STEPPE CEMENT

ANNUAL REPORT 2011

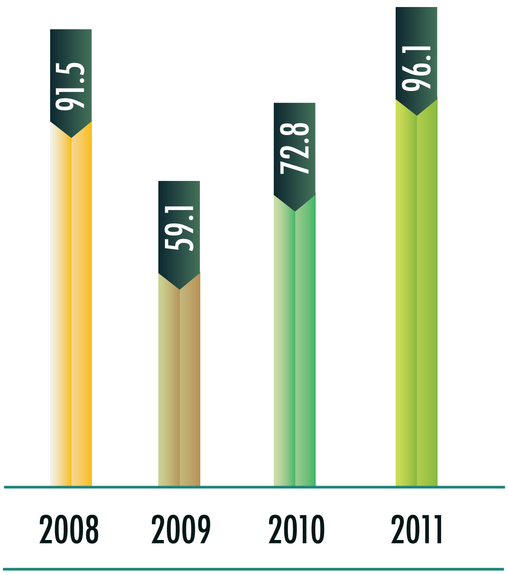

R U S S I A
BELARUS
UKRAINE
KAZAKHSTAN
MONGOLIA
UZBEKISTAN
TURKMENISTAN
TURKEY
C H I N A

PLANT LOCATION IN KAZAKHSTAN

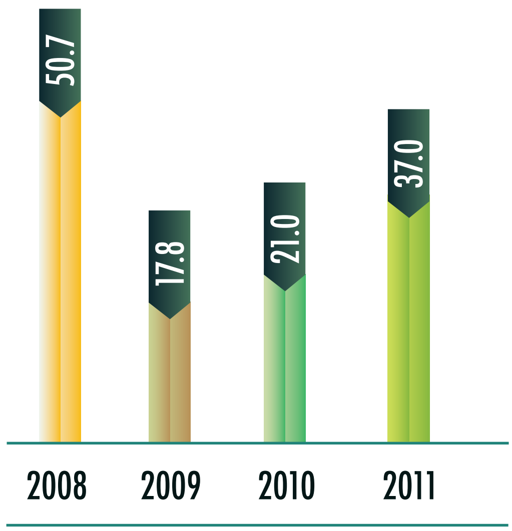
CONTENTS

FINANCIAL HIGHLIGHTS

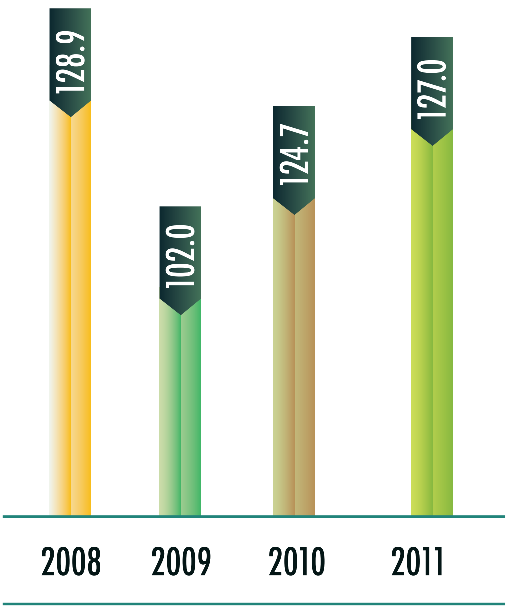
Revenue (USD Million)



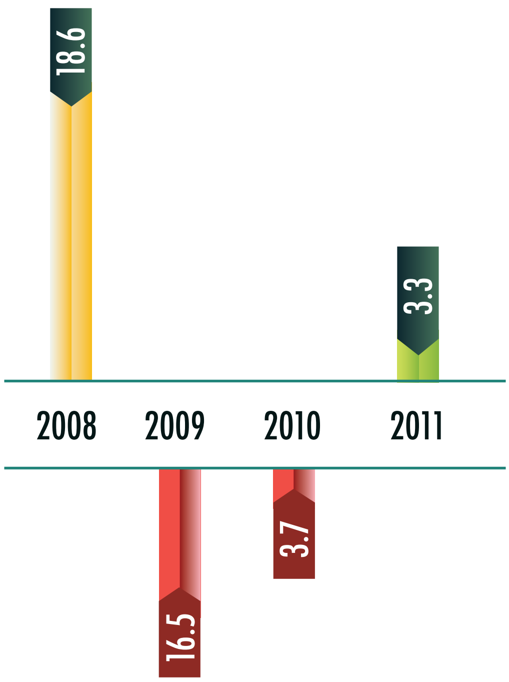
Gross Profit (USD Million)



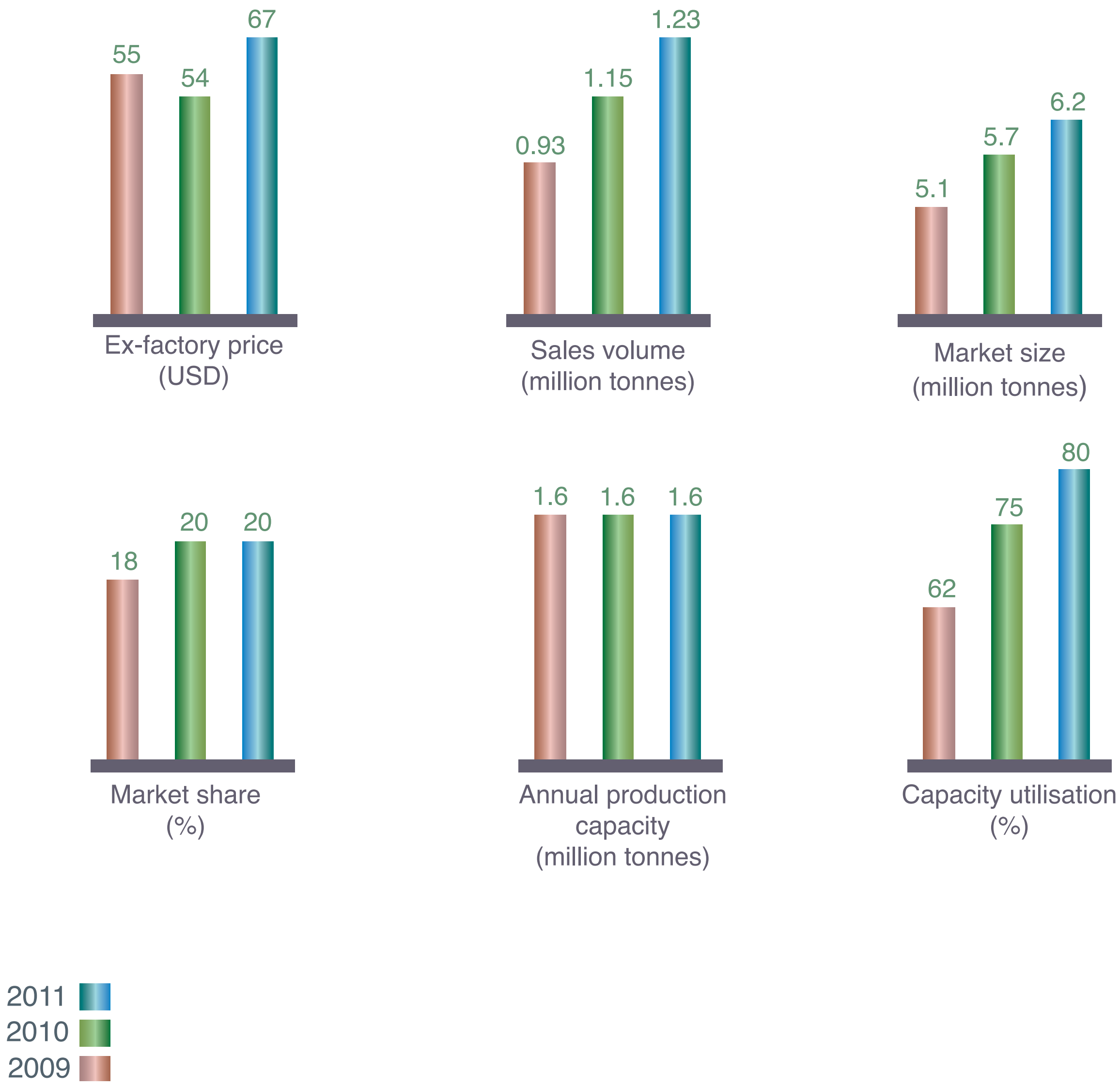
Shareholders Fund (USD Million)



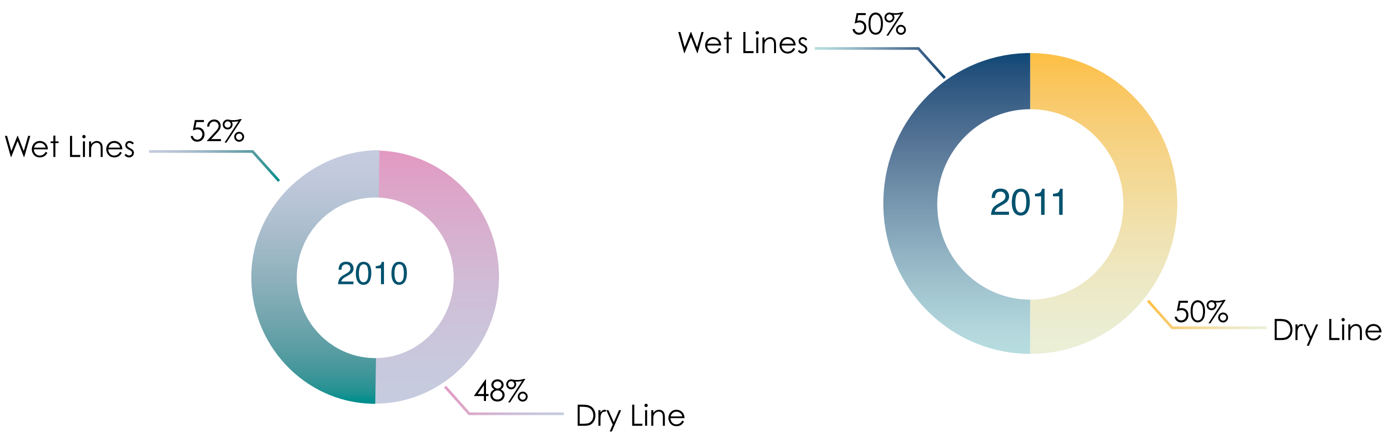
Profit / Loss after Tax (USD Million)



OPERATIONAL AND MARKET DATA



Wet Lines/ Dry Line production mix



FINANCIAL RATIOS

Ratios	FYE 2009	FYE 2010	FYE 2011
Gross profit margin (%)	30	29	39
Profit / (Loss) after tax margin (%)	(28)	(5)	3
Net earnings / (Loss) per share (cents)	(12)	(2)	2
Return on shareholders funds (%)	(16)	(3)	3
NTA Per Share (cents per share)	66	70	71
Shares data			
Number of shares issued	154,000,000	179,000,000	179,000,000

CORPORATE INFORMATION

Listing
Alternative Investment Market (AIM) in London
Since 15 September 2005

AIM Stock Code
STCM

Bloomberg Ticker
STCM LN Equity

Reuters Ticker
STCM L

Company Registration
LL04433

Country of incorporation
Federal Territory of Labuan, Malaysia

Head Office Address
10th Floor Rohas Perkasa, West Wing
No.8, Jalan Perak 50450 Kuala Lumpur
Malaysia

Main Country of Operation (Operating Subsidiaries' Address)
472380, Aktau Village
Karaganda Region
Republic of Kazakhstan

Company Secretary
TMF Trust Labuan Limited (formerly known as Equity Trust Secretaries Ltd)

Nominated Advisor
RFC Ambrian Limited
Level 14, 19-31 Pitt Street
Sydney, NSW 2000
Australia

Level 15 QV1
Building 250 St Georges Tce
Perth, WA 6000
Australia

Broker
Westhouse Securities Limited
One Angel Court
London EC2R 7HJ

Bankers
European Bank of Reconstruction and Development
SB HSBC Bank Kazakhstan JSC
Halyk Bank JSC
Bank Center Credit JSC

Group Auditor
Deloitte & Touche
Unit 3(I2) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Malaysia

UK Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Solicitor
Kazakh Law
BMF Group LLP
Alatau Business Center
151 Abay Street,
Almaty 050009,
Republic of Kazakhstan

Adelaida Legal Group, LLP
12/1 Kunayev Street, Block 5B,
4th floor, Office #1,
Astana 010000,
Republic of Kazakhstan

CHAIRMAN'S STATEMENT

The absence of any sovereign debt coupled with buoyant commodity prices has insulated economic activity in Kazakhstan from the savage reductions in spending on capital projects being witnessed in Western Europe. As a consequence the level of construction activity in Kazakhstan in 2011 continued its upward trajectory, impelled by government spending on infrastructure with overall cement demand nationally growing by 8% to 6.2 million tonnes. The decline in activity in the residential, commercial and industrial sectors of the building market is starting to bottom out although the banks remain quite cautious following some of the poor pricing of risk in the boom of 2006-2008 which has left a legacy of bad debts but there are early indications that credit is becoming more available.

