STEPPE CEMENT

Annual Report 2006

Contents

The cover design shows an oil painting done on canvas by Sergei Shchegolikhin in 1978. It shows the old Karaganda Cement plant in operation during the time of Soviet rule. It depicts the old raw material handling area of the Karaganda cement plant where the train arrives on the railroad to the storage and the wagons were unloaded by a bridge crane.

Corporate Information

Company Registration	LL04433
Stock Code	STCM
Secretary and Registered Office	Equity Trust Secretaries Ltd Brumby House, Jalan Bahasa P.O. Box 80148 87011 Federal Territory of Labuan Malaysia
Corporate Office	10th Floor Rohas Perkasa, West Wing No.8, Jalan Perak 50450 Kuala Lumpur Malaysia Tel: +(603) 2161 7552 +(603) 2161 7542 Fax: +(603) 2161 8730 info@steppecement.com
Nominated Adviser	RFC Corporate Finance Ltd Level 14 19-31 Pitt Street Sydney, New South Wales, 2000 Australia and Level 8, QV1 Building 250 St Georges Tce Perth, Western Australia 6000
Websites	www.steppecement.com www.cac.kz
UK Registrar	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
Cement Plant	472380, Aktau Village Karaganda Region Republic of Kazakhstan
Broker	Westhouse Securities LLP Clements House 14-18 Gresham Street London EC2V 7NN, England
Auditor	Deloitte & Touche Unit 3(I2) Main Office Tower Financial Park Labuan Jalan Merdeka 87000 Wilayah Persekutuan Labuan Malaysia

Chairman's Statement

The year under review, 2006, was Steppe Cement's ("Steppe") first full year as a publicly listed company. Buoyant economic conditions in Kazakhstan, with GDP growth of 9%, and cement demand rising to 6.3 million tonnes against 5.3 million tonnes in 2005, enabled Steppe to make good operating progress. Cash generation remained very strong, with consolidated net profits after tax of US$14.38 million after foreign exchange losses on foreign currency holdings and write offs associated with the continuing refurbishment of the dry lines. Comparisons with 2005 would not be meaningful as 2006 is the first complete year of operation for Steppe.

The old Line 5 kiln and cyclones of pre-heater tower have been dismounted to prepare for installation of the new equipment.

Line 6 repair in progress.

Refurbishment of the two large dry-process kilns continued during the year and production is planned to commence in the final quarter of 2007 with full production from line 6 anticipated by end of the first quarter 2008. The four wet kilns were progressively renovated whilst they continued in operation, which was not an easy task, and there were consequential production disruptions during the year. This comprehensive programme, when completed in 2008, will radically improve the production capacity of Steppe providing an additional 2.4 million tonnes of production per annum.

The expanded scope of the plant refurbishment, more fully explained by the Chief Executive Officer, has meant an increase in project capital cost to US $120 million. Your Board has approved the revised project costs confident that the expanded scope of works will lead to increased productivity and efficiency that will quickly flow through to significant increased profitability. Part of the project costs will need to be financed from external sources and I would like to take this opportunity to thank the European Bank for Reconstruction and Development for their continuing support of our endeavours.

Steppe has also continued to strengthen its human resources at all levels. Mr Paul Rodzianko has joined your Board as a Non Executive Director. He is presently the Managing Director, International of GreenFuel Technologies Corporation ("GreenFuel"), a Senior Advisor to Access Industries Inc ("Access") and also participates on the Foreign Investment Council (Kazakhstan) on behalf of Access. He is also a director of Energibolaget i Sverige (Stockholm Sweden), a member of the International Advisory Board of Credit Rating - Ukraine and Vice Chairman of the US-Kazakhstan Business Association. He has previously served for two years as Chairman of GreenFuel. Mr. Stuart Elliot, who brings 30 years of cement production experience to our operation, was appointed Chief Operating Officer in mid 2006. There have been numerous other expatriate appointments detailed in the Chief Executive Officer's statement.

On behalf of your Board, I also take this opportunity to thank all employees for their hard work during the year in the continuing transformation of Steppe into the leading cement producer in Kazakhstan.

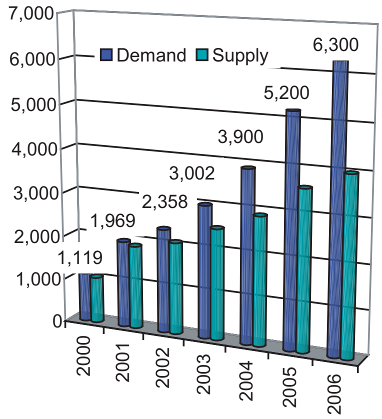
John Richardson
Chairman

Market growth will continue to support our ongoing expansion

2006 Key Financials

	2006	2005	
Sales (tonnes)	740,322	710,049	4%
Consolidated turnover (US$'000)	55,625		
Consolidated profit before tax (US$'000)	21,483		
Consolidated Profit after tax (US$'000)	14,375		
Shareholders' funds (US$'000)	69,185	23,922	
Exchange rate (tenge to the US$)	126.0	132.9	
Average per ton in Tenge	9,465	8,549	11%
Sales at CAC level (thousand Tenge)	7,007,037	6,070,106	13%
Profit after tax at CAC (thousand Tenge)	1,942,672	1,744,801	11%

Market: Growth in line with GDP



The market reached 6.3 million tonnes in 2006, growing 19%. GDP increased by 9%. Prices improved as the markets continued to tighten in Kazakhstan and surrounding countries. Imports represented 35% of the market in 2006. Our factory continues to enjoy better prices and margins than average as it enjoys a unique location near Astana and the northern markets and it has a relatively low cost base.

In 2007, we expect the cement market to continue growing to over 7 million tonnes or 450 kg/person/year.

Central Asia Cement JSC: Completion of refurbishment of wet lines kilns

Central Asia Cement ("CAC"), a 100% owned subsidiary, owns and operates 4 wet kilns. These kilns had been in poor condition and we have been steadily refurbishing them whenever possible without unduly disrupting production. During 2006, we completed three of the four kilns and, despite the unavoidable shutdowns, production for the year was 740,000 tons, 4% higher than in 2005. The remaining kiln was refurbished during February and March this year so we anticipate a further 11% increase in production from the wet lines in 2007 and 4% increase in 2008.

Karcement: Increased scope and investment will bring production stability

Karcement, a 100% owned subsidiary, owns and will operate the two dry lines. We have decided to expand the refurbishment project in order to ensure greater longevity, higher production capacity, shorter stoppage time and greater reliability in the longer term. This has inevitably led to greater costs and time required. The scope of works has been extended as follows:

- Line 5 and 6 - raw materials, cement milling, dispatching areas, compressors, boilers and quarry equipment that were not included in the original scope
- Line 6 - upgrade the filters to improve environmental standards together with the pre-heater, kiln, cooler and coal feed equipment

With the expanded scope of works, the capital cost of the dry line upgrades is now expected to be US$81 million for line 5 and US$39 million for line 6 for a total of US$120 million. The original estimates were US$73 million and US$20 million respectively with a total of US$93 million.

Line 5 is expected to be re-commissioned during the summer 2008 and line 6 during the summer 2007 if we get all the supplies according to the agreed delivery schedules. The contracts for additional work are expected to be signed by June 2007. Pictures of the refurbishment work in progress are posted on the website www.cac.kz

Repairs in progress

Karcement enjoys a five year holiday from corporate income tax. In 2006, Karcement had zero turnover and the expenses charged against Steppe's 2006 profits were 82 million Tenge or US$0.65 million. Those included foreign exchange losses, recoverable VAT, and administration and general.

Financing: Extended scope financed by an increase of the EBRD loan

Financing of our project was initiated by a placement of fourteen million Steppe Cement shares to investors on the AIM in London in January 2006, raising US$21 million. During December 2006, the subsidiary company, Central Asia Cement, was also able to complete the placement of a domestic bond in Tenge issued at a yield of 9.7%, raising Tenge 2.7 billion (US$21 million equivalent).These bonds are traded on the Kazakhstan Stock Exchange and mature in 2011. While the greater than anticipated cash-flows from existing operations will contribute to the additional refurbishment costs, the group also revised and expanded the loan agreement with the EBRD, which has now agreed to lend US$55 million instead of the US$35 million previously arranged. Kazkommertsbank provides cover for the letters of credit and is a participant in the EBRD credit line. We have established the mechanisms for up to US$ 20 million of additional borrowings in case the scope is further extended or other opportunities appear.

