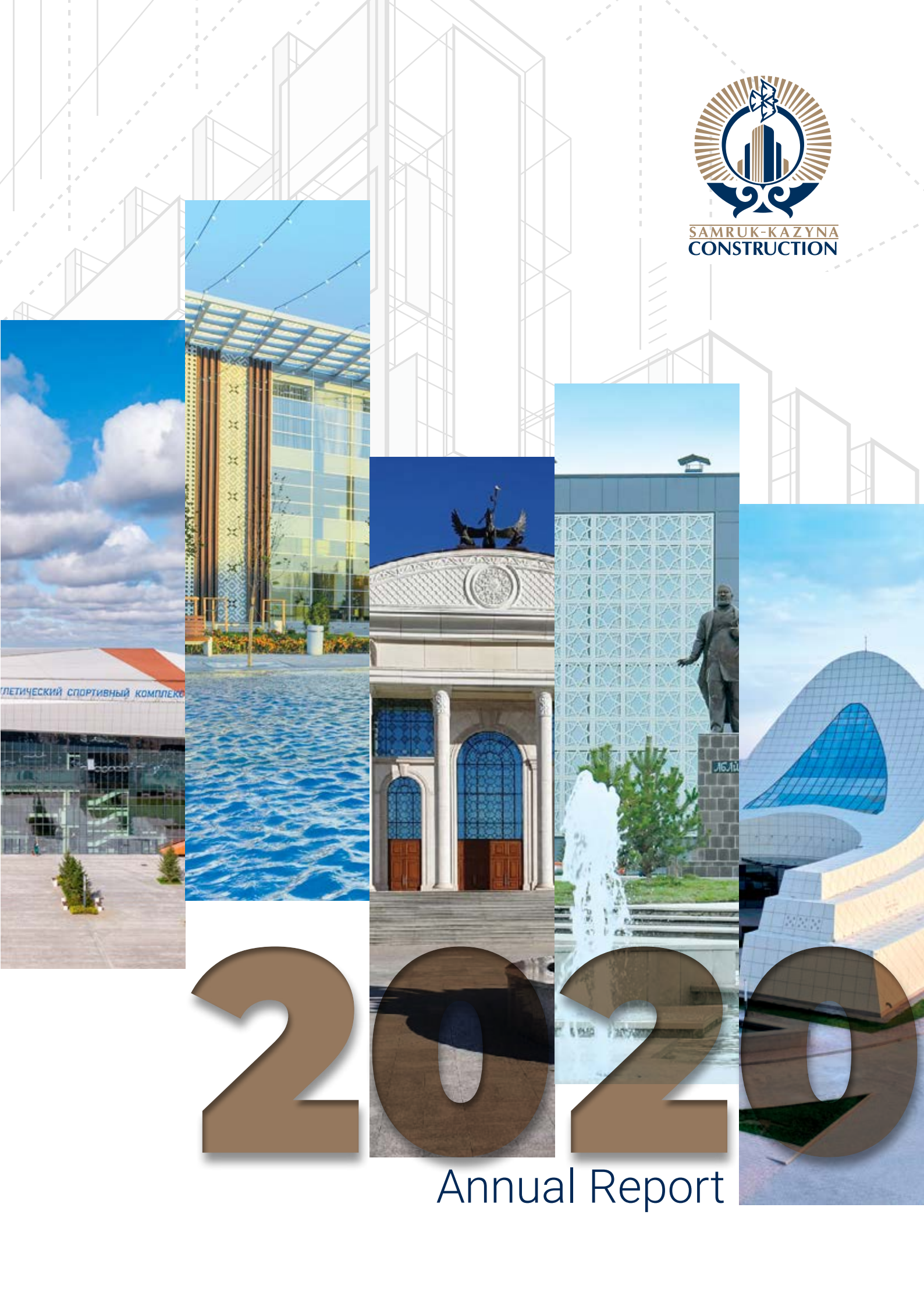




SAMRUK-KAZYNA  
CONSTRUCTION



2020

Annual Report



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## ABOUT THE COMPANY

Samruk-Kazyna Construction JSC (hereinafter referred to as the Company) was established pursuant to Resolution of the Government of the Republic of Kazakhstan No.265 On certain measures to solve problems in the real estate market dated 6 March 2009. In accordance with the amendments and alterations to the Articles of Association of the Company approved by the resolution of Sovereign Wealth Fund 'Samruk-Kazyna' JSC (hereinafter – the Sole Shareholder), the main goal of the Company's activities is to promote the development of housing construction in the Republic of Kazakhstan. The Sole Shareholder of the Company is Sovereign Wealth Fund 'Samruk-Kazyna' JSC.

## VISION

We will become an organization with sufficient resources, a wide range of reliable partners, as well as the competence and experience to effectively manage the projects, construction and real estate.

## MISSION

We improve the living conditions of the population of the Republic of Kazakhstan by providing high-quality and affordable housing, as well as increasing the efficiency of construction and project management of the Group of Companies of Samruk-Kazyna JSC.





## ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

### Dear Colleagues and Partners!

We are glad to provide you with the annual report on activities of Samruk-Kazyna Construction JSC for 2020.

In 2020, the Company continued to implement the new Development Strategy, having proved itself as a reliable organization that implements the important tasks of the Sole Shareholder. The reliability and stability of the Company is confirmed by the ratings of the international rating agencies – Fitch Ratings Ltd. ('BB' rating with a Stable outlook) and Analytical Credit Rating Agency ('BB +' credit rating with a Stable outlook).

Summing up the results of 2020, we can note a positive trend in the main performance of the Company. So, in 2020, the construction of 16 houses of VOSTOCHKA.KZ residential complex in Almaty City and 3 residential buildings in Ust-Kamenogorsk City was completed. In addition, in 2020, the company reduced its liabilities by 16% compared to the previous year due to the full repayment of the loan

under the Anti-Crisis Program, partial repayment of loans under the lease area of Nurly Zher program and within the framework of the project Zeleny kvartal to Samruk-Kazyna JSC, as well as on bonds issued by the Company to early repay the debt in the direction of commercial housing of Nurly Zher program. At the same time, as part of the execution of the instructions of the Head of State, the company decided to grant a deferral for repayment of rental payments until the end of the reporting year in connection with the introduction of a state of emergency in the Republic of Kazakhstan.

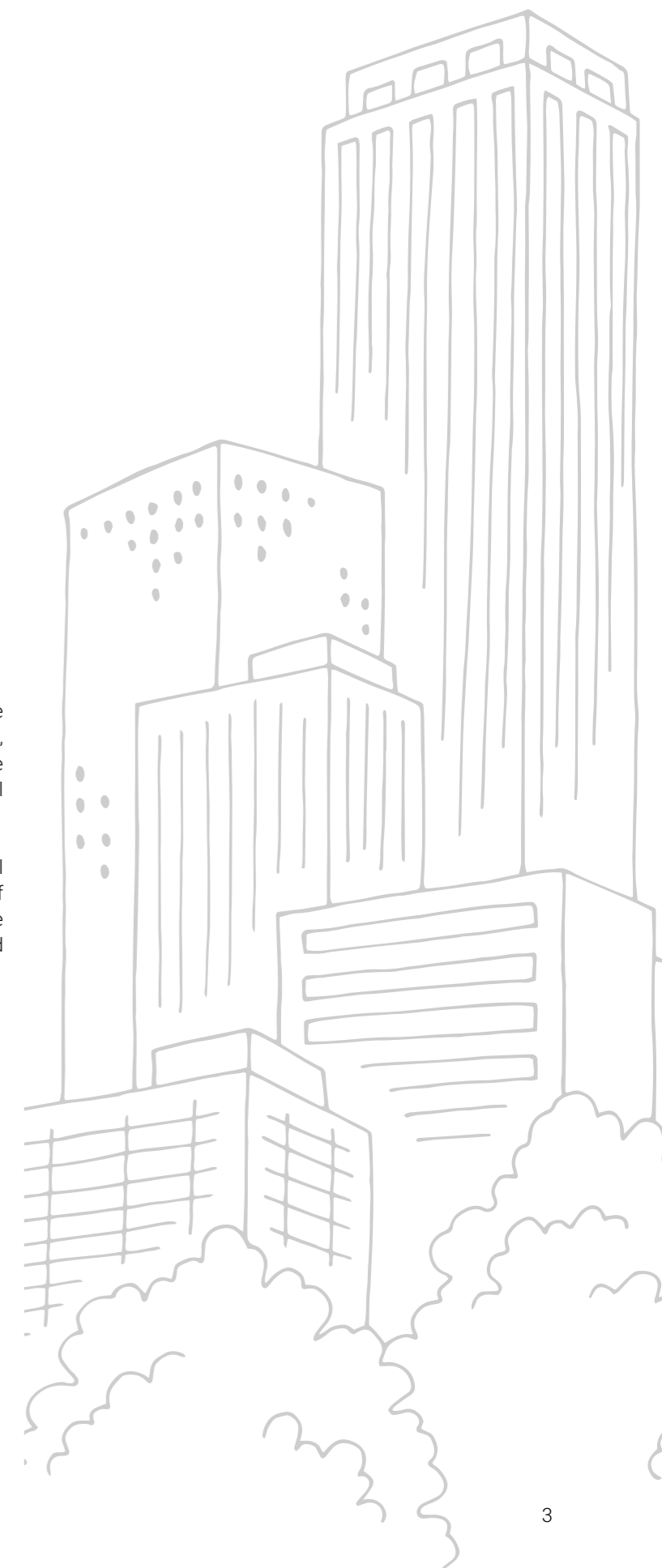
In 2020, much attention was paid to projects being implemented on behalf of the Sole Shareholder, in which the Company was involved as a provider of engineering services for technical supervision and project management. So, in 2020, the Stadium for 7000 seats, the Palace of Schoolchildren, the Congress Hall, H.A. Yassau Museum, the Digital Office in Turkestan City, as well as the Kazakh Drama Theatre and the Athletics Sports Complex in Nur-Sultan City were commissioned.

In 2020, the Company continued to implement the new Development Strategy, having proved itself as a reliable organization that implements the important tasks of the Sole Shareholder.

In order to further increase the availability of comfortable housing and the development of housing infrastructure, from the 2nd half of 2020, the Company made corporate decisions to finance the construction of residential complexes in the cities of Aktobe and Nur-Sultan.

The company continues to successfully fulfil all the tasks assigned to it in key areas of activity as part of the implementation of the strategy until 2028. I am sure that the company will take into account current trends and prospects of economic development.

**Ye. Zhanadil**





## ADDRESS OF THE CHAIRMAN OF THE MANAGEMENT BOARD

### Dear partners, colleagues, and readers!

I would like to draw your attention to the annual report of Samruk-Kazyna Construction JSC for 2020.

The company ended 2020 with stable production and financial performances: facilities were put into operation in Turkestan City and Turkestan Oblast, among them: Palace of Schoolchildren, Congress Hall, Museum of H.A. Yassai, Administrative building in Turkestan City (Digital office), Stadium for 7000 seats, the facilities in Nur-Sultan City – Kazakh Drama Theatre and Athletics Sports Complex were commissioned, a residential complex was put into operation in Ust-Kamenogorsk City along I. Essenberlin Avenue, as well as the residential complex in Almaty City – Vostochnka; the obligations to repay debt on loans and to redeem the bonds have been fulfilled in the amount of 39.1 billion tenge, which is 12% higher than in 2019. Net income increased to 6.8 billion tenge, which is slightly higher than the indicator for the period in the previous year. In accordance with the approved Strategy of Development until 2028, work continues in 4 main areas of activity:

- Completion of participation in the state programs;
- Property management;
- Construction management; and

Trust management of the company's interests at the design and construction stage.

In 2020, the rating agency Fitch Ratings has revised the long-term issuer default ratings (IDRs) of Kazakhstan's Samruk-Kazyna Construction JSC in foreign and local currency from BB + to BB. The ratings outlook is Stable. These rating actions are due to the revision of the assessment of the factor of support of the Company from the state in connection with the expected change in the structure of the company's funding.

On 17 November 2020, the Analytical Credit Rating Agency assigned a BB + international scale credit rating to the Company with a Stable outlook. In a press release, ACRA noted a high level of systemic importance and a very strong degree of government influence. The operating indicators of the Company are on average predictable and stable, primarily due to income from rent of residential and commercial real estate. Financing and construction of facilities under the main state programs have been completed at the moment. The successful experience and practice of the implemented projects of the company instil confidence that the strategic goals will be achieved in 2021 as well. The main activity of the Company in 2021 is focused on the implementation of the investment projects such as: sale of the premises and exit from the project of the residential complex Vostochnka in Almaty City, commissioning, sale of the premises and exit from the project of the residential complex Bavaria in Aktobe City, commencement of construction and installation works, commissioning and sale of the premises under the project

I am sure that we have all the necessary tools for effective development and implementation of the strategic tasks assigned to us by the Government of the Republic of Kazakhstan and the Sole Shareholder.

of the residential complex within the EXPO area in Nur-Sultan City (2021–2022), partial commissioning and sale of the premises in Akkent residential microdistrict in Almaty City (2021–2023).

I am sure that we have all the necessary tools for effective development and implementation of the strategic tasks assigned to us by the Government of the Republic of Kazakhstan and the Sole Shareholder.

I would like to thank the team and partners of the Company for their contribution to the achievement of performances and wish new achievements next year!

**B. Sandykbayev**

In 2020, the construction of  
**16** houses  
of VOSTOCHKA.KZ residential  
complex was completed







## REGARDING REPORT

In 2020, significant changes took place in the external environment (coronavirus pandemic, drop in oil prices, currency fluctuations) with the result that the Sole Shareholder of the Company instructed to optimize the Company's expenses and to revise the approved business plan for the years 2020–2024. The Company's revised business plan was developed and approved in April 2020. However, given the extension of quarantine measures and the growing uncertainty particularly associated with the coronavirus epidemic, there have been some changes in the implementation of the adjusted plan. In particular, there is an insignificant deviation in the sale of real estate within the framework of the lease area of Nurlı Zher Program, while all financial KPIs of the Company, with the exception of the Debt / Equity ratio, have been achieved. It should be noted that the unplanned loan has been obtained in order to implement a new construction project, which has used the Company's resources for construction management, and will further increase the pool of managed real estate. The Company's annual report for 2020 is the twelfth in succession and continues the practice of annual publication of corporate reports.

All reports are available on the official website of the Company [www.skcn.kz](http://www.skcn.kz). This report is an integration of the financial and non-financial statements of the Company for 2020 and reflects the interrelation between the corporate management systems of the Company and sustainable development. At the stage of developing the concept of the Report, the results of dialogues with stakeholders, recommendations of the Board of Directors received in relation to the previous report in the field of sustainable development have been monitored. The purpose of this report is to inform the readers about all significant events that affect the Company's activities. The Company aims to help stakeholders to understand how we have formed our strategy, how we manage our assets, achieve the required financial performance, ensure sustainable operations in the long term, and work to create the value that we strive to generate for the shareholder and all parties concerned with our activities. The target audience of the Annual Report is traditionally a wide range of stakeholders of the Company, including employees, the Sole Shareholder and the Board of Directors, residents of the regions of presence, government agencies, financial institutions, clients and partners of the Company. The Company has various channels for receiving feedback. Comments and

suggestions on the Annual Report are accepted by phone and e-mail specified in the 'Contact Information' section. All received messages will be considered and taken into account in the process of working on the next Report. Our employees will consult on the questions of interest. In some instances, to avoid duplication of information, the Annual Report refers to the other publicly available documents. In preparing and presenting the data, the Company is guided by the application of GRI Standards, as well as international financial reporting standards as related to financial and production performance. Appendix 1 to the Annual Report provides information on the Company's transactions, Appendix 2 presents the GRI Standards content index, Appendix 3 – consolidated financial statements for the year ended 31.12.2020 including an independent auditor's report. The Report is published identically in Kazakh, Russian and English. The document can be found on the Company's Internet resource.

The Company's sustainable development report for 2020, which is included in the Annual Report, has been prepared in accordance with the GRI standards: basic version. The report is discussed at a meeting of the Management Board of the Company followed by a meeting of the Board of Directors and approved as part of the Annual Report. To update significant topics among the Company's employees and representatives of external stakeholders, a survey has been conducted. Based on the work carried out, a matrix of essential topics has been compiled. Topics with the highest scores have been considered significant. Significant topics are fully disclosed in the Report; a reference to their disclosure is given in the GRI content index.

In comparison with the aspects disclosed in the Report 2019, following the stakeholder survey, the topics of Economic performances, Relations between employees and management, and Health and safety in the workplace have been identified as significant, and the topics of Indirect economic impacts, Consumer health and safety have ceased to be significant for disclosure in the Report for 2020. The limits for collecting information on significant topics are defined to the extent that the Report describes all the most significant impacts of the Company. Compared to the previous reporting period, the limits of information collection did not change significantly. This report has not been acknowledged formally.

The Company's sustainable development report for 2020, which is included in the Annual Report, has been prepared in accordance with the GRI standards: basic version.



## STRUCTURE OF THE AUTHORIZED CAPITAL STOCK

As of 31.12.2020, the authorized capital stock of the Company amounts to 19,990,162 thousand tenge.

- 100% of the Company's shares are owned by Sovereign Wealth Fund 'Samruk-Kazyna' JSC (Sole Shareholder). The number of authorized and allocated shares is 16,247,541, including:
- 15,000,000 shares at par value of 1,000 tenge per a share;

- 1,247,540 shares at par value of 4,000 tenge per a share;
- 1 share at the par value of 2,490 tenge per a share.
- All shares are ordinary.

The register of holders of the Company's securities is maintained by Central Securities Depository JSC.

## DEVELOPMENT STRATEGY AND IMPLEMENTATION THEREOF



### VISION

We will become an organization with sufficient resources, a wide range of reliable partners, as well as the competence and experience to effectively manage the projects, construction and real estate.



### MISSION

We improve the living conditions of the population of the Republic of Kazakhstan by providing high-quality and affordable housing, as well as increasing the efficiency of construction and project management of the Group of Companies of Samruk-Kazyna JSC.

According to the Company's Development Strategy for the years 2018–2028 approved in 2018, the Company switched from the functions of the Operator of state programs to providing services in the field of construction and real estate management for the group of companies of Samruk-Kazyna JSC. As per the Development Strategy, the main strategic directions of the Company are:

#### Completion of participation in the state programs:

- Completion of construction of the projects implemented under the state programs;
- Implementation of the projects through direct sale, finance or operating lease; and
- Timely fulfilment of financial obligations to the Sole Shareholder, in terms of repayment of the principal debt and fee according to the schedule.

#### Property management:

- Marketing;
- Leasing out or selling the real estate objects;
- Financial management; and
- Management of cash flows and risks.

#### Construction management:

- Formation of a pool of projects;
- Development of a design assignment and technical specification, selection of potential companies for the design and construction of facilities; and
- Construction management as a Consultant by monitoring pricing, controlling the progress of construction, the quality of the materials used, the timing of the work performed, as well as the timely commissioning of facilities.

#### Trust management of the company's shares at the design and construction stage:

- Implementation of a uniform and efficient construction project management system; and
- Construction management by monitoring pricing, controlling the progress of construction, the quality of the materials used, the timing of the work performed, as well as the timely commissioning of facilities.

## GROUP STRUCTURE (as of 31.12.2020)

**CC Development LLP** was established on 20 March 2013 in order to implement the projects for the construction of real estate with the use of 'green' and eco-technologies with a high commercial component within the framework of the Law of the Republic of Kazakhstan 'On Energy Saving and Improving Energy Efficiency' and to prepare for the international exhibition EXPO-2017.

The main areas of activity are housing development with the use of 'green' technologies; investing in the construction of infrastructure projects in the Republic of Kazakhstan and abroad; development of industrial zones and business parks; attracting institutional and private investors; control of quality and timing of work performance by contracting organizations; carrying out activities related to the organization of the construction of utility systems, buildings and structures, landscaping territories within the development area. As part of the execution of the order of the President of the Republic of Kazakhstan N.A. Nazarbayev, CC Development LLP jointly with BI Corporation LLP implemented the project Zeleny kvartal using 'green' technologies. In 2018, the construction of the project Zeleny kvartal was completed. The project consists of **10 residential, 3 commercial blocks** and a podium with an elevated parking. The architectural concept of the project Zeleny kvartal was developed by AHR, a British company. The concept provides for the use of innovative green technologies – the buildings of the facility Zeleny kvartal are certified for compliance with LEED standards. The territory has a landscape design of the area around the building, a picturesque lake, a park with run and cycle paths, a fitness club, and a health centre.

**Engineering activities of CC Development LLP.** On 02.04.2019, Accreditation Certificate No.000025 was obtained for the right to manage the projects in the field of architecture, town planning and construction for a 2-year period; and on 11.04.2019, Accreditation Certificate No.01009 was obtained for the right to provide engineering services related to technical supervision of technically and technologically complex facilities of the first level of responsibility for a 2-year period.

**Implemented project:** 'Construction of infrastructure facilities of the special economic zone 'National Industrial Petrochemical Technopark' in Atyrau Oblast. GTPP utility service facilities. Corridor of utility systems. 1st stage, external water supply, 1st stage, Installation of water treatment and wastewater treatment. 1st stage'. Customer: Karabatan Utility Solutions LLP. Completion of the first stage: February 2021.

Samruk-Kazyna Construction JSC has a **49%** interest in Samruk-Kazyna Development LLP.



## REVIEW OF THE COMPANY'S PERFORMANCE FOR 2020

### For the purpose of completing the participation in state programs and property management.

Within the framework of the Anti-Crisis Program, 99% of the pool (or 576 thousand square meters) was implemented. 2 parking lots with the area of 43 square meters within the residential complex Ishim and 2 parking lots within the residential complex Akzhaiyk with the area of 28.3 square meters were sold through direct sale; 6,107 square meters in Nur-Sultan City were sold on rent-to-own basis, including: RC Ishim – 22 parking lots with the area of 434.1 square meters, 309 parking lots within RC Akzhaiyk with the area of 5,355.2 square meters and RC Bogenbay Batyr – 2 commercial premises with the area of 318 square meters; the operating lease agreements have expired for 53 parking lots within RC Akzhaiyk. The source of financing for the anti-crisis program is the loans provided by the Fund at the expense of the National Fund of the Republic of Kazakhstan. Under this program, 98.4 billion tenge of credit funds were received, which were fully repaid, including 7.3 billion tenge.

**Under Nurly Zher Program in the rental housing area,** the Company entered into 22 housing construction contracts with the Company's obligations of 96.2 billion tenge; within the framework of the concluded contracts, 96.1 billion tenge were invested in the housing construction. Under the contracts concluded, the Company acquires 642.5 thousand square meters of real estate; out of 22 facilities, 20 facilities and a residential group of 1 facility were commissioned, 1 facility was sold at the construction stage and commissioning thereof is not monitored; the total pool of real estate commissioned as part of rental housing makes 596.6 thousand square meters. Within the framework of this program, 562.2 thousand square meters were sold to the population, including 555.1 thousand square meters of living spaces, 4.0 thousand square meters of commercial properties, and 3.1 thousand square meters of parking lots. The source of funding for the direction of rent-to-own housing is the funds of the credit facility provided by the Fund. Under this program, 95.8 billion tenge of credit funds were received of which 39.2 billion tenge were repaid as per the schedule

and ahead of schedule. The balance of the loan amounted to 56.7 billion tenge.

### Within the framework of Nurly Zher Housing Construction Program in the commercial housing area,

the Company entered into the financing agreements for 11 facilities totalling 95.8 billion tenge, including the Company's share of 75.9 billion tenge. In fact, 73.9 billion tenge was funded by the Company in the commercial area. The pool of real estate in this area amounted to 323.52 thousand square meters. 285.8 thousand square meters at 10 facilities and residential groups of one facility were commissioned. The source of financing for this program was the credit facility provided by the Sole Shareholder at the expense of the National Fund of the Republic of Kazakhstan within the framework of which the Company received 73.6 billion tenge.