"As a consequence the level of construction activity in Kazakhstan in 2011 continued its upward trajectory, impelled by government spending on infrastructure with overall cement demand nationally growing by 8% to 6.2 million tonnes".

Early prediction of the likely level of cement demand for the year before evidence of market demand in the critical spring selling season is fraught with uncertainty because of the very strong seasonal nature of the demand but at this stage a further improvement of 6% to 6.6 million tonnes is anticipated. Import penetration by neighbouring cement producers principally from Russia has declined as domestic capacity was enlarged with the start up by Jambyl Cement and Standard Cement. When these two plants are fully loaded by the end of 2012 some 1.8 million tonnes will have been added to potential supply equivalent to 24% of the enlarged market capacity. Competition amongst the established producers for the key metro markets of Almaty and Astana remains intense although Steppe is expecting to retain its leading position with around 20% share of the market.

The last twelve months have been busy and productive for Steppe as the dry line in Karcement has been bedded down and accounted for 50% of the group's clinker with the equivalent amount coming from the four older wet lines of CAC. The management is focussed single-mindedly on cost containment in all areas of the manufacturing process, notably electricity and coal purchasing where tariffs have risen sharply in the last twelve months. A number of initiatives to contain these for 2012 and subsequent years are currently being pursued.

The improvement in the economic outlook has prompted the Board of Steppe Cement Ltd to re-examine the financing options for the completion of Line 5. This would allow all production to move to the more fuel efficient dry process and CAC's existing four kilns would be kept in reserve to meet short term surges in demand. The whole workforce remains keen to commence the upgrade of the facility with a second dry line just as soon as the funding is in place. This should now be possible as there has always been a tight control of both general expenses and capital expenditure and this has allowed the group to repay the KZT 2.7 billion bond in August 2011, contributing to the reduction in group total indebtedness from $73.7 million to $54.6 million at the end of the last financial reporting period to 31st December 2011.

The Board of directors would wish to acknowledge the dedication of the senior directors, key managers and staff for their commitment to drive through improvements to the manufacturing process at Aktau in the Karaganda region, a physically remote location where winter temperatures this year fell to 45 degrees below zero.

Malcolm Ronald Brown
Non-Executive Chairman

CEO STATEMENT

"In 2011, sales continued to improve on the back of the cement market recovery which commenced in the 2nd half of 2009. In line with both price and volume increases of 24% and 7% respectively, Steppe Cement posted a net profit of USD3.3 million with higher capacity utilization at 80%".

During the year, cement price increases coupled with operational efficiencies more than offset the rising cost of fuel, transportation and especially electricity.

Steppe Cement fully repaid its outstanding bonds in August 2011 and further de-leveraged its balance sheet. The cement market growth is expected to continue and Steppe Cement is evaluating the possibility of completing Line 5 refurbishment subject to availability of financing on attractive terms.

Market volume increased by 8% in 2011 and we expect continued growth in 2012

The Kazakh cement market in 2011 amounted to 6.2 million tonnes, an increase of 8% compared to 5.7 million tonnes in 2010. Our expectations are that overall market demand in 2012 will increase by 6% to 6.6 million tonnes. This increase in market size will mostly be taken up by the new entrants in 2010 and 2011 as well as ourselves, given that we have the spare capacity to do so.

Imports declined again in 2011 and the share of local producers increased from 80% to 86%. Average cement prices increased by 24% compared to the previous year. Prices stood at USD67 per tonne ex-factory or approximately USD78 per tonne delivered.

Steppe Cement managed to maintain a 20% share of the cement market in Kazakhstan in 2011. In 2012 Steppe Cement is seeking to again maintain our market share and increase prices although not as aggressively as last year.

The dry line continues to improve its performance while the wet lines will be used to cover the balance of demand

The four wet lines produced 614,386 tonnes in 2011, an increase of 3% as compared to 2010. The dry line contributed 614,902 tonnes, an increase of 10% over 2010. We expect the dry line production to increase to 55% of total production in 2012 and further contribute more once Line 5 is brought into production in the coming years.

The wet lines can produce up to 2,000 tonnes of clinker per day or 2,450 tonnes of cement per day. However preference is given to the dry line whenever technically possible.

Key financials	Year ended 31-Dec-2011	Year ended 31-Dec-2010	Inc/ (Dec)%
Sales (tonnes of cement)	1,229,288	1,153,874	7
Consolidated turnover in USD Million	96.1	72.8	32
Consolidated profit /(loss) before tax (USD Million)	5.6	(6.9)	181
Consolidated profit /(loss) after tax (USD Million)	3.3	(3.7)	189
Profit/(Loss) per share (US cents)	1.9	(2.4)	179
Shareholders' funds (USD Million)	127.0	124.7	2
Average exchange rate (USD/KZT)	146.7	147.4	0
Exchange rate as at year end (USD/KZT)	148.5	147.4	0

CEO STATEMENT

Line 6 produced up to 2,400 tonnes of clinker per day in 2010 and it is now able to produce up to 2,700 tonnes of clinker per day or the equivalent of 3,350 tonnes of cement. Improvements in 2011 included modifications to the cyclones in the preheater and changes to kiln inlet slope. Together, these changes delivered a 16% increase in clinker production, an 8% saving in electrical consumption, a 5% increase in reliability and a reduction of off spec clinker to less than 2%.

In 2011 we improved the reliability of cement mills 2 and 3 in the dry lines. All mills together will allow production of up to 170,000 tonnes of cement per month in 2012. Steppe Cement intends to run the wet lines and Line 6 to their maximum capacity during the summer months and carry some stock during the winter months.

Full production costs increased in 2011 by 9% (above the inflation rate of 7.4%). Of those increases more than 88% were due to electricity and coal, while we were able to contain other costs. Increase in capacity utilization in 2011 has enabled us to bring down the fixed production cost per tonne.

Electricity tariffs, as set by a regulatory body, are set to increase more modestly in 2012. We shall endeavour to contain or possibly reduce electricity cost per tonne through further increase in capacity utilization and specific investments in improving electricity transportation. Meanwhile, coal cost is also expected to increase more slowly in 2012. The main reduction in coal cost per tonne will materialize once Line 5 is commissioned.

Selling expenses, mostly reflecting delivery costs, increased from USD10.5 per tonne in 2010 to USD12 per tonne in 2011. This is due to a combination of higher wagon rental rates and rates charged by the Kazakhstan Temir Zholy (the national railway company) while the regional market mix of sales was similar to the previous year. In 2012 transportation tariffs will increase significantly, but we expect to transfer those to customers.

General and administrative expenses increased by USD0.9 million from 2010 while the official inflation rate was 7.4% in 2011.

The labour count stands at 1,030 as of March 2012 compared with 1,057 in March 2011. We have 723 employees in the wet lines and administration and 307 in the dry line.

Kazak economic environment

The Kazakh economy has continued to rebound helped by higher commodity prices. According to the National Bank of Kazakhstan the Gross Domestic Product grew by 7% in 2011. The government continues its program of road and railway construction and infrastructure investment.

As the main Kazakh banks and pension funds have been increasing liquidity, we expect the credit lending to the real economy to accelerate during 2012.

The VAT and corporate income tax rate remain at 12% and 20% respectively and it seems that further revisions are unlikely during 2012. Karcement, the wholly owned subsidiary of Steppe Cement, enjoys a 0% income tax rate until 31 December 2013.

CEO STATEMENT

Finance cost and loans

In 2011, depreciation and finance costs amounted to USD9.3 million and USD4.9 million respectively.

The Company repaid the KZT2.7 billion bonds listed in the Kazakhstan Stock Exchange in August 2011.

At the end of 2011, we had outstanding loans from EBRD and HSBC of USD32.4 million and USD20.3 million respectively, that mature from May 2012 to September 2015 and the average interest charged was Libor (6 months USD) + 5.9% from Libor.

We have secured credit lines from Center Credit Bank and Halyk Bank for USD4.8 million and USD10 million respectively. Only USD0.8 million was used as of 31 December 2011.

As of 31 December 2011, the total indebtedness decreased to USD54.6 million, down from USD73.7 million in 2010. On 1 April 2012, the cash balance and stocks of clinker and cement exceeded USD18 million.

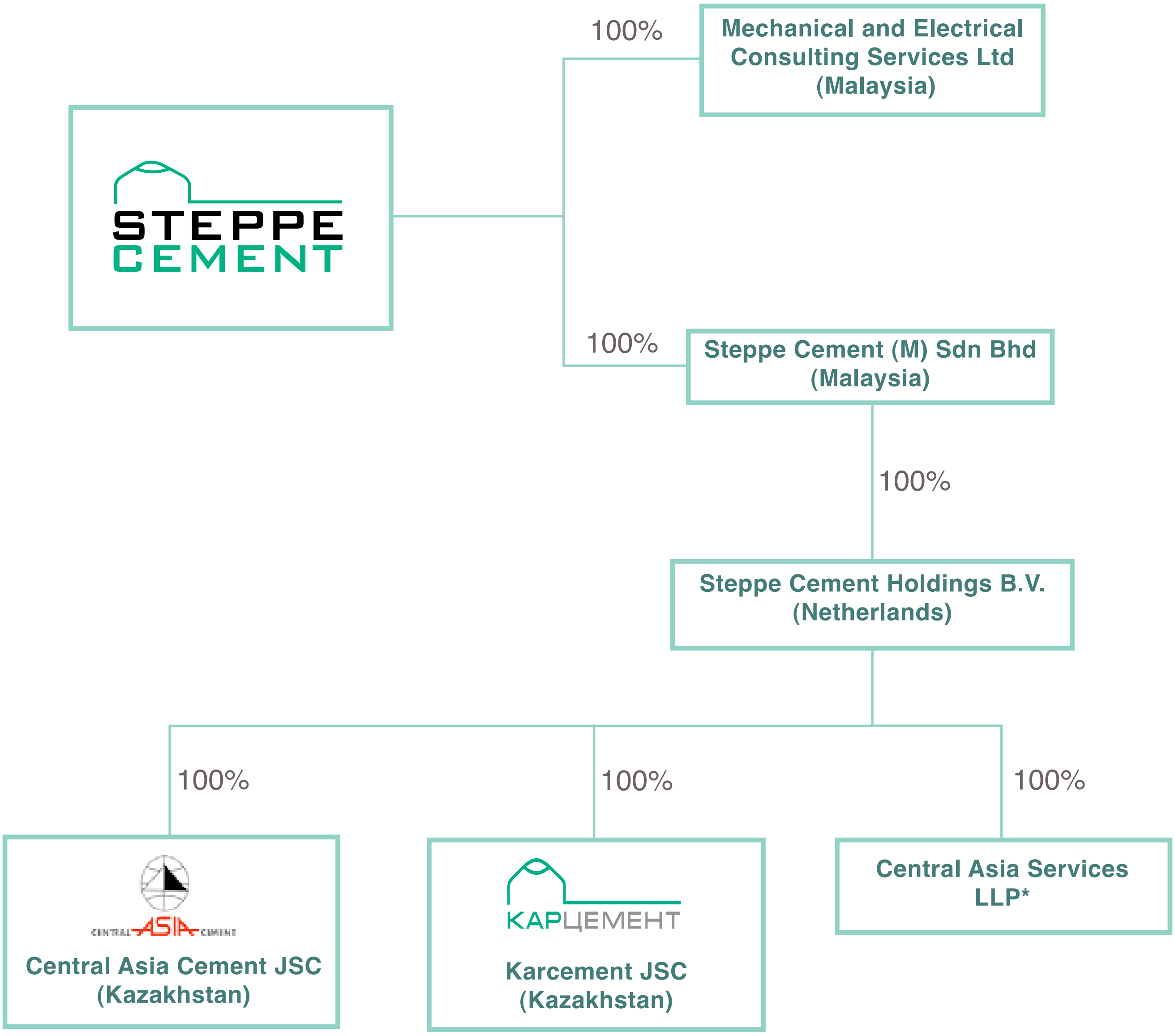
We have completed the budget for refurbishment of Line 5 and we are in negotiations with various institutions to finance the construction. We estimate we will need to borrow USD34 million to complete it.