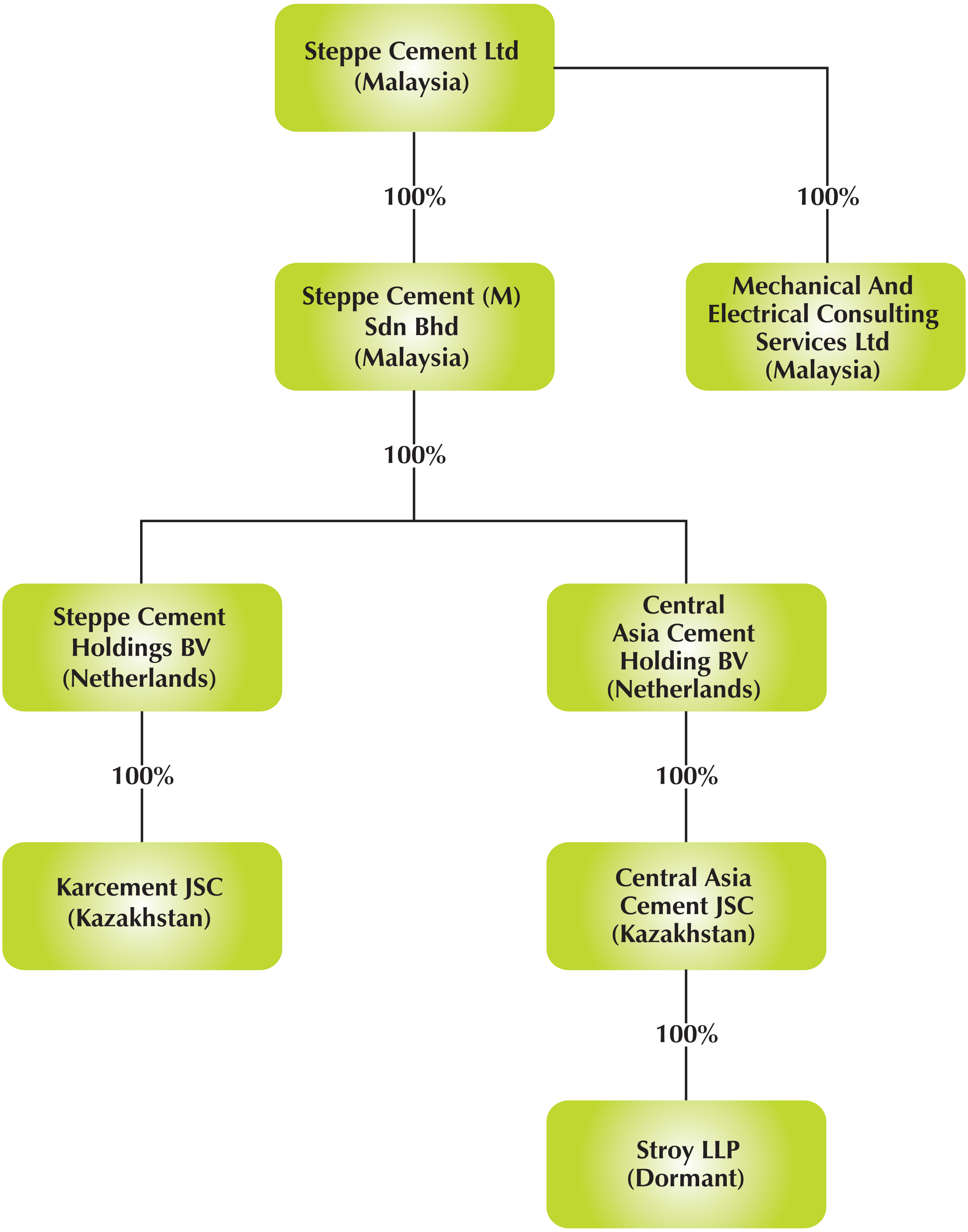
Human Resources

As the plant is located in a remote area, subject to climatic extremes, it is undeniably difficult to attract qualified personnel at all levels. Thus, investment in human resources is a management priority. During the second half of 2006, we welcomed Stuart Elliot as the Chief Operating Officer. He is based in Karaganda and brings with him more than thirty years of experience in the industry. In addition, we appointed Mace from the United Kingdom as the project managers for both dry lines and we engaged an additional eleven engineering specialists of various nationalities for the duration of the project and the commissioning period. We will welcome an additional ten expatriates during the coming weeks and 125 workers have been transferred from the wet to the dry lines.

The major challenge we presently face is the completion of the reconstruction of the dry lines in the shortest period possible whilst balancing minimum expenditure against the need for maximum reliability of the resulting plant. We also are focused on the careful management of the bottle-necks in the infrastructure, the utilities, the logistics and human resource areas which are inevitable in a rapidly expanding economy. At the same time, we have not completely ignored the other opportunities that exist within the cement and down stream industries. Those we are monitoring and hope that we will be able to move them forward as soon as we complete the existing expansion.

As a young company, we will strive to live up to the expectations of our clients, shareholders, employees, and bankers and thereby, we hope to contribute to the continuous growth of the Kazakhstan economy.

Javier Del Ser
Chief Executive Officer


Steppe Cement Ltd
(Malaysia)
100%
100%
Steppe Cement (M)
Sdn Bhd
(Malaysia)
Mechanical And
Electrical Consulting
Services Ltd
(Malaysia)
100%
Steppe Cement
Holdings BV
(Netherlands)
Central
Asia Cement
Holding BV
(Netherlands)
100%
100%
Karcement JSC
(Kazakhstan)
Central Asia
Cement JSC
(Kazakhstan)
100%
Stroy LLP
(Dormant)

Standing (left to right)

Keith Robert Newman *(Non-Executive Director)*

◆

John Alan Richardson (*Non-Executive Chairman)*

◆

Stuart Elliot *(Chief Operating Officer)*

◆

Javier Del Ser Perez *(Chief Executive Officer)*

◆

Paul Rodzianko *(Non-Executive Director)*

Standing *(left to right)*
Ahmad Tarmizi, Nikolai Bolochovzev, Nelli Braznikova, Irina Poluichik, Petr Durnev

Seated *(left to right)*
Gan Chee Leong, Stuart Elliot, Vasilyi Shalimov

(not in picture)
Ramlan Safri, Tham Hock Soon

Board of Director's Profile

John Alan Richardson *(Non-Executive Chairman)*

John Alan Richardson, 63, has degrees in law and economics and has held a number of senior positions across the financial, property, retail, telecommunication and resource sectors. After starting his career in corporate finance, John was appointed Chief Executive of Hutchison Whampoa Ltd, a Hong Kong based international company with interests in retail, property, infrastructure and telecommunications. In 1994, John was appointed Chairman and CEO of Barclays Bank Asia and BZW Asia, and in 1999 was the interim CEO and Vice Chairman of Iridium LLC the US based operator of the Iridium global communication system. John is currently working in a limited partnership specialising in asset recovery, restructurings and turnarounds for banks and financial institutions.

Javier Del Ser Perez *(Chief Executive Officer)*

Javier, 41, is both a Chartered Engineer (Spain) and holds a Master in Structural Engineering. Javier has lived in Kazakhstan since 1997 when he was appointed as the investment adviser to a large investment fund focused on the country. It was through this role that Javier first became involved with the Group's Cement Business and he is the Chairman of the Company's operating subsidiary, Central Asia Cement. Javier has other business interests in Kazakhstan, including being a director and large shareholder in the Chagala Hotel Group. Javier is also a director of Central Asia Cement B.V., Central Asia Cement JSC and Mechanical and Electrical Consulting Services Ltd.

Keith Robert Newman *(Non-Executive Director)*

Keith Robert Newman, 56, has a background as a professional engineer including 30 years experience in director and general manager roles in industry sectors including construction materials. Keith's international business experience includes 7 years living in South and East Asia, 2 years in the Middle East and 2 years in Central Asia, which is particularly relevant for his role as a director of Steppe Cement Limited. In Asia, he has experience of managing, developing and growing highly profitable multi-million pound businesses in construction materials and he has led teams in tendering for major infrastructure projects across the region. He has led teams and put together successful proposals for environmental projects in India and Indonesia, with projected values up to US$1bn. and has advised major companies in the cross-border development of environmental solutions and systems.

Paul Rodzianko *(Non-Executive Director)*

Mr Rodzianko, 61, is a New York based businessman with a diverse range of international experience, including executive positions in energy and other companies in Kazakhstan, Sweden, Ukraine, Russia and the United States. Mr Rodzianko is presently the Managing Director, International of GreenFuel Technologies Corporation ("GreenFuel"), a Senior Advisor to Access Industries Inc ("Access") and also participates on the Foreign Investment Council (Kazakhstan) on behalf of Access. He is also a director of Energibolaget i Sverige (Stockholm Sweden), a member of the International Advisory Board of Credit Rating - Ukraine and Vice Chairman of the US-Kazakhstan Business Association. He has previously served for two years as Chairman of GreenFuel.

Senior Management Profile

Stuart Elliot *(Chief Operating Officer)*

Stuart Elliot joined the company in July last year. He formerly worked for cement companies in the Middle East and England were he held a broad range of position in engineering and production roles culminating in senior management positions at both works and divisional board levels. He has almost thirty years experience in the cement industry and brings operational experience to strengthen our existing team.

Tham Hock Soon, *General Director*

An accountant by profession with wide experience in various senior capacities in a number of major Malaysian and international companies. Prior to joining Central Asia Cement as finance director in July 1998, he was a senior member of a leading public listed cement company in Malaysia. He is a Fellow of The Chartered Association of Certified Accountants in the United Kingdom and has more than 20 years experience in the cement industry.

Gan Chee Leong, *General Manager of Central Asia Cement*

A British trained Chartered Accountant with approximately 13 years experience in cement industry in various capacities. Before joining Central Asia Cement in August 2004, he was the marketing general manager of a leading cement company in Malaysia. He held a number of positions in the Cement and Concrete Association Malaysia and was once the Deputy Secretary General of Asean Federation of Cement Manufacturers.

Vasilyi Shalimov, *Production Director of Central Asia Cement*

A mechanical engineer from Belgorod Institute Russia. He is well versed in all aspects of cement manufacturing activities. He commenced employment in the Cement Business as a trainee engineer and was gradually promoted through the levels of management. He has 38 years of cement manufacturing experience.

Nikolai Bolochovzev, *Plant Technical Chief*

A graduate of the Moscow Chemical Engineering University, he commenced employment in the Cement Business approximately 40 years ago. He has held his current position since 1989 and has extensive experience with all of the plant equipment and technological process on dry and wet lines.

Petr Durnev, *Marketing Manager*

A graduate of Academy Marketing Moscow, he commenced employment with Central Asia Cement approximately 6 years ago as a marketing executive. He was promoted to the position of marketing manager in May 2003.

Nelli Braznikova, *Chief Accountant*

Nelli graduated from Karaganda Metallurgical University, faculty- Industry Accounting; Joined CAC in 1999 as deputy chief accountant and later was promoted to the position of chief accountant. She is experienced in tax accounting and corporate bank procedures.

Ahmad Tarmizi, *Senior Accountant of Karcement*

Ahmad Tarmizi, 35, is a fellow of the Association of Chartered Certified Accountants, UK (FCCA) and a member of the Malaysian Institute of Accountants (MIA). He has over 12 years experience in the field of auditing, investment banking, costing and financial accounting and with various Malaysian and multinational conglomerates. Prior to joining Karcement/CAC, Ahmad was attached to a large Malaysian commercial bank, holding the post of Head of Financial Reporting.

Irina Poluichik, *Personnel Manager*

An economist by qualification. She specializes in human resources matters. She has been with CAC for more than 18 years.

Ramlan Safri,*Technical Director of Central Asia Cement*

An electrical engineer by profession, he has a Masters degree and is an Associate Member of Institute of Engineer Malaysia and Associate of the Institute of Electrical Engineers (USA). He has about 20 years experience in the cement industry in a number of countries. Before joining Central Asia Cement at the beginning of 2005, he worked for Lafarge Malaysia.