**In order to complete the project** of RC Vostochka.kz and to get back the funds previously invested in 2020, an agreement was concluded with Berkut Development LLP to invest in construction under the project Vostochka.kz in Almaty City. According to the commissioning certificates dated 04 June 2020, 31 July 2020, 14 September, 15 October and 30 November 2020, 16 buildings with the area of 52,510 square meters were commissioned in RC Vostochka in Almaty City.

**The implementation of the project** Zeleny kvartal is carried out in pursuance of paragraph 1 of clause 4 of the Minutes of the meeting with the participation of the President of the Republic of Kazakhstan. This project was initiated within the framework of the international specialized exhibition EXPO-2017 due to the reuse of funds allocated as part of anti-crisis measures. The project was implemented by a subsidiary of the Company – CC Development LLP, the total investment cost is 44 billion tenge with 15 billion tenge of the authorized capital stock of the Company, which were used to capitalize CC Development LLP, and 29 billion tenge attracted in the form of the credit facility through the reuse of anti-crisis funds. The project is being implemented through the mechanism of placing a target deposit in ATF

Bank JSC using which the project company carrying out the construction of the facility and the buyers of real estate in this project are credited. In 2018, the construction of all facilities in the project was completed.

**For the purpose of the real estate management,** the Company performed the functions of managing the following assets:

1. Zeleny kvartal business centre: the Company provided trust management services for a fee in the form of free use of premises in the business centre. The income from lease of premises, expenses for maintenance of the building and other expenses corresponding to the terms of the trust management agreement were accounted on a separate balance sheet;
2. Kazyna Tower business centre was transferred to third party operating lease;
3. The other facilities owned by the Company were also leased out for operating leases; and
4. For the facilities transferred to trust management by the Sole Shareholder in 2015 for further sale of real estate by the Company on a rent-to-own basis, the payments were collected and monitored.

It should be noted that in the reporting period, due to the coronavirus pandemic and the state of emergency, the Company made decisions to provide a deferment for payments under rent-to-own agreements and to suspend operating lease agreements until the end of the reporting year.

**For the purposes of construction management,** the Company acts as a construction project management consultant and/or construction customer, technical supervisor, with using the accumulated experience and resources to implement the construction projects within the established budget, time frame and with proper quality. The projects for which construction management is carried out are transferred by direct order of the Chairman of the Management Board of Samruk-Kazyna JSC and the Government.

In accordance with the Government decree 'On certain issues of Sovereign Wealth Fund Samruk-Kazyna Joint-Stock Company', Samruk-Kazyna JSC was instructed to finance the construction of a number of facilities in Turkestan City, which is due to the transformation of Turkestan City into a regional centre. Based on the instruction, the following facilities were financed by Samruk-Kazyna JSC:

1. Stadium for 7000 seats,
2. Palace of schoolchildren,
3. Museum of Hodge Ahmet Yassauy,
4. Digital office, and
5. Congress Centre.

These projects were financed through the Corporate Fund 'Construction Campaign' of Samruk-Kazyna JSC and other companies of the group of Samruk-Kazyna JSC,

which acted as customers, while the Company provided construction management and technical supervision services. All facilities out of those listed above have been put into operation. For all facilities, the agreements on donation of a facility as communal property of Turkestan Oblast have been entered into, and the ownership right has been registered for the Akimat of Turkestan City.

The similar construction management agreements were entered into by the Company for the facilities of the Athletics Sports Complex and the Kazakh Drama Theatre in Nur-Sultan City the construction of which was also stipulated by the resolutions of the Government of the Republic of Kazakhstan. The General Contractors have completed construction and installation works on these facilities. The Kazakh Drama Theatre in Nur-Sultan City and the Athletics Sports Complex were put into operation. The sports complex has been certified by the International Association of Athletics Federations (IAAFB).

In the context of this strategic goal, in 2019, CC Development LLP started its activities with the Articles of Association supplemented with appropriate alterations regarding the business expansion: permits were obtained from the antimonopoly authorities to carry out activities in the field of engineering surveys and to provide technical consultations in this area until 2025. CC Development LLP currently provides technical supervision services for the following projects of the group of Samruk-Kazyna JSC:

- GTPP utility service facilities: Corridor of utility systems, external water supply, water treatment and wastewater treatment plant.

**In order to manage the shares of companies at the design and construction stage,** the Company manages the interests/shares of design companies that are at the design and construction-and-installation stage, until the facilities/projects are put into operation.

In December 2018, in accordance with the resolution of Samruk-Kazyna JSC, a subsidiary of Samruk-Kazyna JSC – Ob'yedinennaya khimicheskaya kompaniya LLP – transferred into the Company's trust management the interests in the authorized capital stocks of its following companies – Khim-plus LLP and Karabatan Utility Solutions LLP.

**Projects of KHIM-plus LLP on the territory of SEZ Chemical Park Taraz.** The term of trust management is up to the moment of handover of the facilities to operation, but not later than 31.03.2021.

**Projects of Karabatan Utility Solutions LLP – Construction of infrastructure facilities of SEZ NINT.** The term of trust management is up to the moment of handover of the facilities to operation, but not later than 30 June 2021.

The General Contractors have completed construction and installation works on these facilities. The Kazakh Drama Theatre in Nur-Sultan City and the Athletics Sports Complex were put into operation.



The following table shows the production KPI values for 2020, including strategic ones, as defined by Samruk-Kazyna JSC in the Business Plan for the years 2020–2024:

#### Production KPIs

No.	Indicator	Unit	2020	2019	Change (+/-)	Change, %
1	Annual property commissioning	thous sq m	67,1	58,7	+8,5	14,5%
1.1	Nurly Zher rental housing	thous sq m	14,6	58,7	-44,0	-75,1%
1.2	RC Vostochka.kz in Almaty City	thous sq m	52,5	-	+52,5	-
2	Sold properties out of rental housing under Nurly Zher Program	thous sq m	83,1	141,3	-58,2	-41,2%
2.1	Sale	thous sq m	43,9	14,9	+29,0	194%
2.2	Rent-to-own	thous sq m	39,2	124,5	-85,4	-68,5%
3	Sold properties out of commercial housing under Nurly Zher Program	thous sq m	1,4	48,1	-46,7	-97%
4	Sold properties under other projects, including RC Vostochka	thous sq m	36,4	-	+36,4	-
5	Utilization of investments for Nurly Zher rental housing	million tenge	1 117,2	3 311,5	-2 194,3	-66,3%
6	Utilization of investments for Nurly Zher commercial housing	million tenge	109,4	466,2	-356,8	-76,5%
7	Utilization of investments under other projects, including RC Vostochka in Almaty City	million tenge	11 593,6	-	+11 593,6	-
8	Nurly Zher rental housing pool	thous sq m	642,5	642,5	-	-

The consolidated **net income** of the Company at 2020 year-end remained at the level of the previous year and amounted to 6,798,510 thousand tenge.



million tenge

No.	Item	2020	2019	Change (+/-)	Change (%)
<b>1</b>	<b>Total incomes</b>	<b>23,110</b>	<b>27,078</b>	<b>-3,967</b>	<b>-15%</b>
<b>1.1</b>	<b>Operating incomes</b>	<b>20,670</b>	<b>22,641</b>	<b>-1,971</b>	<b>-9%</b>
1.1.1	Proceeds from sale (sale)	10,046	12,515	-2,470	-20%
1.1.2	Interest incomes	8,913	8,594	+319	4%
1.1.3	Other operating incomes	637	794	-157	-20%
1.1.4	Recovery/accrual of provision for impairment of non-financial assets	1,074	738	+336	46%
<b>1.2</b>	<b>Finance incomes</b>	<b>2,028</b>	<b>1,367</b>	<b>+661</b>	<b>48%</b>
<b>1.3</b>	<b>Other non-operating incomes</b>	<b>412</b>	<b>3,069</b>	<b>-2,658</b>	<b>-87%</b>
<b>2</b>	<b>Total expenses</b>	<b>14,207</b>	<b>19,139</b>	<b>-4,932</b>	<b>-26%</b>
2.1	Cost	8,018	12,482	-4,464	-36%
2.2	General and administrative expenses	1,778	2,169	-391	-18%
2.3	Recovery/accrual of provision for expected credit losses on financial assets	2,115	1,779	+336	19%
2.4	Finance costs	2,115	2,646	-531	-20%
2.5	Other non-operating expenses	52	62	-10	-16%
2.6	Foreign exchange loss	1	-	+1	-
2.7	Loss from retirement of subsidiaries	127	-	+127	-
<b>3</b>	<b>Income tax expenses</b>	<b>2,105</b>	<b>1,149</b>	<b>+956</b>	<b>83%</b>
<b>4</b>	<b>Net income</b>	<b>6,799</b>	<b>6,791</b>	<b>+8</b>	<b>0%</b>

The Company's consolidated **total incomes** amounted to 23.1 billion tenge for the reporting period, which is 15% lower than the figure in 2019. The main factors of change are:

- proceeds from sales in the reporting period are lower than in 2019 by 2.5 billion tenge due to the sale of the land plot in 2019 and construction unfinished by Berkut Development LLP;
- other non-operating incomes in the reporting period are lower by 2.7 billion tenge since in 2019 incomes have been accrued in the form of penalties and fines imposed on developers for the commercial housing for breach of contractual obligations, including penalty imposed on Baur Development LLP in connection with the termination of the contract, and incomes from reimbursement of expenses on bonds in connection with a longer term of bonds floatation.

At the same time, the finance incomes in the reporting period are higher by 0.7 billion tenge than in 2019 due to changes in the amount of cash placed on deposits, as well as placement of funds at the rates higher than those during the same period in 2019.

The Company's consolidated **total expenses** for the reporting period amounted to 14.2 billion tenge, which is 26% lower than expenses in the same period in 2019.

The change in total expenses is due to the fact that:

- the cost of premises sold for the reporting period is 4.5 billion tenge lower compared to the similar period in 2019 due to distinct sales volume under Nurly Zher Program using the direct sale method and due to the recalculation of utility expenses by the utility services the expenses for the maintenance of real estate before sale of the real estate in the reporting period are lower;
- general administrative expenses in the reporting period are 0.4 billion tenge lower, which is connected with a change in the number of employees. Also, the change in the GAE compared to the similar period in 2019 was affected by the expenses to pay the state duty incurred by the Company in the similar period in 2019 and the remuneration of the management; and
- finance costs in the reporting period are 0.5 billion tenge lower than in the similar period in 2019 due to the change in the amount of liabilities.



## INFORMATION ABOUT MAJOR TRANSACTIONS

The information on third-party transactions concluded in 2020 is presented in Appendix No.1.

## RISK MANAGEMENT AND INTERNAL CONTROL

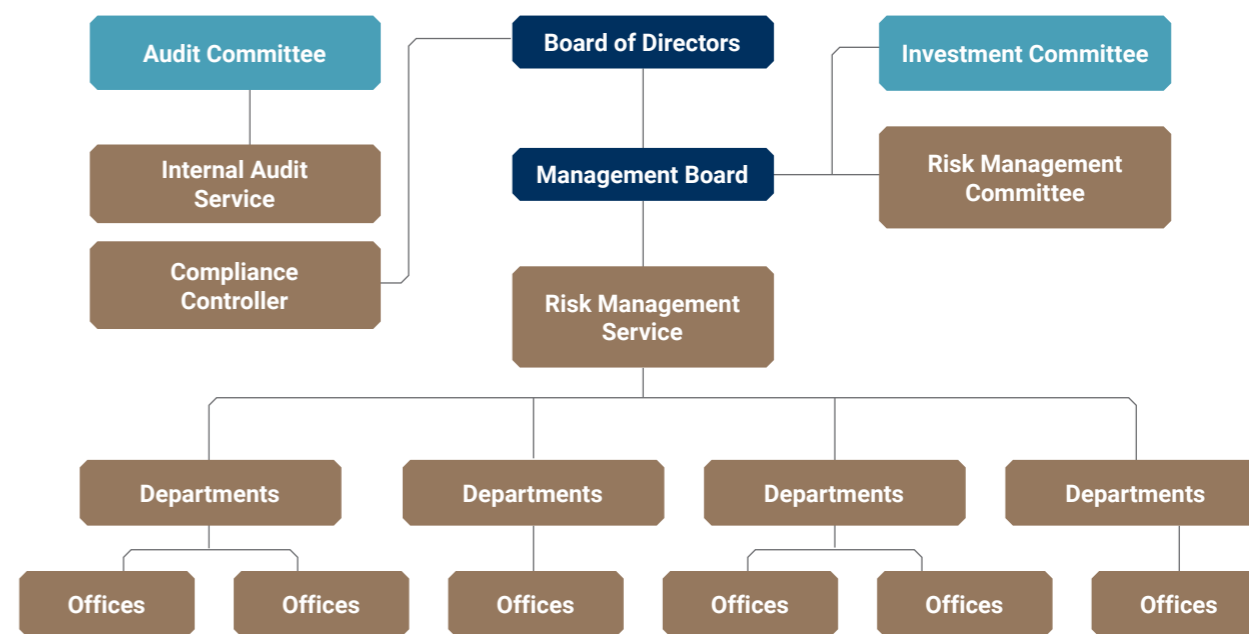
Risk management in the Company is an ongoing and continuous process and is designed to ensure timely identification of potentially risky events and to take measures to minimize risks that could negatively affect the Company's activities and the achievement of its goals. In cases where the occurrence of such events is inevitable, the Company takes all the necessary measures to minimize negative consequences. The Company operates a corporate risk management system (CRMS) based on the generally accepted conceptual risk management models and recommendations developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO ERM 'Organizational Risk Management: Integration with Strategy and Performance').

The basic principles of CRMS in the Company are defined in the Risk Management and Internal Control Policy approved by the resolution of the Board of Directors, which is publicly available on the official website of the Company.

The structure of the risk management system in the Company is represented by risk management at several levels with involving the following bodies and divisions of the Company: Board of Directors, Management Board, Risk Management Committee, Internal Audit Service, Compliance Controller, business unit responsible for risk management. The Company has an internal control system, which is a tool that allows the management making decisions aimed at prompt identification and prevention of risks, and provide reasonable confidence in the achievement of the Company's strategic goals.

On an ongoing basis, the Company organizes the meetings of the Risk Management Committee, listens to the reports and discusses the measures to manage significant risks, presents reports on the measures taken to improve the CRMS. The information on realized risks is communicated in due time to the Management Board and the Board of Directors of the Company.

Structure of risk management system



## MEASURES TO IMPROVE THE CRMS

The Company's CRMS is a set of interrelated elements combined into a single process in which the Board of Directors, management and employees participate in identifying potential events that may affect the Company's activities, as well as in managing these events within an acceptable level of risk. The Company annually develops and implements a set of measures to improve the CRMS efficiency. In 2020, the activities were carried out in the context of improving the CRMS, including:

- the Policy for determining and monitoring the Company's risk appetite, the Instruction for analysing the effectiveness of risk management measures were approved;
- the other documents were updated within the risk management and internal control system;

- a strategic session was held for the management of the Company concerning the risk management;
- to enhance the risk culture, introductory trainings on risks are conducted for the newly hired employees; and
- to assess the knowledge of employees of the principles of the risk management system, the tests and questionnaires are carried out on an ongoing basis.

The work to improve the risk management system and the internal control system will continue in 2021.

## MATERIAL RISKS

The Company carries out a comprehensive identification and assessment of risks on an annual basis, following which a Register and a map of risks are prepared. The basis risks of the Company are related to the specific character of construction activities.

The Company's register and map of risks for 2020 are approved by the resolution of the Board of Directors of the Company. In 2020, the Company has included 25 risks in the register and map of significant risks of which the following are critical risks:

- late commissioning of the real estate properties;
- the risk of default in obligations under the mediation agreements between KAONTECH International LLP and Shar-Kurylys LLP; and
- the risk of becoming infected with Covid-19.

During 2020, these risks were realized, and the Company updated the list of risks due to the identification of such significant risks as the risk of becoming infected with Covid-19 and the risk of asset impairment. The Company took measures to minimize the risks realization and the consequences of their realization, including:

- continuous monitoring of sale of the properties, visits to the facilities, concluding with the developers the additional agreements to contracts with updated terms for the commissioning of the real estate properties and taking into possession;

- control and monitoring of elimination of identified defects for the subsequent transfer of real estate properties to the buyers;
- analysis of current prices of sale of the residential and non-residential real estate properties. Changes in the method of sale and selling price due to changes in conditions of the real estate market;
- work is performed to repay the problem receivables, the meetings and negotiations have been organized, proposals from counterparties have been considered regarding fulfilment of obligations under the mediation agreements, the writs of execution have been sent to private and state officers of justice in order to collect debts according to the established procedure; and
- some of the Company's employees are permanently transferred to remote work, testing for the determination of RNA of the COVID-19 virus is carried out when employees come to the office, and the office is treated with preservative.

The activities under the plan to minimize the other risks are carried out on an ongoing basis. The register and map of risks of the Company for 2021 are approved by resolution of the Board of Directors of the Company No.154 dated 09.11.2020.



## CORPORATE GOVERNANCE STRUCTURE

In accordance with the Articles of Association, the Company's bodies are:

▶ THE SUPREME BODY – the Sole Shareholder

▶ THE GOVERNING BODY – the Board of Directors

▶ THE EXECUTIVE BODY – the Management Board

The Company takes measures to implement an effective corporate governance system that establishes relationships between the Board of Directors, Management Board, Sole Shareholder and other stakeholders. Thanks to this system, the Company conducts continuous work aimed at maximizing the value, while protecting at the same time the interests of the Sole Shareholder and other parties affected by its activities.

## REPORT ON ADHERENCE TO THE PRINCIPLES OF THE CODE OF CORPORATE GOVERNANCE OF SAMRUK-KAZYNA JSC FOR 2020

The Company traditionally assigns a key role to the creation of an effective corporate governance system based on the best world practices. The Company considers the adherence to the basic principles of the Code of Corporate Governance to be a prerequisite for the long-term successful development of the Company and improve of its investment attractiveness.

The principles formulated in the Code of Corporate Governance are an essential source for the Company for the development of its own internal documents and a guideline to form the best corporate governance practices.

The Company strives to ensure that the corporate governance structure is consistent with the legislation of the Republic of Kazakhstan and the Code of Corporate Governance of Samruk-Kazyna JSC and clearly defines the division of responsibilities between the governing bodies.

Adherence to the principles of corporate governance contributes to the creation of an effective approach for objectively analysing the Company's activities.

Corporate governance is built on the foundations of fairness, honesty, responsibility, openness, accountability, transparency, professionalism, and competence. An effective corporate governance structure assumes respect for the rights and interests of all stakeholders, contributes to the successful operation of the Company, including the growth of its value and increase in the market value, maintaining financial stability and earning power.

The Company constantly takes measures to improve the corporate governance system.

The Report on adherence to the principles of the Code of Corporate Governance of Samruk-Kazyna JSC can be found on the Company's website: <https://skcn.kz/ru/news/otchet-o-sledovanii-principam>.

The Company constantly takes measures to improve the corporate governance system.

# CORPORATE GOVERNANCE



## BOARD OF DIRECTORS

The Board of Directors is in charge of the general management of the Company's activities. The functions of the Board of Directors are to approve the Development Strategy of the Company, the Business Plan, to ensure the effective operation of the risk management system, to control the financial and economic activities of the Company, etc. In 2020, by resolution of the Management Board of Samruk-Kazyna JSC No.32/20 dated 07 September 2020, the membership of the Board of Directors has changed as follows:

- the powers of Yerzhan Beksultanovich Tutkushev – the Chairman of the Board of Directors of Samruk-

Kazyna Construction JSC, a representative of interests of Samruk-Kazyna JSC, were early terminated;

- Yernar Beissenuly Zhanadil was elected to be the Chairman of the Board of Directors of Samruk-Kazyna Construction JSC, a representative of interests of Samruk-Kazyna JSC;
- Aniyat Kaipbergenovich Muratbayev was elected to be a member of the Board of Directors of Samruk-Kazyna Construction JSC, a representative of the interests of Samruk-Kazyna JSC. The Board of Directors of the Company consists of 3 members of which one is an independent director and two others are representatives of interests of the Sole Shareholder.

### MEMBERS OF THE BOARD OF DIRECTORS (AS OF 31.12.2020)



#### TUTKUSHEV YERZHAN BEKSULTANOVICH

*Chairman of the Board of Directors, Representative of the Sole Shareholder until 07.09.2020.*

**Date of birth:** 10.12.1981

**Nationality:** Republic of Kazakhstan.

**Date of the first election to the Board of Directors:** 26.09.2016.

**He was elected to be the Chairman of the Board of Directors on:** 23.04.2018 (until 07.09.2020).

#### Education:

- Saint Petersburg State University of Economics and Finance, RF, Financial Analysis and Accounting, 2004;
- Illinois University, Urbana-Champaign, USA, Master of Finance, 2007.

#### Place of employment and positions held in organizations during the previous five years:

- 2020–2021 Managing Director for logistics and international cooperation – member of the Management Board of Samruk-Kazyna JSC.
- 2019–2020 Co-managing Director for asset development and privatization – member of the Management Board of Samruk-Kazyna JSC.
- 2018–2019 – Director of the Asset Development Department – member of the Management Board of Samruk-Kazyna JSC.

- 2017–2018 – Managing Director for development of new branches of Samruk-Kazyna JSC.
- 2016–2017 – Co-managing Director for development of new branches of Samruk-Kazyna JSC.
- 2014–2016 – Deputy Executive Director for business development of Samruk-Kazyna JSC.

#### Job combination and membership in the Boards of Directors:

a member in the Boards of Directors in other subsidiaries of Samruk-Kazyna JSC.  
He does not hold the shares in the Company, suppliers and competitors of the Company.



#### ZHANADIL YERNAR BEISSENULY

*Member of the Board of Directors, Representative of the Sole Shareholder. Chairman of the Board of Directors.*

**Date of birth:** 15.12.1984.

**Nationality:** Republic of Kazakhstan.

**Date of election to the Board of Directors:** 23.04.2018.

**He was elected to be the Chairman of the Board of Directors on:** 07.09.2020.

#### Education:

- He has higher economic education, Master Degree in Finance and Accounting awarded by the Manchester Business School, Manchester University, United Kingdom.
- He holds various international professional certificates, including the Institute of Management Accountants (IMA), USA, International Project Management Association (IPMA), Switzerland, Chartered Association of Certified Accountants (ACCA), United Kingdom.
- He holds the state license of the auditor of the Republic of Kazakhstan.

#### Place of employment and positions held in organizations during the previous five years:

- During different years he worked for Philip Morris Kazakhstan, EliteStroy LLP, and PricewaterhouseCoopers international auditing firm.
- After joining Samruk-Kazyna JSC, he became responsible for activities of the Internal Audit Service, as well as

he performed the duties of the secretary of the Audit Committee and the Transformation Control Committee under the Board of Directors of Samruk-Kazyna JSC, and he was a member of the Audit Committees under the Board of Directors in a number of subsidiaries of Samruk-Kazyna JSC.

- In 2016, he was appointed to the position of the Financial Controller of Samruk-Kazyna JSC subject to subsequent approval to the position of the Managing Director in charge for finances and transactions. At the present time, he is the Co-managing Director for economics and finances – a member of the Management Board of Samruk-Kazyna JSC.

#### Job combination and membership in the Boards of Directors:

he is a member in the Boards of Directors in other subsidiaries of Samruk-Kazyna JSC.  
He does not hold the shares in the Company, suppliers and competitors of the Company.







