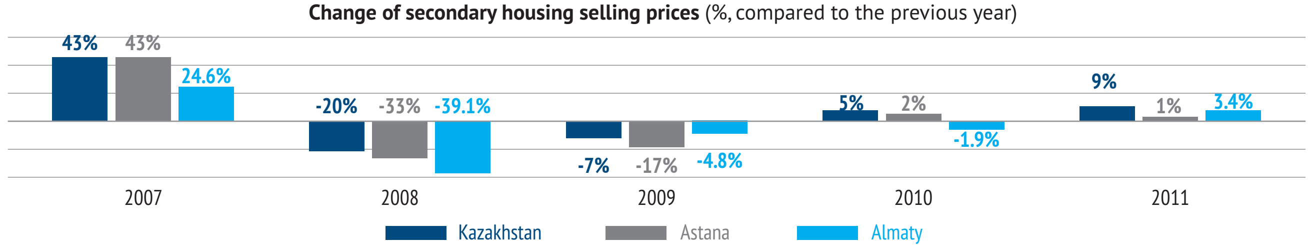
In December 2011 the average price of one square meter of new housing amounted to 153.5 thousand tenge and in comparison with the previous month of 2011 increased by 1.2%, the resale price of improved housing – respectively, 115.2 thousand tenge and 1.5%.

The greatest increase in prices in 2011 for new housing was observed in Petropavlovsk (73.4%), Atyrau (32.6%), Kokshetau (25%), Semey (22.2%). In Astana the price of new housing increased by 2%, in Almaty - 0.7% in comparison with the corresponding month of previous year.

Resale prices of improved housing (secondary)

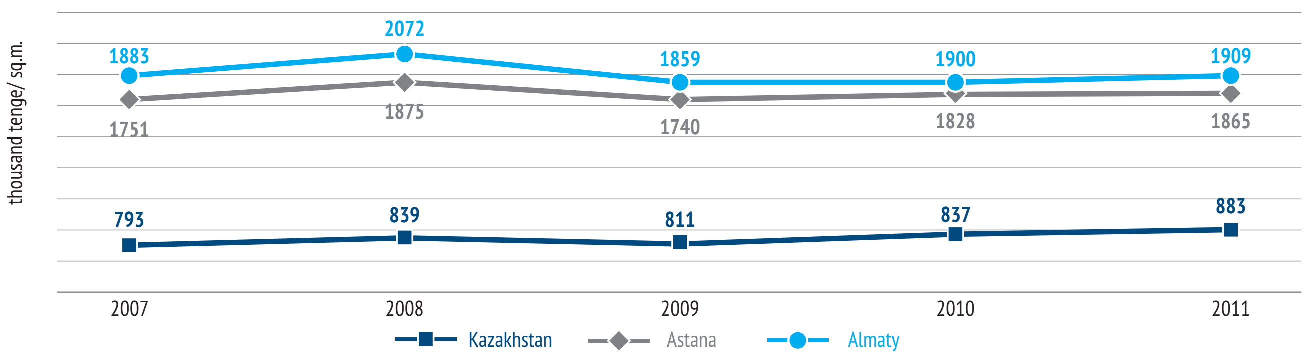


Change of secondary housing selling prices (%, compared to the previous year)

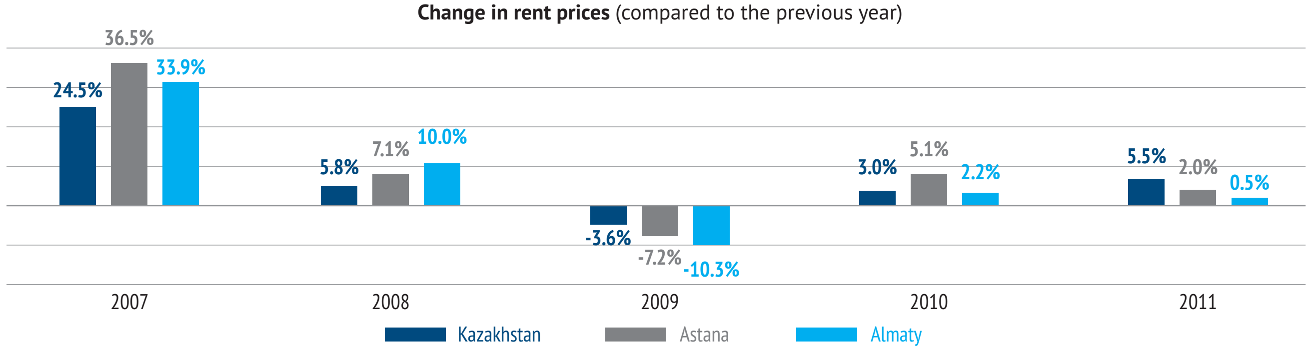


Source: The Agency of Statistics of the Republic of Kazakhstan

Rent housing prices



Change in rent prices (compared to the previous year)

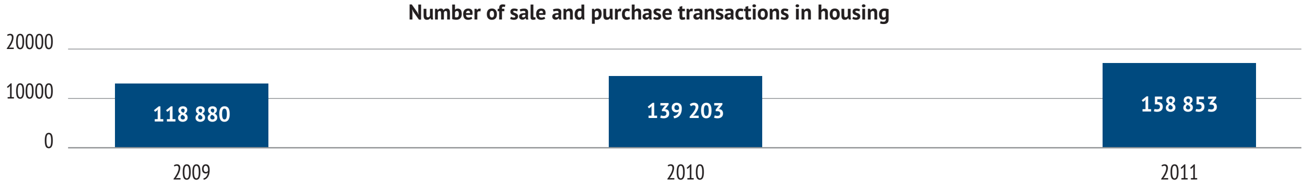


Source: The Agency of Statistics of the Republic of Kazakhstan

The average rent of improved housing in December 2011 in the republic amounted to 883 tenge per 1 square meter, in comparison with the same month in 2010 increase comprised 5.5%. The highest rent was fixed in Almaty (1909 tenge per square meter), Astana (1865 tenge per square meter), Atyrau (1313 tenge per square meter) and Petropavlovsk (901 tenge per square meter), in other major cities of the country the figure was below the average countrywide. The largest price increase in rental housing compared to the same month of the previous year is reported for Kostanay (21.4%) and Taraz (16.6%).

The number of sale and purchase transactions in housing for January-December in 2011 amounted to 158 853; in comparison with the same indicator for the same period in 2010 the increase comprised 14.2%. In December 2011 the number of registered transactions of housing was 14 064; in comparison with the previous month the decrease comprised 5.7%, due to the seasonal decline in the end of the year, and in comparison with the same month of the previous year the number of recorded transactions increased by 19.5%.

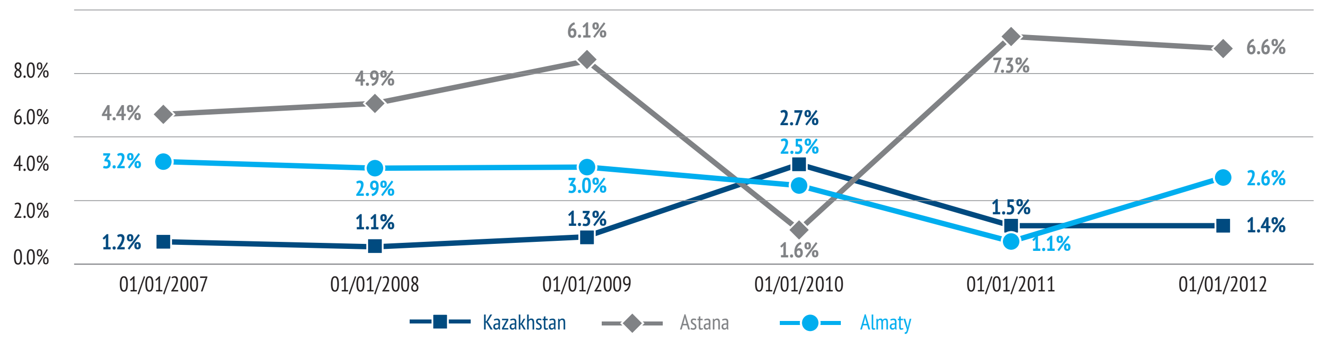
Number of sale and purchase transactions in housing