There were no changes to the total number of shares outstanding at 179 million.

Dividends will not be proposed in respect of the 2011 financial year. Neither is it expected that a dividend will be proposed in respect of the 2012 financial year.

Javier del Ser
Chief Executive Officer

GROUP STRUCTURE



Information on each subsidiary of Steppe Cement Ltd are disclosed in Note 12 of the Financial Statements.

* Incorporated on 1 December 2011. Central Asia Services LLP's ("CAS") principal activity is distribution of electricity. CAS LLP has yet to fully commence operation.

BOARD OF DIRECTORS

MALCOLM BROWN

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Malcolm Brown 64 years of age, is a UK national with a background as an analyst and corporate finance adviser. He has significant experience with the European building materials sector and has been involved in a number of cement related transactions. Mr Brown worked with HSBC Investment Bank and its predecessor James Capel for 34 years as a director, senior analyst and adviser until his retirement in 2006. The research output, supported by a strong specialist sales team, enabled James Capel and subsequent to its purchase, by HSBC, to establish a leading position in the building material and construction sector in both the primary and the secondary market. This was reflected in the external poll ratings and the expanded number of corporate brokerships.

Some of the mandates in which Mr Brown was actively involved included the privatisation of the cement industry in Serbia and those in Algeria. In the former case, following the cessation of hostilities it was decided in 2001 that the three plants Beocin, Novi Popovac and Kosjeric should be sold and following a successful competitive auction, which was fast-tracked these were acquired by Lafarge, Holcim and Titan respectively. In Algeria HSBC won the mandate to advise the government on the sale of its cement assets and it was decided to prepare three out of the twelve plants for auction. Regrettably, although this had proceeded a long way, even to soliciting offers from international cement groups, the government withdrew at the eleventh hour in the face of strong union opposition.

Whilst at HSBC Mr Brown was also engaged to find acquisitions on the Indian sub-continent for Holcim (Switzerland), Cimpor (Portugal) and Votorantim (Brazil). He has also worked with Vicat and Ciments Francais on opportunities in Egypt. Mr Brown is currently the Managing Director of a small consultancy business, Carbery Cement Consultants, which provides strategic advice to mid-cap, family-controlled businesses in the cement industry.

JAVIER DEL SER PEREZ

CHIEF EXECUTIVE OFFICER

Javier del Ser Perez 46, is a Chartered Engineer (Spain), master in Structural Engineering and has a degree in Finance from HEC. Javier has lived in Kazakhstan since 1996, 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. He is the Chairman of the Company's operating subsidiaries, Central Asia Cement and Karcement. Javier has other business interests in Kazakhstan, including being a Director and large shareholder in the Chagala Group. Javier is also a Director of Steppe Cement Holding B.V. and Mechanical and Electrical Consulting Services Ltd.

PAUL RODZIANKO

INDEPENDENT NON-EXECUTIVE DIRECTOR

Paul Rodzianko, 66, is an international business executive with extensive experience in the energy, infrastructure and green technology sectors. He serves as Chairman or Independent Director of several emerging companies. He volunteers as Chairman of the Hermitage Museum Foundation. In addition, he serves on the boards of the US-Russia Business Council, the Kennan Council of the Woodrow Wilson International Center, the International Tax & Investment Center, the American-Russian Cultural Cooperation Foundation. He was previously director and vice-chairman of the US-Kazakhstan Business Association and member of the board of Energibolaget i Sverige (Sweden). He has served in senior executive capacities at Access Industries, Bogatyr Access Komir (Kazakhstan), the General Electric Company, Grace Geothermal Corporation, GreenFuel Technologies Corporation, CNPC-Aktobemunaigas (Kazakhstan), Sterling Grace & Co., Tyumen Oil Company (Russia), DataPort at the World Trade Center, and Mt. Hope Hydro. Paul holds a B.A. from Princeton University and an M.A. from the Institute of Critical Languages. He is a Fellow of The Explorers Club and the Royal Geographic Society.

SENIOR MANAGEMENT

Management & staff of Central Asia Cement JSC

Acting General Director: Peter Durnev
A graduate of Academy Marketing Moscow. He has worked in CAC for about 9 years rising from marketing executive to Marketing Manager. In 2010, he was appointed as the Acting General Director.

Management Board Representative and Consultant: Mehmet Faruk Osmanpasaoglu
An engineering graduate from the Faculty of Mining Engineering, Istanbul Technical University. He has accumulated over 30 years of professional experiences in various senior capacities, mainly in cement related industry both in Turkey and Kazakhstan. Prior to joining CAC, he worked in Kazakhstan for about 5 years, first as general director of Sastobe White Cement and Lime Plant in Shimkent and later as technical director of Shimkent Cement Plant, then a fully-owned subsidiary of Italcementi Group.

Finance Director: Chan Keng Chung
Chan Keng Chung is a member of Malaysian Institute of Certified Public Accountants (MICPA) and a graduate from the University of Malaya with a bachelor degree of accountancy. He has over 11 years of working experience including in audit with a big-four accounting firm in Kuala Lumpur and in commerce with a Hong-Kong listed company. Before joining CAC, he held the position of financial controller based in Hong Kong, after having spent 6 years in Shanghai. His expertise encompasses audit, financial reporting, internal control procedures, corporate finance and investment evaluation.

Plant Manager: Vasily Shalimov
A mechanical engineer from Belgorod Institute Russia. He is well versed in all aspects of cement manufacturing activities. He started as a young engineer in the Aktau cement plant and through rank and file was promoted to his present position. He has over 30 years of cement manufacturing experience.

Production Manager: Nikolai Bolohovsev
Nikolai graduated from Moscow Chemical Engineering University; he started from rank and file, first as a mechanic, then as a chief of Burning shop and later as a Deputy Plant Manager. Since 1989, Nikolai is currently Plant Production Manager. He is familiar with all the plant equipment and technological process on dry and wet lines. He has accumulated close to 40 years of cement manufacturing experience.

Chief Accountant: Nelly Brazhnikova
Nelly graduated from Karaganda Metallurgical University, faculty- Industry Accounting; Joined CAC in 1999 as deputy chief accountant and later promoted to chief accountant. She's experienced in tax accounting, bank procedures with legal entities.

Personnel Manager: Irina Poluychik
An economist by qualification. She specializes in human resources matters. She has been with CAC for more than 20 years.

SENIOR MANAGEMENT

Management & staff of Karcement JSC

General Director: Gan Chee Leong
Gan, is a Chartered Accountant from England and Wales and is a Malaysian. He started work in Kuala Lumpur as an auditor with a well-known international firm. He has about 16 years experience in cement industry in various capacities. Before joining CAC and KC, he was GM-marketing 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.

Head of Project: Ramlan Safri
An electrical engineer by profession. He has a Master degree and currently is an Associate member of Institute of Engineers Malaysia and Associate of the Institute of Electrical Engineers (USA). He has about 20 years of working experience in the cement industry in a number of countries. Before joining CAC in the beginning of 2005, he worked for Lafarge Malaysia. He was transferred to Karcement in 2008.

Plant Manager: Karunakaran Perumal
A degree holder in Mechanical Engineer from Leeds University UK (1982), he has been in the cement industry since 2000. He has been spearheading the preventative maintenance program as the Methods Manager in two of the Lafarge Cement plants in Malaysia with the implementation of Computerized Maintenance Management Systems (CMMS). Prior experience of 18 years has been in the design, repair, maintenance and commissioning of boilers, pressure vessels, and oil and gas equipment in many countries around the world. He is also an Internal Auditor for ISO 14001(Environment).

Maintenance Manager: George Ramesh
A Mechanical Engineer by profession with a Masters degree in Business Management (Finance & Marketing) from India. He has about 17 years experience in the cement industry in various countries, and has handled projects and maintenance. Before joining KC in September 2008, he worked as Maintenance & Project Manager for Holcim (Malaysia), and prior to that, with Lafarge (Malaysia).

Production Manager: P.Sampathkumar
A Chemistry graduate from India, he has extensive experience in the cement industry of more than 26 years. He has worked in India, Iraq and United Arab Emirates. He has very good knowledge about modern dry plant operation, process control and optimization.

Milling/Deputy Maintenance Manager: G.Srinivasa Reddy
A Mechanical Engineer from India and a graduate of the National Institute of Technology Warangal with strong academics. He came with 19 years of dry process cement industry experience. His experience includes Greenfield project execution with latest art of technology built in machinery, plant operation, maintenance and plant optimization. He had rich experience in vertical mills, ball mills and modern kilns. He also worked in plant up gradation projects during his career. Before joining us he was working with Holcim (ACC Limited, India) wherein he worked in plant operation, maintenance and plant optimization at the 1 MTPA plant. Apart from maintenance he had also expertise in production and process optimization.

Legal Department Chief: Kuznetsova Veronica
A graduate from the Legal Academy of Kazakhstan with a Masters Degree in Law, she joined CAC in 2005 as a Lawyer. In 2007 she was transferred to Karcement and from 2010, she was appointed Chief of Legal Department.

Chief Accountant: Alekseeva Svetlana
She is a CAP certified accountant and an Engineer-Economist by qualification. She graduated from Karagandy Polytechnic Institute, specializing in economics and management in machinery and has been working in Karcement since 2008.

LAUNCH OF ISO 14000 & 18000 MANAGEMENT SYSTEM

On 19 January 2012, KarCement JSC, Aktau Plant proudly announces the launch of certification process of the Company to the ISO 14000 & ISO 18000 Management System. Series of awareness training for the Management and Employee of the Company started since December 2011. ISO accreditation is expected to be obtained latest by early 2013.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("Board") 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. The Board is responsible for:

- formulating the Group's strategic direction and major policies;
- review performance of the Group and monitor the achievement of management's goals;
- approval of the Group's financial statements, annual report and announcements;
- approval of Group's operational and capital budgets;
- approval of major contracts, capital expenditure, acquisitions and disposals;
- setting the remuneration, appointing, removing and creating succession policies for directors and senior executives,
- the effectiveness and integrity of the Group's internal control and management information systems; and
- overall corporate governance of the Group.

BOARD PROCESSES

The Board has established a framework for the management of the Group including a system of internal control, risk management practices and the establishment of appropriate ethical standards. The Board holds regular meetings to discuss strategy, operational matters and any extraordinary meetings at such other times as may be necessary to address any specific and 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.

BOARD MEETINGS HELD IN 2011

During the year ended 31 December 2011, 4 board meetings were held. The following is the attendance record of the directors for meetings held during the year:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Malcolm Brown (Non-Executive Chairman)	4/4	3/3	2/2	N/A
Javier Del Ser Perez (Chief Executive Officer)	4/4	N/A	N/A	1/1
Paul Rodzianko (Non-Executive Director)	4/4	3/3	2/2	1/1

Committee meetings are held concurrently with the board meetings.

CORPORATE GOVERNANCE

BOARD COMPOSITION

At least half of the Board comprises of independent non-executive directors. The Board composition reflects the balance of skills and expertise to ensure that these are in line with the Group's strategies.