### LARIONOV DMITRY VLADIMIROVICH

Member of the Board of Directors, Independent Director.

**Date of birth:** 22.11.1973.

**Nationality:** Republic of Kazakhstan.

**Date of election to the Board of Directors:** 08.11.2017

#### Education:

- 1999: graduation from KIMEP, Master of Business Administration (MBA). Specialty: Accounting and Finance.
- 1995: graduation from the Kazakh State University of International Relations and World Languages, specialty: Foreign Language Assistant.
- Recent additional trainings, courses, workshops, probations:
- Corporate governance for the members of the Boards of Directors in the state-owned companies, World Bank, 2019;
- 2007–2018: KIMEP University, courses on the program "Doctor of Business Administration". Specialty: Accounting.
- Corporate governance: advanced training program for the executives, Harvard Business School, 2013;
- 2015: Certified Director (Dip IoD), United Kingdom Institute of Directors;
- 2013: Certified Director (Cert IoD), United Kingdom Institute of Directors;
- 2013: Certified Corporate Governance Director (CCGD), Kazakhstan Association of Independent Directors;
- Certified Practicing Accountant (CAP), ICCAA, 2003;
- 2005–2006: Member of the work team to prepare a conclusion on the RK draft Law "On amendments and alterations to certain legislative enactments of the Republic of Kazakhstan concerning accounting and financial reporting", Mazhilis of the RK Parliament;
- 2009–2011: Member of the Committee for review of IFRS official translation into Russian;
- 2009, 2008 and 2006: co-editor and superintendent of the official translation of the International Standards on Auditing into Russian, RK Board of Auditors.

#### Experience:

- From 2015 to the present time: Consultant, the Centre for Financial Reporting, Audit and Corporate Governance Reform, World Bank;
- 2015–2005: Partner, BDO Kazakhstanaudit LLP;
- 2012, 2005: Consultant, World Bank;
- 2011/2012: academic year, Teacher at the Finance Department, KIMEP University;
- 2010–2003: the Chairman of the International Relation Committee, the Vice-Chairman of the POA, member of the Board, POA Chamber of Professional Accountant of the Republic of Kazakhstan;
- 2010–2008: the Member of the Committee for developing nations, International Federation of Accountants; and
- From 2009 to the present time: the Member of the Advisory body in charge of accounting and audit of the Ministry of Finance of the Republic of Kazakhstan.

#### Membership in the Boards of Directors:

- From 2013 to the present time: Independent Director, Astana EXPO-2017 National Company JSC;
- 2008–2020: Independent Director, Air Astana JSC;
- 2017–2015: Independent Director, Kazakhstan Engineering National Company JSC; and
- 2015–2008: Independent Director, Kazakhtelecom JSC.

He does not hold the shares in the Company, suppliers and competitors of the Company.



### MURATBAYEV ANIYAT KAIPBERGENOVICH

Member of the Board of Directors, Representative of the Sole Shareholder

**Date of birth:** 21.07.1978

**Nationality:** Republic of Kazakhstan

**Date of the first election to the Board of Directors:** 07 September 2020

#### Education:

- Higher School of Business of IEO Nazarbayev University, Executive MBA program, from 2019 to the present time;
- Institute of Directors of the United Kingdom (IoD), Certified Director, 2018;
- KazSUL named after M.S. Narikbayev, Astana City, specialty: Finance, 2018;
- KazSNU named after Al-Farabi, Almaty City, specialty: Jurisprudence, 1999;

#### Place of employment and positions held in organizations during the previous five years:

- From 2020 to the present time: Head of the Sector for development of new companies of the Asset Development Department of Samruk-Kazyna JSC;
- 2018–2020: Senior Manager of the Asset Development Department of Samruk-Kazyna JSC;
- 2016–2018: Senior Manager of the Department for development of new projects of Samruk-Kazyna JSC;
- 2014–2016: Senior Expert of the Direction of oil-and-gas and industrial assets of Samruk-Kazyna JSC;
- 2011–2014: Senior Expert of the Direction of industrial assets of Samruk-Kazyna JSC;
- 2009–2011: Senior Expert of the Direction of mining assets of Samruk-Kazyna JSC;

- 2009: Senior Expert of the Direction of production assets of Samruk-Kazyna JSC;
- 2008–2009: Expert of the Direction for production assets management of 'Samruk' Kazakh holding for state assets management JSC;
- 2008: Expert of the Group for management of transport and production assets of 'Samruk' Kazakh holding for state assets management JSC;
- 2007–2008: Expert of the Group for management of production assets of 'Samruk' Kazakh holding for state assets management JSC.

#### Job combination and membership in the Boards of Directors:

- Member of the Supervisory Board of SSAP LLP (former JV SAP Kazatomprom LLP);
- Member of the Board of Directors of Kazakhstan engineering NC JSC (representative of Samruk-Kazyna JSC), 2017–2018

He does not hold the shares of suppliers and competitors of the Company.





**Director independence criteria**

In accordance with paragraph 20 of article 1 of the Law “On joint-stock companies”, the Articles of Association, and the Code of Corporate Governance, the “independent director” is defined as a member of the Board of Directors, which:

- is not an affiliate of the Company;
- has not been the same during three years preceding his/her election to the Board of Directors (except his/her tenure of office of the Independent Director of the Company);
- is not an affiliate of the affiliates of the Company; is not subordinated to the Officials of the Company or organizations affiliated to the Company;
- has not been subordinated to those affiliates during three years preceding his/her election to the Board of Directors;
- is not an auditor of the Company and has not been the same during three years preceding his/her election to the Board of Directors;
- does not take part in audit of the Company as an auditor being a member of an auditing organization and has not

taken part in such audit during three years preceding his/her election to the Board of Directors;

- is not a government official; and
- is not a representative of the Sole Shareholder at the meetings of the Company's bodies and has not been the same during three years preceding his/her election to the Board of Directors.

The members of the Board of Directors of the Company shall notify in advance the Board of Directors of the Company of combined jobs in other organizations and combined positions of the members of the Board of Directors.

The members of the Board of Directors of the Company cannot be members of the Board of Directors and replace executive positions in the organizations competing with the Company.

At the date of this report, an independent director of the Company fully met the independence criteria set forth in the Law of the Republic of Kazakhstan “On joint-stock companies”, the Articles of Association, and the Code of Corporate Governance.

## EVALUATION OF ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors shall be evaluated in accordance with the Policy of evaluation of activities of the Board of Directors and committees thereof, the Chairman, members of the Board of Directors, and the Corporate Secretary as approved by resolution of the Board of Directors of Samruk-Kazyna Construction JSC No.130 dated 27 February 2017.

By the resolution of the Board of Directors dated 09 November 2020, it was decided to evaluate the activities of the Board of Directors, the Chairman, members of the Board of Directors, and the corporate secretary at the end of 2019–2020 through questionnaires and interviews. The scope of work covered the assessment of the performance of the Board of Directors in general, the Chairman of the Board of Directors, an individual assessment of the performance

of each member of the Board of Directors and the Corporate Secretary. Based on the assessment of the performance of the Board of Directors, the Chairman, members of the Board of Directors and the corporate secretary, significant improvement is required on issues such as short-term KPIs of the executive body, a retrospective review of resolutions adopted by the Board of Directors in relation to strategy in order to assess over time whether the Board of Directors should have adopted the other resolutions.

The continuation of corporate governance practices is required in such areas as promoting sustainable development principles, timeliness and improving the quality of the provision of materials to the Board of Directors.

By the resolution of the Board of Directors dated 09 November 2020, it was decided to evaluate the activities of the Board of Directors, the Chairman, members of the Board of Directors, and the corporate secretary at the end of 2019–2020 through questionnaires and interviews.

## ADVANCED TRAINING OF THE MEMBERS OF THE BOARD OF DIRECTORS

The Policy of advanced training of the members of the Board of Directors of Samruk-Kazyna Construction JSC and involvement of external experts by the Board of Directors of the Company is in place in the Company; it determines the rights and obligations of the members of the Board of Directors as regards their advanced training and involvement of external experts. In accordance with the Plan for improving the corporate governance of the Company for 2020–2021, in September 2020, members of the Board of Directors of the Company took part in the training seminar of the strategic session “Risk management” (Business Academy of Ernst & Young Kazakhstan LLP). In October 2020, members of the Board of Directors also took part in the seminar “On innovations in anti-corruption legislation and the formation of an ideology of honesty” held by the First Deputy Head of the Anti-Corruption Service Department in Nur-Sultan City. Taking into account the identified need, the resolution of the Board of Directors Company No.155 dated 28 December 2020 approved

the Plan for advanced training of members of the Board of Directors for 2021, including a seminar on the topic “Introduction of construction activities in Kazakhstan” for all members of the Board of Directors, as well as completion of the 3rd level certification of the UK Institute of Directors for an independent director. The activities of the Board of Directors are carried out on the basis of an approved annual work plan. For 2020, the Company held 8 meetings of the Board of Directors of the Company attended in person. In total, 104 issues were considered on the key aspects of the Company's activities.

**Beginning in April 2020, the meetings of the Board of Directors attended in person were held via videoconference following the resolution of Samruk-Kazyna JSC to reduce the practice of holding offsite meetings of the Board of Directors during 2020 and 2021 in order to optimize costs due to the deterioration of the global economic and financial the situation caused by the COVID-19 pandemic.**

**Participation of the members of the Board of Directors at the meetings of the Board of Directors in 2020:**

Member of the Board of Directors	Independent	BoD
Tutkushev Ye.B.	no	5/5*
Zhanadil Ye.B.	no	8/8
Larionov D.V.	yes	8/8
Muratbayev A.K.	no	3/3**

\*The powers were early terminated under resolution of the Management Board of Samruk-Kazyna JSC No.32/20 dated 07 September 2020.  
 \*\*He was elected to the Board of Directors under resolution of the Management Board of Samruk-Kazyna JSC No.32/20 dated 07 September 2020.

**Corporate governance**

- Approval of corporate values of Samruk-Kazyna Construction JSC as part of performed diagnostics of the corporate culture in the Company;
- Approval of the Annual Report of Samruk-Kazyna Construction JSC for 2019, including report on sustainable development developed in accordance with the GRI Guideline;
- Approval of a report on the Company's adherence to the principles and provisions of the Code of Corporate Governance for 2019;
- Consideration of a report on activities of the Board of Directors and the corporate secretary of the Company for 2019, as well as regular monitoring of instructions of the Board of Directors;
- Approval of motivational key performance indicators of executive employees, compliance controller, internal audit service, corporate secretary of the Company for 2020 and assessment of their activities;

- Approval of a new version of organization chart of the central administrative office of the Company;
- Determination of quantity of the members of the Management Board and election of the Managing Director for procurement and the Managing Director for operating activities to be the members of the Management Board of the Company; and
- Reassessment and approval as part of grading of the jobs description and evaluation due to change of organization chart, as well as determination of amounts of official salaries of the executive employees and employees accountable to the Board of Directors.

**Risk management**

- Consideration of quarterly Reports on risk management;
- Fixing limits of liabilities of the Company's counterparty banks;
- Approval of a register of risks, map of risks of the Company and change thereof;



- Approval of risk appetite, tolerance levels and key risk indications for a forecast year;
- Approval of a new version of the Policy for fixing the limits on counterparty banks of Samruk-Kazyna Construction JSC;
- Approval of the Policy for determining and monitoring the risk appetite and tolerance levels;
- Approval of the Anti-corruption standard of Samruk-Kazyna Construction JSC;
- Approval of the Plan of actions to implement the Anti-corruption Law of the Republic of Kazakhstan for 2021 in the Company; and
- Consideration of the Report on compliance risks at the stage of design and construction in Samruk-Kazyna Construction JSC.

#### Internal audit

- Approval of the annual audit plan and changes therein;
- Approval of the budget of the Internal Audit Service of the Company;
- Consideration of the reports of the Internal Audit Service; and
- Holding the closed meeting of the Board of Directors and the Internal Audit Service. These meetings are planned as per the agenda of a meeting of the Board of Directors.

## COMMITTEES OF THE BOARD OF DIRECTORS

In order to support activities of the Board of Directors, the following committees are formed in the Company the responsibilities of which include consideration of the matters and elaboration of recommendations on one or another question within the limits of their areas of responsibility:

- Audit Committee;
- Committee for appointments and remunerations; and

- Committee for strategic and investment matters.

In accordance with the Regulations of the committees under the Board of Directors, each of the committees shall annually submit to the Board of Directors a report on work performed. During 2020, the meetings of the Committees were not held due to changes in numbers of the members of the Board of Directors.

## BASIC PROVISIONS FOR REMUNERATING THE BOARD OF DIRECTORS AND THE MEMBERS OF THE MANAGEMENT BOARD

The members of the Board of Directors of the Company, except for the independent directors, carry out their activities without consideration. Procedure for paying remunerations to the independent directors is determined in accordance with the Rules for forming the boards of directors of the companies of Samruk-Kazyna JSC. In 2020, the remuneration paid to the independent director amounted to 6 million tenge. The effectiveness of activities of the Company's executives (Members of the Management Board) is evaluated based on attainment of the key performance characterizing effectiveness of the financial

and business activities of the Company and a degree of achievement of the results by a member of the Management Board within the functional areas of activity.

The process of development, approval, and monitoring of the charts of key performance, as well as the procedure for calculating an amount of remuneration are determined by the Rules for evaluating activity and remuneration of the Company's executives as approved by the resolution of the Board of Directors of the Company.

## MANAGEMENT BOARD

The current activity of the Company is managed by the collegial body in the form of the Management Board headed by the Chairman of the Management Board. Activity of the Management Board is focused on maximal respect of the interests of the Sole Shareholder, as well as realization of the Company's targets and implementation of its strategy. Organization of work of the Management Board, procedure for convening and holding its meetings, procedure for adopting resolutions are determined by the Regulations of

the Company's Management Board. The basic principles of activity of the Management Board are: honesty, good faith, reasonableness, prudence, and regularity. The Management Board holds regular meetings by voting in person. 4 Committees are operating under the Management Board: Committee for planning and evaluation of activity, Investment Committee, Risk Management Committee, and the Committee for sustainable development.

## MEMBERS OF THE MANAGEMENT BOARD (AS OF 31.12.2020)



### SANDYKBAYEV BOLATKAN AITKOZHANOVICH

*Chairman of the Management Board.*

**Date of birth:** 06.05.1960

**Nationality:** Republic of Kazakhstan

**Date of election to the Management Board:** 27.11.2018

#### Education:

- Almaty Architecture and Construction Institute, Industrial and Civil Construction, 1986.

#### Experience:

- From 2019 to the present time: the Chairman of the Management Board of Samruk-Kazyna Construction JSC;
- 2018–2019: the Chairman of the Management Board of Samruk-Kazyna Real Estate Fund JSC;

- 2018: General Director of Project Construction Company Corporate Fund;
- 2016–2018: General Director of the Front Office of Construction of Astana EXPO-2017, Astana EXPO-2017 NC JSC; and
- 2009–2016: President of Astana-Kurylys NCC JSC.

He does not hold the shares in the Company, suppliers and competitors of the Company.





**KUSSAINOV ASKAR AITBOLATOVICH**

*Member of the Management Board, Managing Director for design and construction.*

**Date of birth:** 20.04.1978

**Nationality:** Republic of Kazakhstan

**Date of election to the Management Board:** 25.12.2019

**Education:**

- Karaganda Polytechnic Institute, Engineering and Construction Department, 1997
- Zhezkazgan University, Engineering and Mechanical Department, 2000
- Karaganda State University, Legal Department, 2017

**Experience:**

- From 2019 to the present time: Managing Director for design and construction in Samruk-Kazyna Construction JSC;
- 2019: Managing Director – Director of the Construction Department in Samruk-Kazyna Construction JSC;

- 2019: Managing Director – Director of the Construction Department in Samruk-Kazyna Real Estate Fund JSC;
- 2018: Director of the Construction Department in KB of Project Construction Company;
- 2016–2018: Director of the Construction Department in Astana EXPO-2017 JSC;
- 2012–2016: Senior Project Manager in Orda Glass Ltd LLP.

He does not hold the shares in the Company, suppliers and competitors of the Company.



**MUSSANOV DARKHAN KALKABAYEVICH**

*Managing Director for procurement and facility management – member of the Management Board/ Director of the Procurement and Facility Management Department*

**Date of birth:** 28.01.1984

**Nationality:** Republic of Kazakhstan

**Date of election to the Management Board:** 25.08.2020

**Education:**

- KazNPU named after Abay (Kazakh National Pedagogy University named after Abay), faculty: Law, 2006

**Experience:**

- From 2020 to the present time: Managing Director – Director of the Procurement and Facility Management Department of Samruk-Kazyna Construction JSC;
- 2019–2020: Director of the Procurement and Facility Management Department in Samruk-Kazyna Construction JSC;
- 2018–2019: Director of the Logistics Department of the Corporate Fund ‘Company for facility construction’;
- 2016–2018: Director of the Logistics Department of the Branch of Front Office of construction o Astana EXPO-2017 of Astana EXPO-2017 NC JSC;
- 2011–2016: Head of the Government Purchases Division of RSUE Front Office of permanent national

teams and sports reserve of the Committee for sport and physical training of the Ministry of Culture and Sport of the Republic of Kazakhstan;

- 2009–2011: Senior Specialist of the Legal Division of the Office of Law and Personnel Management of Locomotive kurastyru zauyty JSC;
- 2009: Corporate Secretary of the Board of Directors of Almaty car-repair plant JSC;
- 2007–2009: Senior Specialist, Legal Counsel of the Legal Division of Almaty car-repair plant JSC;

**Welfare activities:** President of the Cycling Federation of Nur-Sultan City.

He does not hold the shares in the Company, suppliers and competitors of the Company.







**ILIAS MARAT ZHAGYPARULY**

*Managing Director for operating activities – member of the Management Board / Director of the Administration and Legal Department.*

**Date of birth:** 10.03.1985

**Nationality:** Republic of Kazakhstan.

**Date of election to the Management Board:** 25.08.2020

**Education:**

- Kazakh University of Humanities and Law, faculty: Law, 2007, specialty: Jurisprudence;
- Karaganda University Bolashak, academic degree of the Master of Law, 2012

**Experience:**

- From 2020 to the present time: Managing Director for operating activity – member of the Management Board/ Director of the Administration and Legal Department in Samruk-Kazyna Construction JSC.
- 2018–2020: Director of the Administration and Legal Department in Samruk-Kazyna Construction JSC.
- 2018: Director of the Administration and Legal Department in CF Company for facility construction.
- 2017–2018: Head of the Legal Support and Labour Protection Service of the Branch of the Front Office of Construction of Astana EXPO-2017.
- 2016–2017: Senior Manager of the Administration and Legal Department of the Branch of the Front Office of Construction of Astana EXPO-2017.
- 2015–2016: Manager of the Administration and Legal Department of the Branch of the Front Office of Construction of Astana EXPO-2017.
- 2014–2015: Paralegal of Auezov District, Public Prosecution Office of Almaty City.

- 2012–2014: Senior Officer in charge of major cases, Senior Officer of the Office for detection of shadow economy crimes, Senior Officer of the 2nd office of the Division for detection and prevention of corruption cases of the Department for combating economic and corruption crimes on Almaty City (financial police).
- 2009–2012: expert (acting head) of the Personnel and Personal Security Division of the Committee of the registration service and provision of legal assistance of the Ministry of Justice of the Republic of Kazakhstan.
- 2009: expert of the Division of the state control of the use and protection of lands of the Agency of the Republic of Kazakhstan for managing the land resources.
- 2008–2009: Deputy Director for legal matters in BET and Com LLP.
- 2007–2008: expert in organization and personnel management in charge of the sector of legal work, occupational safety and accident prevention, consultant of RSUE Front Office of the administrative building of the Supreme Court of the Republic of Kazakhstan.

He does not hold the shares in the Company, suppliers and competitors of the Company.



**DOSZHANOV DANIYAR KUANDYKOVICH**

*Member of the Management Board, Managing Director for economy and finance*

**Date of birth:** 09.03.1983

**Nationality:** Republic of Kazakhstan

**Date of election to the Management Board:** 27.11.2018

**Education:**

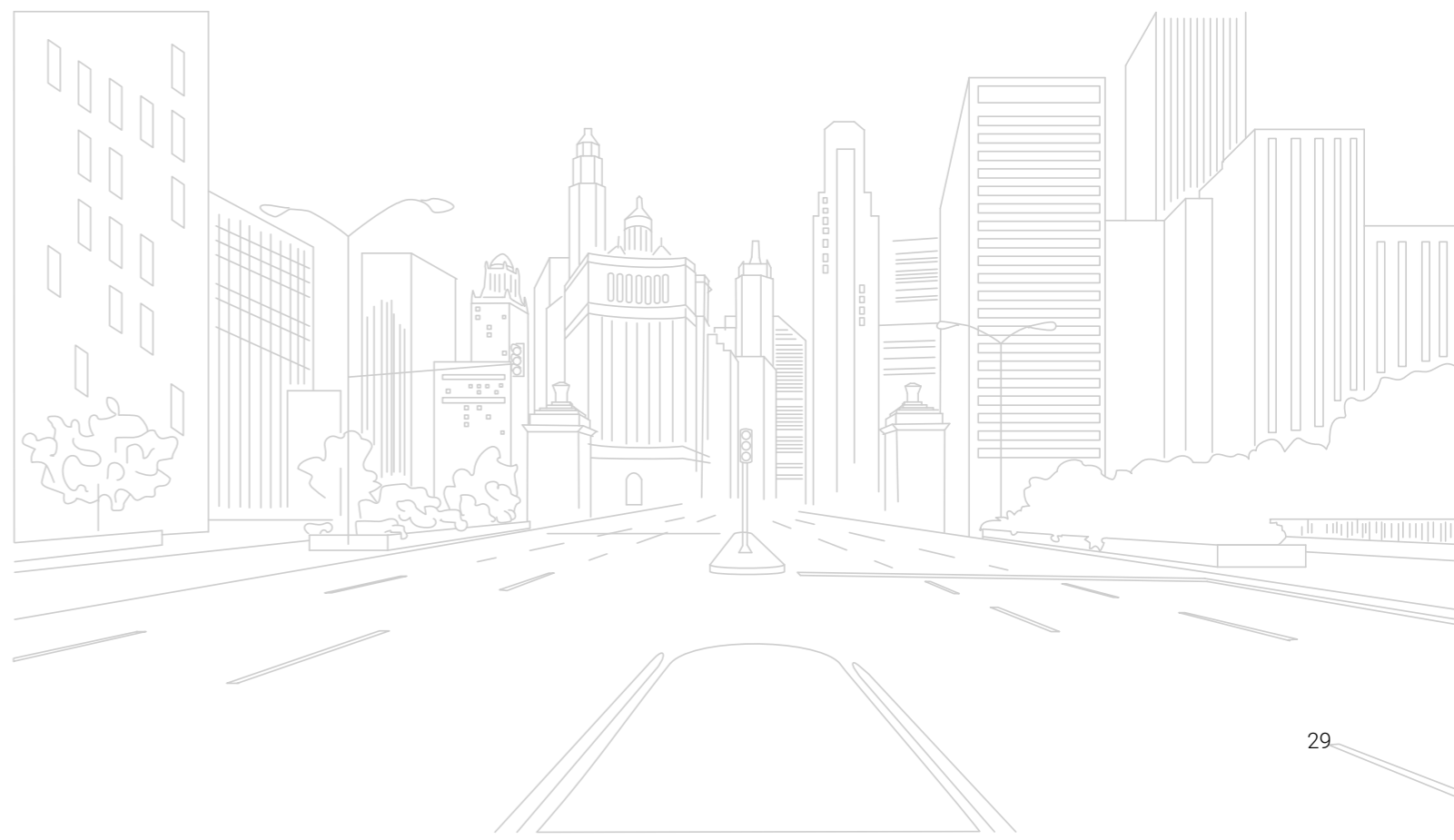
- Aberdeen University, MA in Econometrics and International Relations, 2006 – Bachelor and Master’s program.