Source: The Agency of Statistics of the Republic of Kazakhstan

2. Key factors influencing the housing construction sector

Population growth (as for the beginning of the year)



Source: The Agency of Statistics of the Republic of Kazakhstan

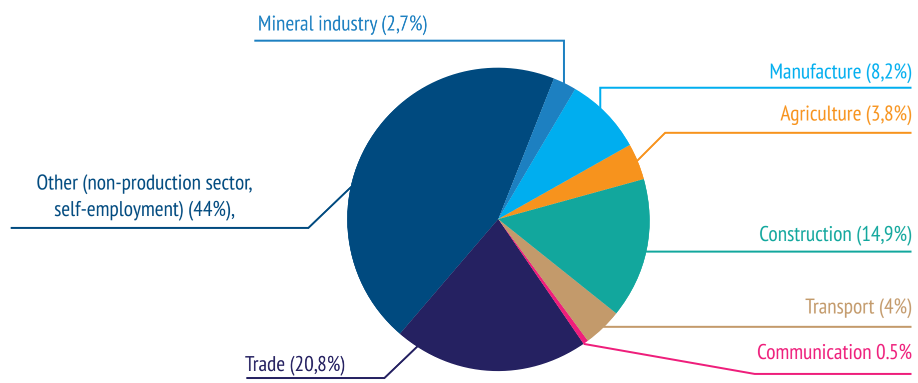
2.1. As of January 1, 2011, **the population of Kazakhstan** constitutes 16 674.9 thousand people, Astana - 743 thousand people, Almaty - 1 450 thousand people. Growth from the beginning of the year has comprised 233 thousand people, Astana – 45.89 thousand people and Almaty – 36.1 thousand people.

2.2. Average monthly nominal income per capita in the 4th quarter of 2011 comprised 50 377 tenge and increased in comparison with 4th quarter of 2010 by 19.1%, while consumer prices for goods and services during this period increased by 7.7%. In real terms, personal income, in comparison with the corresponding quarter of 2010, increased by 10,6%.

Superiority of the size of per capita income in the 4th quarter of 2011, as before, keep Atyrau region, Almaty and Astana, where the figure exceeded the average national level by 2.2 - 1.7 times. The regions with the lowest incomes are the South-Kazakhstan, Zhambyl and Almaty regions, in which the ratio of the average level was 62.9%, 67.9% and 82.1%, respectively. The ratio between the maximum and minimum value of nominal income by region in the 4th quarter of 2011 was 3.6 times.

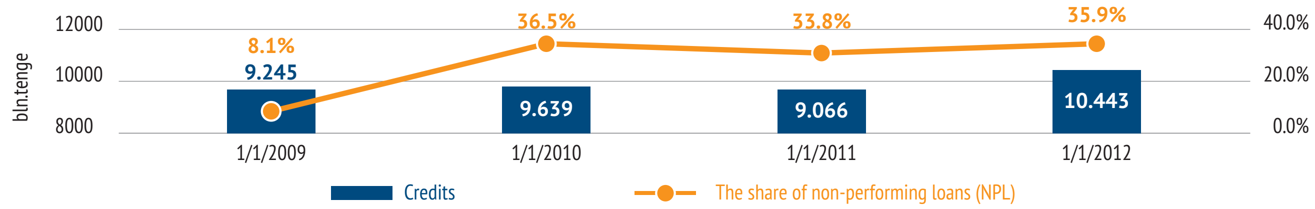
2.3. Construction at the end of 2011 in **the loan portfolio of second-tier banks** (hereinafter – STB) was about 14.9%, or 1 305.9 bln. tenge. However, non-productive sphere (including self-employment) was 44% of the total loan portfolio and trade - 20.8%, whereas the figures for 2010 were 41% and 24%, respectively. Thus, the sectoral structure of the loan portfolio of STB for 12 months of 2011 has been slightly changed.

Loan portfolio of STB



Source: National Bank of Kazakhstan

The share of non-performing loans in the portfolio of STB



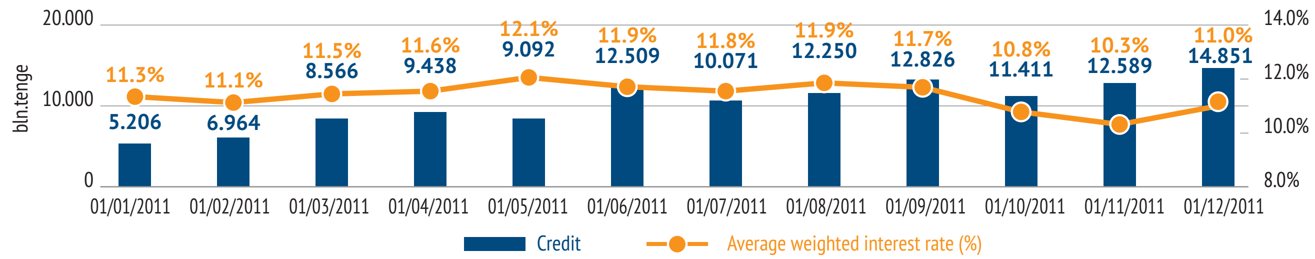
Source: Committee for the Control and Supervision of the Financial Market and Financial Organizations of the NB of RK

In 2011 there was a slight improvement in the loan portfolio of STB. As of January 1, 2012 the share of non-performing loans declined from 36.47% to 34.97%. Moreover, the loan portfolio of STB increased during 2011 by 1377.0 billion or by 15.2%.

The volume of STB loans to individuals for the purchase and construction of housing, issued in December 2011, exceeds the volume recorded for December 2010 by 27.5%. The weighted average interest rate on mortgage loans reached 12.1%, but by the end of the year dropped to 11%. Total volume of bank lending for construction and purchase of housing as of 31.12.2011 amounted to 855.4 billion tenge or 9.7% of the loan portfolio.

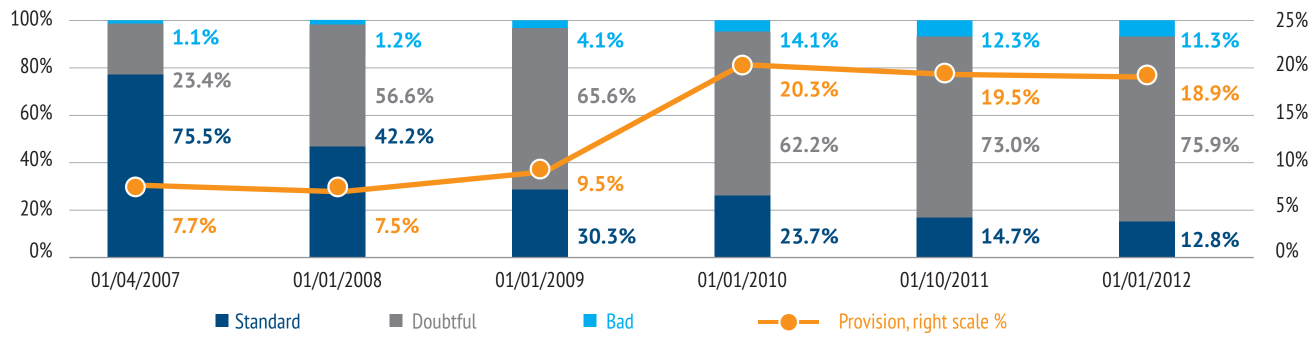
The share of bad loans in the structure of mortgage loans in 2011 declined from 12.3% to 11.3%. The share of standard loans decreased from 14.7% to 12.8%, while the share of doubtful loans increased from 73% to 75.9%