There is a clear segregation of roles of between the Chairman and Chief Executive Officer. The Chairman is responsible for leadership and management of the Board and ensures that it operates effectively and fully discharges its responsibilities. The Board has delegated responsibility for the day-today management and operations of the Group in accordance with the objectives and strategies established by the Board to the Chief Executive Officer and the senior management.

INDEPENDENCE

The Non-Executive Directors are responsible for providing independent advice and are considered by the Board to be independent of management and free from any business or relationship that would materially interfere with the exercise of independent judgment as a member. No one individual in the Board has unfettered powers of decision and no director or group of directors is able to unduly influence the Board's decision making. This enables the independent directors to debate and constructively challenge the management on the Group's strategy, financial and operational matters.

SELECTION AND APPOINTMENT OF DIRECTORS

The mix of skills, business and industry experience of the directors is considered to be appropriate for the proper and efficient functioning of the Board. The Board has delegated the functions of selection and appointment of directors to the Nomination Committee including the annual review of the structure, size, composition and balance of the Board.

Section 87(1) of the Labuan 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.

PERFORMANCE EVALUATION

The Board conducts regular evaluates its performance and the effectiveness of the Board Committees. The performance of the Chairman and individual directors is continually assessed to ensure that each director continues to contribute effectively and demonstrates commitment to the role.

RE-ELECTION OF DIRECTORS

Every year, the directors offer themselves for re-election and their re-election is subject to the shareholders' approval at the Company's Annual General Meeting.

REMUNERATION POLICY

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Board has delegated the setting of broad remuneration policy to the Remuneration Committee. The purpose of the 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.

INDEPENDENCE ADVICE AND INSURANCE

The Board may seek independent consultant's advice at the Company's expense in relation to director's rights and duties and the engagement is subject to prior approval of the Chairman and this will not be withheld unreasonably. The company maintains a Directors' and Officers' Liability Insurance policy that provides appropriate cover in respect of legal action brought against its directors.

BOARD COMMITTEES

The Board has established the Nomination Committee, the Remuneration Committee and the Audit Committee and delegated certain functions to these committees as set out in each Committee's Terms of Reference.

CORPORATE GOVERNANCE

NOMINATION COMMITTEE

The Committee comprises of majority independent Non-Executive Directors. The Terms of Reference of the Nomination Committee was approved by the Board. The Nomination Committee meets at least once a year.

The Nomination Committee's members comprises of:

1.Paul Rodzianko (Chairman)
2.Javier Del Ser Perez

The principal objectives of the Committee are to review that the Board structure, size, composition and the mix of skills and expertise to ensure that these are in line with the Group's strategies and to recommend to the Board the potential candidates for directorship. The selection criteria for selection and recruitment of the potential candidates for directorship shall include qualifications of the individual, experience, knowledge and achievements, credibility and background and ability of the candidates to contribute effectively to the Board and Group.

The functions of the Nomination Committee include:

- Review annually the structure, size and composition of the Board taking into account the Group's strategies;
- Identify and nominate the potential candidates to the Board for approval;
- Monitor the appointment process of directors;
- Recommend to the Board for approval on the re-appointment of directors;
- Oversee the succession planning of directors taking into consideration of the Group's strategies;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference at least once a year.

REMUNERATION COMMITTEE

The Remuneration Committee comprises entirely of independent Non-Executive Directors. The functions of the Remuneration Committee are governed by the Terms of Reference which was approved by the Board. The Remuneration Committee meets at least twice (2) a year.

The principal objectives of the Committee are to ensure that the broad remuneration policy and practices of the Group reflect the level of responsibilities, performance, relevant legal requirements and high standards of governance. In determining such policy, the Committee shall ensure that remuneration levels are appropriately and competitively set to attract, retain and motivate people of the highest quality.

The functions of the Remuneration Committee include:

- Determine and review the broad remuneration policy of the Chairman, Chief Executive Officer, Executive Directors and Senior Executives;
- Review the contracts for the Chairman, Chief Executive Officer, Executive Directors and the contractual terms;
- Obtain information on the remuneration of other listed companies of similar size and industry;

- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference every two (2) years, or more frequently as required to ensure its ongoing relevance and effectiveness.

The Remuneration Committee's members comprises of:

1.Paul Rodzianko(Chairman)
2.Malcolm Brown

AUDIT COMMITTEE

The Audit Committee comprises entirely of independent Non-Executive Directors. The functions of the Audit Committee are governed by the Terms of Reference which was approved by the Board. The Audit Committee meets at least three times (3) a year.

The principal objectives of the Committee are to monitor and review the adequacy, integrity and compliance of the Group's financial reporting and policies, internal controls system and procedures including risk management, and compliance and the external audit process. The Committee shall make the necessary recommendations to the Board to achieve its objectives.

The functions of the Audit Committee include:

- Review the Group's financial statements, regulatory announcements relating to the Group's results;
- Review the Group's significant accounting policies and practices;
- Review compliance with international financial reporting standards, regulatory and other legal requirements;
- Review and advise the Board on the appointment, nomination and re-appointment of the external auditors;
- Oversee the relationship with the external auditors, including the engagement of auditors, the audit scope, plan, remuneration and objectivity;
- Evaluate and monitor the adequacy and effectiveness of the internal controls system and procedures including risk management and compliance;
- Monitor and review the performance and effectiveness of the internal audit function;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference at least once a year and recommend any changes to the Board for approval.

The Audit Committee's members comprises of:

1.Paul Rodzianko (Chairman)
2.Malcolm Brown

BUSINESS CONDUCT AND ETHICS

In the course of business, the Board acknowledges the need to maintain high standards of business and ethical conduct by all Directors, management and employees of the Group. In this respect, the Group has the responsibility to observe local laws, customs and culture of each country in which it operates in particular Kazakhstan and to adopt the high standards of business practice, procedure and integrity. 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.

CONFLICT OF INTEREST

All 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.

CORPORATE GOVERNANCE

INVESTOR RELATIONS

The Board recognises and values the importance of managing its relationship with the investing community. The Board is committed and communicates regularly with shareholders on the Group's strategy, financial performance, developments and prospects via issuance of annual and interim financial statements to shareholders, stock exchange announcements and in meetings.

The Group's management meets regularly with fund managers, analysts and shareholders to convey information about the development of the Group's performance and operations in Kazakhstan.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") provides the main forum and opportunity for discussion and interaction between the Board and the shareholders. The Board encourages the active participation of shareholders, both individuals and institutional at the AGM on important and relevant matters. The results of the AGM are announced via Regulatory News Service to the public after the AGM.

INTERNAL CONTROL

The Board places importance on the maintenance of a strong internal control system in the Group, including compliance and risk management practices to ensure good corporate governance. The Board regularly evaluates and monitors the effectiveness of the internal control system.

PURPOSE

The Group's internal control system is designed to safeguard the Group's assets and enhance the shareholders investments. The Group's internal control system is designed to manage rather than fully eliminate the risk of failure to achieve business objectives. Therefore, that the internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

KEY ELEMENTS

The key elements of the Group's internal control system are:

- Control - an organisational structure is in place with clearly defined levels of responsibility and authority together with appropriate reporting procedures, particularly with respect to financial information and capital expenditure.

- Financial Reporting and Budgeting – A financial reporting and budgeting system with an annual budget approved by the directors has been established to monitor the performance of the subsidiaries. The management evaluates the actual against budget to identify and explain the causes of the significant variances for appropriate action. The budgets are revised regularly taking into internal and external variables such as performance, costs, capital expenditure requirements, macro outlook and other relevant factors.

- Risk Management and Compliance – Risk management and compliance policies, controls and practices are in place for the Group to identify, assess, manage and monitor key business risks and exposure and for evaluation of their financial impact and other implications.

MONITORING AND REVIEW MECHANISM

The Audit Committee is tasked to monitor and review the adequacy and effectiveness of the internal control system and procedures including risk management and compliance. The Group's internal audit function is responsible for conducting internal audits based on the risk-based audit plan approved annually by the Audit Committee. The internal audit function provides regular reports to the Audit Committee highlighting the observations, recommendations and management action to improve the internal control system. The scope of work, authority and resources of the internal audit function are reviewed by the Audit Committee at annually. The Audit Committee also deliberates on control issues highlighted by the external auditors during the course of statutory audits.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(In United States Dollar)

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

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

Report on the Financial Statements

We have audited the financial statements of **STEPPE CEMENT LTD,** which comprise the statements of financial position of the Group and of the Company as of 31 December 2011, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 75.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Labuan Companies Act, 1990 in Malaysia and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

As disclosed in Note 3 to the Financial Statements, in accordance with the Group's accounting policy, land and buildings are accounted for at revalued amounts. Using the revaluation model requires a revaluation being performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The fair values of land and buildings are based on an independent appraisal, the latest of which was obtained as at 27 August 2010. Management considers that the carrying value of land and buildings is reflective of the fair values of those assets as at 31 December 2011, based on their analysis of changes in the economic environment, market price of the assets, discounted cash flows of the cash generating units and other factors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

We were unable to obtain sufficient audit evidence to satisfy ourselves that the fair values of land and buildings as at 31 December 2011 of one of the subsidiary company do not significantly differ from their carrying values of USD4,918,244 at that date. Consequently, we were unable to determine whether any adjustments to the carrying value of land and buildings of the Group as at 31 December 2011 were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter discussed in the basis for qualified opinion paragraph, the financial statements have been properly drawn up, in all material respects, in accordance with International Financial Reporting Standards and the Labuan Companies Act, 1990 in Malaysia 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 2011 and of the financial performance and the cash flows of the Group and of the Company for the year ended on that date.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 117 of the Labuan Companies Act, 1990 in Malaysia and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

DELOITTE & TOUCHE
AAL 0011
Chartered Accountants

LOO CHEE CHOU
Partner - 2783/09/12 (J)
Chartered Accountant

14 May 2012

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
	Note	2011 USD	2010 USD	2011 USD	2010 USD
Revenue	4	96,109,784	72,848,722	100,000	100,000
Cost of sales		(59,026,335)	(51,829,026)	-	-
Gross profit		37,083,449	21,019,696	100,000	100,000
Selling expenses		(14,789,840)	(12,094,165)	-	-
General and administrative expenses		(11,165,193)	(10,252,237)	(493,411)	(486,140)
Operating profit/(loss)	5	11,128,416	(1,326,706)	(393,411)	(386,140)
Investment income	6	24,956	2,407	-	52
Finance costs	7	(4,970,899)	(6,239,700)	-	-
Other (expense) / income, net	8	(628,312)	644,796	(3,963)	104,115
Profit/(Loss) before income tax		5,554,161	(6,919,203)	(397,374)	(281,973)
Income tax (expense)/credit	9	(2,221,231)	3,181,440	-	-
Profit/(Loss) for the year		3,332,930	(3,737,763)	(397,374)	(281,973)
Attributable to:					
Shareholders of the Company		3,332,930	(3,737,763)	(397,374)	(281,973)
Profit/(Loss) per share:					
Basic (cents)	10	1.9	(2.4)		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	The Group		The Company	
		2011 USD	2010 USD	2011 USD	2010 USD
Profit/(Loss) for the year		3,332,930	(3,737,763)	(397,374)	(281,973)
Other comprehensive income/(loss):					
Revaluation of property, plant and equipment		-	12,681,224	-	-
Deferred tax assets from revaluation of property, plant and equipment		-	(2,536,249)	-	-
Effects of change in tax rate on revaluation reserve		-	(1,069,542)	-	-
Exchange differences arising on translation of foreign subsidiary companies	19	(1,064,445)	1,919,194	-	-
Total comprehensive income/(loss) for the year		2,268,485	7,256,864	(397,374)	(281,973)
Attributable to: Shareholders of the company		2,268,485	7,256,864	(397,374)	(281,973)