**Experience:**

- From 2019 to the present time: Managing Director for economy and finance in Samruk-Kazyna Construction JSC.
- 2018–2019: Managing Director for economy and finance in Samruk-Kazyna Real Estate Fund JSC;

- 2016–2018: Director of the Strategy and Transformation Department in Samruk-Kazyna Real Estate Fund JSC;
- 2014–2016: Vice-Chairman for economy in Gorelektroset LLP, counsellor of the Director for investments in RSUE Gorvodokanal.

He does not hold the shares in the Company, suppliers and competitors of the Company.





## REPORT ON ACTIVITY OF THE MANAGEMENT BOARD FOR 2020

In 2020, 44 meetings of the Management Board were held by personal attendance at which the resolutions on 257 items were adopted.

### Basic resolutions adopted by the Management Board in 2020:

- reports on implementation of the Business Plan of the Company for 2019-2023, including the Report on implementation of the Annual Budget for 2019 and Detailed Analysis of financial statements of Samruk-Kazyna Construction JSC;
- approval of the Business Plan of Samruk-Kazyna Construction JSC for the years 2021–2025;
- preliminary approval of the audited annual financial statements of Samruk-Kazyna Construction JSC (consolidated and separate);
- implementation of construction projects;
- measures to support the population and business due to imposition of the state of emergency in the Republic of Kazakhstan;
- issues arising in the course of implementation of investment projects;
- allocation of temporarily redundant cash;
- approval of a price and cost of lease of commercial premises and apartments in the residential complexes;
- preliminary approval of sale of 51% interest in the authorized capital stock of CC Development LLP;
- implementation of investment projects 'Construction of apartment residential complex on Millennium Alley in Nur-Sultan City', 'Construction of Bavaria residential complex in Aktobe City', 'Construction of residential complex in Akkent Microdistrict in Almaty City';

- preliminary consideration and approval of the issues and internal regulatory documents to be subsequently sent for consideration by the Board of Directors of the Company;
- activity referred to the exclusive competence of the General Meeting of Members of the organizations with interests in the authorized capital stock and shares transferred into trust management of Samruk-Kazyna Construction JSC;
- authorization and approval of internal documents regulating activities of the Company and its subsidiaries, including: staff numbers and organization chart;
- change of members of the Management Board of Samruk-Kazyna Construction JSC;
- approval of predictive information on decomposition of key national indicators for 2021–2025;
- approval of the Basic parameters of the treasury portfolio of Samruk-Kazyna Construction JSC;
- regulations of the business units of the Company;
- agreement of dispute (conflict) settlement;
- labour regulations;
- rules for searching and selecting administrative and management personnel;
- Policy of compliance risk management;
- Policy of remuneration for project management;
- Instruction concerning records management;
- Plan of actions to satisfy the Expectations of the Sole Shareholder;
- monthly key risk indicators monitoring; and
- approval of the List of priority purchases for 2020, etc.

## INTERNAL AUDIT

The Company operates a generally recognized model of internal audit, in which the functions of internal audit are separated from the functions of internal control and risk management. Internal audit is in a mode of special functional and administrative subordination and accountability providing objectivity and independence. The Internal Audit Service was created to help to achieve strategic goals and objectives by applying a systematic and consistent approach to assess and improve the effectiveness of the internal control and risk management system during the audits and consultations and is accountable to the Board of Directors of the Company.

In accordance with the tasks assigned to it, the Internal Audit Service performs the following functions:

estimation of adequacy and effectiveness of the internal control in the Company;

evaluation of comprehensiveness of use and effectiveness of the risk assessment methods and risk management procedures in the Company; and

evaluation of implementation and compliance with the adopted principles of corporate governance, relative ethical standards, and values of the Company, etc.

The Board of Directors annually approves the risk-oriented Annual plan of audit for the Internal Audit Service, as well as the key performance for the Internal Audit Service and a head thereof. A report of the Internal Audit Service is quarterly and annually submitted to the Board of Directors of the Company. In its activities, the Internal Audit Service takes into account the current International Professional Standards for Internal Auditing and the Code of Ethics for Internal Auditors adopted by the International Institute of Internal Auditors and is guided by the local regulations on internal audit approved by the Company. During 2020, the Internal Audit Service performed 11 scheduled audit engagements and 3 unscheduled audit and consulting engagements. Based on the results of made evaluations and audits, the Internal Audit Service formulates respective recommendations and comments concerning any matters within its competence. In accordance with the Annual plan of advanced training, the officers of the Internal Audit Service received workshops and trainings in order to improve themselves and raise qualification. The officers of the Internal Audit Service regularly participate in the meetings of the members of the RK Internal Audit Institute.





## CONTROL OF SUSTAINABLE DEVELOPMENT

The targets of implementation of the Policy of sustainable development in the Company are to promote the Company's contribution to the sustainable development of the Company in economic, social, and environment areas; to develop cooperation with the stakeholders and to enhance confidence in the Company on their part; to create favourable conditions

to enhance effectiveness of labour and to fulfil the potential of the Company's employees; to develop the corporate governance system, to enhance transparency of business processes. By recognizing the principles of the UN Global Contract.

**the Company declares adherence in its activity to the following principles:**

<b>protection of human rights</b>	<ul style="list-style-type: none"> <li>to ensure respect and protection of the internationally proclaimed human rights; and</li> <li>to ensure non-involvement in the human rights infringement.</li> </ul>
<b>employment relations</b>	<ul style="list-style-type: none"> <li>to support the freedom of meetings and to acknowledge the right to conclude collective agreements;</li> <li>to promote extirpation of compulsory or forced labour;</li> <li>to promote extirpation of child labour; and</li> <li>to promote extirpation of labour and employment discrimination.</li> </ul>
<b>environment protection</b>	<ul style="list-style-type: none"> <li>to promote prevention of adverse environment impact;</li> <li>to take initiatives and to encourage propagation of environmental responsibility; and</li> <li>to promote development and propagation of environmentally friendly technologies.</li> </ul>
<b>anticorruption efforts</b>	<ul style="list-style-type: none"> <li>to announce intolerance to all forms of corruption and other wrongful acts, including blackmail and bribery.</li> </ul>

In accordance with the Code of Corporate Governance of Samruk-Kazyna JSC and the Policy of sustainable development, the system of management in the field of sustainable development is arranged in the Company, which includes:

- commitment to the principles of sustainable development at the level of the Board of Directors, executive body, and employees;
- analysis of internal and external situation based on three components (economy, environment, social matters);
- detection of risks in the field of sustainable development in social, economic, and environment areas;
- composing a chart of stakeholders;
- determination of the targets and KPIs in the field of sustainable development, elaboration of a plan of actions and appointment of responsible persons;
- integration of sustainable development in the key processes, including risk management, planning, human resource management, investments, reporting, operating activities, and other, as well as in the development strategy and decision-making processes;
- advanced training for officials and employees in the field of sustainable development; and
- regular monitoring and evaluation of the actions in the field of sustainable development, evaluation of the targets and KPIs achievement, taking corrective actions, and implementation of the continuous improvement culture.

8 initiatives of sustainable development in 2020 were determined: Improvement of corporate governance; Providing economic efficiency; Implementation of

sustainable development system; Human resources development; Compliance with high ethical standards; Employees' career enhancement in the field of sustainable development; Ensuring compliance with occupational safety and accident prevention regulations; and Enhancement of transparency.

Likewise, 9 KPIs in this filed were determined; it should be noted that KPIs 2020 listed below were approved by the Board of Directors to evaluate activities of executive employees: Degree of measures implementation under the Plan for improving corporate governance; Net income; Return on average capital employed (ROACE); Net asset value (NAV); Debt/Equity; EBITDA; Level of satisfaction with service quality for each residential complex; Index of personnel involvement; and Information activity to promote image.

The Board of Directors and the Management Board provides a build-up of an adequate system in the field of sustainable development and implementation thereof. All employees and officials at all levels make contribution to sustainable development. The consultative and advisory body – the Committee for sustainable development – is formed under the Management Board of the Company with the primary objective to elaborate the policies and procedures in the field of sustainable development, as well as to submit proposals for consideration by the Management Board concerning implementation of the sustainable development system. The Chairman of the Committee is the Managing Director in charge of the sustainable development. We try to disclose in the report in the field of sustainable development

# SUSTAINABLE DEVELOPMENT OF THE COMPANY



the information concerning our effect (both positive and adverse) on environment, society, and economy. The actions taken in these directions have a great positive effect in terms of attainment of long-term stability, provision of economic effectiveness and social stability of the Company. By pursuing the Policy of sustainable development the Company provides to take actions in the field of sustainable development within

the framework of the Plan of improvement of the corporate governance. The matters concerning implementation of the measures in the field of sustainable development were quarterly discussed at the meetings of the Board of Directors. In 2021, implementation of the planned measures will be continued.

## DETERMINATION OF SIGNIFICANT SUBJECTS

In order to determine the contents of the report in the field of sustainable development the stakeholders are annually questioned about sustainable development. In October 2020, the stakeholders were questioned using a questionnaire in accordance with the GRI Standards represented by: a representative of the shareholder, members of the Board of Directors, members of the Management Board, employees, subsidiary, investors, customers, general constructors, companies under trust management, purchasers, representatives of the central state bodies and local executive bodies, mass media, suppliers, social media users, and financial institutions. Following the questioning, the Matrix of materiality of revealed aspects has been elaborated, which illustrates a correlation of significance of the aspects for the Company and the stakeholders. The horizontal axis of the Matrix ranges the aspects based on a degree of their significance for the Company, and the vertical axis ranges based on estimation of the stakeholders. Arrangement of significant aspects allows setting constructive cooperation with the stakeholders based on a clear understanding of their priorities. Based on the results of revealed aspects, the information is disclosed on the following subjects:

**Economic:**

- economic performance;
- procurement practice; and
- corruption counteraction.

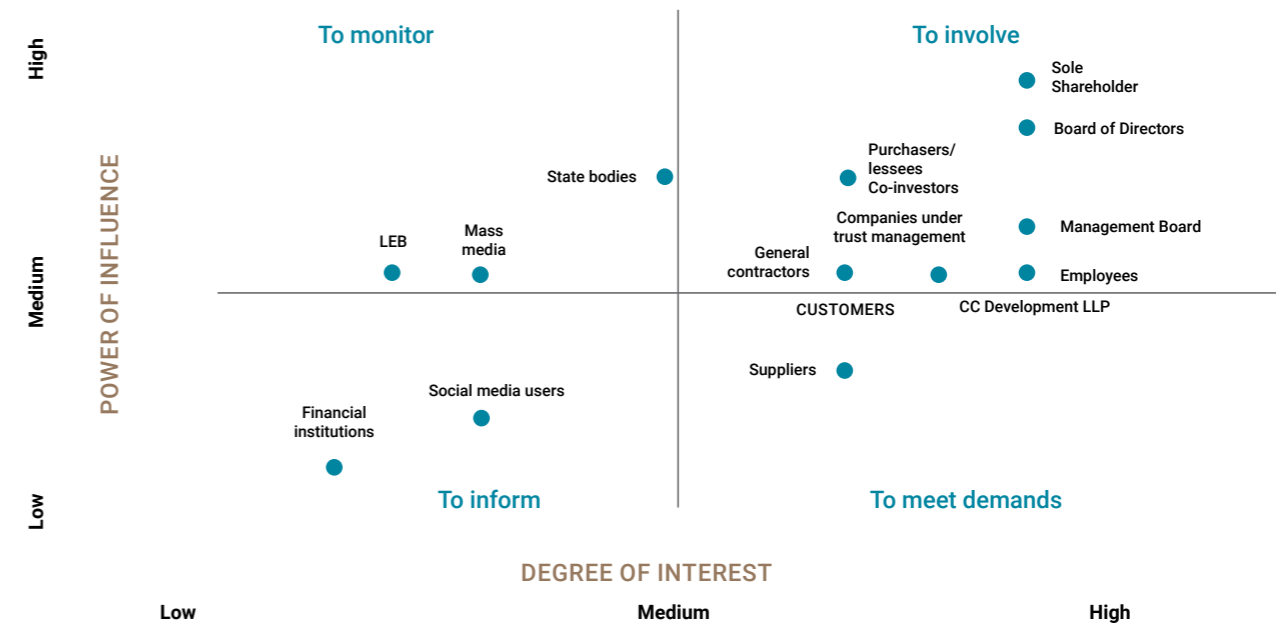
**Environmental:**

- compliance with requirements.

**Social:**

- occupational/consumer health and safety;
- training and education;
- equal remuneration for women and men;
- non-discrimination; and
- state policy.

CHART OF STAKEHOLDERS OF SAMRUK-KAZYNA CONSTRUCTION JSC

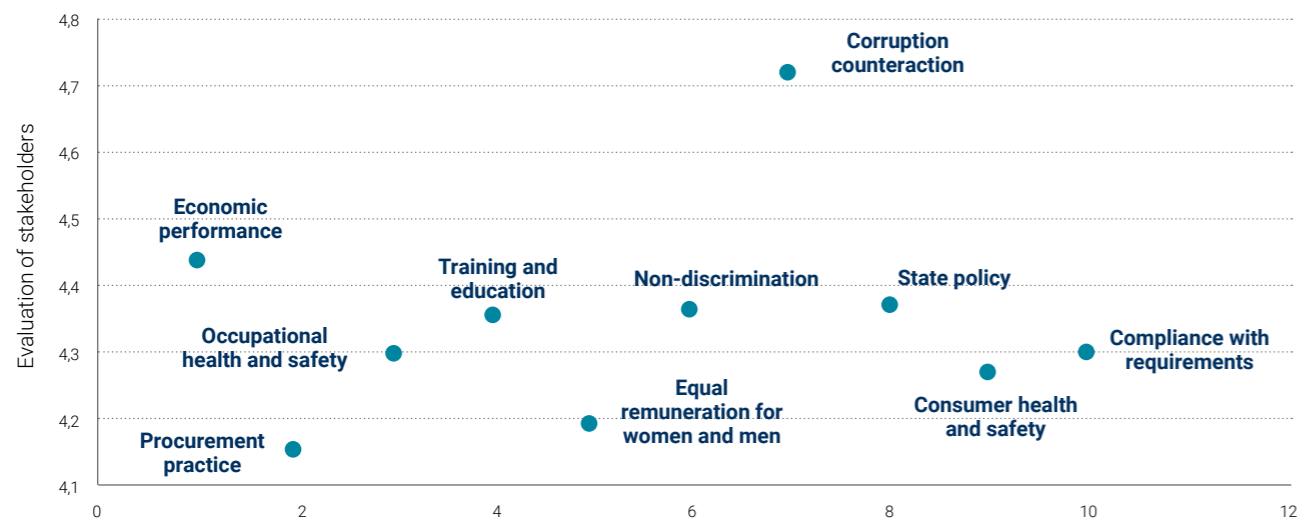


## EFFECTIVE COOPERATION WITH THE STAKEHOLDERS

The Company tries to create an effective system of cooperation with the stakeholders, which is based on respect and mutually advantageous cooperation. The Company determines a full list of stakeholders with which it cooperates in the course of its activities, which list contains a description of stakeholders' contribution and their interests. When evaluating significance of the stakeholders, the stakeholders are ranged by significance for the Company by two factors: the power of influence of a stakeholder on the Company and degree of interest of a stakeholder in activities of the Company. The parties concerned (stakeholders) of the Company are purchasers and lessees

of the residential premises of the Company, employees of the Company, the Sole Shareholder and the Board of Directors, subsidiaries and dependent organizations, general contractors and developers, companies under trust management, customers, local executive bodies and state bodies, financial institutions, mass media, and social media users. The principles and procedures of cooperation with the stakeholders are formulated in the Code of Conduct and the Policy of sustainable development. The Company follows the procedure for corporate communication, which prescribes the mechanisms to work with various communication channels and target groups:

MATRIX OF MATERIALITY OF REVEALED ASPECTS



No.	Strategy of cooperation with the stakeholders	Methods and mechanisms of cooperation
1	<b>Sole Shareholder</b> <b>To ensure the exercise of the rights of the Sole Shareholder under the principles of corporate governance aimed at effective adoption of key resolutions.</b>	The corporate web-site and social media of the Company can be used to post the information on the financial and business performance in accordance with the requirements of the effective legislation of the Republic of Kazakhstan, the Articles of Association, the internal regulatory documents of the Company, additional information concerning the plans, achievements of the Company, reports, and presentations. Management reports. Financial statements. Annual report. Meetings. Internet site. Correspondence and inquiries.



No.	Strategy of cooperation with the stakeholders	Methods and mechanisms of cooperation
<b>2</b>	<b>Board of Directors</b>	
	<b>To determine priority directions of activity, Strategy of the Company development.</b>	Posting the general information on the Internet resources, specifically on the corporate web-site of the Company in accordance with the legislation of the Republic of Kazakhstan and the internal regulatory documents of the Company (where necessary). Meetings of the Board of Directors. Management reports. Financial statements. Annual report.
<b>3</b>	<b>Management Board</b>	
	<b>To manage current activity of the Company</b>	Posting the general information on the Internet resources, specifically on the corporate web-site of the Company in accordance with the legislation of the Republic of Kazakhstan and the internal regulatory documents of the Company (where necessary). Meetings of the Management Board. Management reports. Financial statements. Annual report. Correspondence and inquiries.
<b>4</b>	<b>Employees</b>	
	<b>To pursue open, transparent personnel policy aimed at formation of skilled and motivated personnel. To provide equal opportunities for all employees in order to achieve their potential in the process of labour activity, to evaluate their performance fairly and impartially; selection and career development of the employees based only on professional abilities, knowledge and skills.</b>	The Internet resources, specifically the corporate web-site, can be used to provide information in order to pursue the personnel policy of the Company, to highlight the results of a competitive selection of employees. Meetings of the management and employees. Trainings and workshops. Corporate events. Annual reviews of performance. Questionnaire and interview. Corporate mass media.
<b>5</b>	<b>Co-investors</b>	
	<b>To attract investments to implement the projects in order to derive profit.</b>	Distribution of information on foreign and domestic experience in attracting the private sector in construction, development of the public-private partnership by the Company, participation in business events (business forums, conferences, business councils, exhibitions, etc.) through the Internet resources, specifically the corporate web-site, social media, and corporate mass media. Design matters. Contracts.
<b>6</b>	<b>General contractors</b>	
	<b>To conclude contracts, to control the contractual relations within the framework of implementation of the state policy in the field of construction</b>	To inform the target audience on implementation of the projects by the Company by posting the press releases, news, articles, interviews, and other materials on the corporate web-site, social media, and mass media. Design matters. Meetings with business partners and suppliers. Visiting conferences and events.
<b>7</b>	<b>Companies under trust management</b>	
	<b>To conclude contracts, to control the contractual relations</b>	To inform the target audience on implementation of the projects by the Company by posting the press releases, news, articles, interviews, and other materials on the corporate web-site, social media, and mass media. Design matters. Contracts. Reports and correspondence.

No.	Strategy of cooperation with the stakeholders	Methods and mechanisms of cooperation
<b>8</b>	<b>Customers</b>	
	<b>To conclude contracts, to control the contractual relations</b>	To inform the target audience on implementation of the projects by the Company by posting the press releases, news, articles, interviews, and other materials on the corporate web-site, social media, and mass media. Contracts. Reports and correspondence.
<b>9</b>	<b>Suppliers</b>	
	<b>To conclude contracts, to control the contractual relations.</b>	The information notices of purchases, results thereof shall be posted on the Internet resources, specifically the corporate web-site of the Company. Contracts. Rules for purchasing and providing information on purchases. Consideration of inquiries from suppliers.
<b>10</b>	<b>Purchasers/lessees</b>	
	<b>To ensure meeting the expectations of purchasers / lessees about purchase of quality and affordable housing in accordance with the RK construction standards and regulations, compliance with requirements for comfort, safety, and cost effectiveness.</b>	Awareness-raising work with the target audience concerning activities of the Company by publishing the press releases, articles, reports, polling and other information notices by using the corporate web-site, social media, e-mailing, messengers, the Weblog of the Chairman of the Management Board, as well as giving consultations through the Call Centre, special events, promotions, advertising campaigns, etc. Lease/rent-to-own/sale agreements. Reviews of clients' satisfaction. Determination of a level of satisfaction of the lessees of the premises.
<b>11</b>	<b>State bodies, local executive bodies</b>	
	<b>To cooperate regarding housing construction, housing and communal management, construction project monitoring, technical audit, state examination, commissioning of the facilities.</b> <b>To enter into agreements of sale of commissioned houses to the persons on the waiting list of the local executive bodies.</b>	The Internet resources, specifically the corporate web-site, social media, can be used to provide information on activities of the Company while implementing the state program of housing construction (consultations, meetings, public hearings, reports, interviews, speeches, task groups, forums, conferences, etc.). Correspondence and inquiries. Work with the state bodies on legislative and regulatory control. Participation in task groups, forums, conferences.
<b>12</b>	<b>Mass media, users of social media of the Company</b>	
	<b>To shape positive social opinion on activities of the Company.</b>	Organization of the information work by implementing the PR programs, inform the target audience on advantages and opportunities of the Company through distribution of press releases, publications, reports, interviews, photo and video materials, presentations in mass media, on the corporate web-site and social media. Internet site. Press releases, press conferences and briefings. Annual report. Conferences and summits.
<b>13</b>	<b>Financial institutions</b>	
	<b>To conclude contracts, to control the contractual relations (placing the funds on deposit accounts, banking, special account servicing).</b>	Publication of the consolidated financial statements, information on amount of approved dividends and the other information in accordance with the legislation of the Republic of Kazakhstan and internal regulatory documents of the Company on the Internet resources, specifically the corporate web-site of the Company. Contracts. Placement of the funds with the financial institutions.



## CORRUPTION PREVENTION AND COMBATING

On 17 May 2018, the Compliance Controller was appointed by the resolution of the Board of Directors of the Company. The main goal of its activity is to determine the anti-corruption policy, as well as to monitor the implementation of anti-corruption measures, including corruption risks assessment. The Compliance Controller, together with the structural divisions of the Company, ensures, if necessary, that internal regulatory documents are brought in accordance with the anti-corruption legislation of the Republic of Kazakhstan taking into account the analysis of corruption risks. Every year, work continues to form an anti-corruption culture by holding seminars, round-table meetings among employees of the Company with involving the representatives of the Agency of the Republic of Kazakhstan for civil service affairs and anti-corruption, the Prosecutor's Office, law enforcement agencies; on an ongoing basis, explanatory work is carried out among employees of the Company regarding the anti-corruption legislation, as well as tests among employees of the Company involved in high-risk processes and due diligence of counterparties of the Company are carried out. In the first half of 2020, the Anti-Corruption Standard of the Company was developed in accordance

with the Anti-Corruption Law of the Republic of Kazakhstan, analysis of the risks of corruption in procurement, recruitment, assessment, promotion and dismissal of employees, and other business processes of Samruk-Kazyna Construction JSC was carried out. In the 2nd quarter of 2020, a comprehensive audit of the Company's counterparties exceeded 10 million tenge under service procurement contracts was performed. The audits performed during the period from July 2020 to September 2020 included 5 procurement contracts based on the website [www.zakup.sk.kz](http://www.zakup.sk.kz). In 2020, the hot line of the Company received 18 calls of which 14 were received in the 2nd half of 2020. The facts were not confirmed, there was no damage to the Company in the context of received appeals. **In the 4th quarter of 2020, a seminar was held with the participation of the First Deputy Head of the Anti-Corruption Service Department in Nur-Sultan City – Zh. Zhylykshiyeva. The meeting was held with the teams of Samruk-Kazyna JSC subsidiaries: Samruk-Kazyna Construction JSC, CC Development LLP, Corporate Fund 'Company for facilities construction' on the topic 'On innovations in anti-corruption legislation and the formation of an ideology of integrity'.**

## PUBLIC POLICY SUPPORT

In accordance with the approved Development Strategy for 2018–2028, the Company strives to be an entity with sufficient resources, a lot of reliable partners, as well as expertise and experience for the effective management of projects, construction and real estate. Thereby, the Company supports the state-implemented housing development policy. The Company complies with the principles of

the Yellow Pages Rule, which proclaim the non-interference of the sector in those areas of the economy where the business is represented. As a quasi-public company, the Company conducts its activities in accordance with the list of activities approved by Decree of the Government of the Republic of Kazakhstan No. 1095 dated 28.12.2015.