STB loans issued to individuals for construction and purchase of housing



Source: National Bank of Kazakhstan

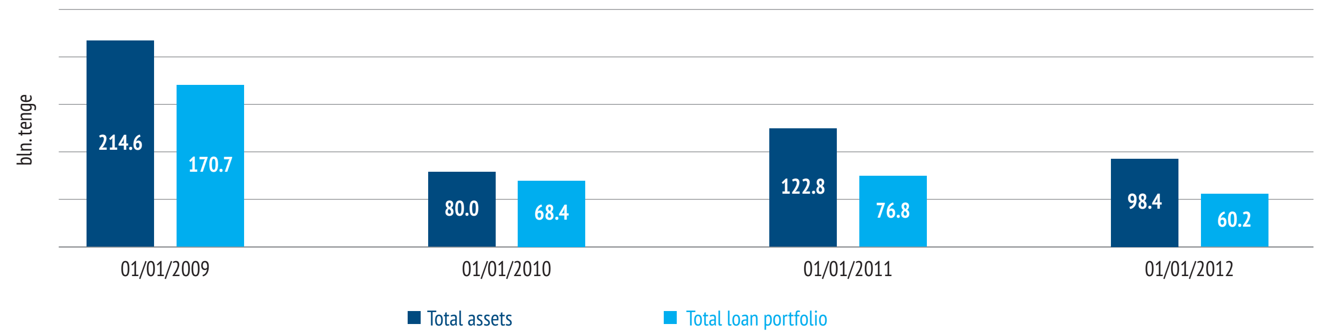
The quality of mortgage loans of STB



Source: Committee for the Control and Supervision of the Financial Market and Financial Organizations of NB of RK

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 NB of RK

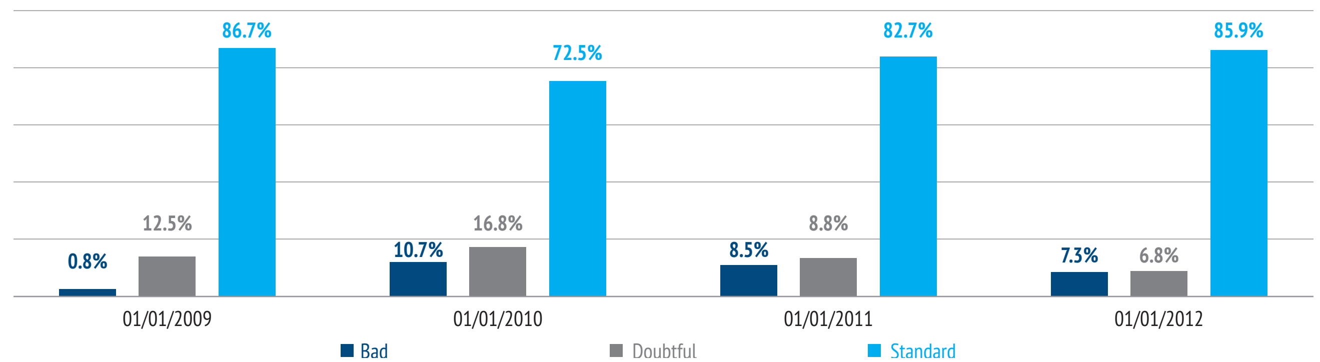
The analysis of mortgage programs, offered by the STB, has shown that the situation in the mortgage market remains without any subsequent changes. Effective interest rates on mortgage loans at some banks ranged from 12.69% to 16.5%. Some STB waive the mandatory down payment if the borrower provides additional security.

As of January 1, 2012 **4 mortgage companies** operated in the financial market of the republic. "Kazakhstan Mortgage Company" is the largest mortgage company with a 98.2% share of the total loan portfolio of STB.

As of January 1, 2012 the total assets of mortgage companies amounted to 98.4 bln. tenge, which is lower than the rate as of 1 January 2011 by 24.4 bln. tenge or 19.9%. While the total loan portfolio of mortgage companies amounted to 60.2 bln.tenge, which is lower than at the beginning of the previous year by 16.6 bln.tenge or by 21.6%.

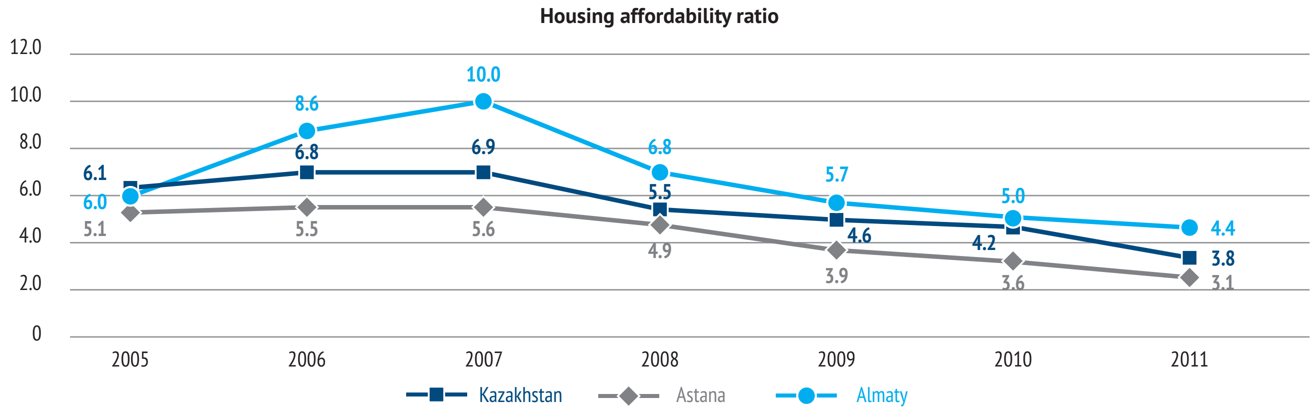
As of January 1, 2012 analyzing the quality of the structure of loan portfolio of mortgage companies, it may be noted that the share of standard loans has increased from 82.7% to 85.9% on the reporting period. While the share of doubtable and bad loans have decreased from 8.8% to 6.8%, from 8.5% to 7.3%.

The quality of loan portfolio of mortgage companies



Source: Committee for the Control and Supervision of the Financial Market and Financial Organizations of NB of RK

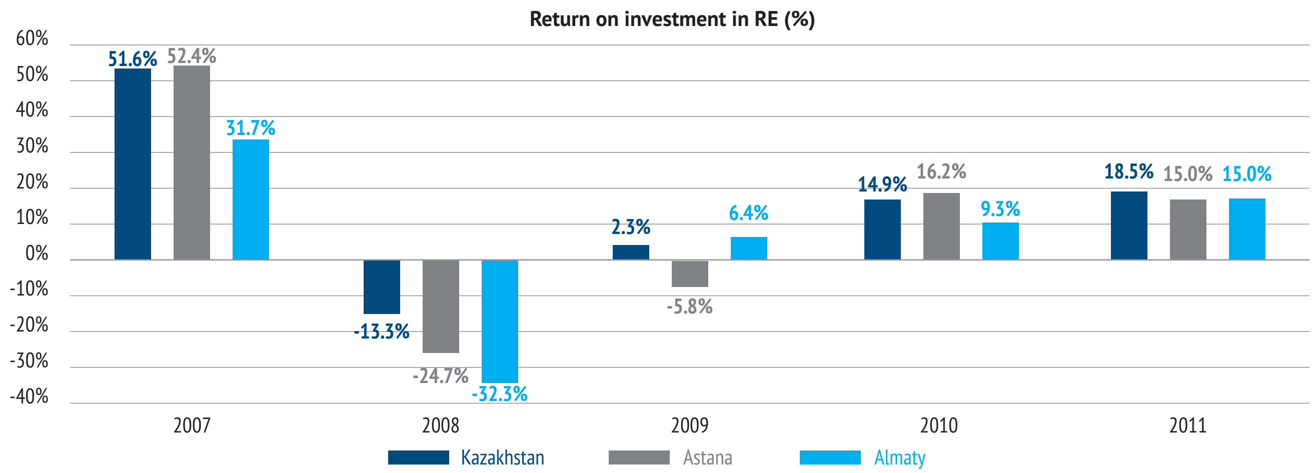
3. Analysis of housing affordability



Source: compiled by the "Real Estate Fund "Samruk-Kazyna" JSC

3.1. Since 2007, in general, within Kazakhstan the overall **housing affordability**[6] trend is improved. If in late 2007, housing affordability figure was about 7 years, then by the end of 2011, it had decreased to 4 years thus reflecting the transfer from the category of "absolutely unaffordable housing" to "fairly unaffordable housing". Housing affordability coefficients in Almaty yet remain high, though significant improvement may be observed compared to 2007.