The Board of Directors is fully committed and strives to take the necessary measures to uphold the best principles and practices of corporate governance in the Group. Good corporate governance is fundamental to the Group's discharge of its corporate responsibilities and accountability to protect and enhance the financial performance and shareholders' value of the Group.

BOARD OF DIRECTORS

The Board's primary objective is to protect and enhance long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving operational and capital budgets, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to Mr Javier Del Ser Perez (Chief Executive Officer) and senior management. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards. This position will be reviewed as the Group develops.

BOARD PROCESSES

The Board has established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. The full Board holds regular meetings to discuss operational matters, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific, significant matters that may arise. The Board has determined that individual directors have the right qualification and experience to perform their duties and responsibilities as directors. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

BOARD COMPOSITION

Section 87(1) of the Labuan Offshore Companies Act provides that every offshore company shall have at least one director who may be a resident director. Section 87(2) states that only an officer of a trust company established in Labuan shall act or be appointed as a resident director. The Company's Articles provide that there shall be at least one and not more than 7 directors.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company is determined within the limitations imposed by the Company's Articles and as circumstances demand. The membership of the Board, its activities and composition is subject to periodic review.

The criteria for determining the identification and appointment of a suitable candidate for the Board shall include qualification of the individual, background of experience and achievements, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake board duties and responsibilities.

Remuneration policies

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Where necessary, independent advice on the appropriateness of remuneration packages is obtained.

Ethical standards

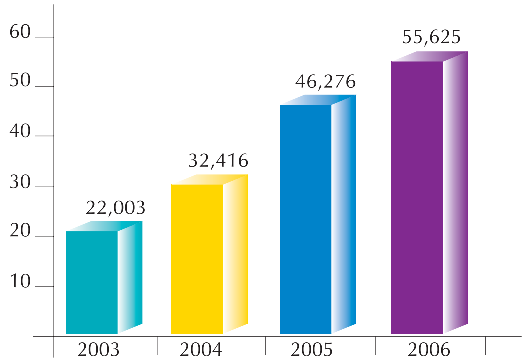
The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors and employees of the Group. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the Group.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

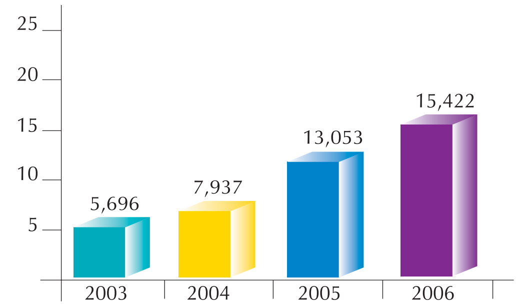
Financial reporting and budgeting

The Group's financial reporting is founded on a sound system of risk management and internal compliance and control. A budgeting system with an annual budget approved by the Directors has been established.

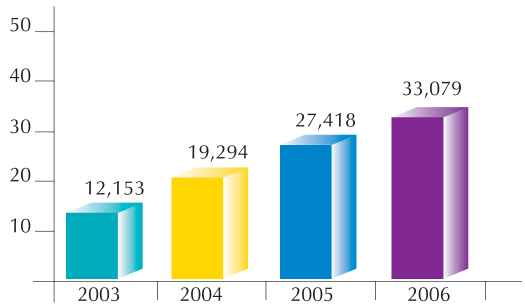
Financial Highlights Central Asia Cement JSC



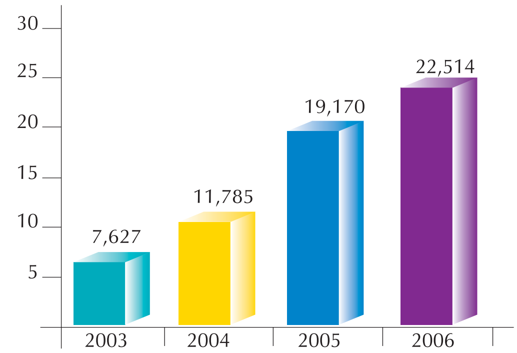
Revenue (USD' 000)



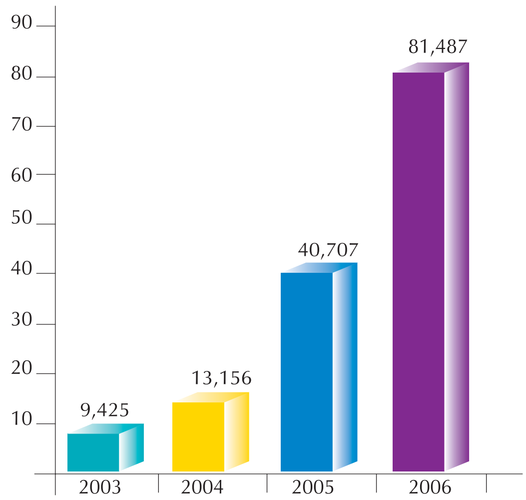
Profit After Tax (USD' 000)



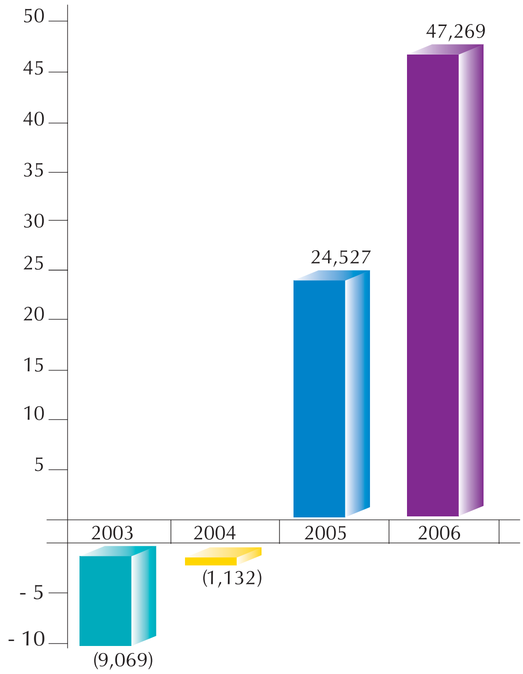
Gross Profit (USD' 000)



Profit Before Tax (USD' 000)



Total Assets (USD'000)



Shareholders Funds (USD'000)

STEPPE CEMENT LTD

(Company No. LL04433)

(Incorporated in Malaysia)

AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

(In United States Dollar)

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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Report of the Auditors to the Members of Steppe Cement Ltd

(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)

We have audited the accompanying balance sheets of Steppe Cement Ltd as of 31 December 2006 and the related statements of income, cash flows and changes in equity for the financial year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 117 of the Offshore Companies Act, 1990 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give, in all material respects, a true and fair view of the financial position of the Group and of the Company as of 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended, in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to Note 12 to the Financial Statements. As of 31 December 2006, one of the subsidiary companies of the Company is in the development stage and the financial statements of the said subsidiary company are prepared on the going concern basis. The successful completion of the development program of the subsidiary company and achieving profitability, will depend on future events, including sufficient financing for conducting development activities, obtaining permits from regulatory authorities and achieving a revenue level, sufficient to cover the expenses of the subsidiary company.

DELOITTE & TOUCHE
AAL 0011
Chartered Accountants

- Signed -

NG MENG KWAI
1303/05/08 (J/PH)
Partner

11 May 2007

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

		The Group		The Company	
	Note	2006 USD	2005 USD	2006 USD	2005 USD
Revenue	4	55,624,649	20,213,121	-	-
Cost of sales		(22,545,312)	(8,272,798)	-	-
Gross profit		33,079,337	11,940,323	-	-
Selling expenses		(3,809,701)	(1,243,643)	-	-
General and administrative expenses		(7,179,024)	(3,198,001)	(560,937)	(774,305)
Operating profit/(loss)	5	22,090,612	7,498,679	(560,937)	(774,305)
Investment income	6	613,855	59,500	52,497	-
Finance costs	7	(1,328,062)	(577,498)	-	-
Other income, net	8	106,839	49,407	5,696	6,168
Excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of subsidiary companies acquired over the cost of acquisition	12	-	12,416,925	-	-
Profit/(Loss) before tax		21,483,244	19,447,013	(502,744)	(768,137)
Income tax expense	9	(7,108,297)	(2,779,320)	-	-
Profit/(Loss) for the year		14,374,947	16,667,693	(502,744)	(768,137)
Attributable to: Shareholders of the Company		14,374,947	16,667,693	(502,744)	(768,137)
Earnings per share:					
Basic (cents)	10	0.13	0.42		

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS AS OF 31 DECEMBER 2006

		The Group		The Company	
		2006	2005	2006	2005
	Note	USD	USD	USD	USD
Assets					
Non-current assets					
Property, plant and equipment	11	55,937,237	29,954,538	-	-
Investment in subsidiary companies	12	-	-	26,500,001	7,000,001
Advances paid	17	10,046,319	131,072	-	-
Other assets	13	1,098,206	-	-	-
Total non-current assets		67,081,762	30,085,610	26,500,001	7,000,001
Current assets					
Inventories, net	14	8,537,726	6,529,224	-	-
Trade receivables, net	15	1,150,661	730,570	-	-
Amount owing by subsidiary companies	16	-	-	357,861	252,249
Other receivables, advances and prepaid expenses	17	2,198,246	1,566,392	1,320	1,320
Short-term investments	18	16,763,327	-	-	-
Cash and bank balances	19	8,863,934	1,511,346	630,102	14,401
Total current assets		37,513,894	10,337,532	989,283	267,970
Total assets		104,595,656	40,423,142	27,489,284	7,267,971

(Cont'd)