## RESPONSIBLE SUPPLY CHAIN

The core goal of the Company in the procurement field is timely, efficient and complete provision of the resource requirements to ensure stable operation of all divisions with optimal conditions for their acquisition. The Company has built an effective procurement system based on the principles of transparency, equality and fair competition. Procurement procedures are public, transparent, standardized and simple. The Company's procurement priorities are: *purchasing goods, works and services from organizations of persons with disabilities that are members of the Register of organizations of persons with disabilities of the Group of Companies of Samruk-Kazyna JSC; purchasing goods from producers of the goods purchased from the Register of producers of*

*the Group of Companies of Samruk-Kazyna JSC; purchasing from qualified prospective suppliers. Selection of a supplier is carried out by the Company as follows: open bidding (including reverse auction); requesting quotations (including reverse auction); bidding through competitive negotiations; from one source. One of the activities of the Company is the operation of administrative buildings. The administrative building of Zeleny kvartal T4 Business Centre is under the trust management of the Company. The total area of the building is 32,706.8 square meters. The Company owns the administrative building of Kazyna Tower Business Centre located at the address: 10, Mangilik el. The total area is 15,121 square meters.*

## ENVIRONMENTAL IMPACT MANAGEMENT

The Company considers environmental protection to be an important part of its ongoing operation, acknowledges the need of maintenance of ecological balance and environmental friendliness. As part of the construction quality control, the Company monitors indirect environmental emissions generated at the construction sites of developers. The construction site has a huge negative impact on the air. Often the situation is aggravated by the fact that construction sites are located in close proximity to residential buildings, forming a focus of negative effects on the atmospheric air of built-up areas and public health. Air pollution emissions are formed at all construction stages, from the engineering preparation of the construction site territory to the landscaping and gardening of the territory. The sources of air pollution at construction sites are construction machines and mechanisms – truck cranes, excavators, graders, dump trucks, drop-side trucks, concrete pumps and concrete mixers, rollers, pavers, asphalters, diesel generators, welding machines, cutting machines, grinder machines, etc. Construction projects of the Company

impact the atmosphere negatively in varying degrees, and above all, the impact depends on the volume of construction and installation works. The legislation of the Republic of Kazakhstan regulates emissions of harmful substances into the environment. According to the Tax Code of the Republic of Kazakhstan, a fee is charged for environment emissions. The actual volume of environment emissions within and (or) in excess of the established standards for environment emissions is the tax unit: emissions of pollutants; discharge of pollutants; disposed production and consumption waste. The Company monitors mandatory implementation of a comprehensive assessment of pollution during facility construction by developers and fulfilment of its obligations and compliance with the standards. The Company, in studying working projects, analyses information on environmental impact assessment and environmental impact statements. Besides, the Company audits developers obtaining permits for environment emissions during facilities construction from the regional departments of natural resources and environmental management.

## EFFECTIVE CORPORATE CULTURE

*The Company has developed the following corporate values:*

### ТОВАРИЩЕСТВО – ПАРТНЕРСТВО / SERIKTESTIK / PARTNERSHIP

- We put the interests of the team above personal ones and respect each other's opinions.
- We find mutually beneficial solutions for all stakeholders.
- We build long-term relationships based on the principles of transparency.

### РЕШИТЕЛЬНОСТЬ / ТАБАНДЫЛЫҚ / DETERMINATION

- We are constantly developing and using best practices.
- We set ourselves ambitious goals and achieve them.
- We make decisions taking into account all risks.

### САМОДИСЦИПЛИНА / ТЭРТІП / SELF-DISCIPLINE

- We achieve high efficiency by being severe on ourselves and others.
- We operate in strict accordance with the rules and regulations of the company.
- We are loyal to our word and keep to our promises.

### ОТВЕТСТВЕННОСТЬ / ЖАУАПКЕРШІЛІК / RESPONSIBILITY

- We provide everyone with opportunities, but we promote the best of us.
- We act objectively and constructively.
- We take responsibility.



These corporate values should become the norm of corporate culture and the main factors of the effectiveness of the development of a model of behaviour. The Company's management must set the tone and maintain a corporate culture of high performance, responsibility and efficiency,

where the employees think and act as owners of assets, with sharing the profits and losses with shareholders, and are ready to change to ensure that strategic goals of the Company are achieved.

## HUMAN RESOURCE DEVELOPMENT

The Company's staff is a core asset, a strategic partner in achieving sustainable development goals. In 2020, the Board of Directors of the Company approved amendments and alterations to the HR Policy of the Company for 2018–2028 to the extent of the approval of corporate values and improvement of the high-performance corporate culture. Based on the Corporate Standard for Human Resource Management approved by the Sole Shareholder of the Company, portfolio companies update their main business processes relating to human resources management in accordance with the reference model. Staff engagement is evaluated annually. The engagement index in 2020 was 63% (2019: 61%). This indicator is improved by 2% and is positive. The priority areas of

the Company relating to human resources management are ensuring the needs of the Company in specialists having the appropriate professional competencies to implement the tasks facing the Company, development of competencies in the field of project management, and performance of engineering services. One of the essential areas of the HR Policy of the Company is the development of employees and providing employees with opportunities for professional and career progress. Taking into account the digital technologies advancement, such training methods as distance learning courses, webinars and on-the-job training, developing employees' skills in working with software products, including training in BIM technologies in the field of construction, are actively used.

### Organization size:

Indicator	As of 01.01.2020	As of 01.01.2021	% against 2020
<b>Staff numbers, total (persons), including:</b>	<b>134</b>	<b>95</b>	<b>70,9%</b>
Corporate centre	118	95	80,5%
CC Development LLP	16	--	--
<b>Actual number, total (persons), including:</b>	<b>119</b>	<b>83</b>	<b>69,7%</b>
Corporate centre	104	83	79,8%
CC Development LLP	15	--	--
<b>Average staff number, total (persons), including:</b>	<b>114,9</b>	<b>109,5</b>	<b>95,3%</b>
Corporate centre	100,3	97,5	97,2%
CC Development LLP	14,6	12	82,2%

For 2020, at the CC level, 14 employees were hired, 35 employment agreements were terminated of which: 14 – due to staff reduction, 5 persons – by agreement between the parties, 10 – at their own request and 6 – upon the expiration of the EA term. During 2020, 8 employment agreements were terminated in CC Development LLP of which

2 were terminated due to staff redundancy, 5 employees were hired. Due to the sale of 51% interest, the number of CC Development LLP at the end of the reporting period is not consolidated. As of 01.01.2021, 12 women are on maternity leave.



## TRAINING

The requirements for the vocational training process are regulated in the Company's Employee Vocational Training and Development Rules.

Regular performance reviews – 100%, career development reviews – 94.7% of employees. For the executive employees (members of the Management Board), the Key Performance Indicators (KPIs) for the year are approved by the Board of Directors, and the KPI performance is assessed at the end of the year. The activities of employees subordinate to the Board of Directors (4 employees) are evaluated by the Board of Directors on the basis of KPIs approved at the beginning of

the year. For the Administrative staff, an annual review of the effectiveness of performance evaluation and individual development plans is carried out.

Career development reviews

**94,7%**  
of employees

### Information on employee training for 2020 (hours)

Indicator	2020
Average annual training hours of employees	664
Women	160
Men	504
Executive and managerial staff	208
Middle management	352
General managers and managers	104

## INCENTIVE SYSTEM

The Company's remuneration system is regulated by the Rules for remuneration and awarding the Company's employees, the purpose of which is to assist in achieving the strategic goals of the Company by establishing a

remuneration system that allows employees to be rewarded for their performance in the reporting period and evaluating the staff effectiveness in achieving their goals. In 2019, position grading and analysis of remuneration market were carried out to assess the level of competitiveness of wages of the Company's employees; in 2020, the remuneration system was introduced subject to specified position grades for executive and administrative employees. The Rules for provision of social support to the Company's employees determining the types and conditions of social support for employees have been in force since 2009. The following types of social support are provided to the Company's employees: Financial aid; Compensation expenses; Health insurance for employees and their families. The Company provides for equal remuneration for men and women. In accordance with the Procedure for assessing staff activities, a comprehensive assessment of administrative and managerial employees is carried out annually until December 31 of the reporting year. Thus, the percentage of administrative employees who received regular performance and career development reviews in 2020 was 96%. The senior managers are assessed by achievement of the key performance indicators of the Company.



## RELATIONSHIPS BETWEEN EMPLOYEES AND MANAGEMENT

The Chairman of the Management Board formulates a message to the employees for all significant projects implemented in the Company. Thus, in 2020, a message to the Company's employees was about projects for the corporate culture diagnostics and development, as well as the project for introducing a position grading system. At the same time, as part of the relationships between employees and management, the Company regularly holds:

- weekly operational meetings with executive employees and heads of structural divisions on operational activities; and

- quarterly meetings of the Chairman of the Management Board with all employees of structural divisions regarding implementation of functional tasks and achievement of the approved Target charts for the reporting period.

The Company also introduced the practice of holding the meetings with the Chairman of the Management Board in the "no ties" format to discuss the issues, problems and suggestions of employees in an informal setting. The management's reception hours on personal matters are set on a weekly basis.



## OCCUPATIONAL HEALTH AND SAFETY

The Company pays special attention to the health of employees, working conditions and ensuring safety at the workplaces. **To increase the personal health potential of employees and members of their families, the Company:**

- provides access to the health insurance services (health insurance) including twenty-four-hour consultation and dispatch service (Call Centre), ambulance services, inpatient treatment, outpatient care, employee medical preventive examination, services of a family doctor and a nurse at home, dental services, flu vaccination, etc.;
- provides financial support by granting benefits for health improvement as part of a leave; and
- assists in the ongoing policy to strengthen and encourage employees to live healthy by providing rooms with sports equipment inside the administration building and the possibilities of getting discounts to visit the sports facilities.

The Company also performs organized work to ensure safety of the employees at the workplaces:

- provides training for the employees on production processes by giving binding instructions and testing knowledge of the employees regarding safety and labour protection; instructions are given regarding fire safety and labour protection, primarily for newly hired employees; and
- carries out regulated preventive repairs of equipment and utility systems in the office premises of the administrative building, computers and office equipment at the employees' workplaces.

The Company's employees are located on the 14-15th floors in Zeleny kvartal Business Centre, block T4 (hereinafter referred to as the Building) and in Kazyna Tower Business Centre. Each workplace is equipped with office equipment corresponding to their functional purpose and meeting the safety and labour protection requirements. The emergency ways and exits from the premises of the Building are marked with signs. The operability of the automatic fire-fighting equipment of the Building and the fire safety of employees at the workplaces is provided by a specialized service organization under a service contract. The inspection is carried out in accordance with the technical regulations once every six months. The skills of response of technical staff in case of accidents and fires are practised in accordance with the approved Training Plan (in connection with the introduced quarantine measures, training exercises are carried out without evacuating the employees from the Buildings). The newly hired employees are given an introductory fire safety briefing. During working hours, the temperature, lighting, as well as the microclimate inside the premises of the Building, where the workplaces are located, meets the sanitary and epidemiological requirements and is ensured by carrying out regulated periodic maintenance and scheduled preventive repairs and inspections of utility systems and equipment in the Building. Due to the introduced quarantine measures, the following is carried out in the Buildings: telemetric check of the temperature of employees, visitors and personnel at the entrance to the building; daily sanitization of premises with the use of disinfectants, mask regime and distance within public spaces and in the workplaces are observed.

## SPONSORSHIP AND CHARITY

In accordance with the Charity Policy and the Charitable Program of Samruk-Kazyna JSC, sponsorship and charity activities have been carried out through the single operator of the Group of Companies of Samruk-Kazyna JSC – Social Project Development Fund of Samruk-Kazyna Trust JSC. The funds for such activities were not provided for in the Company's budget for 2020. As part of the development of the volunteer movement in the group of companies Samruk-Kazyna, the Company's employees actively participate in the volunteer movement, campaigns and events aimed at providing social assistance, such as: implementation of eco-projects; educational projects; Donor Day; volunteer clean-up – removal of garbage, snow, planting seedlings; improvement of the areas around the office and adjacent areas in Esil District. Also, social support and assistance was provided to war veterans, children undergoing treatment in an oncological hospital, large families and people with disabilities; employees of the Company actively participate in charitable contributions and events.





## APPENDIX NO. 1. INFORMATION ON ESSENTIAL TRANSACTIONS

In 2020, the company concluded the following interested party transactions:

- The contract on investment in construction dated November 20, 2020 was concluded with Bavaria Construction LLP in the amount of 1,616,000,000 tenge. *Resolution of the Board of Directors dated November 9, 2020 No. 154.*
- The contract on investment in construction dated December 25, 2020 was concluded with Basis-Astana LLP in the amount of 20,476,000,000 tenge. *Resolution of the Board of Directors dated August 25, 2020 No. 152.*
- The contract for the sale and purchase of a share in the authorized capital of SK Development LLP was concluded on December 29, 2020 with VentKarkaraServis LLP for 13,982,000 tenge. *Resolution of the Board of Directors dated December 28, 2020 No. 155.*
- Agreement on opening a credit line No. K-03-10-2020 dated May 18, 2020 concluded with JSC Forte bank in the amount of 4,970,000,000 tenge. *Decision of the Management Board of Samruk-Kazyna Construction JSC dated May 14, 2020 No. 16/2020.*
- Agreement on pledge of money (mortgage) No.ZK-03-10-2020 / 1 dated May 18, 2020 concluded with JSC «Forte bank» in the amount of 4,970,000,000 tenge. *Decision of the Management Board of Samruk-Kazyna Construction JSC dated May 14, 2020 No. 16/2020.*
- Loan agreement of December 20, 2020 concluded with SKKN Finance (Limited Liability Company) in the amount of 2,500,000,000 Russian rubles. *Decision of the Management Board of Samruk-Kazyna Construction JSC dated December 11, 2020 No. 42/2020.*
- Loan agreement dated January 6, 2020 concluded with NWF Samruk Kazyna JSC for an amount of up to 2,130,000,000 tenge. *Decision of the Management Board of Samruk-Kazyna Construction JSC dated April 09, 2020 No. 13/2020.*
- The contract for the procurement of services for the management of the construction project «Athletics Sports Complex» in Nur-Sultan, concluded with the Corporate Fund «Company for the construction of facilities in the amount of 22 708 119 tenge. *Decision of the Management Board of Samruk-Kazyna Construction JSC dated October 07, 2020 No. 34/2020.*

## APPENDIX NO. 2. GRI CONTENT INDEX

2020 sustainable development report was prepared in accordance with GRI standards: basic variant

### Universal standards

GRI standards	Disclosed information	Notes, references, exceptions
<b>101 Basic provisions</b>		
<b>102 General standard reporting elements</b>		
<b>1</b>	<b>Organisational profile</b>	
102-1	Name of the organization	About the Company
102-2	Basic brands, products and services of the Company	About the Company
102-3	Location of headquarters	Contact information
102-4	Number and name of countries of operation	About the Company
102-5	Ownership and legal form	About the Company
102-6	Activity markets (including geographic breakdown, served industries as well as customer and beneficiary categories)	Development strategy and its implementation
102-7	Scale of the organization: 1) total number of employees; 2) total number of subsidiaries; 3) net profit; 4) total capital with a breakdown to borrowed and equity capital; 5) volume of supplied products or services.	Sustainable development: Sustainable development basic indicators
102-8	Information on employees and other workers. Total number of employees under Labor agreement (permanent and temporary) by gender. Total number of employees under Labor agreement (permanent and temporary) by regions.	Sustainable development: Workforce capacity development
102-9	Supply chain of the organization	Sustainable development: Responsible supply chain
102-10	Significant changes to organization and supply chain	The new purchase method was added in the reporting period – competitive negotiations tender
102-11	Precautionary principle or approach	Risk management
102-12	External initiatives List of foreign economic, ecological and social regulations, principles or other initiatives which are supported or agreed by the organization.	The Company currently is not a participant to any of such initiatives. At the same time the Company is being guided by the principles provided for by the international standard ISO 26000 (Social responsibility guideline) and Corporate governance code and publishes sustainable development reporting based on GRI standards.
102-13	Membership in associations: a. List of core members of industry or other associations as well as national or international propaganda organization.	The Company is not a member of associations at the moment officially.

GRI standards	Disclosed information	Notes, references, exceptions
<b>2</b>	<b>Strategy</b>	
102-14	Statement from senior decision-maker of the organization	Statement of the Chairman of the Board of Directors Statement of the Chairman of the Board
102-15	Key impacts, risks and opportunities	Risk management
<b>3</b>	<b>Ethics and integrity</b>	Sustainable development: Prevention and combating corruption
102-16	Values, principles, standards and norms of behavior	Sustainable development: About sustainable development report Sustainable development management
102-17	Mechanisms for advice and concerns in relation to ethics	Sustainable development: Prevention and combating corruption
<b>4</b>	<b>Governance</b>	
102-18	Governance structure	Corporate governance
102-19	Power delegation	Sustainable development of the community
102-20	Responsibility at the level of executive authority for economic, ecological and social issues	Sustainable development of the community
102-21	Advising stakeholders on economic, ecological and social issues	About report Sustainable development management Contact information
102-22	Composition of the highest governance body and its committees	Board of Directors
102-23	Chairman of the highest governance body	Chairman of the highest governance body is not an executive official in the organization.
102-24	Recommendation and election of the highest governance body	Board of Directors
102-25	Conflict of interests	The conflict of interests is regulated by a number of internal normative documents: Charter of the Company, Board of Directors Regulation, and Code of conduct.
102-26	The role of the highest governance body in determination of goal, values and strategy	In accordance with the Charter of the Company the following issues fall within the exclusive competence of the Board of Directors, including: establishment of the Company's business priorities; approval of the Company's development strategy and monitoring of its implementation
102-27	Collective knowledge of the highest governance body	Professional development of the members of the Board
102-28	Assessment of the highest governance body's activity	Assessment of the activity of the Board of Directors
102-29	Identifying and managing economic, ecological and social impacts	Sustainable development of the community
102-30	Efficiency of risk management processes	Risk management and internal control
102-31	Economic, ecological and social issues review	Sustainable development of the community
102-32	The role of the highest governance body in sustainable development-related reporting	About sustainable development report Sustainable development management
102-33	Informing of crucial problems	Risk management and internal control Identification of essential issues
102-34	Nature and total number of crucial problems	Risk management and internal control Identification of essential issues
102-35	Remuneration policy	Basic provisions of the remuneration for Board of Directors and members of the Management



GRI standards	Disclosed information	Notes, references, exceptions
102-36	Remuneration determination process	Basic provisions of the remuneration for Board of Directors and members of the Management
<b>5</b>	<b>Stakeholders engagement</b>	
102-40	List of stakeholders	Sustainable development of the community Efficient stakeholders engagement
102-41	Collective bargaining agreements	Sustainable development of the community Efficient stakeholders engagement
102-42	Identifying and selecting stakeholders	Sustainable development of the community Efficient stakeholders engagement. For details please refer to Company's sustainable development report for 2020: www.skcn.kz
102-43	Approach to stakeholder engagement	Sustainable development of the community Efficient stakeholders engagement
102-44	Key topics and concerns raised by stakeholders as part engagement	Identification of essential issues
<b>6</b>	<b>Reporting practice</b>	
102-45	Organizations included in the consolidated financial statements	Group structure: "Samruk-Kazyna Construction" JSC "SK Development" LLP
102-46	Defining report content and topic Boundaries	Sustainable development of the community: About sustainable development report
102-47	List of material issues	Sustainable development of the community Identification of essential issues
102-48	Revision of information	Sustainable development of the community About sustainable development report
102-49	Changes in reporting	Sustainable development of the community About sustainable development report
102-50	Reporting period	The Annual report discloses Company's basic economic, social and ecological activity in the context of sustainable development from 01.01.2020 till 31.12.2020.
102-51	Date of the most recent report	Annual report for 2019 published in April 2020.
102-52	Reporting cycle	Once a year
102-53	Contact information for questions regarding the report	Sustainable development of the community: Contact information: "Samruk-Kazyna Construction" JSC 17/10, E-10 Str., Yessil District, Nur-Sultan, 010000 Tel.: +7 7172 570210 (reception), Fax: +7 7172 575522, astana@fnsk.kz
102-54	Information on selected variant for reporting preparation in accordance with GRI standards	Sustainable development of the community: Sustainable development report for 2020 was prepared in accordance with GRI standards: basic variant
102-55	GRI content index	Page 35
102-56	External guarantee	About sustainable development report

**Subject standards**

GRI standards	Disclosed information	Notes, references, exceptions
<b>GRI 200 Economic issues</b>		
GRI 103 – Management approach	GRI 103-1- Explanation of the issues' importance and their boundaries	Sustainable development of the community About report Identification of essential issues
	GRI 103-2 – The management approach and its components	Statement of the Chairman of the Board Our activity Sustainable development management Prevention and combating corruption
	GRI 103-3 – The management approach assessment	Internal audit
GRI 201 –Economic indicators	GRI 201-1 Direct economic value generated and distributed	Sustainable development of the community Sustainable development basic indicators
	GRI 201-4 Financial support from the Government	Sustainable development of the community Sustainable development basic indicators
GRI 203 – Indirect economic impacts	203-2 Considerable indirect economic consequences	Sustainable development of the community Responsible supply chain Economic impact in the area of operation
GRI 205 –Combating corruption	GRI 205-1 Operations assessed by corruption-related risks	Sustainable development of the community Informing and educating corruption combating policies and methods
<b>GRI 300 Ecological issues</b>		
GRI 103 – Management approach	GRI 103-1- Explanation of the issues' importance and their boundaries	Sustainable development of the community Identification of essential issues
	GRI 103-2 – The management approach and its components	Sustainable development of the community Prevention and combating corruption
	GRI 103-3 – The management approach assessment	Sustainable development of the community
GRI 305 – Emissions	GRI 103-1- Explanation of the issues' importance and their boundaries	Sustainable development of the community Identification of essential issues
	GRI 103-2 – The management approach and its components	Sustainable development of the community Environmental protection impact management Sustainable development management Prevention and combating corruption
	GRI 103-3 – The management approach assessment	Sustainable development of the community Environmental protection impact management
GRI 307 –Environmental compliance	GRI 307-1 – Noncompliance with environmental laws and regulations	Sustainable development of the community Sustainable development management No such events were registered in the Company during the reporting period.
<b>GRI 400 Social issues</b>		
<i>Training and education</i>		
GRI 103 – Management approach	GRI 103-1- Explanation of the issues' importance and their boundaries	Sustainable development of the community Identification of essential issues Workforce capacity development
	GRI 103-2 – The management approach and its components	Sustainable development of the community Workforce capacity development Sustainable development management Prevention and combating corruption

GRI standards	Disclosed information	Notes, references, exceptions
<i>Training and education</i>		
GRI 404 – Training and education	GRI 404-1 – Average hours of training per year per employee with a breakdown to gender and employees' categories	Sustainable development of the community Workforce capacity development
	GRI 404-3 – Share of employees receiving regular reviews of efficiency and career development	Sustainable development of the community Workforce capacity development
<i>Government policy</i>		
GRI 415 – Government policy	GRI 103-1- Explanation of the issues' importance and their boundaries	Sustainable development of the community Identification of essential issues
	GRI 103-2 – The management approach and its components	Sustainable development of the community Government policy support Prevention and combating corruption
	GRI 103-3 – The management approach assessment	Sustainable development of the community Government policy support
<i>Government policy</i>		
GRI 415- Government policy	GRI 415-1 – Total monetary value of donation for political purposes with reference to countries and recipients/beneficiaries	The Company makes no donations for political purposes with reference to countries and recipients/beneficiaries

## APPENDIX NO. 3. CONSOLIDATED FINANCIAL STATEMENTS

### *For the year ended 31 December 2020 with independent auditor's report*

Independent auditor's report

#### **Consolidated financial statements**

Consolidated statement of financial position	57-58
Consolidated statement of comprehensive income	59
Consolidated statement of changes in equity	60
Consolidated statement of cash flows	61-62
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## Independent auditor's report

To the Shareholder and Board of Directors of «Samruk-Kazyna Construction» JSC

### Opinion

We have audited the consolidated financial statements of «Samruk-Kazyna Construction» JSC (the Group) and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

### Other information included in The Group's 2020 Annual Report

Other information consists of the information included in The Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

### Responsibilities of management and the board of directors of «Samruk-Kazyna Construction» for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors of «Samruk-Kazyna Construction» JSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young LLP*



Adil Syzdykov  
Auditor

Auditor Qualification Certificate  
No, МФ-0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty  
Al-Farabi ave, 77/7, Esentai Tower

25 February 2021

A member firm of Ernst & Young Global Limited



Rustamzhan Sattarov  
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 July 15, 2005

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of tenge	Notes	2020	2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	<b>202,838</b>	244,152
Investment property	6	<b>3,898,890</b>	4,004,550
Investment in an associate	12	<b>13,434</b>	–
Advances paid to construction companies	8	–	4,439,252
Intangible assets		<b>44,135</b>	52,029
Non-current financial assets	9	<b>59,552,076</b>	53,436,693
Amounts due from credit institutions	10	<b>35,913,990</b>	37,629,383
Other non-current assets	13	<b>834,347</b>	6,754,759
		<b>100,459,710</b>	106,560,818
<b>Current assets</b>			
Inventories		<b>6,832</b>	4,065
Real estate for sale	7	<b>72,630</b>	7,151,461
Trade accounts receivable	14	<b>275,445</b>	6,164,853
Loans issued	15	<b>7,882,384</b>	9,549,482
Prepaid income tax		<b>216,828</b>	379,294
Current financial assets	16	<b>10,882,398</b>	12,372,753
Amounts due from credit institutions	10	<b>5,052,698</b>	139,332
Other current assets	11	<b>428,808</b>	394,327
Cash and cash equivalents	17	<b>25,805,120</b>	23,347,106
		<b>50,623,143</b>	59,502,673
Assets held for sale	18	<b>1,000,000</b>	–
<b>Total assets</b>		<b>152,082,853</b>	166,063,491

The accounting policies and explanatory notes on pages 63 to 104 are an integral part of these consolidated financial statements.