3.2. In 2011, **real estate investment profitability**[7] within Kazakhstan constituted 18.5%, in Astana and Almaty – both at 15% respectively. Real estate investment profitability growth in 2011 is due to a slight price increase in secondary housing market from the beginning of 2011 by 8.7%, and rental housing – 5.5%.



Source: compiled by the "Real Estate Fund "Samruk-Kazyna" JSC

[6]Housing affordability is evaluated based on the special index which is calculated as average price per 1sq.m multiplied by 18 (the rate of housing provision in accordance with Standard Norms and Rules of Construction of the Republic of Kazakhstan) and divided by salary value per 1 year (average monthly salary multiplied by 12 (number of months) and multiplied by coefficient 3/2 (3 persons in a family: 2 adults and 1 child; 2 salaries). Fluctuation range of this coefficient classifies affordable housing (up to 3), fairly unaffordable housing (3.1-4), absolutely unaffordable housing (4.1-5), significantly unaffordable housing (over 5.1). This coefficient assesses how many years a family out of 3 members must work to earn a flat with the area of 54 sq.m provided that all income is invested in the flat.

[7] Real estate investments profitability is calculated as profitability amount from renting comfortable (secondary) housing within a year and from further resale.

4. State support actions for housing construction

In accordance with the Housing Construction Program of the Republic of Kazakhstan for 2011 - 2014, the task of the Government of Kazakhstan is to encourage the development and further implementation of the measures of state support of housing construction: keep the volume of public housing, greater use of capacity of the housing construction savings, to continue the construction of engineering and communication infrastructure, and also to encourage the attraction of private investment in housing.

In 2011, 10.9 bln. tenge have been granted as part of the Program for the construction of rental housing. The entry plan of rental housing for 2011 amounts to 133.4 thousand square meters. There is already commissioned 39.2 thousand square meters or 640 rental apartments, according to Agency for Construction, Housing and Utilities of the Republic of Kazakhstan.

In 2011, for the construction and implementation of the housing through the system of housing savings 28.8 bln. tenge have been granted. As of December 1, 2011 from the beginning of the "Housing Construction Savings Bank of Kazakhstan" JSC over 207.7 thousand participants signed a contract on housing construction savings with a total accumulation of more than 64.4 bln. tenge. The largest share of contracts on housing construction savings accounts are for Astana (15.4%) and Almaty (13.5%), Aktobe region (8.2%) and East-Kazakhstan region (7.7%).

In 2011, on the development and arrangement of engineering and communication infrastructure in the areas of housing development over 28.1 bln. tenge were allocated. Through funds in the republic was built 532 km of engineering networks, including 223 km of power lines, 46 km of heat supply, 87.9 km of water supply, 33.6 km of sewerage, 112.5 km of gas pipelines and 29 km of access roads.

Along with these measures in accordance with Government Decree dated December 13, 2011 the Resolution of the Government of the Republic of Kazakhstan No.329 "On Approval of the Program of Housing Construction for 2011-2014" dated March 31, 2011, according to the changes funding for pilot projects construction of residential buildings in the cities of Astana and Shymkent will be implemented through the Real Estate Fund. The total amount of the Real Estate Fund's investment in pilot projects for the construction of residential units will be 17.1 bln. tenge.

In the Address of the President of the Republic of Kazakhstan to the people of Kazakhstan of January 27, 2012 the construction of affordable housing for young families has been established as one of the main priorities. The Government of RK was instructed to develop a program of "Affordable Housing – 2020" not later than July 1, 2012.

FINANCIAL STATEMENT FOR 2011 AND INDEPENDENT AUDITORS' REPORT

REAL ESTATE FUND "SAMRUK-KAZYNA" JSC
Consolidated Financial Statements
For the year ended December 31, 2011
with Independent Auditors' Report

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 2011, 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, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Aisulu Narbayeva
Auditor

Auditor Qualification Certificate No. 0000137
dated 21 October 1994

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

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

March 15, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2011

In thousands of Tenge	Notes	2011	2010*
ASSETS			
Non-current assets			
Property and equipment	5	**4.944.989**	4.551.128
Investment property	6	**1.629.330**	2.071.767
Advances paid to construction companies	8	**3.547.395**	23.135.138
Intangible assets		**24.008**	19.533
Non-current financial assets	9	**21.585.886**	13.598.808
		31.731.608	43.376.374
Current assets			
Inventories		**9.812**	4.714
Inventory property	7	**673.667**	680.772
Advances paid to construction companies	8	**224.410**	–
Trade receivables	11	**608.813**	1.528.002
Prepaid income tax		**131.109**	–
Other current financial assets	12	**12.725.422**	12.365.727
Other current assets	13	**23.205**	539.188
Cash and cash equivalents	14	**32.976.265**	26.047.375
		47.372.703	41.165.778
Assets classified as held for sale	10	**25.172.720**	–
		72.545.423	41.165.778
TOTAL ASSETS		**104.277.031**	84.542.152
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**19.876.956**	15.000.000
Additional paid-in capital	16	**7.611.892**	11.356.866
Available-for-sale reserve	15	**87.997**	–
Retained earnings		**3.611.055**	395.272
		31.187.900	26.752.138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at December 31, 2011

In thousands of Tenge	Notes	2011	2010*
Non-current liabilities			
Parent loans	16	**15.320.839**	25.911.257
Other non-current liabilities		**417.928**	156.647
Deferred tax liability	23	**149.184**	23.579
		15.887.951	26.091.483
Current liabilities			
Current portion of Parent loans	16	**54.249.344**	30.724.814
Obligations under "repo" agreements	17	**2.254.003**	851.004
Trade payables	18	**106.651**	18.178
Income tax payable		**–**	42.943
Other current liabilities		**591.182**	61.592
		57.201.180	31.698.531
		73.089.131	57.790.014
TOTAL EQUITY AND LIABILITIES		**104.277.031**	84.542.152

** Certain amounts shown here do not correspond to the 2010 consolidated financial statements and reflect reclassifications made as detailed in Note 2.*

The accompanying notes on pages 6 through 32 are an integral part of these consolidated financial statements.

Chairman of the Management Board Palymbetov B. A.

Managing Director – Member of the Management Board Karibzhanov M. Kh.

Chief accountant Sipuldina B. K.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2011

In thousands of Tenge	Notes	2011	2010
Revenue	19	**5.239.208**	1.358.571
Cost of revenue	20	**(1.326.057)**	(746.925)
Gross profit		**3.913.151**	611.646
General and administrative expenses	21	**(1.293.013)**	(782.491)
Operating profit / (loss)		**2.620.138**	(170.845)
Finance income	22	**2.981.818**	3.020.890
Finance cost	22	**(1.437.681)**	(2.038.426)
Other income		**210.586**	2.002
Profit before tax		**4.374.861**	813.621
Income tax expense	23	**(1.101.604)**	(430.465)
Profit for the year		**3.273.257**	383.156
Other comprehensive income			
Net gain on available-for-sale financial assets		**109.996**	–
Income tax effect		**(21.999)**	–
Other comprehensive income for the year, net of tax		**87.997**	–
Total comprehensive income for the year, net of tax		**3.361.254**	383.156

The accompanying notes on pages 6 through 32 are an integral part of these consolidated financial statements.