	Note	The Group 2006 USD	The Group 2005 USD	The Company 2006 USD	The Company 2005 USD
Equity and Liabilities					
Capital and reserves					
Share capital	20	1,140,000	1,000,000	1,140,000	1,000,000
Share premium	21	26,646,982	6,300,000	26,646,982	6,300,000
Revaluation reserve	21	6,491,683	-	-	-
Translation reserve	21	1,530,917	(41,692)	-	-
Unappropriated profit/(Accumulated loss)	21	33,375,108	16,663,231	(1,273,642)	(770,898)
Total equity		69,184,690	23,921,539	26,513,340	6,529,102
Non-current liabilities					
Bonds	22	21,577,263	-	-	-
Deferred tax liabilities, net	23	10,782,413	6,814,311	-	-
Total non-current liabilities		32,359,676	6,814,311	-	-
Current liabilities					
Trade payables	25	1,292,930	764,833	-	-
Other payables and accrued liabilities	26	1,514,022	927,715	362,613	109,727
Amount owing to a corporate shareholder	16	-	174,319	-	174,319
Amount owing to subsidiary companies	16	-	-	613,331	454,823
Taxes payable	27	244,338	738,458	-	-
Loans	24	-	7,081,967	-	-
Total current liabilities		3,051,290	9,687,292	975,944	738,869
Total liabilities		35,410,966	16,501,603	975,944	738,869
Total Equity and Liabilities		104,595,656	40,423,142	27,489,284	7,267,971

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

	Non-distributable				Distributable	
The Group	**Share capital USD**	**Share premium USD**	**Revaluation Reserve USD**	**Translation reserve USD**	**Unappropriated profit/ (Accumulated loss) USD**	**Total / Net USD**
Balance as at 1 January 2005	1,000	-	-	-	(4,462)	(3,462)
Issue of shares (Note 20)	999,000	6,300,000	-	-	-	7,299,000
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	(41,692)	-	(41,692)
Net profit for the year	-	-	-	-	16,667,693	16,667,693
Balance as at 31 December 2005	1,000,000	6,300,000	-	(41,692)	16,663,231	23,921,539

(Cont'd)

The Group		Non-distributable			Distributable	
	Share capital USD	Share premium USD	Revaluation Reserve USD	Translation reserve USD	Unappropriated profit/ (Accumulated loss) USD	Total / Net USD
Balance as at 1 January 2006	1,000,000	6,300,000	-	(41,692)	16,663,231	23,921,539
Issue of shares (Note 20)	140,000	20,860,000	-	-	-	21,000,000
Share issuance expenses (Note 21)	-	(513,018)	-	-	-	(513,018)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	1,572,609	-	1,572,609
Profit for the year	-	-	-	-	14,374,947	14,374,947
Revaluation of property, plant and equipment	-	-	12,612,311	-	-	12,612,311
Deferred tax liabilities from revaluation of property, plant and equipment	-	-	(3,783,698)	-	-	(3,783,698)
Depreciation transfer of revaluation reserve	-	-	(2,336,930)	-	2,336,930	-
Balance as at 31 December 2006	1,140,000	26,646,982	6,491,683	1,530,917	33,375,108	69,184,690

STEPPE CEMENT LTD
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The Company		Non-distributable		
	Share capital USD	Share premium USD	Accumulated loss USD	Total / Net USD
Balance as at 1 January 2005	1,000	-	(2,761)	(1,761)
Issue of shares (Note 20)	999,000	6,300,000	-	7,299,000
Loss for the year	-	-	(768,137)	(768,137)
Balance as at 31 December 2005	1,000,000	6,300,000	(770,898)	6,529,102
Balance as at 1 January 2006	1,000,000	6,300,000	(770,898)	6,529,102
Issue of shares (Note 20)	140,000	20,860,000	-	21,000,000
Share issuance expenses (Note 21)	-	(513,018)	-	(513,018)
Loss for the year	-	-	(502,744)	(502,744)
Balance as at 31 December 2006	1,140,000	26,646,982	(1,273,642)	26,513,340

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
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CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

		The Group		The Company	
	Note	2006 USD	2005 USD	2006 USD	2005 USD
OPERATING ACTIVITIES					
Profit/(Loss) before tax		21,483,244	19,447,013	(502,744)	(768,137)
Adjustments for:					
Depreciation of property, plant and equipment		3,169,977	895,343	-	-
Finance costs		1,328,062	577,498	-	-
Impairment of property, plant and equipment		168,390	-	-	-
Loss on disposal of property, plant and equipment		118,735	32,070	-	-
Provision for doubtful receivables and advances paid		103,564	11,693		
Interest income		(613,855)	(59,500)	(52,497)	-
Recovery of obsolete inventories		(226,991)	(965)	-	-
Provision for doubtful receivables and advances paid no longer required		(136,270)	-	-	-
Unrealised foreign exchange gain		(32,226)	(37,762)		
Write-off of payables		(1,318)	-	-	-
Write-off of receivables		-	20,655	-	-
Excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of subsidiary companies acquired over the cost of acquisition		-	(12,416,925)	-	-
Operating Profit/ (Loss) Before Movement in Working Capital		25,361,312	8,469,120	(555,241)	(768,137)

(Cont'd)

	Note	The Group 2006 USD	The Group 2005 USD	The Company 2006 USD	The Company 2005 USD
Increase/ (Decrease) in: Inventories		(1,781,512)	(1,232,020)	-	-
Trade receivables		(328,220)	(368,197)	-	-
Amount owing by subsidiary companies		-	-	(105,612)	(249,770)
Other receivable and prepaid expenses		(691,019)	(211,248)	-	-
Increase/ (Decrease) in: Trade payables		526,779	279,671	-	-
Other payables and accrued liabilities		489,901	(1,373,873)	252,886	109,516
Amount owing to a corporate shareholder		(174,319)	168,969	(174,319)	168,969
Amount owing to subsidiary companies		-	-	158,508	454,823
Cash Generated From/ (Used In) Operations		23,402,922	5,732,422	(423,778)	(284,599)
Income tax paid		(7,659,492)	(2,605,035)	-	-
Interest paid		(193,491)	(577,498)	-	-
Net Cash From/ (Used In) by Operating Activities		15,549,939	2,549,889	(423,778)	(284,599)

	Note	The Group 2006 USD	The Group 2005 USD	The Company 2006 USD	The Company 2005 USD
INVESTING ACTIVITIES					
Proceeds from disposal of property, plant and equipment		3,824,189	23,415	-	-
Purchase of property, plant and equipment		(18,878,632)	(3,852,948)	-	-
Additions of short term investments		(16,310,588)	-	-	-
Advance for non-current assets		(9,799,937)	-	-	-
Purchase of non-current assets		(1,353,728)	-	-	-
Interest received		-	-	52,497	
Cash outflows from acquisition of subsidiary companies (Note 12)		-	(2,042,618)	(19,500,000)	(7,000,000)
Net Cash Used In Investing Activities		(42,518,696)	(5,872,151)	(19,447,503)	(7,000,000)

	Note	The Group 2006 USD	The Group 2005 USD	The Company 2006 USD	The Company 2005 USD
FINANCING ACTIVITIES					
Proceeds from issuance of shares		21,000,000	7,299,000	21,000,000	7,299,000
Proceeds from issue of bonds		20,787,318	-	-	-
Proceeds from long-term borrowings		3,114,934			
Additions / (Withdrawals) of deposits pledged with financial institutions		552,027	(607,889)	-	-
Repayment of loans		(10,093,955)	(2,524,892)	-	-
Share issue expenses		(513,018)	-	(513,018)	-
Interest received		-	59,500	-	-
Net Cash From by Financing Activities		34,847,306	4,225,719	20,486,982	7,299,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,878,549	903,457	615,701	14,401
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		26,066	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		903,457	-	14,401	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	8,808,072	903,457	630,102	14,401

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company's principal activity is investment holding. The principal activities of the subsidiary companies are disclosed in Note 12.

The total number of employees of the Group as at 31 December 2006 is 1,382 (2005:1354). The Company does not have any employees other than its directors.

The registered office of the Company is located at Brumby House, Jalan Bahasa, 87011 Labuan FT, Malaysia.

The Group's principal place of business is located at Aktau village, Karaganda region, Republic of Kazakhstan.

The financial statements of the Group and the Company have been authorised by the Board of Directors for issuance on 11 May 2007.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Adoption of new and revised Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

Revised and amended standards, which are in issue as at 31 December 2006, and effective for 31 December and later periods, were adopted by the Group in these consolidated financial statements and are as follows:

Amendment to IAS 19	Actuarial Gains and Losses Group Plans and Disclosures
Amendment to IAS 21	Net Investment in a Foreign Operation
Amendment to IAS 39	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
Amendment to IAS 39	Fair Value Option
Amendment to IAS 39 & IFRS 4	Financial Guarantee Contracts

The adoption of these revised and amended standards has not had a material effect on the Group's consolidated financial position, income statement and cash flows.

Other new standards and interpretations, issued as at 31 December 2006 and that are effective as at 31 December and for later periods, includes:

IFRS 6	Exploration for and Evaluation of Mineral Resources	Effective for annual periods beginning on or after 1 January 2006
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Effective for annual periods beginning on or after 1 January 2006
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Effective for annual periods beginning on or after 1 January 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Effective for annual periods beginning on or after 1 December 2005
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	Effective for annual periods beginning on or after 1 March 2006
IFRIC 8	Scope of IFRS 2	Effective for annual periods beginning on or after 1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	Effective for annual periods beginning on or after 1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	Effective for annual periods beginning on or after 1 November 2006

The Group adopted all applicable new, revised and changed standards, and new interpretations of IFRIC from the effective dates. The adoption of these standards did not have a material effect on the Group's financial position, income statement and cash flows.

As at date of authorisation of these consolidated financial statements, there were issued, but not adopted the following Standards and Interpretations:

IFRS 8 Operating Segments	Effective for annual periods beginning on or after 1 January 2009
IFRS 7 Financial Instruments: Disclosures	Effective for annual periods beginning on or after 1 January 2007
Amendment to IAS 1 Capital Disclosures	Effective for annual periods beginning on or after 1 January 2007
Revised guidance on implementing IFRS 4 Financial Guarantee Contracts	Effective for annual periods beginning on or after 1 January 2007
IFRIC 11 IFRS 2 Group and Treasury Share Transactions	Effective for annual periods beginning on or after 1 March 2007
IFRIC 12 Service Concession Agreements	Effective for annual periods beginning on or after 1 January 2008

The Group will adopt all applicable new, revised and changed standards and new interpretations from the effective dates. Management expects that adoption of these standards and interpretations will have no significant effect on the consolidated balance sheet, consolidated income statement and consolidated statement of cash flows.