In thousands of tenge	Notes	2020	2019
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19	<b>19,990,162</b>	19,990,162
Additional paid-in capital	19	<b>3,437,245</b>	3,437,245
Allowance for fair value of financial assets at fair value through OCI		<b>194,441</b>	103,955
Retained earnings		<b>28,325,877</b>	21,527,367
<b>Total equity</b>		<b>51,947,725</b>	45,058,729
<b>Non-current liabilities</b>			
Loans	20	<b>14,125,000</b>	–
Other non-current liabilities	21	<b>2,544,648</b>	2,531,928
Deferred income		<b>122,452</b>	137,758
Deferred tax liabilities	29	<b>350,910</b>	23,288
		<b>17,143,010</b>	2,692,974
<b>Current liabilities</b>			
Loans	20	<b>80,456,167</b>	108,657,480
Accounts payable	22	<b>85,668</b>	198,299
Other current liabilities	23	<b>2,450,283</b>	3,968,763
Other current financial liabilities	24	–	5,487,246
<b>Total current liabilities</b>		<b>82,992,118</b>	118,311,788
<b>Total liabilities</b>		<b>100,135,128</b>	121,004,762
<b>Total equity and liabilities</b>		<b>152,082,853</b>	166,063,491
<b>Book value per share, tenge</b>	19	<b>3,194.55</b>	2,788.92

Managing Director on Economy and Finance – Member of the Management Board



Doszhanov D.K.

Chief accountant

Sipuldina B.K.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of tenge	Notes	2020	2019
Revenue	25	<b>19,596,629</b>	21,902,246
Cost of sales	26	<b>(8,018,221)</b>	(12,482,293)
Government grant		–	1,341
<b>Gross profit</b>		<b>11,578,408</b>	9,421,294
General and administrative expenses	27	<b>(1,778,496)</b>	(2,169,159)
(Charge)/reversal of allowance for expected credit losses on financial assets	10, 11, 15, 17	<b>(2,115,354)</b>	(1,779,290)
Recovery/(accrual) of impairment losses on non-financial assets	13	<b>1,073,610</b>	737,713
<b>Operating income</b>		<b>8,758,168</b>	6,210,558
Finance income	28	<b>2,028,284</b>	1,366,971
Finance costs	28	<b>(2,114,873)</b>	(2,646,271)
Share in profit of associate	12	–	903
Loss from disposal of subsidiaries	12	<b>(126,634)</b>	–
Foreign exchange loss		<b>(949)</b>	–
Other income		<b>411,831</b>	3,069,485
Other expense		<b>(52,147)</b>	(62,080)
<b>Profit before tax</b>		<b>8,903,680</b>	7,939,566
Income tax expenses	29	<b>(2,105,170)</b>	(1,148,977)
<b>Profit for the year</b>		<b>6,798,510</b>	6,790,589
<b>Earnings per share</b>			
Basic profit for the year attributable to ordinary shareholders, tenge	19	<b>418.43</b>	417.95
<b>Profit for the year</b>		<b>6,798,510</b>	6,790,589
<b>Other comprehensive income to be reclassified to profit or loss in the subsequent periods:</b>			
Net income from financial assets measured at fair value through other comprehensive income		<b>90,486</b>	31,554
<b>Other comprehensive income for the year, net of tax</b>		<b>90,486</b>	31,554
<b>Total comprehensive income for the year, net of tax</b>		<b>6,888,996</b>	6,822,143

Managing Director on Economy and Finance – Member of the Management Board



Doszhanov D.K.

Chief accountant

Sipuldina B.K.

The accounting policies and explanatory notes on pages 63 to 104 are an integral part of these consolidated financial statements.

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of tenge	Share capital	Additional paid-in capital	Allowance for fair value of financial assets at fair value through OCI	Retained earnings	Total
<b>At 31 December 2018</b>	19,990,162	3,437,245	72,401	16,068,014	39,567,822
Profit for the period	–	–	–	6,790,589	6,790,589
Other comprehensive income	–	–	31,554	–	31,554
<b>Total comprehensive income</b>	–	–	31,554	6,790,589	6,822,143
Dividends (Note 19)	–	–	–	(1,331,236)	(1,331,236)
<b>At 31 December 2019</b>	19,990,162	3,437,245	103,955	21,527,367	45,058,729
Profit for the period	–	–	–	<b>6,798,510</b>	<b>6,798,510</b>
Other comprehensive income	–	–	<b>90,486</b>	–	<b>90,486</b>
<b>Total comprehensive income</b>	–	–	<b>90,486</b>	<b>6,798,510</b>	<b>6,888,996</b>
<b>At 31 December 2020</b>	<b>19,990,162</b>	<b>3,437,245</b>	<b>194,441</b>	<b>28,325,877</b>	<b>51,947,725</b>

Managing Director on Economy and Finance – Member of the Management Board



Doszhanov D.K.

Chief accountant

Sipuldina B.K.

## CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of tenge	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Sale of products and goods		<b>10,047,521</b>	1,005,190
Interest received		<b>5,073,106</b>	3,798,385
Rental proceeds		<b>10,842,279</b>	14,177,890
Proceeds from Nurly Zher program		–	1,963,312
Other proceeds		<b>10,365,681</b>	3,415,980
Payments to suppliers for goods and services		<b>(754,819)</b>	(1,193,787)
Advances paid		<b>(84,717)</b>	(48,501)
Salary payments		<b>(1,219,650)</b>	(1,129,765)
Payment of interest on loans received and bonds		<b>(4,362,757)</b>	(2,891,302)
Corporate income tax		<b>(1,742,377)</b>	(1,719,946)
Other payments to the budget		<b>(540,566)</b>	(667,374)
Other payments		<b>(2,338,397)</b>	(4,149,955)
<b>Net cash flows from operating activities</b>		<b>25,285,304</b>	12,560,127
<b>Cash flows from investing activities</b>			
Real estate acquisition prepaid		<b>(1,109,063)</b>	(3,165,321)
Purchase of property, plant and equipment and intangible assets		<b>(1,323)</b>	(96,307)
Placement of bank deposits		<b>(4,970,000)</b>	–
Withdrawal of bank deposits		<b>1,835,524</b>	2,742,537
Loans to third parties		<b>(11,702,998)</b>	(424,496)
Return of borrowings from third parties		<b>4,089,466</b>	27,213,777
Loss of control over subsidiary		<b>(53,940)</b>	–
Proceeds on debt securities		<b>1,690,000</b>	–
Other proceeds/(payments)		<b>4,994,684</b>	2,214,745
<b>Net cash flows from investing activities</b>		<b>(5,227,650)</b>	28,484,935

The accounting policies and explanatory notes on pages 63 to 104 are an integral part of these consolidated financial statements.

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In thousands of tenge	Notes	2020	2019
<b>Cash flows from financing activities</b>			
Proceeds from loans received	20	<b>21,825,145</b>	2,280,184
Issue of bonds	24	–	5,203,442
Payment of the principal on loans received		<b>(34,371,093)</b>	(15,154,644)
Repayments of bonds issued	32	<b>(5,203,442)</b>	(20,000,000)
Dividends paid	19	–	(1,331,236)
<b>Net cash flows from financing activities</b>		<b>(17,749,390)</b>	(29,002,254)
<b>Net change in cash and cash equivalents</b>		<b>2,308,264</b>	12,042,808
<b>Change in allowance for expected credit losses</b>			
Change in allowance for expected credit losses	17	<b>101</b>	(951)
Effect of exchange rate changes on cash and cash equivalents		<b>149,649</b>	–
Cash and cash equivalents as at 1 January		<b>23,347,106</b>	11,305,249
<b>Cash and cash equivalents as at 31 December</b>	17	<b>25,805,120</b>	23,347,106

Managing Director on Economy and Finance – Member of the Management Board



Doszhanov D.K.

Chief accountant

Sipuldina B.K.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Samruk-Kazyna Construction JSC (the “Company”) was established in accordance with the Decree of the Government of the Republic of Kazakhstan No. 265 dated 6 March 2009.

The Company’s office is located at the following address: 17/10, E 10 Str., Yessil district, Nur-Sultan, Republic of Kazakhstan.

The Company is controlled by the Government through Sovereign Wealth Fund “SamrukKazyna” (the “Parent company”), which is the sole shareholder of the Company.

The Company’s mission is to improve the living conditions of the population of the Republic of Kazakhstan through the provision of high-quality and affordable housing as well as improving the efficiency of construction and project management of a group of companies SWF Samruk-Kazyna JSC.

The Company’s core activities include the following:

- Completion of participation in government programs;
- Property management;
- Construction management, including technical supervision and project management within the projects of Samruk-Kazyna group of companies;

Trust management of company shares at the design and construction stages.

- The mission and vision of the Company are designed by taking into account the development strategy and vision of the Parent company. The mission reflects the strategic priorities of the company and its role in the social and economic development of Kazakhstan.

### Subsidiaries and associates

As at 31 December 2020 and 31 December 2019, the Company had interest ownership in the following companies:

Name	Place of registration	Principal activities	Ownership	
			2020	2019
SK Development LLP	Kazakhstan	Development, financing and further management/ sale of real estate properties, engineering supervision	<b>49%</b>	100%

On 31 December 2020, the Company sold 51 % share in SK Development LLP.

The Company and its subsidiary, 51 % interest of which was realised on 31 December 2020, are collectively referred to as the Group.

These financial statements represent, on a consolidated basis, the financial results of the Group for the year ended 31 December 2020 and its financial position as at the indicated date.

Financial results of the Group depend on the specifics of the construction industry for which long production cycle is typical, construction of properties is performed on average within a period from 1.5 to 3 years. During the period of construction and investment in construction, reduction in income from sales of real estate properties and increase in capitalisation of costs related to real estate properties / in advances issued to construction companies are observed. Correspondingly, increase in income from core activities of the Group is observed upon commissioning of real estate properties.

*The accounting policies and explanatory notes on pages 63 to 104 are an integral part of these consolidated financial statements.*

In addition, the financial results of the Group are affected by the recognition and subsequent measurement of financial instruments arising from cash management, including interest income and expenses from funding issued and received for the execution of government programs and interest income from placing temporarily free cash on deposits with the second tier banks of the Republic of Kazakhstan (Note 32).

In general, such fluctuations in revenue from core activities from year to year is common to many local and foreign companies operating in construction industry.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved for issue by the management of the Group on 25 February 2021.

## 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. These consolidated financial statements are presented in Kazakh tenge (“tenge”) and all monetary amounts are rounded to the nearest thousand, except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiary as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights or potential voting rights belonging to the Group.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiary is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the assets (including goodwill), related liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of these items and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in the future.

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:

Assumptions and estimates are based on the Group's initial data, which it had at the time of preparation of the consolidated financial statements. However, current circumstances and assumptions about the future may vary due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### 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.

### Expected credit losses

The Group uses an allowance matrix to calculate ECLs for loans issued, amounts due from credit institutions and cash and cash equivalents. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For example, if forecast economic conditions (such as GDP) are expected to deteriorate over the next year, which may result in an increase in defaults in the production sector, the historical default rate is adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group has significant balances of finance lease receivables within non-current and current financial assets as at 31 December 2020. Finance lease receivables consist of individually insignificant balances due from more than 8,000 individual lessees under the Nurlı Zher state program. The Group's management did not accrue allowance for expected credit losses on finance lease receivables as at 31 December 2020. The Group's management believes that 100% of the balance sheet is recoverable as the finance lease receivables are secured by lease assets, real estate, the fair value of which significantly exceeds the carrying amount of the finance lease receivables.

### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.



## Classification of investment property and real estate properties for sale

The Group determines whether real estate property is a property for sale or investment property as follows:

- Investment property includes apartments, parking areas and commercial premises, which are neither used in activities of the Group nor for sale in operating activities but are held, in the first place, in order to derive rental income and income from appreciation of capital;
- Real estate property for sale includes property held for sale in operating activities. These are mainly apartments, parking areas and commercial premises, which the Group intends to sell after completion of construction.

## Cost of investment property and real estate properties for sale

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

Real estate property for sale is stated at the lower of cost and net realisable value. Net realisable value for real estate for sale is measured taking into account market conditions and prices existing as at the reporting date, and is determined by the Group assuming relevant recent market transactions.

## Trust management agreements

During 2020, the Group had trust management agreements with United Chemical Company LLP (hereinafter referred to as "UCC"), a related party, to manage UCC shares in the following subsidiaries: Karabatan Utility Solutions LLP, Chem-plus LLP. The trust management agreements are valid until the completion of the construction of projects: "Construction of infrastructure facilities of the special economic zone "National Industrial Petrochemical Park", "Production of glyphosphate, phosphorus trichloride, caustic soda and chlorine", respectively. The Group analysed the trust management agreements for existence of control over UCC subsidiaries in connection with the transfer to the trust management and concluded that control over the interests in UCC subsidiaries did not transfer to the Group as at 31 December 2020.

On 24 January 2019, the Group and the Parent company entered into a trust management agreement for the office building. The Group analysed this agreement for existence of control in connection with the transfer to the trust management and concluded that control over the building was not transferred to the Group as at 31 December 2020. The Group provides administrative building management services by leasing premises to other entities, mainly related parties.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### New standards, interpretations and amendments thereof

The Group applied for the first time certain standards and amendments, which are effective for annual reporting periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and impact of each amendment are described below:

#### **Amendments to IFRS 3: Definition of a Business**

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

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

### New standards, interpretations and amendments thereof (continued)

#### **Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform**

The amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

#### **Amendments to IAS 1 and IAS 8: Definition of Material**

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

#### **Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

#### **Amendments to IFRS 16 Covid-19 Related Rent Concessions**

On 28 May 2020, the IASB issued Covid-19 Related Rent Concessions – Amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

### Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. These amendments are not expected to have significant impact on the Group.

- IFRS 17 *Insurance Contracts*;
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*;
- *Reference to the Conceptual Framework* – Amendments to IFRS 3;
- *Property, Plant and Equipment: Proceeds before Intended Use* – Amendments to IAS 16;
- *Onerous Contracts – Costs of Fulfilling a Contract* – Amendments to IAS 37;

- Amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards* – subsidiary as a first-time adopter;
- IFRS 9 *Financial Instruments* – fees in the '10 per cent' test for derecognition of financial liabilities;
- Amendment to IAS 41 – *Agriculture* – taxation in fair value measurements.

### Foreign currency translation

The consolidated financial statements of the Group are presented in tenge, which is the functional currency of the Company and its subsidiary and the currency of presentation of these consolidated financial statements.

Tenge is the currency of the primary economic environment in which the Company and its subsidiary 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 prevailing at the date when the transaction meets recognition criteria.

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 recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was 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 of the US dollar established at KASE as at 31 December 2020 was 420.91 tenge to 1 US dollar (2019: 381.2 tenge to 1 US dollar).

### Investments to associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is subsequently increased or decreased due to recognition of the Group's share in changes in net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the financial performance of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

### Investments to associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

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

- It is expected to be settled within normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### Fair value measurement

The Group measures such financial instruments as derivatives at fair value at each date of the statement of financial position. Information on fair value of financial instruments measured at amortised cost and non-financial assets fair value of which shall be disclosed in the financial statements, is disclosed in Note 32 and Note 6, respectively.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in Note 32.

### Revenue recognition for contracts with customers

The Group's activities are associated with management of real estate and construction. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

The Group has concluded that it is the principal in all of its revenue arrangements taking into account payment terms defined in an agreement and net of taxes or duties.

#### *Sale of real estate properties*

Revenue from the sale of real estate properties is usually recognised when the significant risks and rewards of ownership of the real estate properties have passed to the buyer. Revenue from assignment of rights for objects under construction is recognised when the significant risks and rewards related to ownership rights have passed to the buyer.

#### *Rental income*

Income from investment property provided under operating leases is accounted for on a straight line basis over the lease term and is included in revenues due to its operating nature.

#### *Interest income*

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in revenue from core activities as related to financing of construction companies and in finance income as related to other interest income.

### Expense recognition

Expenses are recognised as incurred and reported in the consolidated statement of comprehensive income in the period to which they relate on the accrual basis.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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

### Income tax

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income. Management 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 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 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 arrangements, when 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 tax assets to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in the statement of comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## Employee benefits

### Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax expenses are charged to expenses as incurred.

### Defined contribution scheme

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

## Financial assets

### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Financial assets of the Group include cash and cash equivalents, finance lease receivables, loans issued, government bonds, trade and other accounts receivable.

### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

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

### Financial assets (continued)

#### Subsequent measurement (continued)

##### Financial assets at amortised cost (debt instruments)

This is the category most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes loans issued, trade and other receivables, and finance lease receivables.

##### Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets. As at 31 December 2020 and 2019, the Group has government bonds – financial assets at fair value through other comprehensive income.

##### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. As at 31 December 2020 and 2019, the Group has not designated any equity instruments upon initial recognition as at fair value through other comprehensive income.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.



This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the finance income or finance costs. Reassessment occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

#### Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position 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, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

#### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments that are measured at fair value through the OCI, the Group applies a simplification about low credit risk. At each reporting date, the Group assesses whether a debt instrument is a low credit risk instrument using all reasonable and corroborated information that is available without undue cost or effort. When conducting such an assessment, the Group reviews the internal credit rating of the debt instrument. Besides, the Group believes that there has been a significant increase in credit risk if contractual payments are over 30 days past due. As at 31 December 2020 and 31 December 2019, the Group had debt securities measured through OCI and represented by quoted government bonds.

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

### Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand, and short-term deposits with a maturity of three months or less.

### Loans and receivables

Loans and receivables including long-term deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the consolidated statement of comprehensive income. The losses arising from impairment are recognised in the consolidated statement of comprehensive income within finance costs in case of loans and within other operating expenses in case of accounts receivable.

### Financial liabilities

#### Initial recognition and measurement

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

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

The Group's financial liabilities include accounts payable, loans and coupon bonds.

#### Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortised cost (loans and borrowings).

#### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### **Financial liabilities at amortised cost (loans and borrowings)**

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans, borrowings and coupon bonds.

#### Derecognition

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

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

#### Offsetting of financial instruments

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

#### Advances paid to construction companies

Advances paid to construction companies represent advances paid for the construction of real estate property to be recognised at a later date in the consolidated statement of financial position as investment property or property for sale. Advances paid to construction companies are measured at cost (the consideration actually paid) as at the date of partnership agreements less impairment loss, if any. Advances paid to construction companies are settled upon transfer of title to the property from the construction company to the Group.

#### Investment property

Investment property includes property held for receiving lease payments or income from accretion to capital, or both.

Property owned on the lease terms is classified as investment property when it corresponds to the definition of investment property. Lease liabilities are recognised in accordance with IFRS 16 at fair value of fee of leased property.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Following initial recognition, investment property is carried at initial cost less any accumulated amortisation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life, which is 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment property is transferred to non-current assets held for sale when the carrying amount is expected to be refunded by way of sale but not continuous using. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present condition on the terms general for sale of similar property.

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

#### Other non-current assets

Other non-current assets comprise properties for future leasing out under a finance lease agreement or for which the Group, as at the reporting date, has no certain plans related to recovery of its carrying amount. Other non-current assets are measured at cost, including transaction costs. Upon initial recognition, other non-current assets are carried at cost less accumulated impairment. Other non-current assets are not amortised. Transfers are made to (or from) other non-current assets only when there is a change in use.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The initial cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets generated internally, except for the capitalised costs for development of products, are not capitalised and the related expense is recognised in the consolidated statement of comprehensive income for the year in which it originated.

Intangible assets have finite useful lives.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The period and accrual method of amortisation for an intangible asset with finite useful life are reviewed at least at the end of each reporting period.

Change in the estimated useful life or alleged structure of consumption of future economic benefits embodied in the asset is recorded in the financial statements as a change in the period or accrual method of amortisation depending on the situation and accounted for as a change in accounting estimates. Expenses on amortisation of intangible assets with finite useful life are recognised in the consolidated statement of comprehensive income in the category of expenses, which corresponds to the function of the intangible asset.

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

Intangible assets are mainly represented by the software and licenses. Intangible assets are amortised on a straight-line basis over their estimated useful lives, generally from 5 to 10 years.

#### Property, plant and equipment

Property, 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 plant and equipment and borrowing costs for long-term construction projects if the capitalisation criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

	Years
Buildings and constructions	8-100
Machinery and equipment	3-50
Motor vehicles	3-15
Other	2-20



Previous recognised items of property, plant and equipment are 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 the consolidated statement of comprehensive income in the year when the asset is derecognised.