Chairman of the Management Board	Palymbetov B. A.
Managing Director – Member of the Management Board	Karibzhanov M. Kh.
Chief accountant	Sipuldina B. K.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2011

In thousands of Tenge	Share capital	Additional paid-in capital	Available-for-sale reserve (Note 15)	Retained earnings	Total
At 1 January, 2010	15.000.000	10.862.071	–	14.254	25.876.325
Profit for the year	–	–	–	383.156	383.156
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	383.156	383.156
Discounting of Parent loan (Note 16)	–	9.719.148	–	–	9.719.148
Change in Parent loan terms of (Note 16)	–	(9.224.353)	–	–	(9.224.353)
Dividends (Note 15)	–	–	–	(2.138)	(2.138)
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 of (Note 16)	–	(3.744.974)	–	–	(3.744.974)
Dividends (Note 15)	–	–	–	(57.474)	(57.474)
At December 31, 2011	19.876.956	7.611.892	87.997	3.611.055	31.187.900

The accompanying notes on pages 6 through 32 are an integral part of these consolidated financial statements.

Chairman of the Management Board	Palymbetov B. A.
Managing Director – Member of the Management Board	Karibzhanov M. Kh.
Chief accountant	Sipuldina B. K.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

In thousands of Tenge	Notes	**2011**	2010
Operating activities			
Profit before income tax		**4.374.861**	813.621
Adjustments for:			
Depreciation and amortization		**63.517**	31.306
Finance income	22	**(2.981.818)**	(3.020.890)
Finance cost	22	**1.437.681**	2.038.426
Working capital adjustments			
Increase in inventories		**(5.098)**	(3.637)
Decrease in trade receivables		**919.189**	(1.301.133)
Decrease in other current assets		**1.169.770**	(6.218.555)
Increase in trade payables		**88.473**	8.743
Decrease in other current liabilities		**(5.561)**	39.695
		5.061.014	(7.612.424)
Income tax paid		**(934.185)**	(328.724)
Interest paid		**(101.405)**	(11.802)
Net cash flows from operating activities		**4.025.424**	(7.952.950)
Investing activities			
Prepayments for acquisition of real estate properties		**(26.414.469)**	(20.263.240)
Funds returned by contractors		**12.472.645**	–
Bank deposits		**5.968.200**	7.933.305
Loans provided		**–**	(557.873)
Purchases of property, equipment and intangibles		**(63.623)**	(33.547)
Transactions with securities, net		**394.704**	1.772.658
Interest received		**1.548.274**	1.882.920
Net cash used in investing activities		**(6.094.269)**	(9.265.777)
Financing activities			
Proceeds from Parent loans		**22.238.034**	31.624.814
Repayment of Parent loans		**(14.585.824)**	(9.978)
Cash received under "repo" agreements		**1.402.999**	711.004
Dividends paid		**(57.474)**	(2.138)
Net cash flows from financing activities		**8.997.735**	32.323.702
Net increase in cash and cash equivalents		**6.928.890**	15.104.975
Cash and cash equivalents at January 1	14	**26.047.375**	10.942.400
Cash and cash equivalents at December 31	14	**32.976.265**	26.047.375

Non cash transactions are disclosed in Note 24.

The accompanying notes on pages 6 through 32 are an integral part of these consolidated financial statements.

Chairman of the Management Board	Palymbetov B. A.
Managing Director – Member of the Management Board	Karibzhanov M. Kh.
Chief accountant	Sipuldina B. K.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2011

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 registered office is located at 12/1, Konaev 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 – "FM Management" LLP and "Zaulim" LLP (together – the "Group"). Principal activities of the subsidiaries are disclosed in Note 2.

The Company's mission is to assist the government in stabilization of the real estate market of Kazakhstan. The Company's major activities include the following:

- Targeted acquisition of residential and non-residential premises, including premises under construction, through share purchase agreements in construction, financial aid agreements and investment in real estate properties, purchase-sale agreements and placement of targeted bank deposits, which are directed to financing of construction companies to complete the construction;
- Effective management of acquired premises;

These financial statements present, on a consolidated basis, the financial performance for the year ended December 31, 2011 and financial position as at that date for the Group.

The consolidated financial statements of the Group for the year, ended December 31, 2011 were authorized for issue by the management of the Group on March 15, 2011.

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 and its subsidiaries (the Group) 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 thousand, 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, 2011.

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

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, 2011:

Name	Country of residence	Principal activity	Percentage of ownership 2011	2010
"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%	100%

Reclassifications

In thousands of Tenge	As previously reported	Reclassifications	As reclassified
Consolidated statement of financial position as at December 31, 2010			
[1] Inventory property	–	680.772	680.772
[1] Assets classified as held for sale	680.772	(680.772)	–
[2] Obligations under "repo" agreements	–	(851.004)	(851.004)
[2] Trade payables	(869.182)	851.004	(18.178)

[1] This reclassification has been made to the previous year consolidated statement of financial position in order to conform to the current year presentation: inventory property was separated from assets classified as held for sale.
[2] This reclassification has been made to the previous year consolidated statement of financial position in order to conform to the current year presentation: obligations under "repo" agreements were separated from trade payables.

Reclassifications had no impact on net profit, comprehensive income or equity.

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 discussed below.

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 2011 and 2010 the Group did not recognize any impairment losses on non-financial assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Fair value of financial instruments (continued)

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.

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.

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.

Interest bearing financing of construction companies

At recognition interest bearing financing of construction companies are measured at fair value, calculated as present value of future cash flows discounted at the market borrowing rates effective at initiation of the borrowings.
After initial recognition, such interest bearing financing of construction companies are subsequently measured at amortised cost using the effective interest rate method (EIR).

Classification of investment property and inventory property

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

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.

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 Management considered the disposal of subsidiary met the criteria to be classified as held for sale for the following reasons:
- On December 28, 2011 "Real Estate Fund "Samruk-Kazyna" JSC concluded an agreement to sell its 100% share in "Zaulim" LLP to "KazMunayGasService" LLP.
- On January 25, 2012 the Group completed the sale of the subsidiary for consideration of 68,631 thousand Tenge (Note 28).
- On January 27, 2012 the Company signed an agreement with "Zaulim" LLP about return of funds given by the Company to "Zaulim" LLP for construction of administrative building in the amount of 27,049,064 thousand Tenge (Note 28).

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 new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

New and amended standards and interpretations

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements in Kazakhstan, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- IFRS 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Improvements to IFRSs (continued)

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group presents the analysis of each component of other comprehensive income in the consolidated statement of changes in equity.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment 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. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

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 amendments become effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Group's financial position or performance.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment 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)

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

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 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 amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs 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 is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. 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 potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated 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 includes 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.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

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. The Group does not have any joint arrangements, and expects no effect of the adoption of the standard on its financial statements. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with 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. 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 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. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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 148.4 Tenge to 1 US Dollar as at December 31, 2011 (2010: 147.5 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 recognised 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 recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Interest income
For all financial instruments measured at amortised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- 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 utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred income tax (continued)
Deferred tax relating to items recognised outside profit or loss is recognised outside profit and loss. Deferred tax items are recognised 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.

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 recognised 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 recognised 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. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

The Group has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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.

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.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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 recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)
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 trade payables and Parent loans.

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

Trade payables
Liabilities for trade amounts 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, and only if,
- There is a currently enforceable legal right to offset the recognised amounts
- There is an intention to settle on a net basis, or to realise the asset and settle the liability 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 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advances paid to construction companies

Advances paid to construction companies represent advances paid for the construction of the investment 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. Property held under a lease is classified as investment property when the definition of an investment property is met. The lease obligation is recognised under IAS 17 at fair value of the interest in the leasehold property.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. 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. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is transferred to non-current assets held for sale when 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

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.
Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The 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.
The useful lives of intangible assets are assessed to be finite.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

Plant 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, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant 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 plant 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 land, administrative building, office equipment and vehicles.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Impairment losses of continuing operations including impairment on inventories are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or 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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

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 inception date, whether the 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, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

Finance leases under which the Group transfers substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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.