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

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
	Note	2011 USD	2010 USD	2011 USD	2010 USD
Assets					
Non-Current Assets:					
Property, plant and equipment	11	134,760,868	142,509,056	-	-
Investment in subsidiary companies	12	-	-	26,500,001	26,500,001
Advances paid	16	993,326	322,467	-	-
Other assets	13	28,162,496	32,434,084	-	-
Total Non-Current Assets		163,916,690	175,265,607	26,500,001	26,500,001
Current Assets					
Inventories, net	14	21,373,261	15,333,961	-	-
Trade receivables, net	15	2,582,376	2,135,095	-	-
Amount owing by subsidiary companies	12	-	-	29,151,422	28,589,870
Other receivables, advances and prepaid expenses	16	11,391,034	8,576,274	-	987
Cash and bank balances	17	493,601	9,531,530	103,478	964,171
Total Current Assets		35,840,272	35,576,860	29,254,900	29,555,028
Total Assets		199,756,962	210,842,467	55,754,901	56,055,029

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2011

		The Group		The Company	
	Note	2011 USD	2010 USD	2011 USD	2010 USD
Equity and Liabilities					
Capital and Reserves					
Share capital	18	58,298,542	58,298,542	58,298,542	58,298,542
Share premium	19	-	-	-	-
Revaluation reserve	19	9,477,390	10,940,027	-	-
Translation reserve	19	(20,008,866)	(18,944,421)	-	-
Retained earnings/ (Accumulated loss)	19	79,220,635	74,425,068	(3,436,220)	(3,038,846)
Total Equity		126,987,701	124,719,216	54,862,322	55,259,696
Non-Current Liabilities					
Loans	21	43,212,391	52,462,014	-	-
Deferred tax liabilities, net	22	6,176,157	4,687,225	-	-
Total Non-Current Liabilities		49,388,548	57,149,239	-	-
Current liabilities					
Trade payables	23	7,840,918	4,465,134	-	-
Other payables and accrued liabilities	24	3,660,604	3,315,168	892,579	795,333
Bonds	20	-	18,257,495	-	-
Loans	21	11,434,750	2,248,456	-	-
Taxes payable	25	444,441	687,759	-	-
Total Current Liabilities		23,380,713	28,974,012	892,579	795,333
Total Liabilities		72,769,261	86,123,251	892,579	795,333
Total Equity and Liabilities		199,756,962	210,842,467	55,754,901	56,055,029

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

The Group	Share Capital	Share premium	Revaluation reserve	Translation reserve	Retained earnings	Total/Net
		← Non-distributable		→	Distributable	
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2010	1,540,000	41,296,193	3,023,894	(20,863,615)	77,003,531	102,000,003
Loss for the year	-	-	-	-	(3,737,763)	(3,737,763)
Revaluation of property, plant and equipment	-	-	12,681,224	-	-	12,681,224
Deferred tax assets from revaluation of property, plant and equipment (Note 19)	-	-	(2,536,249)	-	-	(2,536,249)
Effects of change in tax rate	-	-	(1,069,542)	-	-	(1,069,542)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	1,919,194	-	1,919,194
Total comprehensive income/ (loss) for the year	-	-	9,075,433	1,919,194	(3,737,763)	7,256,864
Issue of shares (Notes 18 and 19)	250,000	15,724,957	-	-	-	15,974,957
Share issue expenses	-	(512,608)	-	-	-	(512,608)
Conversion to no par value shares (Notes 18 and 19)	56,508,542	(56,508,542)	-	-	-	-
Transfer of revaluation reserve relating to property, plant and equipment through use	-	-	(1,159,300)	-	1,159,300	-
Balance as at 31 December 2010	58,298,542	-	10,940,027	(18,944,421)	74,425,068	124,719,216

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

The Group	Share Capital	Share premium (Non-distributable)	Revaluation reserve (Non-distributable)	Translation reserve (Non-distributable)	Retained earnings (Distributable)	Total/Net
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2011	58,298,542	-	10,940,027	(18,944,421)	74,425,068	124,719,216
Profit for the year	-	-	-	-	3,332,930	3,332,930
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	(1,064,445)	-	(1,064,445)
Total comprehensive income/ (loss) for the year	-	-	-	(1,064,445)	3,332,930	2,268,485
Transfer of revaluation reserve relating to property, plant and equipment through use	-	-	(1,462,637)	-	1,462,637	-
Balance as at 31 December 2011	58,298,542	-	9,477,390	(20,008,866)	79,220,635	126,987,701

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

The Company	Share Capital	Non-distributable Share premium	Accumulated loss	Total/Net
	USD	USD	USD	USD
Balance as at 1 January 2010	1,540,000	41,296,193	(2,756,873)	40,079,320
Total comprehensive loss for the year	-	-	(281,973)	(281,973)
Issue of shares (Note 18 and 19)	250,000	15,724,957	-	15,974,957
Share issue expenses	-	(512,608)	-	(512,608)
Conversion to no par value shares (Notes 18 and 19)	56,508,542	(56,508,542)	-	-
Balance as at 31 December 2010	58,298,542	-	(3,038,846)	55,259,696
Balance as at 1 January 2011	58,298,542	-	(3,038,846)	55,259,696
Total comprehensive loss for the year	-	-	(397,374)	(397,374)
Balance as at 31 December 2011	58,298,542	-	(3,436,220)	54,862,322

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before income tax	5,554,161	(6,919,203)	(397,374)	(281,973)
Adjustments for:				
Unrealised foreign exchange (gain)/loss	508,955	(471,168)	(2,677)	(18,046)
Depreciation of property, plant and equipment	9,334,372	9,301,178	-	-
Amortisation of quarry stripping costs	187,147	-	-	-
Finance costs	4,970,899	6,239,700	-	-
Allowance for doubtful receivables and advances paid	509,941	128,506	-	-
Loss on disposal of property, plant and equipment	7,358	12,907	-	-
Interest income	(24,956)	(2,407)	-	(52)
Recovery of doubtful receivables and advances paid	-	(38,047)	-	-
Provision/(Recovery) for obsolete inventories	380,369	(223,139)	-	-
Operating Profit/(Loss) Before Working Capital Changes	21,428,246	8,028,327	(400,051)	(300,071)

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
(Increase)/Decrease in:				
Inventories	(7,265,554)	(478,184)	-	-
Trade receivables	(774,777)	(1,271,920)	-	-
Amount owing by subsidiary companies	-	-	(561,552)	(17,682,787)
Other receivables and prepaid expenses	593,316	(1,177,039)	987	2,849
Increase/(Decrease) in:				
Trade payables	3,169,228	(1,113,714)	-	-
Other payables and accrued liabilities	(255,111)	157,809	99,923	47,540
Amount owing to subsidiary companies	-	-	-	(451,621)
Cash Generated From/(Used In) Operations	16,895,348	4,145,279	(860,693)	(18,384,090)
Income tax paid	(848,516)	(300,706)	-	-
Interest paid	(4,584,684)	(5,777,170)	-	-
Net Cash From/(Used In) Operating Activities	11,462,148	(1,932,597)	(860,693)	(18,384,090)
CASH FLOWS (USED IN)/ FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	2,920	11,547	-	-
Purchase of property, plant and equipment	(1,726,626)	(1,823,951)	-	-
Purchase of non-current assets (net)	(227,994)	-	-	-
Advance for non-current assets (net)	-	(301,627)	-	-

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Interest received	24,956	2,407	-	52
Net Cash (UsedIn)/From Investing Activities	(1,926,744)	(2,111,624)	-	52
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	-	15,974,957	-	15,974,957
Share issue expenses	-	(512,608)	-	(512,608)
Repayment of bonds	(18,183,043)	-	-	-
Proceeds from borrowings	6,941,225	18,488,369	-	-
Repayment of loans, net	(7,416,548)	(26,928,432)	-	-
Net Cash (Used In)/From Financing Activities	(18,658,366)	7,022,286	-	15,462,349
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(9,122,962)	2,978,065	(860,693)	(2,921,689)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	85,033	8,136	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	9,531,530	6,545,329	964,171	3,885,860
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 26)	493,601	9,531,530	103,478	964,171

Non-cash transactions

In 2011, the Group capitalised inventories to the cost of property, plant, and equipment of USD350,845 (2010:USD361,057) (Note 11).

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

1. GENERAL INFORMATION

Steppe Cement Ltd (“the Company”) is incorporated and domiciled in Malaysia. The Company and its subsidiaries’ (“the Group”) principal place of business is located at Aktau village, Karaganda region, Republic of Kazakhstan. The Company’s shares are listed on the Alternative Investment Market of the London Stock Exchange.

The registered office of the Company is located at Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan FT, Malaysia.

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

The financial statements of the Group and the Company have been approved by the Board of Directors and were authorised for issuance on 14 May 2012.

Operating environment in the Republic of Kazakhstan

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and Kazakhstan’s economy in general.

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kazakhstan’s economy, adversely affect the Group’s access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstan’s economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

The Kazakhstan economy achieved economic growth of 7% in 2010 and an estimated 7.5% in 2011 according to government statistical agency. Kazakhstan is also facing a relatively high level of inflation (according to the government’s statistical data consumer price inflation for the years ended 31 December 2011 and 2010 was 7.4% and 7.8%, respectively).

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 the following new and revised standards and interpretations:

- IAS 24 "*Related Party Disclosures*" - Revised definition of related parties (effective for accounting periods beginning on or after 1 January 2011);
- Amendments to IAS 32 "*Financial Instruments: Presentation*" - Amendments relating to classification of rights issues (effective for the periods beginning on or after 1 February 2010);
- IFRS 1 "*First-time adoption of International Financial Reporting Standards*" - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for accounting periods beginning on or after 1 July 2010);
- IFRS 1 "*First-time adoption of International Financial Reporting Standards*" - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs' (effective for accounting periods beginning on or after 1 July 2010);IFRS 1 "*First-time adoption of International Financial Reporting Standards*" - Additional exemption for entities ceasing to suffer from severe hyperinflation (effective for accounting periods beginning on or after 1 July 2010);
- Amendments to IFRIC 14 "*IAS 19 - Prepayments of a Minimum Funding Requirement*" (effective for reporting periods beginning on or after 1 January 2011);
- IFRIC 19 "*Extinguishing Financial Liabilities with Equity Instruments*" (effective for reporting periods beginning on or after 1 July 2010).

These amendments are related to certain expressions and issues regarding presentation of financial statements, issues of recognition and appraisal, and the adoption of these interpretation has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements the following Standards, amendments to Standards and Interpretations were in issue but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" — amendments enhancing disclosures about transfers of financial assets[1];
- IFRS 9 "Financial Instruments"[6];
- IFRS 10 "Consolidated Financial Statements"[3];
- IFRS 11 "Joint Arrangements"[3];
- IFRS 12 "Disclosure of Interest in Other Entities"[3];
- IFRS 13 "Fair Value Measurement"[2];
- IAS 1 "Presentation of Financial Statements" — amendments to revise the way other comprehensive income is presented[4];
- IAS 12 "Income Taxes" — Limited scope amendment (recovery of underlying assets)[5];
- IAS 27 - reissued as IAS 27 "Separate Financial Statements" (as amended in May 2011)[3];
- IAS 28 - reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011)[3];
- IAS 32 "Financial Instruments: Presentation" and IFRS 7 – amendments providing clarifications on application of the offsetting rules and disclosure requirements[7]; and
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"[2].

1 Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.
3 Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the "package of five" are also early applied (except for IFRS 12 that can be applied earlier on its own).

4 Effective for annual periods beginning on or after 1 July 2012, with earlier adoption permitted.
5 Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.
7 Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Respective amendments to IFRS 7 regarding disclosure requirements – for annual periods beginning on or after 1 January 2013.

The Group and the Company will adopt all relevant new, revised and amended Standards and new and amended Interpretations from their respective effective dates.

The Group and the Company are currently assessing the impact of adoption of those Standards and Intepretations. As at the date of authorisation of issue of the financial statements, accounting policy decisions or elections have not been finalised. Thus, the impact of adopting the new Standards on the Group's and the Company's financial statements cannot be determined and estimated reliably until the process is complete.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 judgements, estimates, actual results reported in future periods could differ from such estimates.