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

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

### 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 of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When 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 of disposal, recent market transactions are taken into account. 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 companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five (5) years. Long-term growth rates are calculated and applied to the projected future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive loss 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. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive loss unless the asset is carried at a revalued amount. In this case the reversal is treated as a revaluation increase.

### Inventories

Inventories are recorded at the lower of cost and 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. All inventories are determined based on weighted average cost method.

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

### Real estate for sale

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

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

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

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

### Guarantee payments from lessees

Guarantee payments from lessees represent amounts paid by lessees as security of fulfilment of liabilities under finance lease agreements. At the end of lease term, the amount of guarantee payments are used by lessees to settle the last lease payment.

### Rent

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

#### Group as a lessee

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

Lease payments are apportioned between the finance income and increase of the finance lease asset so as to achieve a constant rate of interest on the unrecoverable amount of the asset. Finance income is reflected directly in the consolidated statement of comprehensive income.

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as income in the consolidated statement of comprehensive income on a straight line basis over the lease term.

#### Group as a lessee

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

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the non-consolidated statement of comprehensive income net of any reimbursement.

## Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. 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. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification 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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. The management should assume responsibility for the implementation of the plan to sell the asset, and there should be an expectation that the sale will be completed within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as non-current/current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

## 5. PROPERTY, PLANT AND EQUIPMENT

Movement of property, plant and equipment in 2020 and 2019 is presented as follows:

In thousands of tenge	Land	Buildings	Office equipment	Total
<b>Cost</b>				
<b>At 31 December 2018</b>	26,101	31,913	457,506	515,520
Additions	–	–	31,254	31,254
Disposals	–	–	(37,587)	(37,587)
<b>At 31 December 2019</b>	26,101	31,913	451,173	509,187
Additions	–	–	<b>640</b>	<b>640</b>
Disposals	–	–	<b>(19,099)</b>	<b>(19,099)</b>
Loss of control over subsidiary	–	–	<b>(12,980)</b>	<b>(12,980)</b>
<b>At 31 December 2020</b>	<b>26,101</b>	<b>31,913</b>	<b>419,734</b>	<b>477,748</b>
<b>Accumulated depreciation</b>				
<b>At 31 December 2018</b>	–	(3,245)	(265,796)	(269,041)
Depreciation charge for the year	–	(638)	(32,823)	(33,461)
Depreciation on disposal	–	–	37,467	37,467
<b>At 31 December 2019</b>	–	(3,883)	(261,152)	(265,035)
Depreciation charge for the year	–	<b>(638)</b>	<b>(35,108)</b>	<b>(35,746)</b>
Depreciation on disposal	–	–	<b>17,430</b>	<b>17,430</b>
Loss of control over subsidiary	–	–	<b>8,441</b>	<b>8,441</b>
<b>At 31 December 2020</b>	–	<b>(4,521)</b>	<b>(270,389)</b>	<b>(274,910)</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>26,101</b>	<b>28,030</b>	<b>190,021</b>	<b>244,152</b>
<b>At 31 December 2020</b>	<b>26,101</b>	<b>27,392</b>	<b>149,345</b>	<b>202,838</b>



## 6. INVESTMENT PROPERTY

Movement of investment property for 2020 and 2019 is presented as follows:

In thousands of tenge	Building	Commercial premises	Parking lots	Total
<b>Cost</b>				
<b>At 31 December 2018</b>	4,850,854	72,649	598,000	5,521,503
Disposal	–	–	(114,621)	(114,621)
Transferred to real estate for sale (Note 7)	–	(62,304)	–	(62,304)
Transferred to other non-current assets (Note 13)	–	–	(483,379)	(483,379)
<b>At 31 December 2019</b>	4,850,854	10,345	–	4,861,199
<b>At 31 December 2020</b>	<b>4,850,854</b>	<b>10,345</b>	<b>–</b>	<b>4,861,199</b>
<b>Accumulated depreciation and impairment</b>				
<b>At 31 December 2018</b>	(749,332)	(12,429)	(106,650)	(868,411)
Depreciation charge for the year	(105,453)	10,565	(7,971)	(102,859)
Disposal	–	–	114,621	114,621
Transferred to other non-current assets (Note 13)	–	–	178,399	178,399
Impairment	–	–	(178,399)	(178,399)
<b>At 31 December 2019</b>	(854,785)	(1,864)	–	(856,649)
Depreciation charge for the year	<b>(105,453)</b>	<b>(207)</b>	–	<b>(105,660)</b>
<b>At 31 December 2020</b>	<b>(960,238)</b>	<b>(2,071)</b>	–	<b>(962,309)</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	3,996,069	8,481	–	4,004,550
<b>At 31 December 2020</b>	<b>3,890,616</b>	<b>8,274</b>	–	<b>3,898,890</b>

In 2020, as a result of regular analysis of the fair value of investment properties, management of the Group came to a conclusion that the carrying amount of its commercial and residential premises did not exceed fair value of the properties.

As at 31 December 2020, the fair value of the Group's real estate properties amounts to 5,865,212 thousand tenge (2019: 5,136,047 thousand tenge).

## 7. REAL ESTATE FOR SALE

In thousands of tenge	Apartments	Construction in progress	Commercial premises	Parking lots	Other	Total
<b>At 31 December 2018</b>	20,340	–	–	–	–	20,340
Transferred from investment property (Note 6)	–	–	62,304	–	–	62,304
Transferred from construction-in-progress (Note 13)	–	5,294,673	–	–	–	5,294,673
Receipt of real estate properties against advances issued (Note 8)	3,736,672	–	–	–	–	3,736,672
Transferred from other non-current assets (Note 13)	8,740,611	–	–	–	–	8,740,611
Realised property (Note 26)	(5,346,162)	(5,294,673)	(804)	–	–	(10,641,639)
Leased out	–	–	(61,500)	–	–	(61,500)
<b>At 31 December 2019</b>	7,151,461	–	–	–	–	7,151,461
Transferred to other non-current assets (Note 13)	<b>(149,693)</b>	–	–	–	–	<b>(149,693)</b>
Transferred from other non-current assets (Note 13)	<b>11,200</b>	–	–	<b>10,323</b>	<b>121,666</b>	<b>143,189</b>
Realised property (Note 26)	<b>(6,993,430)</b>	–	–	<b>(10,323)</b>	–	<b>(7,003,753)</b>
Impairment	–	–	–	–	<b>(68,574)</b>	<b>(68,574)</b>
<b>At 31 December 2020</b>	<b>19,538</b>	–	–	–	<b>53,092</b>	<b>72,630</b>

## 8. ADVANCES PAID TO CONSTRUCTION COMPANIES

The Group enters into agreements with construction companies (hereinafter, "Real estate developers") for acquirement of apartments, commercial premises and parking lots. In accordance with provisions of the agreements, the Group is obliged to make advance payments to the Real estate developers and the Real estate developers undertook to complete construction by the established dates. The Group becomes an owner of respective objects after completion of construction by the Real estate developers and their appropriate registration in state registration agencies.

The agreements of the Group with Real estate developers contain a guarantee provision according to which Real estate developers provide collateral in the form of land lots and construction-in-progress to cover the risk of loss of the Group's advance payment.

Movement of advances issued to construction companies for 2020 and 2019 is presented as follows:

In thousands of tenge	2020	2019
<b>At the beginning of the year</b>	<b>4,439,252</b>	18,959,858
Advances paid for the year	<b>614,522</b>	3,165,321
Transferred from loans issued	–	3,021,648
Real estate properties received	<b>(2,744,102)</b>	(19,841,570)
Guarantee payments	<b>82,323</b>	291,153
Netting against the amount due on guarantees	–	(1,059,978)
Return of funds	<b>(2,268,164)</b>	–
Other	<b>(123,831)</b>	(97,180)
<b>Advances for projects under construction</b>	–	4,439,252

The real estate properties obtained were recognised in the consolidated statement of financial position as follows:

In thousands of tenge	2020	2019
Other non-current assets (Note 13)	<b>2,744,102</b>	16,104,898
Property for sale (Note 7)	–	3,736,672
	<b>2,744,102</b>	19,841,570

## 9. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are as follows:

In thousands of tenge	2020	2019
Finance lease receivables	<b>55,552,116</b>	53,436,693
Loans to other companies (Note 15)	<b>3,999,960</b>	–
	<b>59,552,076</b>	53,436,693

Finance lease debt is presented by the amount of minimum lease payments under the existing finance lease agreements. Minimal lease payments receivable in future periods under finance lease contracts as well as present value of net minimal lease payments are presented in the table:

In thousands of tenge	2020		2019	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	<b>10,414,152</b>	<b>9,898,453</b>	9,644,314	9,162,490
More than one year, but less than five years	<b>40,373,942</b>	<b>30,506,993</b>	37,845,467	28,492,916
Over five years	<b>54,632,611</b>	<b>25,045,123</b>	57,566,562	24,943,777
<b>Total minimum lease payments</b>	<b>105,420,705</b>	<b>65,450,569</b>	105,056,343	62,599,183
Less financial income	<b>(39,970,136)</b>	–	(42,457,160)	–
<b>Present value of minimum lease payments</b>	<b>65,450,569</b>	<b>65,450,569</b>	62,599,183	62,599,183
Less: amounts due for settlement within 12 months (Note 16)		<b>(9,898,453)</b>		(9,162,490)
<b>Amounts due for settlement after 12 months</b>		<b>55,552,116</b>		53,436,693

## 10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

In thousands of tenge	2020	2019
Deposits with Kazakh banks	<b>43,350,969</b>	40,238,424
Allowance for expected credit losses	<b>(2,384,281)</b>	(2,469,709)
	<b>40,966,688</b>	37,768,715
Less: current portion	<b>(5,052,698)</b>	(139,332)
<b>Non-current portion</b>	<b>35,913,990</b>	37,629,383

Long-term deposits comprise special deposits in tenge under the project "Zelenyi kvartal" with second tier banks with an interest rate of 3.5% per annum. Deposits in the amount of 4,970,000 thousand tenge were pledged as collateral under a credit facility agreement with ForteBank JSC (Note 20).

In thousands of tenge	2020	2019
<b>At the beginning of the year</b>	<b>2,469,709</b>	1,039,293
Recovery	<b>(162,620)</b>	(141,659)
Charge	<b>77,192</b>	1,572,075
<b>At the end of the year</b>	<b>2,384,281</b>	2,469,709

## 11. OTHER CURRENT ASSETS

In thousands of tenge	2020	2019
Cash with Delta Bank JSC	<b>5,067,902</b>	5,067,902
Cash with KazInvestBank JSC	<b>1,384,903</b>	1,407,913
Cash with SB Alfa Bank JSC	<b>142,908</b>	159,010
Restricted cash in Halyk Bank of Kazakhstan JSC	<b>130,089</b>	219,639
Other current assets	<b>303,164</b>	308,205
Allowance for expected credit losses	<b>(6,600,158)</b>	(6,768,342)
	<b>428,808</b>	394,327

As at 31 December 2020, other current assets are claims in arrears, amounts due on amounts placed with KazInvestBank JSC of 1,384,903 thousand tenge and with Delta Bank JSC in the amount of 5,067,902 thousand tenge, for which the Group created a 100% allowance for expected credit losses due to the deprivation of banks of a license to conduct banking and other operations.

On 19 May 2017, SB Alpha-Bank JSC and the temporary administration of KazInvestBank JSC signed an agreement on the simultaneous transfer of assets and liabilities of KazInvestBank JSC. In June 2017, SB Alpha-Bank JSC acting as pledger for the pool of loans transferred from KazInvestBank JSC and the Group signed agreements on the pledge of cash in the amount of 247,273 thousand tenge.

As at 31 December 2020, the Group recovered the allowance for the pledge in the amount of 39,404 thousand tenge. The movement of allowance for expected credit losses on other assets is as follows:

In thousands of tenge	2020	2019
<b>At the beginning of the year</b>	<b>6,768,342</b>	6,839,308
Recovery	<b>(39,404)</b>	(70,966)
Loss of control over subsidiary	<b>(9,094)</b>	–
Reclassification	<b>(119,686)</b>	–
<b>At the end of the year</b>	<b>6,600,158</b>	6,768,342



## 12. INVESTMENT IN AN ASSOCIATE

On 31 December 2020, the Group sold 51% equity interest in SK Development LLP ("SK Development"). The principal place of operations of SK Development LLP and the country of its registration is the Republic of Kazakhstan. The main activity of SK Development is rendering of services for technical supervision, project management, development. As at 31 December 2020, the Group owns a 49% interest in SK Development. The Group's interest is accounted for using the equity method in the consolidated financial statements.

The table below summarised the movement in investments for 2020 and 2019:

In thousands of tenge	2020	2019*
<b>Balance at 1 January</b>	–	59,437
Share in profit, net	–	903
Disposal	–	(60,340)
Proceed due to loss of control over subsidiary	<b>13,434</b>	–
<b>Balance at 31 December</b>	<b>13,434</b>	–

\*The movement in investments in an associate for 2019 is represented by the movement in the associate FN Management LLP, which was realised during 2019.

Below is summarised financial information about the associate based on its financial statements.

In thousands of tenge	31 December 2020	31 December 2019
Non-current assets	<b>5,412</b>	–
Current assets	<b>183,815</b>	–
Non-current liabilities	<b>(286)</b>	–
Current liabilities	<b>(34,891)</b>	–
<b>Net assets</b>	<b>154,050</b>	–
Less: loss on disposal	<b>(126,634)</b>	–
Ownership share	<b>49%</b>	–
<b>Current value of investments as at 31 December</b>	<b>13,434</b>	–

In thousands of tenge	2020	2019
Revenue	–	538,635
Profit for the year from continuing operations	–	1,843
Share of the Group in profit	–	903

## 13. OTHER NON-CURRENT ASSETS

In thousands of tenge	Finished real estate properties	Construction-in-progress	Right of use of land	Other	Total
<b>At 31 December 2018</b>	15,817,372	3,523,895	–	2,047,277	21,388,544
Transfer of real estate properties from advances paid (Note 8)	13,022,861	3,082,037	–	–	16,104,898
Transferred from construction in progress	6,671,670	(6,671,670)	–	–	–
Transferred from investment property (Note 6)	304,980	–	–	–	304,980
Received towards the outstanding debt	–	5,294,673	–	–	5,294,673
Transferred to real estate for sale (Note 7)	–	(5,294,673)	–	–	(5,294,673)
Leased out	(21,191,772)	–	–	–	(21,191,772)
Termination of finance lease agreements	6,000	–	–	–	6,000
Transferred to property for sale (Note 7)	(8,740,611)	–	–	–	(8,740,611)
Reimbursed in cash	–	–	–	(2,241,255)	(2,241,255)
Other	(126,353)	65,738	–	214,852	154,237
(Charge)/reversal of allowance for impairment	(361,317)	–	–	1,331,055	969,738
<b>At 31 December 2019</b>	5,402,830	–	–	1,351,929	6,754,759
Transfer of real estate properties from advances paid (Note 8)	<b>2,744,102</b>	–	–	–	<b>2,744,102</b>
Transferred to real estate for sale (Note 7)	<b>(143,189)</b>	–	–	–	<b>(143,189)</b>
Leased out	<b>(7,545,348)</b>	–	–	–	<b>(7,545,348)</b>
Termination of finance lease agreements	<b>324,370</b>	–	–	–	<b>324,370</b>
Transferred from property for sale (Note 7)	<b>149,693</b>	–	–	–	<b>149,693</b>
Reimbursed in cash	–	–	–	<b>(2,689,409)</b>	<b>(2,689,409)</b>
Additions	–	–	<b>1,000,000</b>	–	<b>1,000,000</b>
Transfer to assets held for sale (Note 18)	–	–	<b>(1,000,000)</b>	–	<b>(1,000,000)</b>
Other	<b>10,423</b>	–	–	<b>(4,674)</b>	<b>5,749</b>
(Charge)/reversal of allowance for impairment	<b>(111,084)</b>	–	–	<b>1,344,704</b>	<b>1,233,620</b>
<b>At 31 December 2020</b>	<b>831,797</b>	–	–	<b>2,550</b>	<b>834,347</b>

Other non-current assets include completed and non-completed real estate properties, for which the Group has no specific plans for use.

For the year ended 31 December 2020, reversal of allowance for impairment in the amount of 1,233,620 thousand tenge is recorded in the reversal of allowance for impairment of non-financial assets in the consolidated statement of comprehensive income (2019: 969,738 thousand tenge).

## 14. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable of the Group represent receivables from operating lease and direct sale of commercial and residential premises.

At 31 December 2020 and 2019, accounts receivable were denominated in tenge. As at 31 December 2020 and 2019 trade accounts receivable were not overdue and impaired.

## 15. LOANS ISSUED

In thousands of tenge	2020	2019
Loans to other companies	11,903,844	1,150,024
Loans issued to construction companies under Nurly Zher program	3,813,941	4,524,904
Loan to Ayt Housing Complex LLP	–	5,485,733
Less: allowance for expected credit losses	(3,835,441)	(1,611,179)
	11,882,384	9,549,482
Less: amounts to be repaid within 12 months	(7,882,384)	(9,549,482)
	3,999,960	–

### Loan to Ayt Housing Complex LLP

According to the investment contract with Ayt Housing Complex LLP in construction of residential complex Akkent dated 6 April 2012 and the agreement for sale of apartments dated 12 August 2013, the Group provided financing with interest accrued for the right to sell facilities. According to provisions of the investment contract, the Group made advance payments in the amount of 11,114,252 thousand tenge in the course of construction of real estate properties.

Ayt Housing Complex LLP had the right to sell the real estate property at a free price for further redemption of principal amount of apartments with accrued interest for the granted right to sell and liability to the Parent under the loan agreement dated 3 March 2010.

In December 2014, the Group and Ayt Housing Complex LLP signed an agreement on compensation according to which Ayt Housing Complex LLP shall be liable to pay its obligations in full in the form of cash in the amount of 11,114,252 thousand tenge and the interest in the amount of 1,426,232 thousand tenge calculated at the rate 5% before the end of 2015. Accordingly, in 2014, the Group reclassified the financing from advances paid to construction companies to loans issued. The amortisation of discount on the loan for 2020 amounted to 91,235 thousand tenge (2019: 485,874 thousand tenge). The amount of accrued interest for 2020 was 155,433 thousand tenge (2019: 295,055 thousand tenge) (Note 26). In 2020 the loan was fully repaid.

### Loans issued to construction companies under Nurly Zher program

In 2016, the Group became a participant of the Nurly Zher state program, a commercial direction, in terms of supporting private developers of commercial housing. According to this program, the Group provides loans to construction companies for a period of up to 24 months with an interest rate of 7.5% for the entire financing period. The Group expects to repay the loans by the end of 2021 in accordance with the revised contractual terms.

## 15. LOANS ISSUED (CONTINUED)

### Loans to other companies

As at 31 December 2020, loans issued to other companies included amounts due mainly from construction companies. During 2020, the Group provided financing in the amount of 11,702,998 thousand tenge to construction companies as part of implementation of construction projects.

Loans issued as at 31 December 2020 and 2019 were denominated in tenge.

Movements in allowance for expected credit losses on loans issued were as follows:

In thousands of tenge	2020	2019
<b>At the beginning of the year</b>	<b>1,611,179</b>	2,594,039
Recovery	<b>(197,628)</b>	(1,066,694)
Written off against the provision	<b>(16,016)</b>	(1,401,749)
Charge	<b>2,437,906</b>	1,485,583
<b>At the end of the year</b>	<b>3,835,441</b>	1,611,179

## 16. CURRENT FINANCIAL ASSETS

In thousands of tenge	2020	2019
<b>Financial assets carried at amortised cost</b>		
Finance lease payable (Note 9)	<b>9,898,453</b>	9,162,490
Other	<b>78,642</b>	526,418
	<b>9,977,095</b>	9,688,908
<b>Financial assets at fair value through OCI</b>		
Government bonds of the Republic of Kazakhstan	<b>905,303</b>	2,683,845
	<b>905,303</b>	2,683,845
<b>Total current financial assets</b>	<b>10,882,398</b>	12,372,753

Government bonds are coupon bonds of the Ministry of Finance of the Republic of Kazakhstan with an interest rate of up to 6.7% per annum. In 2020, unrealised gains on government bonds amounted to 90,486 thousand tenge (2019: gains of 31,554 thousand tenge). Current financial assets as at 31 December 2020 and 2019 were denominated in tenge.



## 17. CASH AND CASH EQUIVALENTS

In thousands of tenge	2020	2019
Accounts with banks	<b>14,297,944</b>	2,524,607
Reverse autoREPO agreements with initial maturity of less than 3 months	<b>5,763,855</b>	4,174,429
Short-term deposits	<b>5,745,943</b>	16,650,793
Allowance for expected credit losses	<b>(2,622)</b>	(2,723)
	<b>25,805,120</b>	23,347,106

As at 31 December 2020, cash and cash equivalents comprised current bank accounts in tenge and in Russian rubles. Interest is accrued on balance of cash in current bank accounts at various rates from 5.0% (2019: 2.5% to 8.0%).

Short-term deposits comprise deposits in tenge with maturity not more than 3 months placed with second-tier banks with an interest rate of 7.0-8.0%.

The movements in the provision for expected credit losses for cash and cash equivalents are as follows:

In thousands of tenge	2020	2019
<b>At the beginning of the year</b>	<b>2,723</b>	1,772
Charge	<b>380</b>	2,008
Recovery	<b>(472)</b>	(1,057)
Loss of control over subsidiary	<b>(9)</b>	–
<b>At the end of the year</b>	<b>2,622</b>	2,723

## 18. ASSETS HELD FOR SALE

Assets held for disposal are represented by the right to use the land plot that the Group plans to invest in construction by transferring this right to construction organisations (Note 13).

## 19. SHARE CAPITAL

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

### Additional paid-in capital

Additional paid-in capital is the difference between the amount of loans received in previous years from the Parent Company and their fair value at the date of receipt.

### Dividends

In 2020, the Group did not declare dividends on its ordinary shares (2019: 1,331,236 thousand tenge).

### Earnings per share

The amounts of basic earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares. The Group had a weighted average number of ordinary shares in the amount of 16,247,541 shares during the year ended 31 December 2020 (for the year ended 31 December 2019: 16,247,541 pieces). For the year ended 31 December 2020 and 2019, basic earnings per share were 418.43 tenge and 417.95 tenge, respectively.