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, 2011 and 2010 was as follows:

In thousands of Tenge	Land	Buildings	Office equipment	Vehicles	Construction in progress	Total
Cost						
At January 1, 2010	215.000	–	32.062	–	–	247.062
Additions	–	–	20.018	2.530	4.292.491	4.315.039
Transfers	(215.000)	–	–	–	215.000	–
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 assets held for sale	–	–	(1.464)	–	(22.489.035)	(22.490.499)
Disposals	–	–	(298)	–	–	(298)
At December 31, 2011	**26.101**	**4.850.855**	**105.648**	**2.530**	**–**	**4.985.134**
Accumulated depreciation and impairment						
At January 1, 2010	–	–	(1.890)	–	–	(1.890)
Depreciation charge for the period	–	–	(9.055)	(28)	–	(9.083)
At December 31, 2010	**–**	**–**	**(10.945)**	**(28)**	**–**	**(10.973)**
Depreciation charge for the year	–	(17.576)	(11.843)	(169)	–	(29.588)
Depreciation on disposal	–	–	29	–	–	29
Transfer to assets held for sale	–	–	387	–	–	387
At December 31, 2011	**–**	**(17.576)**	**(22.372)**	**(197)**	**–**	**(40.145)**
Net book value						
At December 31, 2010	–	–	41.135	2.502	4.507.491	4.551.128
At December 31, 2011	**26.101**	**4.833.279**	**83.276**	**2.333**	**–**	**4.944.989**

Construction in progress is represented by capital expenditures related to the construction of the administrative building. In 2011 this construction in progress was transferred into assets classified as held for sale (Note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY AND EQUIPMENT (continued)

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

6. INVESTMENT PROPERTY

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

In thousands of Tenge	Apartments	Commercial premises	Parking lots	Total
Cost				
At January 1, 2010	–	–	–	–
Additions	846.792	53.748	1.266.000	2.166.540
Disposals	–	–	(76.000)	(76.000)
At December 31, 2010	**846.792**	**53.748**	**1.190.000**	**2.090.540**
Additions	–	1.164	40.000	41.164
Disposals	(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**
Accumulated depreciation and impairment				
At January 1, 2010	–	–	–	–
Depreciation charge for the year	–	(806)	(17.967)	(18.773)
At December 31, 2010	**–**	**(806)**	**(17.967)**	**(18.773)**
Depreciation charge for the year	(3.145)	(9.933)	(24.377)	(37.455)
Depreciation on disposal	3.145	1.102	3.367	7.614
At December 31, 2011	**–**	**(9.637)**	**(38.977)**	**(48.614)**
Net book value				
At January 1, 2011	846.792	52.942	1.172.033	2.071.767
At December 31, 2011	**–**	**568.307**	**1.061.023**	**1.629.330**

Disposals of investment property represent financial lease of premises. Investment property mainly comprises of parking lots and residential and commercial premises. Management believes that as of December 31, 2011 the fair value of investment property equals to 2,268,791 thousand Tenge (2010: 2,290,040 thousand Tenge).

7. INVENTORY PROPERTY

The movement of inventory property for the year ended December 31, 2011 was as follows:

In thousands of Tenge	Apartments	Commercial premises	Parking lots	Total
At January 1, 2010	–	–	–	–
Inventory property, received from construction companies	1.100.016	162.372	–	1.262.388
Inventory property sold	(558.804)	(22.812)	–	(581.616)
At January 1, 2011	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**

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 Astana and Almaty 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 in 2012.

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, 2011 and 2010 was as follows:

In thousands of Tenge	2011	2010
At the beginning of the period	**23.135.138**	22.956.133
Advances paid for the period	**19.030.453**	14.652.301
Funds returned by Contractors	**(1.500.993)**	(1.187.582)
Acquired property	**(6.864.983)**	(6.730.791)
Share in the objects under construction sold	**(10.404.724)**	(1.768.336)
Transferred to own construction in progress	**(17.981.545)**	(4.292.491)
VAT on construction in progress	**(2.157.784)**	(514.651)
Other	**516.243**	20.555
At the end of the period	**3.771.805**	23.135.138
Less: advances paid for objects, which will be realised in 2012	**224.410**	–
Advances paid for objects, which will be leased out	**3.547.395**	23.135.138

9. NON-CURRENT FINANCIAL ASSETS

In thousands of Tenge	2011	2010
Interest bearing financing of construction companies	11.704.674	6.881.757
Finance lease receivables	8.379.932	3.139.059
Bank deposits	1.501.280	3.044.480
Loan given	–	533.512
	21.585.886	13.598.808

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 equal to refinancing rate of the National Bank of the Republic of Kazakhstan effective at the date of tranche is accrued on the financing made to the construction company. In 2011 the refinancing rate equaled 7%. 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 for 186,977 thousand Tenge between the nominal value of financing made and its fair value was recognized in the income statement as finance cost (Note 22).

Loan given

Loan given represents loan given in 2010 to the company "Caspian Development Center" LLP with date of repayment in 2012. As of December 31, 2011 the loan was reclassified to other current financial assets.

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)

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	2011		2010	
	Minimum payments	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**1.325.028**	**422.906**	415.688	92.529
After one year but not more than five years	**6.625.139**	**2.644.070**	1.983.593	370.116
More than five years	**8.127.684**	**5.735.862**	3.967.186	2.768.943
Total minimum lease payments	**16.077.851**	**8.802.838**	6.366.467	3.231.588
Less amounts representing finance income	**(7.275.013)**	**–**	(3.134.879)	–
Present value of minimum lease payments	**8.802.838**	**8.802.838**	3.231.588	3.231.588
Less: amounts to be received within 12 months		**422.906**		92.529
Amounts to be received after more than 12 months		**8.379.932**		3.139.059

Bank deposits

At the end of 2011 the Group has deposit denominated in Tenge, opened in 2009 and placed in JSC ATF Bank, maturing in 2014 and earning interest rate of 10%. In April 2011 the Group made partial withdrawal of the deposit.

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 Management considered the disposal of subsidiary met the criteria to be classified as held for sale for the following reasons:

- On December 28, 2011 "Real Estate Fund "Samruk-Kazyna" JSC concluded an agreement to sell its 100% share in "Zaulim" LLP to "KazMunayGasService" LLP.
- On January 25, 2012 the Group completed the sale of the subsidiary for consideration of 68,631 thousand Tenge (Note 28).
- On January 27, 2012 the Company signed an agreement with "Zaulim" LLP about return of funds given by the Company to "Zaulim" LLP for construction of administrative building in the amount of 27,049,064 thousand Tenge (Note 28).

Assets of the subsidiary were classified as assets classified as held for sale at December 31, 2011 in the consolidated statement of financial position and comprised of the following:

In thousands of Tenge	2011	2010
Construction in progress	**22.489.035**	–
Office equipment	**1.077**	–
VAT recoverable	**2.673.713**	–
Other	**8.895**	–
	25.172.720	–

11. TRADE RECEIVABLES

In thousands of Tenge	2011	2010
Short-term finance lease receivable	**422.906**	92.529
Receivable from third parties from sale of participation shares in the objects under construction	**64.660**	1.432.372
Other	**121.247**	3.101
	608.813	1.528.002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. TRADE RECEIVABLES (continued)

Trade receivables as of December 31, 2011 and 2010 are denominated in Tenge. The Group has no bad debt allowance on trade receivables as of December 31, 2011 and 2010.