In the application of the Group and Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revaluation of property, plant and equipment

In accordance with the accounting policy presented in Note 3, the Group's land and buildings are revalued with sufficient regularity so that their carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Management has engaged professional valuers to assess the fair value of land and buildings as at 27 August 2010. Valuation techniques are subjective and involve the use of professional judgment in the estimation amongst other things, of the Group's future cash flows from operations and appropriate discount factors and relevant market information. Management considers that the carrying value of land and buildings is reflective of the fair value of those assets at 31 December 2011.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that property, plant and equity may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 13.20% (2010: 15%) discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. During the financial year, the Group did not recognise impairment losses.

The determination of impairment of property, plant and equipment involves the use of estimates that include, but not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as expected growth in the industry, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgements concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment. In 2010 and 2011, the management did not identify impairment indicators.

Allowances

The Group accrues allowances for financial assets. Significant judgement is used to estimate doubtful receivables. In estimating doubtful receivables, historical and anticipated customer performances are considered. Changes in the economy or specific customer conditions may require adjustments to the allowance for doubtful receivables recorded in the financial statements. As of 31 December 2011, allowance for doubtful receivables of USD1,371,641 (2010: USD898,009) has been made for in the financial statements (Notes 15 and 16).

The Group makes allowance for obsolete and slow-moving inventories based on data of annual stock count as well as on the results of inventory turnover analysis. As of 31 December 2011, the management accrued allowance for obsolete and slow-moving inventories of USD729,638 (2010: USD351,924) in the financial statements (Note 14).

Assessment of the deferred income tax effect

At each reporting date, the management of the Group determines the future effect of deferred income tax by reconciliation of the carrying amounts of assets and liabilities recorded in the financial statements against the respective tax base. Deferred tax assets and liabilities are assessed at the tax rates applicable to the period in which such assets are realised or liabilities are expected to be discharged. Deferred tax assets are recognised to such extent in which it is probable that sufficient taxable profits will be available to allow realisation of the respective deductible temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to such extent in which it is no longer probable that the respective tax benefits will be realised.

Useful lives of property, plant and equipment

The estimated useful lives, residual value and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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 following:

- Revaluation to the fair values of land and building in accordance with IAS 16 “Property, Plant and Equipment (Note 11); and
- Valuation of financial instruments in accordance with IAS 39 “Financial Instruments: Recognition and Measurement” (Note 31).

Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purposes entities if any) 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 to be 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

Acquisition of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related cost are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at the fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangement of the Group entered into to replace share- based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of acquisition-date amounts of the identified acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquire's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate wth the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in other comprehensive income are reclassified to profit or loss where such treatment would appropriate if that interest were disposed of.

If the intial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for 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.

Specifically, revenue from sale of goods is recognised when goods are delivered and legal title is passed.

Management fee is recognised when the fee is earned on accrual basis in accordance with the substance of the relevant agreement. Management fee determined on time basis is recognised on a straight-line basis over the period of the agreement.

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 equivalent to 10% of each employee's wage, but not more than USD818 equivalent to KZT119,992 per month per employee (2010: USD761 equivalent to KZT112,140) 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 expenses are charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by the 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 and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

Contingent liabilities are recognised in these financial statements, when there are possible outflows of resources needed for settlement of the liabilities and can be measured reliably. Contingent assets are not recognised in the financial statements, but 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 and is calculated in accordance with requirements of tax legislation applicable to the respective jurisdiction and based on the operating results for the year after adjustments of amounts, which are non-taxable or non-deductible for tax purposes.

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 reporting 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 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 recognised 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to the income statement, except when it relate to items that are recognised outside profit or loss (whether in other comprehensive income or charged or credited directly to equity), in which case the deferred tax is also dealt outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

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 is 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 reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting 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 settlements of monetary item and on the retranslation of monetary items, are included in the income statements for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statements for the year except for differences arising on the retranslation of non-monetary item in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

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 reporting date. Income and expense items (including comparatives) are translated at the average rates at the dates of the transactions. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Goodwill (if any) and fair value adjustments arising on the acquisition of 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:

	2011 USD	2010 USD
1 Sterling Pound ("GBP")	1.5543	1.5612
1 Euro ("EUR")	1.2961	1.3384
1 Ringgit Malaysia ("MYR")	0.3156	0.3264
1 Russian Ruble ("RUB")	0.0311	0.0327
1 Swiss Franc ("CHF")	0.9381	0.9352
	KZT	**KZT**
1 USD	148.49	147.375

KZT denotes Kazakhstan Tenge.

Impairment of Property, Plant and Equipment

At the end of each reporting period, 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects the current market assessments of the time value of money and the risks specific to the asset.

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 the income statements, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statements, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for land and buildings held for use in the production or supply of goods or services, or for administrative purposes, which are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting date.

Any revaluation increase arising on revaluation of such land and buildings is recognised in other comprehensive income and the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case, the increase is credited to the income statements to the extent of the decrease previously charged. A decrease in the carrying amount arising on revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previously revalued asset.

Revaluation surplus is transferred to retained earnings as the revalued asset is used by the Group. The amount transferred is calculated as the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of revalued assets, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, rental or administrative purposes, or for purposes, not yet determined, are carried at cost, less any recognised impaired loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 statements as incurred.

The estimated useful lives, residual values and depreciation method of assets are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net proceeds and the carrying amount of the asset and is recognised in the profit or loss in the reporting period when such asset was derecognised.

Quarry Stripping Costs

The cost of removal of the overburden from the quarry is deferred until the commencement of physical extraction of limestone from the site. Such costs are amortised over the expected life of the quarry from the date of commencement of extraction.

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 the estimated costs necessary to make the sale.

At each reporting date, the Group evaluates its inventory balances for excess quantities and obsolescence and if necessary, records an allowance to reduce inventory for obsolete, slow-moving raw materials and spare parts. Provision is based on inventory ageing as follows:

More than 1 year	33.3 %
More than 2 years	66.7 %
More than 3 years	100 %

Financial Instruments

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

Financial Assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held- to maturity" investments, "available- for sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group has the following financial assets: cash and cash equivalents; 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 with the initial maturity period of up to three months that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. When cash and cash equivalents are restricted, they are appropriately disclosed in the notes to the financial statements.

Trade and other receivables

Trade and other receivables are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate of an allowance for estimated doubtful debts is accrued by the Group when a known receivable are not collected within contractual terms. The allowance for doubtful debts is reviewed periodically, and as adjustments become necessary, they are reported as an expense (income) in the period in which they become known. Bad debts are written-off when identified against and allowance made previously.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees, paid or received, which comprise an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Impairment of Financial Assets

The Group creates an allowance for impairment of financial assets other than those at fair value through profit or loss when there is an objective evidence of impairment of a financial asset or group of assets. The allowance for impairment of financial assets represents a difference between the carrying value of the assets and present value of estimated future cash inflows, including amounts expected to be received on guarantees and security discounted using the original effective interest rate on this financial instrument, which is reflected at amortised value. If in a subsequent period the value of the financial asset increases, and such an increase can be objectively connected with an event which happened after recognition of the impairment then the previously recognised impairment loss is reversed with an adjustment of the allowance account.

For financial assets carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow, discounted at the current market rate of return for a similar financial instrument.

The Group and Company does not have any financial assets classified as available for sale.

An impairment allowance is calculated based on the analysis of assets exposed to risks and reflects the amount sufficient, in the opinion of the management, to cover occurring losses. The allowances are calculated based on an individual evaluation of assets exposed to risks for financial assets which are significant and based on an individual or collective evaluation for the financial assets, which are not significant.

Changes in impairment allowances are charged to profit or losses. The assets reflected on the statement of financial position are reduced by the amount of created allowances. The factors, evaluated by the Company in determining whether the evidence of impairment is objective, include information on liquidation of borrowers or issuers, solvency and exposure to financial risks, level or insolvency trends regarding similar financial assets, general economic situation and fair value of securities and guarantees.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The changes in impairment allowances are charged to profit and losses. The assets reflected on the statement of financial position are reduced by the amount of created allowances. The factors evaluated by the Group in determining whether the evidence of impairment is objective includes information on liquidation of borrowers or issuers, solvency and exposure to financial risks, level or insolvency trends regarding similar financial assets, general economic situation and fair value of security and guarantees.

These and other factors individually or combined, represent mainly an objective evidence to recognise an impairment loss on the financial assets or a group of financial assets.

The evaluation of losses is subjective. The management of the Group believes that the impairment loss is sufficient to cover occurring losses, although it is not excluded that in certain periods the Group could incur losses greater compared to the impairment allowance.

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.

Bonds

Bonds 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.

Loans

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 the term of loans in accordance with accounting policy of the Group in respect of borrowing costs.

Trade and other payables

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

Offset of financial Assets and Liabilities

Financial assets and liabilities are offset and recorded on a net basis in the statement of financial position, when the entity is legally empowered to offset certain amounts and the entity intends to either record on a net basis or receive assets and offset liabilities simultaneously.

Derecognition of Financial Liabilities

Financial liabilities

The Group derecognises financial liabilities, when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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 recognised in the income statements.

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 capitalisation.

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

Cash Flow Statement

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

4. REVENUE

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Sales of manufactured goods	96,109,784	72,848,722	-	-
Management fee receivable from subsidiary company	-	-	100,000	100,000
Total	96,109,784	72,848,722	100,000	100,000

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) for the year have been arrived at after crediting/(charging):

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Cost of inventories recognised as expenses	(59,026,335)	(51,829,026)	-	-
Staff costs	(7,336,764)	(6,562,119)	-	-
Depreciation of property, plant and equipment (Note 11)	(9,334,372)	(9,301,178)	-	-
Allowance for doubtful receivables and advances paid	(509,941)	(128,506)	-	-
Auditors' remuneration for audit services	(187,220)	(209,774)	(16,000)	(15,000)
Recovery of doubtful receivables and advances paid	-	38,047	-	-
(Provision)/Recovery for obsolete inventories	(380,369)	223,139	-	-

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

6. INVESTMENT INCOME

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Interest income from short-term deposits	24,956	2,407	-	52

7. FINANCE COSTS

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Interest expense on loans from financial institutions	3,758,148	4,400,488	-	-
Interest on bonds	1,167,414	1,784,236	-	-
Other finance costs	45,337	54,976	-	-
Total	4,970,899	6,239,700	-	-

The Group's weighted average interest rate on the bank loans is 6.40% (2010: 6.18%) per annum.

8. OTHER (EXPENSE)/INCOME, NET

Included in other (expense)/income, net are :

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Foreign exchange gain/ (loss):				
Realised	(3,276)	82,627	(6,640)	83,234
Unrealised	(508,955)	471,168	2,677	18,046
Loss on disposal of property, plant and equipment	(7,358)	(12,907)	-	-

9. INCOME TAX (EXPENSE)/CREDIT

The income tax (expense)/credit is as follows:

	The Group		The Company	
	2011 USD	2010 USD	2010 USD	2009 USD
Estimated current tax payable:				
- the Company	-	-	-	-
- subsidiary companies	(1,034,720)	-	-	-
- over/(under)provision in prior years	337,925	(909,517)	-	-
Deferred tax (expense)/ credit (Note 22):				
- the Company	-	-	-	-
- subsidiary companies	(1,524,436)	367,536	-	-
- overprovision in prior years	-	3,723,421	-	-
Total	(2,221,231)	3,181,440	-	-

Under the Labuan Business Activity Tax Act, 1990, the Company has to elect annually whether it is to be charged tax at the rate of RM20,000 (USD6,313) 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 of assessment. No tax is charged on offshore non-trading activities.

The Company elected to be charged tax at the rate of 3% on chargeable profits. As at 31 December 2011, income tax expense is Nil as the Company incurred losses.

There is no income tax expense for the current financial year as the Company does not have any chargeable income. The profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to a statutory tax rate of 20%.

On 23 December 2005, Karcement JSC had entered into an Investment Contract with the Investment Committee under the Ministry of Industry and Trade of Republic of Kazakhstan, whereby the subsidiary company had committed to invest KZT3,186 million equivalent to USD26,357,808 in the construction of cement production plant over a period of five years (2006 - 2010). On 21 April 2008, Karcement JSC made amendments to the Investment Contract, which increased the Karcement JSC's investment commitments to KZT7,975 million equivalent to USD53,707,320 (Note 28).