Use of estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention except the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary companies). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring its accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill (if any), arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of business combinations over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combinations, the excess is recognised immediately in the income statement.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Retirement benefit costs

In accordance with the requirements of the legislation of the countries in which the Group operates, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Group does not have any pension arrangements separate from the State pension system of the countries where its subsidiary companies operate. In addition, the Group has no post-retirement benefits or other significant compensation benefits requiring accrual.

Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event, and it is probable that the Group and the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent liabilities

Contingent liabilities are not recognised but are disclosed in these consolidated financial statements, except for liabilities on which there are possible outflows of resources, needed for settlement of the liabilities, and can be measures reliably. Contingent asset are not recognised in these consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes to the financial statements.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in United States Dollar, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in United States Dollar using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operations is disposed of.

Goodwill (if any) and fair value adjustments arising on the acquisition of a foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2006 USD	2005 USD
1 Sterling Pound	1.9589	1.7260
1 Ringgit Malaysia	0.2834	0.2646
1 Euro Dollar	1.3190	1.1843
1 Kazakhstan Tenge (KZT)	0.0079	0.0075

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for buildings which are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses, if any. Revaluation is performed with sufficient regularity such that carrying amounts do not differ materially from those that would determine using fair values at balance sheet date.

Any revaluation increase arising on revaluation is credited to the revaluation reserve, except to the extent that is reverses a revaluation decrease for the same asset previously recognized in the income statement, in which case, the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on revaluation is charged to the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previously revalued asset.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the income statement as incurred.

Residual values and useful lives of asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation is charged so as to write off the cost of assets, other than land and construction in progress, over their estimated useful lives, using the straight-line method as follows:

Buildings	25 years
Machinery and equipment	14 years
Other assets	5 - 10 years
Computer software	1 - 10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group has the following financial assets: cash and cash equivalents; short-term investments; trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Short-term investments

Short-term investments represent current assets, limited in use, with term more than three months since the date of acquisition.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through statement of operations, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Debt securities issued

Debts securities issued initially are measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Loans

Loans with no fixed maturity date are initially recognised at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is received at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognised as a loss on initial recognition of the loan and included in the statement of changes in shareholders' equity. Subsequently, the loan carrying value is measured using the effective interest method based on the expected maturity date.

Loans, on which interests are accrued, are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost, using effective interest rate method. Any differences between income (less transaction costs) and settlement of loans are recognised during term of loans in accordance with accounting policy of the Group in respect of borrowing costs (see below).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

Recognition of financial asset (or, if applicable, portion of financial asset or group of similar financial assets) ceases in case when:

- rights for receivable of cash flows from asset are expired;
- the Group retains rights for receivable of cash flows from asset, but accepted obligation torepay them fully without significant delay to third party in accordance with transfer agreement, and transferred, mostly, all risks and benefits for the asset; or
- Group has transferred it's rights for receivable of cash flows from asset or (a) transferred, mostly, all risks and benefits from asset, or (b) has not transferred, and has not retained any risks and benefits from the asset, but transferred control over the asset.

If the Group has transferred it's rights for receivable of cash flows from the asset or has not transferred, and has not retained any risks and benefits from the asset, or has not transferred control over the asset, then the asset is recognized to the extent, the Group participates in asset. Continuance in participation, which undertakes form of guarantee on transferable asset, is measured at the lower of:

- initial cost ; or
- maximum recoverable amount, which the Group will be required for settlement.

Financial liabilities

Recognition of financial liability ceases, when it is accomplished, cancelled or expired.

If existing financial liability is substituted by other obligation from the same creditor on significantly different condition, or the conditions of existing liability is significantly changed, then the substitution or change is considered as cessation of initial obligation and recognition of new obligation, and the difference between carrying amounts is recognized in consolidated income statement.

Cash Flow Statement

The Group and the Company adopt the indirect method in the preparation of the cash flow statement.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risk of changes in value.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described above, the Group has made the following judgments that have a significant effect on the amounts recognised in the consolidated financial statements.

Impairment of property, plant and equipment

Since the use of each item of property, plant and equipment or intangible assets of the Group does not provide separate cash flow and represents inseparable operations within one technological process, then the Group assesses possible impairment losses based on identification of a cash generating unit. A cash generating unit of the Group is all assets of the Group as a whole. At each reporting date the Group assesses whether there is any indication that an asset can be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. The carrying value of a cash generating unit increased by recovery of the impairment loss should not exceed the carrying value which would be determined (without accounting for amortization), if in previous years the impairment loss had not been recognized. In evaluation of the cost of use the estimated future cash flows are discounted to their current value using 9% discount rate before taxation, which reflects current market estimate of time value of money and risks inherent in assets.

The recovery of the loss from impairment of a cash generating unit is recognized by the Group in the consolidated income statement as income or adjustment of expenses of the period. After recognition of the recovery of impairment loss the amortization charges for the cash generating unit are adjusted for future periods in order to allocate the changed carrying value of the cash generating unit less its liquidation value (if any), on a systematic basis during its remaining useful life.

Borrowing Costs

As described above and in Note 11, in accordance with the accounting policy, borrowing costs directly attributable to acquisition, construction or production of qualifying asset are capitalized. Capitalisation of borrowing costs, related to equipment ceases at the moment of shipment to warehouse and when the equipment is ready for installation at construction in process. Capitalisation of borrowing costs recommences when the equipment is installed and, accordingly, become part of the qualifying asset. In the period, when capitalisation of borrowing costs ceases and recommences, borrowing costs are recognised in statement of operations, except when the period is very short.

4. **REVENUE**

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Sales-manufactured goods	55,624,649	19,711,719	-	-
Other sales	-	501,402	-	-
Total	55,624,649	20,213,121	-	-

5. **OPERATING PROFIT/(LOSS)**
Operating profit/(loss) for the year have been arrived at after charging /(crediting):

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Cost of inventories recognised as expenses	12,077,558	5,017,550	-	-
Staff costs	5,421,457	2,443,946	-	-
Depreciation of property, plant and equipment (Note 11)	3,169,977	895,343	-	-
Auditors' remuneration for audit services	111,774	65,016	8,000	5,000
Provision for doubtful receivables and advances paid	103,564	11,693	-	-
Recovery of provision for obsolete inventories	(226,991)	(965)	-	-
Provision for doubtful receivables and advances paid no longer required	(136,270)	-	-	-

Staff costs include salaries, pension contributions and all other staff related expenses.

6. INVESTMENT INCOME

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Interest income from short term deposit	613,855	58,545	52,497	-
Interest income from third parties	-	955	-	-
	613,855	59,500	52,497	-

7. FINANCE COSTS

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Interest expense on loan from financial institution	275,748	577,440	-	-
Interest on debt securities	795,118	-	-	-
Discount on VAT (Note 13)	255,523	-	-	-
Other finance costs	1,673	58	-	-
Total	1,328,062	577,498	-	-

8. OTHER INCOME, NET

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Impairment charge (Note 11)	(168,390)	-	-	-
Loss on disposal of property, plant and equipment	(118,735)	(32,070)	-	-
Foreign exchange gain/(loss): Realised	(16,171)	74,656	5,696	6,168
Unrealised	32,226	37,762	-	-
Payables write-off	1,318	-	-	-
Receivables write-off	-	(20,655)	-	-
Other gain/(loss)	376,591	(10,286)	-	-
Total	106,839	49,407	5,696	6,168

9. INCOME TAX EXPENSE

The income tax expense is as follows:

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Estimated current tax payable:				
- the Company	-	-	-	-
- subsidiary companies	7,294,857	2,764,262	-	-
Deferred tax charge/(credit) (Note 23):				
- the Company	-	-	-	-
- subsidiary companies	(186,560)	15,058		
	7,108,297	2,779,320	-	-

Under the Labuan Offshore Business Activity Tax Act, 1990, the Company has to elect annually whether to be charged tax at the rate of RM20,000 (USD5,263) or at a tax rate of 3% on the chargeable profits of an offshore company carrying on offshore trading activities for the basis period for that year assessment. No tax is charged on offshore non-trading activities. In 2006, the Company elected to be charged tax at 3% on the chargeable profits.

The profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to a statutory tax rate of 30%.

One of the subsidiary company has entered into an Investment Contract with the Investment Committee under the Ministry of Industry and Trade of Republic of Kazakhstan, whereby the subsidiary company has committed to invest KZT 3,186 million (equivalent to USD25,127,173) in construction of cement production plant over a period of five years (2006 - 2010) (Note 30).

Under the Investment Contract, the subsidiary company is provided with the following investment tax concessions:

- For Corporate Income Tax - 5 years exemption is provided from payment of corporate income tax, starting from the date of commissioning of cement production plant; and
- For Property Tax - 5 years exemption is provided from payment of property tax on newly built properties of the cement production plant starting from the date of commissioning of cement production plant.

A reconciliation of income tax expense applicable to profit / (loss) before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Profit/ (Loss) before tax	21,483,244	19,447,013	(502,744)	(768,137)
Tax at statutory tax rate of 3%	644,497	583,411	(15,082)	(23,044)
Effect of different tax rate of subsidiary companies operating in other jurisdictions	5,866,896	2,260,012	-	-
Tax effects of: Expenses not deductible for tax purposes	539,549	366,174	-	-
Income not assessable to tax	-	(453,321)	-	-
Deferred tax assets not allowed to be carried forward/not recognised	57,355	23,044	15,082	23,044
Income tax expense	7,108,297	2,779,320	-	-

10. EARNINGS PER SHARE

Basic

	The Group	
	2006 USD	2005 USD
Net profit attributable to ordinary shareholders	14,374,946	16,667,693
	2006	2005
Number of shares in issue at beginning of year	100,000,000	100,000
Issuance of shares during the year	14,000,000	99,900,000
Number of shares in issue at end of year	114,000,000	100,000,000
Weighted average number of ordinary shares in issue	112,849,315	39,626,301
	2006 USD	2005 USD
Basic earnings per share (cents)	0.13	0.42

The basic earnings per share is calculated by dividing the consolidated net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial year.