As of December 31, the ageing analysis of trade receivables 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
2011	**608.813**	**608.813**	–	–	–	–	–
2010	1.528.002	1.528.002	–	–	–	–	–

12. OTHER CURRENT FINANCIAL ASSETS

In thousands of Tenge	2011	2010
Financial assets available-for-sale	**2.906.078**	–
Financial assets at fair value through profit or loss	**–**	1.805.325
Interest bearing financing to contractors (Note9)	**2.471.171**	–
Bank deposits	**5.895.000**	10.320.000
Interest receivable	**499.907**	238.975
Loans given	**953.266**	–
Other	**–**	1.427
	12.725.422	12.365.727

Financial assets available-for-sale comprise of government bonds. These financial assets were reclassified in 2011 from financial assets at fair value through profit or loss. Unrealised gains from changes of fair value of reclassified assets which would have been recognised in the income statement if assets had not been reclassified, amounted to 109,996 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 (2010: under "repo" agreements were pledged financial assets at fair value through profit or loss with carrying value of 973,010 thousand Tenge) (Note 17).

The bank deposits have initial maturity of 9-12 months and earn interest of 4.5%-9.5% per annum. As of December 31, 2011 and 2010 the bank deposits are denominated in Tenge.

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

On November 2, 2011 the Group concluded an agreement with the Parent company on assignment of rights of demand, which granted the Group a right to claim from the Parent company's debtors "Omiruzak and Co" LLP and "Capitalstroyservis" LLP interest-free financial aid given to them by the Parent company in amount of 270,000 thousand Tenge and 136,537 thousand Tenge, respectively. This financial aid becomes due on July 1, 2012. 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). Also, loans given include a loan given in 2010 to the company "Caspian Development Center" LLP, which was reclassified in 2011 to other current financial assets as it matures in 2012 (Note 9).

13. OTHER CURRENT ASSETS

As of December 31, 2011 and 2010 other current assets mainly comprise of prepaid taxes other than income tax.

14. CASH AND CASH EQUIVALENTS

In thousands of Tenge	2011	2010
Cash in bank	**32.975.201**	26.046.168
Cash on hand	**1.064**	1.207
	32.976.265	26.047.375

As of December 31, 2011 and 2010 cash and cash equivalents included Tenge-denominated cash on current bank accounts. The current bank accounts earn interest at the rate of 3%-4%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY

The share capital is fully paid by the Parent and comprise of 16,219,239 common shares: 1,000 Tenge par value 15,000,000 common shares, authorised and issued till 2011, and 4,000 Tenge par value 1,219,239 common shares, authorized and issued in 2011.

In 2011 addition to share capital in the amount of 4,876,956 thousand Tenge was made by the Parent company in the form of the administrative building and land.

In 2011 the Group declared and paid dividends on its common shares for 57,474 thousand Tenge (2010: 2,138 thousand Tenge).

Available-for-sale reserve includes unrealized gains from changes of fair value of financial assets available-for-sale (Note 12).

16. PARENT LOANS

In thousands of Tenge	2011	2010
Parent loan		
Tranches received in 2009	**19.550.881**	34.146.683
Unamortised discount on tranches received in 2009	**(4.230.042)**	(9.093.616)
Tranches received in 2010	**30.724.814**	30.724.814
Tranches received in 2011	**22.644.658**	–
Parent financial aid		
Financial aid received	**900.000**	900.000
Unamortised discount on financial aid	**(20.128)**	(41.810)
	69.570.183	56.636.071
Current portion of loans	**(54.249.344)**	(30.724.814)
Non-current portion of loans	**15.320.839**	25.911.257

On August 18, 2009 the Group concluded the 225,000,000 thousand Tenge unsecured credit facility agreement with the Parent. The obtained borrowings bear interest rate of 1.5% p.a. and mature on August 18, 2024. The principal is paid in equal semi-annual installments following three-year grace period.

Tranches received in 2009 were recognized initially at fair value calculated as the present value of future cash outflows discounted at the yield to maturity of the governmental bonds with similar terms presented at initiation of the borrowings – 5.86%-6.92%. The difference of 10,862,071 thousand Tenge between the proceeds received and its fair value was recorded in equity as additional paid in capital. Subsequent to initial recognition the loan was accounted for at amortised cost.

In 2010 the Group received new tranches under the same credit facility with Parent. The loans at recognition were measured at fair value calculated as present value of future cash outflows discounted at the yield to maturity of the governmental bonds with similar terms presented at initiation of the borrowings – 5.59%-7.23%. The difference between the proceeds received and its fair value comprised 9,677,011 thousand Tenge and was recorded in the statement of changes in equity.

In August 2010 the Group concluded additional agreement to the Parent loan with the following major changes: i) credit facility was reduced down from 225,000,000 thousand Tenge to 155,000,000 thousand Tenge, ii) interest rate for the first twenty four months is set at 0.02% p.a., for the rest of the period – 2% p.a. separately for each tranche, iii) principal is paid in equal annual payments following a three year grace period and iv) interest is paid semi-annually on June 30 and December 31 for each tranche.

Further in December 2010 additional changes to the Parent loan terms were concluded. The key change to the terms represents the Parent's right in December of each year to demand settlement of the entire loan, except for the tranches received in 2009.

As the terms of the additional agreements resulted in substantial change of the initial loan terms, these additional agreements resulted in derecognition of the loans received in 2010 and they were recognized as new loans in accordance with IFRS 39 Financial Instruments: Recognition and Measurement. The difference between the carrying value of the loan its fair value at recognition for 9,224,353 thousand Tenge was recognized in the statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. PARENT LOANS (continued)

In 2011, the Group has made early repayments of the tranches received in 2009 in the amount of 14,585,824 thousand Tenge. As this resulted in substantial changes of the initial loan terms, the tranches received in 2009 were derecognized and the new loans were recognized in accordance with IFRS 39 Financial Instruments: Recognition and Measurement. The tranches were recalculated on the revised effective interest rates and unamortized discount in the amount of 3,744,974 thousand Tenge was recognized in the statement of changes in equity.

In accordance with the decree of the Parent Management board, the Group received an interest free loan from the Parent for 900,000 thousand Tenge with maturity set on November 26, 2012. The loan is to be settled at maturity. The loan at recognition were measured at fair value calculated as present value of future cash outflows discounted at the yield to maturity of the governmental bonds with similar terms presented at initiation of the borrowings – 2.53%. The difference of 42,137 thousand Tenge between the proceeds received and its fair value was recognized in the statement of changes in equity in 2010. In 2011 unwinding of discount amounted to 21,681 thousand Tenge.

17. OBLIGATIONS UNDER "REPO" AGREEMENTS

The Group attracts cash and cash equivalents under "repo" agreements under pledged owned government bonds (with interest 0.5%-1.5%) for 14-28 days through broker. Attracted cash and cash equivalents are deposited to the Company's bank accounts earning 3%-4% interest.

As of December 31, 2011 financial assets available-for-sale under "repo" agreements were pledged with carrying value of 2,415,748 thousand (2010: under "repo" agreements were pledged financial assets at fair value through profit or loss with carrying value of 973,010 thousand Tenge).

18. TRADE PAYABLES

As at December 31, 2011 and 2010 trade payables comprised commissions payable to suppliers. Trade payables were denominated in Tenge and did not bear interest.