Under the Investment Contract, Karcement JSC is provided with the following investment tax concessions:

- For Corporate Income Tax - 5 years exemption is provided for payment of corporate income tax, starting from the date of commissioning of the cement production plant. The tax exemption status was approved on 5 February 2009 and the tax exemption commences on this date;
- For Property Tax - 5 years exemption is provided for payment of property tax on newly built properties of the cement production plant starting from the date of commissioning of the cement production plant; and
- For Land Tax - 5 years exemption is provided for payment of tax on land parcel of 22 hectares from the date of commissioning of the cement production plant.

A numerical reconciliation of income tax expense applicable to loss before income tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Profit/(loss) before income tax	5,554,161	(6,919,203)	(397,374)	(281,973)
Tax calculated at domestic tax rates applicable to the respective jurisidictions	942,335	(1,898,265)	(11,921)	(8,459)
Tax effects of expenses not deductible for tax purposes	1,572,031	1,499,512	-	-
Tax effects of income not assessable for tax purposes	(37,938)	-	-	-
Deferred tax assets not allowed to be carried forward/not recognised	82,728	146,077	11,921	8,459
Change in allowance for deferred tax asset	-	(325,605)	-	-
Effect on deferred tax balances due to the change in income tax rate	-	210,745	-	-
Over provision in prior years	(337,925)	(2,813,904)	-	-
Income tax expense/(credit)	2,221,231	(3,181,440)	-	-

10. PROFIT/(LOSS) PER SHARE

Basic

	The Group	
	2011	**2010**
	USD	**USD**
Profit/(Loss) attributable to ordinary shareholders	3,332,930	(3,737,763)

	2011	**2010**
Number of shares in issue at beginning of year	179,000,000	154,000,000
Issue of shares during the year	-	25,000,000
Number of shares in issue at end of year	179,000,000	179,000,000
Weighted average number of ordinary shares in issue	179,000,000	158,383,562

	2011	**2010**
Profit/(Loss) per share (cents)	1.9	(2.4)

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

Fully diluted earnings per share is not presented as the Company does not have any potential dilutive ordinary shares.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2011 and 31 December 2010 consist of the following:

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Other assets	Computer software	Construction in progress	Total
	USD	USD	USD	USD	USD	USD	USD
Cost (unless otherwise indicated)							
At 1 January 2010	2,979,715	40,026,640	71,877,670	16,308,251	70,687	27,906,842	159,169,805
Additions	658	33,236	672,287	189,550	7,288	2,149,087	3,052,106
Transfers/Reclassification	-	(193,506)	4,239,866	(2,999,844)	-	(1,046,516)	-
Disposals	-	(13,782)	(12,933)	(11,888)	-	(54)	(38,657)
Revaluation (Note 19)	1,212,465	11,468,759	-	-	-	-	12,681,224
Exchange differences	20,523	275,681	495,052	112,322	487	235,789	1,139,854
At 31 December 2010	4,213,361	51,597,028	77,271,942	13,598,391	78,462	29,245,148	176,004,332
Additions	-	11,785	725,537	337,915	17,772	1,511,031	2,604,040
Transfers	-	166,873	854,327	267,459	-	(1,288,659)	-
Disposals	-	(545)	(64,988)	(10,614)	-	-	(76,147)
Exchange differences	(31,780)	(389,176)	(582,831)	(102,566)	(591)	(268,313)	(1,375,257)
At 31 December 2011	4,181,581	51,385,965	78,203,987	14,090,585	95,643	29,199,207	177,156,968

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Other assets	Computer software	Construction in progress	Total
	USD	USD	USD	USD	USD	USD	USD
Accumulated depreciation							
At 1 January 2010	-	14,314,001	6,883,398	2,819,328	26,821	-	24,043,548
Charge for the year	-	2,388,573	5,470,919	1,433,787	7,899	-	9,301,178
Transfer	-	(96,969)	269,455	(172,486)	-	-	-
Disposals	-	(7,621)	(3,976)	(2,606)	-	-	(14,203)
Exchange differences	-	98,369	46,911	19,288	185	-	164,753
At 31 December 2010	-	16,696,353	12,666,707	4,097,311	34,905	-	33,495,276
Charge for the year	-	2,154,193	5,735,136	1,439,425	5,618	-	9,334,372
Transfer	-	652,973	(651,606)	(1,367)	-	-	-
Disposals	-	(168)	(61,270)	(4,431)	-	-	(65,869)
Exchange differences	-	(152,473)	(166,244)	(48,629)	(333)	-	(367,679)
At 31 December 2011	-	19,350,878	17,522,723	5,482,309	40,190	-	42,396,100
Net Book Value							
At 31 December 2011	4,181,581	32,035,087	60,681,264	8,608,276	55,453	29,199,207	134,760,868
At 31 December 2010	4,213,361	34,900,675	64,605,235	9,501,080	43,557	29,245,148	142,509,056

Land and land improvement, and buildings were revalued on 27 August 2010 by an independent professional valuers with reference to depreciated replacement cost and income approach. As at 31 December 2011, the management did not identify indicators of land and buildings impairment.

In 2011, Karcement JSC capitalised inventories of USD350,845 (2010: USD361,057) and borrowing costs of USD Nil (2010: USD83,634) which comprise of interest charged on loan from European Bank for Reconstruction and Development ("EBRD"), Kazkommertsbank JSC and HSBC Bank Kazakhstan JSC.

As at 31 December 2011, all of Karcement JSC's movable and immovable properties were pledged under the loan from EBRD and Kazkommertsbank JSC (Note 21). Central Asia Cement JSC's property, plant and equipment with a net book value of USD51,268,826 (2010: USD34,905,632) were pledged under the loan granted by EBRD to Karcement JSC.

The cost of fully depreciated property, plant and equipment in 2011 amounted to USD644,010 (USD501,242).

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2011	2010
	USD	USD
Unquoted shares, at cost	26,500,001	26,500,001

The details of subsidiary companies are as follows:

	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2011	2010	
		%	%	
Direct Subsidiary Companies				
Steppe Cement (M) Sdn. Bhd.	Malaysia	100	100	Investment holding company

	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2011	2010	
		%	%	
Direct Subsidiary Companies				
Mechanical & Electrical Consulting Services Ltd. ("MECS Ltd")	Malaysia	100	100	Provision of consultancy services
Indirect Subsidiary Companies				
Held through Steppe Cement (M) Sdn. Bhd.:				
Steppe Cement Holdings B.V. * ("SCH BV")	Netherlands	100	100	Investment holding company
Held through SCH BV:				
Central Asia Cement JSC * ("CAC JSC")	Republic of Kazakhstan	100	100	Production and sale of cement
Karcement JSC *	Republic of Kazakhstan	100	100	Production and sale of cement
Central Asia Services LLP ("CAS LLP") #	Republic of Kazakhstan	100	100	Distribution of electricity

* audited by member firm of Deloitte Touche Tohmatsu.

\# CAS LLP was incorporated on 1 December 2011 and CAS LLP has yet to commence full operations.

As at 31 December 2011, Karcement JSC continued the suspension of production line number 5 refurbishment. In 2011, Karcement JSC continued production and sale of cement; however, revenue level was not sufficient to cover all the expenses, including finance costs.

The amount owing by subsidiary companies arose mainly from unsecured inter-company payments on behalf, which are interest-free and is repayable on demand.

The following transactions and balances of the Company with subsidiary companies are included in the income statements and statements of financial position of the Company:

Company	Nature	Revenue from services performed	
		2011 USD	2010 USD
MECS Ltd	Management fees	100,000	100,000

Company	Nature of transactions	Receivable from/(Payable to) subsidiary companies	
		2011 USD	2010 USD
Karcement JSC	Intercompany loans	26,090,000	26,440,000
MECS Ltd.	Reimbursement of expenses and management fee	2,048,071	1,188,071
Steppe Cement (M) Sdn. Bhd.	Reimbursement of expenses	1,013,351	961,799

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

	The Company	
	2011 USD	2010 USD
USD	28,860,274	28,298,722
MYR	291,148	291,148
	29,151,422	28,589,870

13. OTHER ASSETS

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
VAT (recoverable)	6,824,567	10,291,117	-	-
Construction materials	20,263,681	21,063,792	-	-
Spare parts	657,809	718,355	-	-
Quarry stripping costs	380,686	339,839	-	-
Others	35,753	20,981	-	-
	28,162,496	32,434,084	-	-

As of 31 December 2011, the Group classified construction materials of USD20,263,681 (2010: 21,063,792) and certain spare parts of USD657,809 (2010: 718,355) as non-current assets. Management expects to use the construction materials and spare parts during the period exceeding one year.

As at 31 December 2011, quarry stripping costs represents actual costs of removing overburden of a new quarry. The overburden removal work of this new quarry began in 2009 and remained in progress as at 31 December 2011. Amortisation commences upon physical extraction of limestone and clay from this new quarry.

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

14. INVENTORIES, NET

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Work in progress	6,420,648	4,333,628	-	-
Finished goods	2,346,687	1,792,563	-	-
Raw materials	4,008,149	3,450,153	-	-
Spare parts	8,415,819	4,822,250	-	-
Fuel	298,572	726,009	-	-
Construction materials	55,855	110,871	-	-
Other materials	557,169	450,411	-	-
	22,102,899	15,685,885	-	-
Less: Allowance for obsolete inventories	(729,638)	(351,924)	-	-
Net	21,373,261	15,333,961	-	-

The movements in the allowance for obsolete inventories were as follows for the years ended 31 December:

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Balance at beginning of the year	(351,924)	(571,129)	-	-
Exchange differences	2,655	(3,934)	-	-
Add: (Provision)/Recovery for obsolete inventories	(380,369)	223,139	-	-
Balance at end of the year	(729,638)	(351,924)	-	-

As at 31 December 2011, inventories in the amount of USD Nil (2010: USD5,760,786) were collateralised under the short term loan agreement with Halyk Bank JSC (Note 21).

15. TRADE RECEIVABLES, NET

Trade receivables, net as at 31 December 2011 and 2010 consist of the following:

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Trade receivables	2,928,453	2,189,984	-	-
Less: Allowance for doubtful receivables	(346,077)	(54,889)	-	-
Net	2,582,376	2,135,095	-	-

The movements in the allowance for doubtful receivables were as follows for the years ended 31 December:

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Balance at beginning of the year	(54,889)	(92,300)	-	-
Exchange differences	414	(636)	-	-
Add: (Provision)/Recovery for doubtful receivables	(327,497)	38,047	-	-
Write-off against previously created allowance	35,895	-	-	-
Balance at end of the year	(346,077)	(54,889)	-	-

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

As at 31 December 2011, the Group has trade receivables of USD2,582,376 (2010: USD2,135,095). The recoverability of these trade accounts receivable depends to a large extent on the Group's customers' ability to meet timely their obligations, and other factors, which are beyond the Group's control. The recoverability of the Group's trade receivables is determined based on conditions prevailing and information available as at reporting date. The directors have reviewed the trade receivables and considered no further provision for trade receivables is necessary based on prevailing conditions and available information.

The future cash flows arising on CAC JSC's major customers receivables of KZT 3,897 million equivalent to USD26,250,697 have been pledged as collateral under the loan agreement with Bank Center Credit JSC for the loan facility of KZT700 million equivalent to USD4,749,949 (Note21).

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

Other receivables as at 31 December 2011 and 2010 consist of the following:

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Receivable from employees	-	33,480	-	-
Other receivables				
- VAT (recoverable)	6,601,118	4,845,634	-	-
- Others	303,408	524,062	-	-
	6,904,526	5,369,696	-	-
Prepaid expenses	268,015	418,541	-	987
	7,172,541	5,821,717	-	987
Advances paid to third parties, net of allowance of USD167,459 (2010: USD55,334)	5,211,819	3,077,024	-	-
	12,384,360	8,898,741	-	987
Advances paid to third parties - non-current portion, net of allowance of USD858,105 (2010:787,786)	(993,326)	(322,467)	-	-
	11,391,034	8,576,274	-	987

Other receivables comprise mainly of recoverable VAT and others. VAT recoverable are value added tax credits arising from purchase of materials, property, plant and equipment and repair and maintenance services by Karcement JSC in relation to its line number 6 refurbishment project. Others include custom duties levied on the import of property, plant and equipment for the refurbishment project.