11. **PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment as at 31 December 2006 and 31 December 2005 consisted of the following:

The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD	Other assets USD	Computer software USD	Construction in progress USD	Total USD
Cost (unless otherwise indicated)							
At 1 January 2005	-	-	-	-	-	-	-
Arising upon acquisition of subsidiary companies	3,238,496	23,990,193	1,729,276	1,355,145	3,321	702,981	31,019,412
Additions	1,264	360,987	1,986,160	271,913	-	1,232,624	3,852,948
Transfers	-	9,306	(19,375)	10,069	-	-	-
Disposals	-	(51,401)	(12,156)	-	-	-	(63,557)
At 31 December 2005	3,239,760	24,309,085	3,683,905	1,637,127	3,321	1,935,605	34,808,803
Additions	623,006	1,584,077	1,615,521	114,926	1,980	14,939,122	18,878,632
Transfers	-	238,661	4,816,034	410,726	-	(5,465,421)	-
Disposals	(574,376)	(84,940)	(45,223)	(81,628)	(5,947)	(1,189,763)	(1,981,877)
Revaluation (Note 21)	-	17,401,120	-	-	-	-	17,401,120
Impairment charge	-	(168,390)	-	-	-	-	(168,390)
Exchange differences	175,793	219,966	199,892	88,832	2,626	(838,961)	(151,852)
At 31 December 2006	3,464,183	43,499,579	10,270,129	2,169,983	1,980	9,380,582	68,786,436

11. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment as at 31 December 2006 and 31 December 2005 consisted of the following:

	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD	Other assets USD	Computer software USD	Construction in progress USD	Total USD
Accumulated depreciation							
At 1 January 2005	-	-	-	-	-	-	-
Arising upon acquisition of subsidiary companies	-	3,147,739	453,585	365,670	-	-	3,966,994
Charge for the year	-	704,447	102,420	86,965	1,511	-	895,343
Transfers	-	1,952	(2,573)	621	-	-	-
Disposals	-	(4,077)	(2,573)	-	-	-	(8,072)
At 31 December 2005	-	3,850,061	549,437	453,256	1,511	-	4,854,265
Charge for the year	-	2,575,073	344,145	248,377	2,382	-	3,169,977
Revaluation (Note 21)		4,788,809	-	-	-	-	4,788,809
Disposals	-	(12,524)	(22,998)	(7,989)	(5,947)	-	(49,458)
Exchange differences	-	32,543	27,574	22,977	2,512	-	85,606
At 31 December 2006	-	11,233,962	898,158	716,621	458	-	12,849,199
Net Book Value							
At 31 December 2006	3,464,183	32,265,617	9,371,971	1,453,362	1,522	9,380,582	55,937,237
At 31 December 2005	3,239,760	20,459,024	3,134,468	1,183,871	1,810	1,935,605	29,954,538

In 2006, one of the subsidiary companies ceased to classify certain buildings as held for sale following a change in plan to sell these buildings in the amount of KZT110,473,000 (equivalent to USD871,256) to a related company and measured these buildings at its carrying amount before these buildings were classified as held for sale, adjusted for any depreciation and revaluation that would have been recognised, had the buildings not have classified as held for sale. The effect of the change in plan resulted in the increase in value of these properties due to revaluation in the amount of KZT1,599,179,000 (equivalent to USD12,612,311), impairment loss recognised in income statement in the amount of KZT21,351,010 (equivalent to USD168,390) and additional depreciation charge of KZT181,345,000 (equivalent to USD1,430,222).

The buildings were revalued at 31 December 2005 by independent appraiser not related with the Group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards.

During 2006, the Group's subsidiary, Karcement JSC, capitalised borrowing costs in the amount of USD962,380. Borrowing costs for the year ended 31 December 2006 included fee to JSC Kazkommertsbank for the issue of uncovered letter of credit in the amount of USD265,736 and European Bank for Reconstruction and Development ("EBRD") arrangement fee in the amount of USD696,644. The capitalised borrowing costs include reimbursement for the issue of uncovered letter of credit and EBRD arrangement fees incurred by Central Asia Cement JSC in the amount of USD250,254 and USD176,986, respectively.

As at 31 December 2005, property, plant and equipment with book value of USD23,220,034 were pledged under the Loan Agreement #3220/04 dated 2 November 2004.

The fully depreciated property, plant and equipment in 2006 amounted to USD5,079 (2005:USD40,060).

12. **INVESTMENT IN SUBSIDIARY COMPANIES**

	The Company	
	2006 **USD**	**2005** **USD**
Unquoted shares, at cost	26,500,001	7,000,001

i) As approved by the shareholders vide Member's Resolution dated 7 March 2006, the Company subscribed for an additional 73,748 ordinary shares of RM1 each in Steppe Cement (M) Sdn Bhd at an issue price of RM1,000 per ordinary share for total cash consideration of RM73,748,000 (equivalent to USD19.5 Million) .

ii) On 8 March 2006, the Company approved the acquisition made by its subsidiary company, Steppe Cement (M) Sdn Bhd ("SCM") to acquire additional 16,386,554 ordinary shares of EUR 1 each in the capital of Steppe Cement Holdings B.V. ("SCH B.V.") for total cash consideration of EUR 16,386,554 (equivalent of USD19.5 Million).

iii) On 13 March 2006, SCH B.V. acquired additional 51,043 ordinary shares of KZT 50,000 each in Karcement JSC for total cash consideration of KZT2,520,765,000 (equivalent of USD19.5 Million). Unpaid capital as at 31 December 2006 amounts to KZT 31,385,000 (equivalent of (USD247,526).

The details of subsidiary companies, are as follows:

	Place of incorporation (or registration) and operation	Proportion of ownership interest and vesting power held		Principal Activity
		2006 %	2005 %	
Direct Subsidiary Companies				
Steppe Cement (M) Sdn. Bhd.	Malaysia	100	100	Investment holding company
Mechanical & Electrical Consulting Services Ltd	Malaysia	100	100	Provision of consultancy services
Indirect Subsidiary Companies				
(Held through Steppe Cement (M) Sdn. Bhd.) Steppe Cement Holdings B.V. *	Netherlands	100	100	Investment holding company
(Held through Steppe Cement (M) Sdn. Bhd.) Central Asia Cement Holding B.V. * ("CAC BV")	Netherlands	100	100	Investment holding company
(Held through Central Asia Cement Holding B.V.) Central Asia Cement JSC *("CAC JSC")	Republic of Kazakhstan	100	100	Production and sale of cement
(Held through Central Asia Cement JSC) Stroy Invest LLP *	Republic of Kazakhstan	100	100	Dormant
(Held through Steppe Cement Holdings B.V.) Karcement JSC *	Republic of Kazakhstan	100	100	Production and sale of cement (Pre-commencement)

* audited by member firm of Deloitte Touche Tohmatsu

The Group's subsidiary company, Stroy Invest LLP is currently dormant and the Group is in the process of liquidating the entity.

The financial statements of Karcement JSC ("Karcement") are prepared on a going concern basis, and there is no evidence that Karcement intends to discontinue, has to discontinue or significantly reduce the volume of its operations in the foreseeable future. Currently, Karcement's operations are concentrated on construction of cement production plant. Hence, Karcement is currently in the development stage. The successful completion of the development program of Karcement and, reaching the profitable stage, will depend on future events, including sufficient financing for conducting development activities, obtaining permits from regulating authorities and achieving revenue level, sufficient to cover the expenses of Karcement. The financial statements of Karcement do not include possible adjustments, which would result if Karcement is not able to operate as a going concern. Management believes that Karcement will be able to realise its assets and meet obligations in the normal course of business, as the Group has concluded loan agreements with European Bank for Reconstruction and Development to finance Karcement's operations in the near future (Note 31).

Acquisition of subsidiary companies

In 2005, the Group effectively acquired 100% of the issued share capital of CAC JSC at a purchase consideration of USD10 million, being the consideration paid by CAC B.V. for the 100% equity interest in CAC JSC. This transaction has been accounted for using the acquisition method of accounting.

The net assets acquired in the transaction, are as follows:

Net assets acquired	**2005 USD**
Property, plant and equipment	27,052,418
Inventories, net	5,296,239
Other receivables and prepaid expenses, net	1,483,906
Trade receivables, net	398,651
Cash and cash equivalents	7,957,382
Trade accounts payable	(485,162)
Other payables and accrued liabilities	(1,688,461)
Taxes payable	(1,154,172)
Loans	(9,644,623)
Deferred tax liabilities	(6,799,253)
	22,416,925
Excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition	(12,416,925)
Total consideration, satisfied by cash	10,000,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(10,000,000)
Cash and cash equivalent acquired	7,957,382
	(2,042,618)

The effects of the acquisition of subsidiary companies on the financial results of the Group in 2005 are as follows:

Net assets acquired	**2005 USD**
Revenue	20,213,121
Cost of sales	(8,272,798)
Gross profit	11,940,323
Selling expenses	(1,243,643)
General and administration expenses	(2,423,696)
Operating profit	8,272,984
Investment income	59,500
Finance costs	(577,498)
Other income, net	43,239
Profit before tax	7,798,225
Income tax expense	(2,779,320)
Profit after tax	5,018,905
Excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of subsidiary companies acquired over the cost of acquisition – nil tax effect	12,416,925
Increase in profit for the year attributable to shareholders	17,435,830

13. OTHER ASSETS

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
VAT (reimbursable)	1,121,630	-	-	-
Spare parts	157,743	-	-	-
Prepaid insurance	74,356	-	-	-
	1,353,729	-	-	-
Less: discount on VAT (reimbursable)	(255,523)	-	-	-
	1,098,206	-	-	-

The Group's subsidiary, Karcement JSC classified certain spare parts in the amount of USD157,743 as non-current assets as the management intends to use them during the period exceeding one year.

Karcement JSC's management re-assessed recoverability of VAT (reimbursable), which resulted from capital expenditure and reclassified it as non-current asset since the recoverability is expected in 2009-2010. The VAT (reimbursable) was discounted at the rate of 9% and the discount was recognized as finance cost in the amount of 255,523 (Note 7).

The directors consider that the carrying amount of other non-current assets approximates its fair value.