19. REVENUE

In thousands of Tenge	**2011**	2010
Sale of residential and commercial premises	**1.401.009**	676.843
Sale of advances paid to construction companies in the objects under construction	**3.116.805**	521.501
Revenue from finance lease	**609.224**	133.861
Other revenue	**112.170**	26.366
	5.239.208	1.358.571

20. COST OF REVENUE

In thousands of Tenge	**2011**	2010
Cost of residential and commercial premises	**1.207.811**	581.616
Real estate properties service	**45.148**	93.855
Depreciation and amortization	**29.841**	18.773
Other	**43.257**	52.681
	1.326.057	746.925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**2011**	2010
Payroll and related taxes	**911.120**	505.196
Professional services	**126.089**	31.220
Rent	**81.592**	93.521
Taxes and fines	**47.521**	–
Depreciation and amortization	**33.676**	12.533
Maintenance of building	**25.329**	–
Business trip	**9.640**	12.152
Communication	**9.231**	10.395
Advertising expenses	**9.219**	21.594
Materials	**6.739**	10.463
Repair and maintenance	**4.448**	2.632
Bank charges	**3.328**	8.185
BOD maintenance	**2.300**	–
Other	**22.781**	74.600
	1.293.013	782.491

22. FINANCE INCOME / (FINANCE COST)

In thousands of Tenge	**2011**	2010
Finance income		
Interest income on bank deposits and current bank accounts	**1.826.450**	2.273.082
Income on government bonds	**98.852**	470.871
Interest income on interest bearing financing of construction companies	**1.043.298**	276.827
Interest income on loan given	**13.218**	110
	2.981.818	3.020.890
Finance cost		
Interest expense on the Parent loan	**(1.250.704)**	(1.820.277)
Discount on interest bearing financing of construction companies (Note 9)	**(186.977)**	(193.677)
Discount on loan given (Note 9)	**–**	(24.472)
	(1.437.681)	(2.038.426)

23. INCOME TAX

The major components of income tax expense for the years ended December 31, 2011 and 2010 were as follows:

In thousands of Tenge	**2011**	2010
Current income tax charge	**997.998**	391.941
Deferred income tax expense resulting from origination and reversal of temporary differences	**103.606**	37.745
Deferred income tax expense resulting from change in tax rate	**–**	779
	1.101.604	430.465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. INCOME TAX (continued)

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 2011 and 2010:

In thousands of Tenge	2011	2010
Profit before income tax	4.374.861	813.621
Statutory tax rate	20%	20%
Income tax at the statutory tax rate	874.972	162.724
Discount on financial instruments	203.764	420.217
Change in income tax rate	–	779
Other non-deductible expenses / (non-taxable income)	22.868	(153.255)
	1.101.604	430.465

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

In thousands of Tenge	Consolidated statement of financial position 2011	2010	Consolidated income statement 2011	2010
Deferred tax assets:				
Tax losses carry–forward	–	–	–	3.652
Prepaid taxes	190	–	(190)	7.720
Financing of construction companies	9.106	–	(9.106)	–
Other	44.736	–	(44.736)	4.620
	54.032	–	(54.032)	15.992
Deferred tax liabilities:				
Intangible assets	(677)	(487)	190	243
Financial assets held for sale	(43.216)	–	43.216	–
Property and equipment	(159.323)	(23.092)	136.231	22.289
	(203.216)	(23.579)	179.637	22.532
Net deferred tax liability	(149.184)	(23.579)	–	–
Deferred income tax expense	–	–	125.605	38.524

Reconciliation of net deferred tax liabilities:

In thousands of Tenge	2011	2010
At January 1	(23.579)	14.945
Income tax expense recognized in profit or loss	(103.606)	(38.524)
Income tax expense recognized in other comprehensive income	(21.999)	–
At December 31	(149.184)	(23.579)

As of December 31, 2011 and 2010 the Group did not have any unrecognized deferred tax assets.

In November 2010, the Government of the Republic of Kazakhstan approved amendments to the Tax Code effective January 1, 2011, in accordance to which the statutory income tax rates are set at 20% from 2011 and onwards. The Group's calculation of deferred tax and income tax expense reflects these changes in the tax law.

24. NON-CASH TRANSACTIONS

During 2011 the Group received from Parent company the administrative building and land with estimated fair value of 4,876,956 thousand Tenge. This transaction was excluded from the consolidated statement of cash flow.

25. RELATED PARTY TRANSACTIONS

The category 'parent-controlled entities' comprises entities controlled by the Parent company, except for banks controlled by the Parent company. Halyk Bank of Kazakhstan is a related party due to the bank being controlled by member of the management board of Parent company. BTA Bank JSC, Temirbank JSC and Alliance Bank JSC are related parties since they are controlled by Parent company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. RELATED PARTY TRANSACTIONS (continued)

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, 2011 and 2010, 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, 2011 and 2010 were as follows:

In thousands of Tenge	**2011**	2010
Parent-controlled entities		
Interest income on bank deposits	**1.072.438**	891.664
Sale of premises to related parties	**1.126.356**	551.400
Rental income	**38.088**	–
Purchases from related parties	**12.124**	9.461
Sale of premises to related parties		
"Samruk-Energo" JSC	**–**	550.510
"Kazatomprom NAC" JSC	**1.067.209**	–
"KazMunayGas EP" JSC	**24.592**	–
"Semser security" LLP	**34.555**	–

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	**2011**	2010
Parent-controlled entities		
Cash in current bank accounts	**14.248.174**	26.017.848
Bank deposits	**138.000**	3.740.000
Trade receivables	**37.029**	84
Trade payables	**(1.583)**	(485)
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 comprised of 14,248,174 thousand Tenge held in JSC Alliance Bank and 18,714,448 thousand Tenge held in JSC Narodnyi Bank Kazakhstan as of December 31, 2011 (2010: 26,017,848 thousand Tenge in JSC Alliance Bank and 29,527 thousand Tenge in JSC Narodnyi Bank Kazakhstan).

Compensation of key management personnel

In 2011 key management personnel consisted of twelve persons (2010: eleven persons). Total compensation to key management personnel included in payroll costs amounted to 120,179 thousand Tenge for the reporting period (2010: 99,085 thousand Tenge). Compensation to key management personnel consists of the contractual salary.

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

26.COMMITMENTS AND CONTINGENCIES

Contractual commitments

As at December 31, 2011 the Group had contractual commitments amounting to 2,532,115 thousand Tenge (2010: 31,910,259 thousand Tenge) under agreements with construction companies.

26. COMMITMENTS AND CONTINGENCIES (continued)

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assesses and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2011. As at December 31, 2011 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.

Government subsidies and guarantees

As of December 31, 2011 the Group did not obtain any subsidies and guarantees from the Government.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise the Parent loan, trade payables, obligations under "repo" agreement 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.

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2011 and 2010 based on contractual undiscounted payments:

	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**
Other current liabilities	**–**	**591.182**	**–**	**–**	**–**	**591.182**
	54.249.344	**2.951.836**	**392.090**	**9.747.379**	**12.261.090**	**79.601.739**

	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
December 31, 2010						
Parent loan	30.724.814	1.245	5.585	11.957.736	28.164.232	70.853.612
Trade payables	–	18.178	–	–	–	18.178
Obligations under "repo" agreements	–	851.004	–	–	–	851.004
Other current liabilities	–	61.592	–	–	–	61.592
	30.724.814	932.019	5.585	11.957.736	28.164.232	71.784.386

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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, 2011 and 2010 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, 2011.

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, 2011 and 2010:

In thousands of Tenge	**2011**	2010
Parent loan	**69.570.183**	56.636.071
Obligations under "repo" agreements	**2.254.003**	851.004
Trade payables	**106.651**	18.178
Net debt	**71.930.837**	57.505.253
Equity	**31.187.900**	26.752.138
Gearing ratio	**2,3**	2,15

28. SUBSEQUENT EVENTS

On January 25, 2012 the Group sold its 100% share in "Zaulim" LLP to "KazMunayGasService" LLP for 68,631 thousand Tenge.

On January 27, 2012 the Group concluded an amendment to the sale-purchase agreement #4 dated May 8, 2009, under which the Group receives back cash it invested into construction of the administrative building, together with the interest. On February 15, 2012 the Group received cash in the amount of 27,049,064 thousand Tenge.

On February 3, 2012, the Group received from the Parent company property and equipment as payment for shares with carrying value of 113,206 thousand Tenge. On February 29, 2012, 28,301 shares with par value of 4,000 Tenge and 1 share with par value of 2,490 Tenge were transferred to the Parent company.

In February 2012 the Group decided to make an early repayment of the Parent loans in the amount of 28,206,400 thousand Tenge.

“Real Estate Fund “Samruk-Kazyna” JSC
10, Orynbor str.
Astana, 010000
Republic of Kazakhstan

Phone: +7 (7172) 57 55 11
+7 (7172) 57 55 22
Fax: +7 (7172) 57 55 33

info@fnsk.kz
www.fnsk.kz