### Book value per share

In thousands of tenge	31 December 2020	31 December 2019
<b>Calculation of book value of one share</b>		
Total assets	<b>152,082,853</b>	166,063,491
Less: intangible assets	<b>(44,135)</b>	(52,029)
Less: total liabilities	<b>(100,135,128)</b>	(121,004,762)
<b>Net assets</b>	<b>51,903,590</b>	45,006,700
Number of common shares	<b>16,247,541</b>	16,247,541
<b>Book value per share, tenge</b>	<b>3,194.55</b>	2,770.06

## 20. LOANS

In thousands of tenge	% rate	Repayment	2020	2019
<b>Credit facility No. 1</b>	0.02-2%	2024		
Balance at the beginning of the period			<b>8,992,366</b>	12,171,334
Interest accrued			<b>38,461</b>	189,258
Payments			<b>(9,030,827)</b>	(3,368,226)
<b>Balance at the end of the period</b>			<b>-</b>	8,992,366
<b>Credit facility No. 3</b>	2.0%	2032		
Balance at the beginning of the period			<b>73,604,190</b>	77,169,535
Loans obtained			<b>1,043,382</b>	2,280,184
Interest accrued			<b>1,313,954</b>	1,535,128
Payments			<b>(19,303,691)</b>	(7,380,657)
<b>Balance at the end of the period</b>			<b>56,657,835</b>	73,604,190
<b>Credit facility No. 4</b>	2.0%	2034		
Balance at the beginning of the period			<b>26,060,924</b>	28,004,142
Interest accrued			<b>481,358</b>	542,650
Payments			<b>(3,278,715)</b>	(2,485,868)
<b>Balance at the end of the period</b>			<b>23,263,567</b>	26,060,924
<b>Credit facility No. 5</b>	0.15%	2019		
Balance at the beginning of the period			-	4,031,534
Interest accrued			-	33
Amortisation of discount			-	(14,424)
Payments			-	(4,017,143)
<b>Balance at the end of the period</b>			-	-
<b>Credit facility No. 6</b>	10.0%	2020		
Balance at the beginning of the period			-	-
Loans obtained			<b>2,129,990</b>	-
Interest accrued			<b>134,308</b>	-
Payments			<b>(2,264,298)</b>	-
<b>Balance at the end of the period</b>			-	-
<b>Credit line with ForteBank JSC</b>	11.0%	2021		
Balance at the beginning of the period			-	-
Loans obtained			<b>4,676,773</b>	-
Interest accrued			<b>133,249</b>	-
Payments			<b>(4,299,336)</b>	-
<b>Balance at the end of the period</b>			<b>510,686</b>	-
<b>Loan agreement with SKCN Finance LLC</b>	7.0%	2022		
Balance at the beginning of the period			-	-
Loans obtained			<b>13,975,000</b>	-
Interest accrued			<b>24,079</b>	-
Foreign exchange difference			<b>150,000</b>	-
<b>Balance at the end of the period</b>			<b>14,149,079</b>	-
<b>Current portion of loans</b>			<b>80,456,167</b>	108,657,480
<b>Non-current portion of loans</b>			<b>14,125,000</b>	-

## 20. LOANS (CONTINUED)

Credit facilities No. 1, 3, 4, 5 and 6 were opened under contracts with the Parent company. All obtained funds were not secured by guaranties or collateral.

### Credit facility No. 1

This credit facility was opened in 2009 to acquire residential and non-residential premises in completed projects or projects under construction with initial total amount of 225 billion tenge and three years' grace period to pay the principal. In August 2010, the initial amount of the credit facility was reduced to 155 billion tenge. Also, the credit facility interest rate was reconsidered and set at the rate of 0.02% p.a. during the first two years from the drawdown date and 2% p.a. during subsequent years.

As at the date of recognition (2010) the Group discounted the obtained amount using the rate of return on similar government bonds as at the dates of tranches. Correspondingly, the discount presented as the difference between all the amounts of obtained funds and their fair value was recorded within additional paid in capital. In the event of early repayment of borrowings in 2012, loans were recalculated at reconsidered effective interest rates and the amount of unamortised discount in the amount of 4,174,647 thousand tenge was recognised in the consolidated statement of changes in equity as a decrease in additional paid-in capital due to changes in loan conditions. At 31 December 2020 and 2019, unamortised discount amounted to 3,437,245 thousand tenge.

In December 2013, additional changes in the credit facility terms were introduced. The significant change is the right of the Parent to demand at any time early repayment of amounts withdrawn under this credit facility.

During 2020, the remaining amount due was repaid in full.

### Credit facility No. 3

This credit facility was opened in 2012 in the total amount of 99,053,000 thousand tenge to finance housing construction projects within the "Nurly Zher" Program, direction – rental housing with a purchase option, (previously – "Program for the Development of Regions – 2020"), approved by the Decree of the Government of Kazakhstan No. 922 dated 31 December 2016. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts. Interest is paid on a semi-annual basis. The remainder of unused amounts under this credit facility amounted to 3,240,724 thousand tenge as at 31 December 2020 (2019: 4,284,106 thousand tenge).

During 2020, the Group repaid principal in the amount of 17,989,737 thousand tenge and interest in the amount of 1,313,954 thousand tenge (2019: 5,845,529 thousand tenge and 1,535,128 thousand tenge, respectively).

### Credit facility No. 4

In 2016, the Group entered into a loan agreement for a total of 29,000,000 thousand tenge to finance a project for the construction of the administrative and residential complex "Zelenyi Kvartal" for a period of 18 years with a interest rate of 2% per annum. According to the terms of agreement, the Parent has the right to demand early repayment of withdrawn amounts. During 2016, the Group received the entire amount of the loan.

During 2020, the Group repaid principal in the amount of 2,797,357 thousand tenge and interest in the amount of 481,358 thousand tenge (2019: 1,943,218 thousand tenge and 542,650 thousand tenge, respectively).

### Credit facility No. 6

In January 2020, the Group entered into a loan agreement for a total of 7,100,000 thousand tenge to finance a project for the construction of residential complex "Vostochka" for a period of 4 months with a interest rate of 10% per annum. In May 2020, an additional agreement was concluded, according to which the total amount of the contract was reduced to 2,130,000 thousand tenge with maturity on 31 December 2020. On 1 October 2020, the loan was repaid in full.



## Credit line with ForteBank JSC

In May 2020, the Group entered into a loan agreement with ForteBank JSC for a total of 4,970,000 thousand tenge to finance a project for the construction of the administrative and residential complex "Vostochka" for a period of 12 months with an interest rate of 11% per annum. During 2020, the Group repaid principal in the amount of 4,166,693 thousand tenge and interest in the amount of 132,643 thousand tenge. Deposits in the amount of 4,970,000 thousand tenge (Note 10) were pledged as collateral for this credit line.

## Loan agreement with SKCN Finance LLC

In December 2020, the Group entered into a loan agreement with SKCN Finance LLC for the total amount of 2,500,000 thousand Russian rubles for the purposes of implementation of the project for construction of a residential complex for a period of 21 months with the interest rate of 7% per annum. All funds were received on a non-collateral basis.

## 21. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities represent guarantee payments contributed by lessees to secure performance of obligations of the Group under finance lease agreements. The Group uses guarantee payments to settle the obligations of lessees under the finance lease agreements at the end of the rent period.

## 22. ACCOUNTS PAYABLE

As at 31 December 2020 and 2019, the accounts payable comprised payables to suppliers of goods, works and services for operating activities of the Group. Account payables in the amount of 85,668 thousand tenge (2019: 198,299 thousand tenge) are denominated in tenge and are non-interest bearing.

## 23. OTHER CURRENT LIABILITIES

In thousands of tenge	2020	2019
Advances received	<b>1,118,749</b>	646,146
Due under TMA with respect to Edelweis RC and Akkent RC	<b>449,906</b>	1,438,832
Salary payable	<b>335,627</b>	333,707
Liabilities to payments under guarantee	<b>145,103</b>	558,023
Due on TMA for the office building	<b>130,089</b>	219,639
Taxes payable other than income tax	<b>130,043</b>	125,294
Payments for operator services of Ayt Housing Complex LLP	<b>53,324</b>	222,786
Deferred income	<b>15,306</b>	15,306
Due to the developers under Nurlı Zher program	–	334,689
Other current liabilities	<b>72,136</b>	74,341
	<b>2,450,283</b>	3,968,763

## 24. OTHER CURRENT FINANCIAL LIABILITIES

On 25 June 2019, the Group placed corporate bonds at the Kazakhstan Stock Exchange totalling 5,203,442 thousand tenge with par value of 1,000 tenge each, a coupon rate of 10.5% per annum, and placement until 30 June 2020. Accrued interest on these bonds for 2020 amounted to 273,181 thousand tenge (2019: 283,804 thousand tenge). During 2020, the Group repaid its principal amount and interest accrued on coupon bonds in full on time.

## 25. REVENUE

In thousands of tenge	2020	2019
Income from sale of residential and commercial premises	<b>8,691,511</b>	6,373,576
Finance lease income	<b>6,634,849</b>	5,342,733
Interest on special deposits under the Zelenyi Kvartal program	<b>1,371,343</b>	1,468,732
Revenue for construction management and technical supervision	<b>1,225,360</b>	561,927
Interest income on interest bearing financing of construction companies (Note 15)	<b>810,071</b>	758,882
Operating lease income	<b>341,407</b>	386,146
Property management fee	<b>295,971</b>	350,196
Amortisation of discount (Note 7)	<b>96,785</b>	1,020,508
Gain on sale of construction-in-progress (Note 7)	–	5,579,965
Other revenue	<b>129,332</b>	59,581
	<b>19,596,629</b>	21,902,246

Timing of revenue recognition from the sale of goods and services is as follows:

In thousands of tenge	2020	2019
Timing of revenue recognition		
The services are provided over a period in time	10,905,118	9,948,705
The goods are transferred at a certain point in time	8,691,511	11,953,541
	19,596,629	21,902,246

During 2020 and 2019, goods and services were sold in the Republic of Kazakhstan.

## 26. COST OF SALES

In thousands of tenge	2020	2019
Cost of residential and commercial premises sold (Note 7)	<b>7,003,753</b>	5,346,966
Interest expense	<b>519,819</b>	729,612
Maintenance of real estate properties	<b>226,132</b>	492,153
Operating taxes	<b>159,133</b>	161,157
Depreciation and amortisation	<b>105,660</b>	102,859
Cost of construction-in-progress sold	–	5,294,673
Recognition of discount on a loan issued (Note 15)	–	306,088
Amortisation of discount	–	(14,424)
Other	<b>3,724</b>	63,209
	<b>8,018,221</b>	12,482,293

## 27. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of tenge	2020	2019
Salaries and related taxes	1,349,281	1,320,711
Professional services	160,334	178,417
Depreciation and amortisation	48,457	43,533
VAT expenses	43,533	270,456
Rent	34,562	41,435
State duty	24,056	161,670
Repair and maintenance	21,380	19,984
Business trip expenses	16,121	37,456
Communication	7,968	12,725
Board of Directors expenses	7,550	12,915
Materials	5,532	8,187
Other taxes and obligatory payments to the budget	2,802	970
Bank charges	2,331	3,894
Maintenance of building	768	1,677
Other	53,821	55,129
	<b>1,778,496</b>	2,169,159

## 28. FINANCE INCOME / FINANCE COSTS

In thousands of tenge	2020	2019
<b>Finance income</b>		
Interest income on bank deposits and current bank accounts	1,212,623	1,027,103
Income from reverse autoREPO agreements	709,363	122,978
Income on government bonds	106,298	167,203
Income from fair value change of financial instruments	–	49,687
	<b>2,028,284</b>	1,366,971
<b>Finance costs</b>		
Interest expense on loans	(1,605,590)	(1,537,456)
Interest expenses for bonds issued	(273,181)	(1,055,635)
Expenses associated with raising of funds	(236,102)	–
Corporate bonds issuance expenses	–	(53,180)
	<b>(2,114,873)</b>	(2,646,271)

## 29. INCOME TAX EXPENSES

Income tax expenses comprised the following for the years ended 2020 and 2019:

In thousands of tenge	2020	2019
Current income tax expenses	1,777,261	1,740,829
Adjustment of prior periods income tax	–	(252,192)
Deferred tax expense as a result of origination and reversal of temporary differences	327,909	(339,660)
	<b>2,105,170</b>	1,148,977

Reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at 31 December 2019 and 2020 is as follows:

In thousands of tenge	2020	2019
<b>Profit before tax</b>	<b>8,903,680</b>	7,939,566
Statutory tax rate	<b>20%</b>	20%
<b>Income tax at statutory income tax rate</b>	<b>1,780,736</b>	1,587,913
Income on coupon interest of government securities	(163,132)	(58,036)
Recognition of discount on loans issued	–	58,333
Write-off of deferred tax asset on provisions	218,203	–
Adjustment of prior periods income tax	–	(252,192)
Accrual of allowances for doubtful debts	198,246	208,315
Subsidising income	–	(268)
Amortisation of discount on financial instruments	(19,357)	(204,102)
Adjustment of deferred interest on loans issued	–	(235,339)
Other permanent expenses / (non-taxable income)	90,474	44,353
	<b>2,105,170</b>	1,148,977

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

In thousands of tenge	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2020	2019	2020	2019
<b>Deferred tax assets</b>				
Provisions for loans issued, current financial assets and accounts receivable	42,807	261,010	(218,203)	–
Taxes	2,955	2,638	317	1,444
Capitalised interest	–	8,291	(8,291)	(5,805)
Deferred income	27,552	30,613	(3,061)	–
Other	72,643	71,809	834	12,626
	<b>145,957</b>	374,361	<b>(228,404)</b>	8,265
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(416,770)	(397,649)	(19,121)	29,738
Expected interest on loans issued	(80,384)	–	(80,384)	301,657
Loss of control over subsidiary	287	–	–	–
	<b>(496,867)</b>	(397,649)	<b>(99,505)</b>	331,395
<b>Deferred tax liabilities</b>	<b>(350,910)</b>	(23,288)		
<b>Net deferred tax (expense) benefit</b>			<b>(327,909)</b>	339,660



Reconciliation of net deferred tax liabilities:

In thousands of tenge	2020	2019
<b>Balance at 1 January</b>	<b>23,288</b>	362,948
Deferred tax benefit for the reporting year recognised in profit or loss	<b>327,909</b>	(339,660)
Loss of control over subsidiary	<b>(287)</b>	–
<b>Balance at 31 December</b>	<b>350,910</b>	23,288

As at 31 December 2020 and 2019, the Group had no unrecognised deferred tax assets.

## 30. RELATED PARTY DISCLOSURES

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the participation interest is owned, directly or indirectly, by the Group's key management personnel, and other entities controlled by the Participant. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The category 'parent-controlled entities' comprises entities controlled by the Parent.

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

As at 31 December 2020 and 2019, the Group has not recorded any impairment of accounts receivables relating to amounts owned by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Major transactions with related parties for 2020 and 2019 are as follows:

In thousands of tenge	2020	2019
<b>Entities under the Parent's control</b>		
Gain from operating lease	<b>14,958</b>	482
Sales to related parties	<b>538,343</b>	913,000
Purchases from related parties	<b>46,815</b>	30,284
	<b>600,116</b>	943,766

As a result of the above transactions, the Group had the following amounts due from related parties (due to related parties) as at 31 December 2020 and 2019:

In thousands of tenge	2020	2019
<b>Entities under the Parent's control</b>		
Trade accounts receivable	<b>27,087</b>	44,304
Accounts payable	<b>(5,954)</b>	(223,210)

### Loans payable to the Parent company

Details of loans from the Parent are disclosed in Note 20.

## 30. RELATED PARTY DISCLOSURES (CONTINUED)

### Compensation to the key management personnel

In 2020, key management personnel consisted of seven persons (2019: six persons). Total compensation to the key management personnel included in payroll expenses amounted to 146,572 thousand tenge for the reporting period (2019: 113,739 thousand tenge). Compensation to the key management personnel mainly consists of contractual salary and year-end bonus.

The Group performed additional procedures to determine related parties with respect to the key management personnel. As a result of these procedures no related parties were identified.

## 31. FINANCIAL COMMITMENTS AND CONTINGENCIES

### Contractual commitments

As at 31 December 2020, the Group had contractual obligations in the amount of 11,277,439 thousand tenge (2019: 1,388,420 thousand tenge) under agreements with construction companies.

On 24 January 2019, the Group entered into a trust management agreement for the administrative building with the Parent company. The Group manages commercial space by leasing it to related parties and third parties. According to the terms of the agreement, the Group is obliged to ensure the safety, proper functioning and operation of the property.

### Finance lease contractual commitments – Group as lessor

The Group entered into a number of finance lease agreements for real estate property consisting of certain residential and non-residential areas. These lease agreements are concluded for periods ranging from 10 to 20 years.

### 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, including opinions on approaches to revenue, expenses and other items of the financial statements. The current regime of penalties and interest related to unreported and discovered violations of Kazakhstan law are severe. Penalties are generally from 50% to 80% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at 31 December 2020. The management believes that as at 31 December 2020 its interpretation of the relevant legislation is appropriate and that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### Liquidity risk

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

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. As at 31 December 2020, the Group's current liabilities exceeded its current assets by 32,368,975 thousand tenge (2019: 58,809,115 thousand tenge). This excess has developed, mainly due to the classification of the Parent loans in the amount of 79,921,403 thousand tenge as current due to the Parent's right to demand early repayment of these loans. However, the Parent company confirmed its readiness to provide further financial support and not to demand early repayment of loans. Management covers liquidity requirements by expanding its operating activities, as well as through funding from the Parent.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 and 31 December 2019, based on contractual undiscounted payments.

In thousands of tenge	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
<b>At 31 December 2020</b>						
Loans	79,921,402	–	1,499,264	14,700,986	–	96,121,652
Accounts payable	–	85,668	–	–	–	85,668
Other current liabilities	–	–	2,450,283	–	–	2,450,283
	<b>79,921,402</b>	<b>85,668</b>	<b>3,949,547</b>	<b>14,700,986</b>	–	<b>98,657,603</b>
<b>At 31 December 2019</b>						
Loans	108,657,480	–	–	–	–	108,657,480
Accounts payable	–	198,299	–	–	–	198,299
Other current financial liabilities	–	–	5,749,803	–	–	5,749,803
Other current liabilities	–	–	3,968,763	–	–	3,968,763
	108,657,480	198,299	9,718,566	–	–	118,574,345

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Credit risk

Financial instruments that potentially expose the Group to credit risk consist of cash on deposits and current bank accounts, accounts receivable, issued loan and finance lease receivables. The maximum exposure to credit risk is represented by the balance sheet value of each financial asset.

The Group is exposed to credit risk from its operating activities and certain investing activities. In the course of investing activity, the Group mainly places its deposits with Kazakh banks.

The table below shows the balances of cash, bank deposits with banks as at the reporting date using Standard & Poor's and Fitch credit rating symbols less provisions made:

In thousands of tenge	Location	Rating 2020	Rating 2019	31 December 2020	31 December 2019
ATF Bank JSC	Kazakhstan	<b>B-/stable/B-</b>	B-/stable/B	<b>36,029,312</b>	37,750,240
Halyk Bank of Kazakhstan JSC	Kazakhstan	<b>BB/stable/BB+</b>	BB/stable/B	<b>17,786,033</b>	16,269,148
Forte Bank JSC	Kazakhstan	<b>B+/stable/B</b>	B+/stable/B	<b>7,192,595</b>	2,921,990
First Heartland Jysan Invest	Kazakhstan	<b>Without rating</b>	Without rating	<b>5,763,855</b>	4,174,428
SB Alfa Bank JSC	Kazakhstan	<b>BB-/stable/BB-</b>	BB-/positive/B	<b>13</b>	15
				<b>66,771,808</b>	61,115,821

### Fair value of financial instruments

As at 31 December 2020, financial assets at fair value through OCI comprised public debt securities. These financial assets are categorised within Level 1 of fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Management has determined that the fair value of cash and short-term deposits, trade receivables and payables, bank overdrafts and other current liabilities approximately equal to their carrying amount, mainly due to the short-term nature of these instruments.

The fair value of the financial assets and liabilities included in the financial statements represent an amount for which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Fixed-rate receivables, finance lease receivables and borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics incidental to the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2020, the carrying amounts of such receivables, net of allowances, are not materially different from their fair values.
- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, and is categorised within Level 3 of fair value hierarchy.
- Fair value of financial assets at fair value through profit or loss is determined based on the price quotations in active markets.



## Fair value measurement hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

- Level 1 – prices in active markets for identical assets or liabilities (without any adjustments).
- Level 2 – techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below discloses the measurement hierarchy for assets and liabilities of the Group at the fair value.

### Measurement hierarchy for assets at fair value as at 31 December 2020

In thousands of tenge	Carrying amount	Fair value	Fair value measurement using		
			Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
<b>Assets measured at fair value</b>					
Government bonds of the Republic of Kazakhstan (Note 16)	905,303	905,303	905,303	–	–
<b>Assets with disclosed fair value</b>					
Loans issued (Note 15)	11,882,344	11,882,344	–	–	11,882,344
Finance lease receivable (Note 9)	65,450,569	63,735,926	–	–	63,735,926
Trade accounts receivable (Note 14)	275,445	275,445	–	–	275,445

### Measurement hierarchy for liabilities at fair value as at 31 December 2020

In thousands of tenge	Carrying amount	Fair value	Fair value measurement using		
			Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Liabilities for which fair values are disclosed					
Loans (Note 20)	94,581,167	94,581,167	–	–	94,581,167
Accounts payable (Note 22)	85,668	85,668	–	–	85,668
Other current liabilities	2,450,283	2,450,283	–	–	2,450,283

### Measurement hierarchy for assets at fair value as at 31 December 2019

In thousands of tenge	Carrying amount	Fair value	Fair value measurement using		
			Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
<b>Assets measured at fair value</b>					
Government bonds of the Republic of Kazakhstan (Note 16)	2,683,845	2,683,845	2,683,845	–	–
<b>Assets for which fair values are disclosed</b>					
Loans issued (Note 15)	9,549,482	9,540,294	–	–	9,540,294
Finance lease receivable (Note 9)	62,599,183	55,962,468	–	–	55,962,468
Trade accounts receivable (Note 14)	6,164,853	6,164,853	–	–	6,164,853

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Fair value measurement hierarchy (continued)

#### Measurement hierarchy for liabilities at fair value as at 31 December 2019

In thousands of tenge	Carrying amount	Fair value	Fair value measurement using		
			Quoted prices in an active market (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)
Liabilities for which fair values are disclosed					
Loans payable to the Parent company (Note 20)	108,657,480	108,657,480	–	–	108,657,480
Other current financial liabilities (Note 24)	5,487,246	5,527,790	5,527,790	–	–
Accounts payable (Note 22)	198,299	198,299	–	–	198,299
Other current liabilities	2,564,574	2,564,574	–	–	2,564,574

Changes in liabilities arising from financing activities

In thousands of tenge	1 January 2020	Cash inflow	Cash outflow	Change in exchange rates	Interest paid	Other	31 December 2020
Loans	108,657,480	21,825,145	(34,371,093)	150,000	(3,805,772)	2,125,407	94,581,167
Other current financial liabilities	5,487,246	–	(5,203,442)	–	(556,985)	273,181	–
<b>Total liabilities from financing activities</b>	<b>114,144,726</b>	<b>21,825,145</b>	<b>(39,574,535)</b>	<b>150,000</b>	<b>(4,362,757)</b>	<b>2,398,588</b>	<b>94,581,167</b>

In thousands of tenge	1 January 2019	Cash inflow	Cash outflow	Change in exchange rates	Interest paid	Other	31 December 2019
Loans	121,376,545	2,280,184	(15,154,644)	–	(2,097,249)	2,252,644	108,657,480
Other current financial liabilities	20,022,222	5,203,442	(20,000,000)	–	(794,053)	1,055,635	5,487,246
<b>Total liabilities from financing activities</b>	<b>141,398,767</b>	<b>7,483,626</b>	<b>(35,154,644)</b>	<b>–</b>	<b>(2,891,302)</b>	<b>3,308,279</b>	<b>114,144,726</b>

The "Other" column includes the amounts of accrued but unpaid interest on loans, including the lease liability. The Group classifies interest paid as cash flows from operating activities.

## Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were introduced in objectives, policies or processes from the date of formation through 31 December 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes loans from the Parent, government bonds and accounts payable within net debt.

The gearing ratio at 31 December 2020 and 2019 is presented in the following table:

In thousands of tenge	2020	2019
Loans	<b>94,581,167</b>	108,657,480
Accounts payable	<b>85,668</b>	198,299
Corporate bonds	–	5,487,246
<b>Net debt</b>	<b>94,666,835</b>	114,343,025
Equity	<b>51,947,725</b>	45,058,729
<b>Debt-equity ratio</b>	<b>1.82</b>	2.54





SAMRUK-KAZYNA  
CONSTRUCTION

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