14. INVENTORIES, NET

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Work in progress	1,832,588	1,494,086	-	-
Finished goods	1,753,492	961,189	-	-
Raw materials	2,140,715	412,852	-	-
Spare parts	2,167,420	280,636	-	-
Construction materials	74,995	69,452	-	-
Other material	711,140	3,660,199	-	-
	8,680,350	6,878,414	-	-
Less: Provision for obsolete inventories	(142,624)	(349,190)	-	-
Net	8,537,726	6,529,224	-	-

15 TRADE RECEIVABLES, NET

Trade accounts receivable, net as at 31 December 2006 and 2005 consisted of the following:

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Trade receivables from third parties	1,157,609	750,484	-	-
Accounts receivables from related parties (Note 29)	-	73,252	-	-
	1,157,609	823,736	-	-
Less: Provision for doubtful receivables	(6,948)	(93,166)	-	-
Net	1,150,661	730,570	-	-

The standard credit period granted to trade receivables ranges from 1 to 30 days. The receivables are denominated in Kazakhstan Tenge.

An allowance has been made for estimated irrecoverable amounts from the sale of goods of USD6,948 (2005: USD93,166). This allowance has been determined by reference to past default experience.

16. AMOUNT OWING TO A CORPORATE SHAREHOLDER AND RELATED COMPANIES TRANSACTIONS

The amount owing to a corporate shareholder, Asian Investment Management Services Ltd., a company incorporated in the British Virgin Islands in 2005, arose mainly from payments of listing expenses made on behalf, which are unsecured, interest-free and have no fixed term of repayment.

The amount owing by/to subsidiary companies arose mainly from unsecured inter-company advances, which are interest free with no fixed terms of repayment.

The foreign currency profile of balances owing by subsidiary companies is as follows:

	The Company	
	2006 USD	2005 USD
Ringgit Malaysia	281,855	232,775
Euro	76,006	9,474
United States Dollars	-	10,000
	357,861	252,249

17. **OTHER RECEIVABLES, ADVANCES AND PREPAID EXPENSES**

Other receivables, advances and prepaid expenses as at 31 December 2006 and 2005 consisted of the following.

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Receivable from employees	91,384	96,757	-	-
Other receivables	711,393	176,147	-	-
Prepaid expenses	422,757	268,105	1,320	1,320
	1,225,534	541,009	1,320	1,320
Advances paid to third parties, net of provision of USD137,237 (2005: USD74,419)-current portion	11,019,031	1,156,455	-	-
	12,244,565	16,697,464	1,320	1,320
Advances paid to third parties – non-current portion	(10,046,319)	(131,072)	-	-
	2,198,246	1,566,392	1,320	1,320

Advances paid are mainly those advances incurred by subsidiary companies for the purchase of machinery, equipment and construction work for the cement plant. Short-term advances are those incurred for the purchase of materials and other services by subsidiary companies for cement production.

The advances paid to third parties are expected to be utilised for the purchase of property, plant and equipment, materials and services after the next twelve months.

An allowance has been made for estimated irrecoverable amounts of advances paid for the purchase of goods of USD137,237 (2005: USD74,419).

The directors consider that the carrying amount of other receivables, advances and prepaid expenses approximates their fair value.

18. **SHORT-TERM INVESTMENTS**

Short-term investments of USD16,763,327 (2005: USD Nil), include USD10,832,761 deposits denominated in Tenge in JSC Kazkommertsbank with maturity from 3 to 12 months and interest rates ranging from 8 to 8.25 % (2005: Nil) per annum and deposit denominated in USD of USD5,765,717 and interests receivable of USD164,849 placed with JSC Kazkommertsbank with maturity of more than 3 months and at an interest rate of 6% per annum.

19. CASH AND BANK BALANCES

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Cash in hand and at bank	4,137,718	1,400,562	59,307	14,401
Short term deposits	4,726,216	110,784	570,795	-
	8,863,934	1,511,346	630,102	14,401

The analysis of cash and bank balances in foreign currencies is as follows:

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Kazakhstan Tenge	7,709,791	1,331,767	-	-
United States Dollars	808,000	147,196	330,102	14,401
Euro Dollars	343,636	29,392	300,000	-
Ringgit Malaysia	2,507	2,991	-	
	8,863,934	1,511,346	630,102	14,401

20. SHARE CAPITAL

	The Group & The Company	
	2006 USD	2005 USD
Authorised:		
Ordinary shares of USD0.01 each		
At beginning of year	5,000,000	10,000
Created during the year	-	4,990,000
At end of year	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of USD0.01 each		
At beginning of year	1,000,000	1,000
Issued during the year	140,000	999,000
At end of year	1,140,000	1,000,000

As approved by the shareholders on 20 January 2006, the issued and paid-up capital of the Company was increased from USD1,000,000 to USD1,140,000 by the issuance and allotment of 14,000,000 new ordinary shares of USD 0.01 each at an issue price of USD1.50 per share. The resulting share premium of USD20,860,000, net of share issuance expenses of USD513,108 was credited to the share premium account (Note 21).

21. RESERVES

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Non-distributable reserves:				
Share premium				
Balance at beginning of the year	6,300,000	-	6,300,000	-
Shares issued at a premium	20,860,000	6,300,000	20,860,000	6,300,000
Less: Share issuance expenses	(513,018)	-	(513,018)	-
Balance at end of the year	26,646,982	6,300,000	26,646,982	6,300,000

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Revaluation reserve				
Balance at beginning of the year	-	-	-	-
Revaluation of property, plant and equipment, net accumulated Depreciation(Note 11)	12,612,311	-	-	-
Deferred tax liabilities on revaluation (Note 23)	(3,783,698)	-	-	-
Depreciation transfer of revaluation reserve	(2,336,930)	-	-	-
Balance at end of the year	6,491,683	-	-	-
Translation reserve account				
Balance at beginning of the year	(41,692)	-	-	-
Exchange differences on translation of foreign subsidiary companies	1,572,609	(41,692)	-	-
Balance at end of the year	1,530,917	(41,692)	-	-

Share premium

Share premium arose from the issuance of ordinary shares at prices above the par value of USD0.01 each. As approved by the shareholders on 20th January 2006, the issued and paid-up capital of the Company was increased from USD1,000,000 to USD1,140,000 by the issuance and allotment of 14,000,000 new ordinary share of USD0.01 each at an issue price of USD1.50 per share. The resulting share premium USD20,860,000, net of share issuance expenses of USD513,108 was credited to the share premium account.

Revaluation reserve

Revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold or retired, the realised portion of the revaluation reserve is transferred directly to unappropriated profits. The revaluation reserve is not available for distribution to the Company's shareholders.

Translation reserve account

Exchange differences arising from the translation of assets and liabilities of foreign subsidiary companies, are taken to the translation reserve account.

Unappropriated profit

Any dividend distributions to be made by Central Asia Cement JSC to Central Asia Cement Holding BV are in principle subject to Kazakhstan dividend withholding tax rate of 15%. However, under the tax treaty concluded between the Netherlands and Kazakhstan, this percentage can be reduced to 5% of the gross amounts of the dividends. Any dividend distributions by Central Asia Cement Holding BV to Steppe Cement (M) Sdn Bhd in Malaysia would normally be subject to 25% Dutch dividend withholding tax. However, under the tax treaty concluded between the Netherlands and Malaysia this percentage can be reduced to nil, assuming that Steppe Cement (M) Sdn Bhd is entitled to treaty protection under the Netherlands/Malaysia tax treaty.

Under Malaysian tax law any dividend income received by Steppe Cement (M) Sdn Bhd from Cement Asia Cement Holding BV and Steppe Cement Holdings BV will be credited into an exempt income account from which tax-exempt dividends can be distributed to the Company. There is no withholding tax on dividends distributed by Steppe Cement (M) Sdn Bhd to the Company.

Under the Labuan Offshore Business Activity Tax Act, 1990, dividends received by the Company from Steppe Cement (M) Sdn Bhd will be exempted from tax. There is no withholding tax on dividends distributed by the Company to its shareholders.

22. BONDS

	The Group	
	2006 USD	2005 USD
Bonds issued at price of:		
97.1895%	5,601,483	-
98.3230%	5,230,908	-
99.0574%	2,366,024	-
99.0574%	2,864,884	-
100.0096%	5,230,916	-
	21,294,915	-
Discount on bonds issued	(478,220)	-
Amounts of accrued interest on bonds issued	761,268	-
Total	21,577,263	-

During the year, Central Asia Cement JSC issued 5-year KZT2.7 billion (USD 21,294,915) bonds at a coupon rate of 9% per annum maturing in August 2011. The interest is payable semi-annually and the repayment of principal is in one bullet payment. The bonds are listed on the Kazakhstan Stock Exchange.

The directors consider that the carrying amount of the bonds issued approximates their fair value.

23. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Balance at beginning of the year	6,814,311	-	-	-
Exchange differences	370,964			
Acquisition of subsidiary companies (Note 12)	-	6,799,253	-	-
Deferred tax on revaluation (Note 21)	3,783,698	-	-	-
Credited to income statement (Note 9)	(186,560)	15,058	-	-
At end of year	10,782,413	6,814,311	-	-

	Deferred Assets / (Liabilities)			
	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Tax effects of temporary differences in respect of:				
Property, plant and equipment	(10,849,656)	(6,997,905)	-	-
Inventories	42,786	104,754	-	-
Taxes	32,825	49,067	-	-
Trade receivables	2,082	27,948	-	-
Others	-	1,825	-	-
Net deferred tax liabilities	(10,782,413)	(6,814,311)	-	-

24. **LOANS**

	Interest Rate	The Group 2006 USD	The Group 2005 USD	The Company 2006 USD	The Company 2005 USD
JSC Kazkommertsbank	12.5%	-	7,004,975	-	-
Interest payable		-	76,992	-	-
		-	7,081,967	-	-

The loan of USD12 Million with an outstanding balance of USD 7,081,967 as at 31 December 2005 was provided by JSC Kazkommertsbank, and was repayable by monthly equal installments of USD500,000 commencing November 2004.

The loan was secured by:

a. property, plant and equipment pledged amounting to USD23,220,034 as at 31 December 2005; and
b. cash at bank of USD500,000 as at 31 December 2005 (Note 28)

On 28 March 2006, the Group repaid in full the outstanding principal and interest on the loan provided by JSC Kazkommertsbank.

25. **TRADE PAYABLES**

The standard credit period granted by trade payables ranges from 1 to 30 days. The trade payables are denominated in Kazakhstan Tenge.

26. OTHER PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Liquidation fund accruals	28,889	19,540	-	-
Accruals	1,006,289	908,175	362,613	109,727
Advances received	478,844	-	-	-
	1,514,022	927,715	362,613	109,727

In accordance with the Subsurface Use Contracts requirements, the subsidiary company, Central Asia Cement JSC, shall contribute on an annual basis 0.5% from the amount of actual expenditures for limestone and loam extraction to the liquidation fund, which shall be used for site restoration and abandonment of the Group mining operations.

27. TAXES PAYABLE

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Corporate income tax	5,669	396,397	-	-
Property tax	48,377	162,746	-	-
Personal income tax	58,236	37,232	-	-
Other taxes	132,056	142,083	-	-
	244,338	738,458	-	-

28. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Cash in hand and at bank	4,137,718	1,400,562	59,307	14,401
Short term deposits	4,726,216	110,784	570,795	-
	8,863,934	1,511,346	630,102	14,401
Less: Restricted cash	(55,862)	(107,889)	-	-
Less: Cash pledged	-	(500,000)	-	-
	8,808,072	903,457	630,102	14,401

Restricted cash represents deposits required to be held under letters of credit.

No cash was pledged as at 31 December 2006. During the year, cash at bank of USD500,000 pledged as security for loan granted by JSC Kazkommertsbank to its subsidiary company in 2005 (Note 24) was withdrawn upon full settlement of the loan.

As at 31 December 2006 in accordance with the Law on Labor of Kazakhstan, a non-interest bearing deposits in the amount of KZT 485,000 (equivalent to USD3,825) (2005: KZT 387,000 equivalent to USD2,895) was placed with banks in Kazakhstan as a part of work permit requirements for non-resident employees of its subsidiary companies. The deposit is subject to annual renewal.

29. RELATED PARTIES

Related parties include shareholder directors, affiliates and entities under common ownership, over which the Group has the ability to exercise a significant influence.

Transactions between the Company and its subsidiary companies, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The following balances with related parties are included under trade receivables in the consolidated balance sheet as of 31 December 2006 and 2005:

	Accounts Receivable from related parties	
	2006 USD	2005 USD
Karcement JSC	-	73,252

Compensation of key management personnel

Included in the staff costs are remuneration of directors and other members of key management during the financial year as follows:

	The Group		The Company	
	2006 USD	2005 USD	2006 USD	2005 USD
Remunerations	277,501	95,534	243,368	94,780
Short-term benefit	96,729	92,164	-	-
Post-employment benefit	-	8,640	-	-
Total	374,230	196,338	243,368	94,780

The remuneration of directors and key executive is determined by the remuneration committees of the Company and subsidiary companies having regard to the performance of individuals and market trends.

30. COMMITMENTS AND CONTINGENCIES

Contingent liabilities – On 13 December 2005, a Loan agreement between European Bank for Reconstruction and Development ("EBRD") and Karcement JSC (the "Borrower") was signed. On and subject to the terms and conditions of this Agreement, EBRD agrees to lend to the Borrower an amount not exceeding USD 35 Million. Under the Guarantee and Support Agreement between a subsidiary company, Central Asia Cement JSC, EBRD, the Borrower and other parties, the subsidiary company acts as guarantor and irrevocably and unconditionally guarantees to EBRD the due and punctual payment by the Borrower of all sums payable under or in connection with the Loan agreement and agrees that it will pay to EBRD each and every sum of money which the Borrower is at any time liable to pay to EBRD under or pursuant to the Loan agreement which is due but unpaid.

Obligations under Liquidation Fund **–** In accordance with the Subsurface Use Contracts requirements, the subsidiary company, Central Asia Cement JSC, and its subsidiary companies (the Group) shall contribute on annual basis 0.5% from the amount of actual expenditures for limestone and loam extraction to the liquidation fund, which shall be used for site restoration and abandonment of the Group mining operations. Not later than 6 months before the Subsurface Use Contract expiration the Company shall submit the liquidation program to competent body. As at 31 December 2006 the undiscounted contractual liability on future contributions to the liquidation fund obligation is KZT 16,617,000 (equivalent to USD131,054) (2005: KZT 17,669,000 equivalent to USD447,137). Management estimated this liability, if discounted, will not have a material effect on these consolidated financial statements and therefore the Group recorded only current period contributions as liability in the consolidated balance sheet. Also, in accordance with the Law on Land and resource usage and Environmental rehabilitations, the Group will be obliged to provide additional resources to the state in the case the liquidation fund will be insufficient to cover actual site restoration and abandonment costs in the future. As at December 31, 2006 management believes that the amount of obligatory liquidation fund exceeds future site restoration and abandonment costs.

Social commitments - Certain Group entities have entered into collective agreements with its employees. Under terms of such agreements the Group has a commitment to make certain social payments to the employees, the amount of which can vary from year to year. No provision for such commitments is recorded in the consolidated financial statements as the Group's management is unable to reasonably estimate the amount of the future social expense.

Legal issues – The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's financial position or operating results.

***Implementation of Investment Contract* –** In accordance with the Investment Contract entered into by a subsidiary company, the subsidiary company is obliged to follow and execute working program and report to the state authorities of Karaganda region on the status of work performed quarterly. The total amount of investment to be made by the subsidiary company in accordance with the working program is KZT 3,186 million (equivalent to USD25,127,173) over the period of five years (2006 – 2010).

Purchase commitments – The Group has outstanding commitments for the purchases of equipment, materials and services from various suppliers for rehabilitation of its production lines. The Group's purchase commitments as at 31 December 2006 is KZT 5,661,459,000 (equivalent to USD44,650,490).

31. EVENTS AFTER THE BALANCE SHEET DATE

According to the resolution dated 7 February 2007, an Agreement between Karcement JSC, European Bank for Reconstruction and Development, Central Asia Cement Holding B.V., Steppe Cement Holdings B.V., Steppe Cement (M) Sdn Bhd and Steppe Cement Ltd, and the sponsors on amendments and alterations to Guarantee and Support Undertaking Agreement to Loan Agreement concluded between Karcement JSC and European Bank for Reconstruction and Development dated 13 December 2005 shall be concluded in proposed version. Amended amount of the Agreement is USD65 Million.

A loan of KZT 126,000,000 (equivalent to USD993,730) was provided by JSC Bank TuranAlem to its subsidiary company, Central Asia Cement, according to the Loan Agreement #0805/07/100/163 dated 6 March 2007 for the purpose of replenishment of circulating assets. The principal loan is repayable at maturity, on 5 June 2007. In accordance with Collateral Agreement, cash proceeds from Astana-Beton LLP in the amount of KZT 150,000,000 (equivalent to USD1,183,011) are pledged under the Loan Agreement.

32. SEGMENTAL REPORTING

No industry and geographical segmental reporting are presented as the Group's primary business is in the production and sale of cement which is located in Karaganda region, Republic of Kazakhstan.

33. OPERATING ENVIRONMENT

The Group's business activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

The Group believes it is currently in compliance with all existing environmental laws and regulations within the Company and its foreign subsidiary companies' jurisdiction. However, it is noted that the laws and regulation of its main subsidiary company may change in the future. The Group is unable

to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology to meet more stringent standards. The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create risks for the Group.

34. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group and the Company are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk.

The Group and the Company continuously manage its exposures to risks and/or costs associated with the financing, investing and operating activities of the Group.

(i) Foreign currency risk

The Group and the Company undertake trade and non-trade transactions with its holding company, trade customers and suppliers which are denominated in foreign currencies. As a result, the amount outstanding are exposed to currency translation risks.

(ii) Credit Risk

Financial instruments, which affect the Group in respect of credit risk, include cash and cash equivalents, bank deposits, accounts receivable, advances and subordinated loan. In spite of the fact that Group can incur losses on unpaid financial instruments in case of breach of contract by other parties, it does not expect occurrence of such losses.

Concentration of credit risk on accounts receivable and payable is limited due to large customer profile and use of prepayment terms for major sales. The Group invests its cash in financial institutions with high credit level.

(iii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

(iv) Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(v) Interest rate change risk

The only potential risk of the Group connected with change in interest rates is related to loans of the Group. Taking into consideration of insignificant fluctuation in interest rates, the Group considers it as insignificant risk.

Fair value of Financial Assets and Financial Liabilities

The carrying amount of the financial assets and financial liabilities reported in the balance sheet approximate fair values because of the short term maturity of these instruments.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

STATEMENT BY A DIRECTOR

I, **JOHN ALAN RICHARDSON,** on behalf of the directors of **STEPPE CEMENT LTD** state that, in opinion of the Directors, the accompanying balance sheets and the related statements of income, cash flows and changes in equity are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a
resolution of the Directors,

- signed -
____
JOHN ALAN RICHARDSON

Labuan
Date: 11 May 2007

Steppe Cement Ltd
(Company No. LL04433)
(Incorporated in Labuan F.T., Malaysia under the Offshore Companies Act, 1990)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2007 ANNUAL GENERAL MEETING will be held at One Angel Court, London EC2R 7HJ, England on 24 May 2007 at 2.30 p.m. for the purpose of considering the following businesses: -

AGENDA

1. To receive and adopt the audited financial statements for year ended 31 December 2006. **RESOLUTION 1**

2. To re-elect the following directors who offered themselves for re-election:- **RESOLUTION 2**
   - 2.1 John Alan Richardson
   - 2.2 Javier Del Ser Perez
   - 2.3 Keith Robert Newman
   - 2.4 Paul Rodzianko

3. To transact any other business of which due notice shall have been given in accordance with the Offshore Companies Act, 1990.

BY ORDER OF THE BOARD

Director

14 May 2007

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to appoint and vote instead of him.
2. The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer, unless the appointer, is a corporation or other form of legal entity other than one or more individuals holding as joint owners, in which case the instrument appointing a proxy shall be in writing under the hand of an individual duly authorised by such corporation or legal entity to execute the same.
4. Copies of the proxy form and form of instruction are available at the UK Registrar Computershare Investor Services PLC, PO Box 82, the Pavilions, Bridgwater Road BS99 7NH.

Cement Plant Location in Kazakhstan

Steppe Cement's plant is located at Aktau village which is about 40 km north of Karaganda city and 180 km to the south of Astana, the new capital of Kazakhstan since 1996.

STEPPE
CEMENT

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