Advances paid are mainly those advances incurred by subsidiary companies for the purchase of machinery, equipment and construction work for the refurbishment of cement plant.

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

17. CASH AND BANK BALANCES

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Cash in hand and at banks	454,885	5,418,813	103,478	964,171
Short-term deposits	38,716	4,112,717	-	-
	493,601	9,531,530	103,478	964,171

As at 31 December 2011, in accordance with the Law of Republic of Kazakhstan on Labor, a non-interest bearing deposit of KZT5,749,000 equivalent to USD38,716 was placed with Kazkommertsbank JSC as part of work permit requirements for non-resident employees of the Republic of Kazakhstan (2010: KZT5,821,000 equivalent to USD39,499). The deposit is subjected to annual renewal. The deposits are restricted in use.

As at 31 December 2011, Karcement JSC's bank accounts, except foreign currency deposits, were pledged as security for EBRD's loan (Note 21).

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

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
KZT	271,318	7,784,231	-	-
USD	187,532	1,471,644	102,248	957,531
EUR	34,302	270,186	1,230	6,640
RUB	-	4,926	-	-
MYR	449	543	-	-
	493,601	9,531,530	103,478	964,171

18. SHARE CAPITAL

	The Group and the Company	
	2011 USD	**2010 USD**
Issued and fully paid:		
Ordinary shares of no par value each:		
At beginning of year	58,298,542	1,540,000
Issued during the year	-	250,000
Share premium transferred on conversion of ordinary shares from USD0.01 each to no par value	-	56,508,542
At end of year	58,298,542	58,298,542

In 2010, the Company issued 25,000,000 new ordinary shares at an issue price of GBP0.40 per share (or approximately USD0.64 per ordinary share).

Under section 46(1) of the Labuan Companies Act, 1990 ("Act"), which came into effect in 2010, the shares of the Company shall have no par or nominal value. Section 46(3) of the Act requires any amount standing to the credit of the share premium account to become part of the share capital. As at 31 December 2010, the Company reclassified USD56,508,542 from share premium account to share capital to comply with the Act (Note 19).

19. RESERVES

	The Group		The Company	
	2011 USD	**2010 USD**	**2011 USD**	**2010 USD**
Non-distributable reserves:				
Share premium				
At beginning of year	-	41,296,193	-	41,296,193
Issue of shares	-	15,724,957	-	15,724,957
Share issue expenses	-	(512,608)	-	(512,608)
Transfer to share capital on conversion of ordinary shares from USD0.01 each to no par value	-	(56,508,542)	-	(56,508,542)
At end of year	-	-	-	-

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Revaluation reserve				
Balance at beginning of year	10,940,027	3,023,894	-	-
Revaluation of property, plant and equipment	-	12,681,224	-	-
Deferred tax assets from revaluation of property, plant and equipment	-	(2,536,249)	-	-
Effects of change in tax rate	-	(1,069,542)	-	-
Transfer of revaluation reserve relating to property, plant and equipment through use	(1,462,637)	(1,159,300)	-	-
Balance at end of year	9,477,390	10,940,027	-	-
Translation reserve				
Balance at beginning of year	(18,944,421)	(20,863,615)	-	-
Exchange differences on translation of foreign subsidiary companies	(1,064,445)	1,919,194	-	-
Balance at end of year	(20,008,866)	(18,944,421)	-	-

Share premium

Share premium arose from the issuance of ordinary shares at prices above the par value of USD0.01 each. In 2010, share premium increased by USD15,212,349 (net of share issue costs of USD512,608) arising from the issuance of 25,000,000 new ordinary shares of USD0.01 each issued at a premium of approximately USD0.63 per ordinary share above the par value of USD0.01 per ordinary share.

As at 31 December 2010, the Company reclassified USD56,508,542 from share premium account to share capital to comply with the Act (Note 18).

Revaluation reserve

Revaluation reserve arose 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 retained earnings. On 27 August 2010, an independent appraiser valuation performed valuation on the land and buildings based on depreciated replacement cost and income approach. The revaluation increase amounted to KZT1,868,832,000 or equivalent to USD12,681,224. The revaluation reserve is not available for cash distribution to the Company's shareholders.

Translation reserve

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

Retained earnings

Any dividend distributions to be made by Central Asia Cement JSC to Steppe Cement Holdings B.V. are in principle subject to Kazakhstan dividend withholding tax 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 Steppe Cement Holdings B.V. 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 the Malaysian tax law, any dividend income received by Steppe Cement (M) Sdn Bhd from Steppe Cement Holdings B.V. 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 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.

20. BONDS

	The Group	
	2011 USD	2010 USD
Bonds issued at price of:		
97.1895%	5,601,483	5,601,483
98.3230%	5,230,908	5,230,908
99.0574%	2,366,024	2,366,024
99.0574%	2,864,884	2,864,884
100.0096%	5,230,916	5,230,916
	21,294,215	21,294,215
Exchange differences	(3,111,172)	(2,972,983)
Discount on bonds issued	-	(63,737)
Redemption on maturity	(18,183,043)	-
Total	-	18,257,495

The 5 year KZT2.7 billion (USD22,871,578) bonds were issued by CAC JSC in 2006. The bonds carry a coupon rate of 9% per annum and mature on 7 August 2011. The interest is payable semi-annually and the repayment of principal outstanding in one bullet payment. The bonds were listed on the Kazakhstan Stock Exchange.

On 7 August 2011, Central Asia Cement JSC fully repaid its bondholders. The bonds were cancelled upon redemption.

21. LOANS

	Currency	Maturity date	Interest rate	The Group 2011 USD	2010 USD
EBRD	USD	11 May 2015	LIBOR + 5.00% LIBOR + 6.50%	33,234,204	32,735,414
SB HSBC Bank Kazakhstan JSC	USD	22 Sep 2015	LIBOR + 6.50%	20,617,644	20,690,839
Bank CenterCredit JSC	KZT	22 February 2013	11.00%	795,293	517,765
Halyk Bank JSC	USD	20 October 2011	13.00%	-	766,452
Total outstanding				54,647,141	54,710,470
Current portion				(11,434,750)	(2,248,456)
Non-current portion				43,212,391	52,462,014

Karcement JSC

EBRD

In accordance with the Loan Agreement ("Agreement") dated 13 December 2005 and the amended and restated Loan Agreement dated 28 June 2007, the Group's subsidiary company, Karcement JSC, was granted a syndicated loan from European Bank for Reconstruction and Development ("EBRD"), under which EBRD agreed to lend Karcement JSC an amount not exceeding USD42 million. The EBRD loan consists of two tranches:

- Tranche 1 loan of up to USD32 million. On 2 September 2007, Karcement JSC received the first portion of the Tranche 1 loan amounting to USD25 million. On 1 April 2008, Karcement JSC received the second part of the Tranche 1 loan of USD7 million. Under the Agreement, Karcement JSC shall repay the Tranche 1 loan in ten equal semi-annual instalments commencing on 11 November 2008 and ending on 11 May 2013. The applicable interest rate payable on Tranche 1 loan is LIBOR (6-month USD) plus 3.75% per annum, payable semi-annually from the date of the initial drawdown.

- Tranche 2 loan of up to USD10 million. On 6 May 2008, Karcement JSC received the first portion of the Tranche 2 loan of USD5 million. On 12 June 2008, Karcement JSC received the second portion of the Tranche 2 loan of USD5 million. In line with the terms of the Agreement, Karcement JSC has to repay the Tranche 2 loan in one bullet payment on 11 May 2013. The applicable interest rate payable for Tranche 2 loan is LIBOR (6-month USD) plus 5.00% per annum payable semi-annually commencing from the date of initial drawdown.

The purpose of these loans is to partially finance the refurbishment of production lines number 5 and 6.

On 12 December 2011, Karcement JSC completed the signing of a conditional additional agreement with EBRD to restructure the terms for Tranche 1 and Tranche 2 such that the principal repayments will resume only from 11 May 2012 on a semi-annual basis to 11 May 2015. The loan interest rates for Tranche 1 and Tranche 2 were revised to LIBOR plus 5% per annum and LIBOR plus 6.5% per annum, respectively. The effectiveness of this agreement is conditional upon the completion and formalization of various legal documentation.

Under the original loans agreements, Karcement JSC is required to comply with financial covenants in relation to funds borrowed from EBRD (Note 28). Those covenants includes various financial performance ratios. The Company breached the leverage ratio covenant during the year ended 31 December 2011 and in prior years. The conditional restructuring agreement were signed in 2011, would address the various breaches of covenants.

HSBC

On 22 September 2008, SB HSBC Bank Kazakhstan JSC ("HSBC") granted Karcement JSC a term loan of USD23.2 million with the final repayment date on 10 July 2013. The applicable interest rate payable on this loan is LIBOR (6-month USD) plus 5.50% per annum, payable semi-annually commencing 22 March 2009. The loan is repayable in eight equal semi-annual instalments commencing 22 March 2010.

According to the terms of the Loan Agreement Karcement JSC's movable and immovable property as well as cash in bank are collateralized. EBRD and HSBC signed mutual agreement on collateral of the Company's assets (Note 11) as well as assets of CAC JSC. CAC JSC acts as a guarantor for the loan.

During the financial year, Karcement JSC did not receive any new borrowings. Karcement JSC paid interest of Tranche 1 and Tranche 2 to EBRD in accordance with the Loan Agreement, and paid the principal amount and interest of HSBC loan in accordance with HSBC Loan Agreement.

In 2010, the Company signed an additional agreement with HSBC to restructure the loan terms such that principal repayments will resume only from 22 September 2012 on a semi-annual basis to 22 September 2015. The loan interest rate was revised to LIBOR plus 6.5% per annum.

As at 31 December 2011, Karcement JSC has fully drawn down all of its loan commitments granted by EBRD and HSBC Bank Kazakhstan JSC.

Central Asia Cement JSC

Bank CenterCredit JSC

On 31 March 2010, CAC JSC signed an agreement with Bank CenterCredit JSC to increase the limit from KZT360 million to KZT700 million for the purpose of replenishment of working capital. The applicable interest rate payable on the loan is revised to 15% p.a. and 14% p.a. for 6 months and 3 months period respectively. The drawdown period is from 31 March 2010 to 22 February 2013. For 6 months loan, repayment of the principal amount is to be made in 6 equal monthly installments after a grace period of 6 months from the date of withdrawal. For 3 months loan, repayment of the principal amount is to be made in one single payment after 3 months. Accumulated interest is payable throughout the tenure commencing in the month following the month of the withdrawal for both 3 months and 6 month loans.

With effect from 11 February 2011, the annual interest rates were reduced for 3 and 6 months loan to 10% p.a. and 11% p.a. respectively. Henceforth, the 6 months loan, repayment of the principal amount is to be made in 3 equal monthly installment after a grace period of 3 months from the date of withdrawal, and the mechanism of repayment remains unchanged for the 3 months loan.

The loan is secured against the future cash flows arising on the CAC JSC's major customers' receivables, the annual amount of such cash flows in 2011 being KZT 3,897 million equivalent to USD26,250,697 (Note 15) and a guarantee issued by Karcement JSC.

As at 31 December 2011, Central Asia Cement JSC has undrawn loan commitment of KZT583 million or equivalent to USD3.9 million under the Bank CenterCredit JSC loan facility.

Halyk Bank Kazakhstan JSC

On 20 October 2008, Halyk Bank Kazakhstan JSC granted CAC JSC a loan facility to finance its working capital requirements of USD10 million (or KZT1,197,600 thousand at exchange rate at the date of the agreement) with an interest rate of 13% in US Dollar and 16.5% in KZT per annum and the maturity date is on 20 October 2011. In 2009 and 2010, drawdowns under the credit facility agreement are only in US Dollar (in 2008 only in KZT). The principal and interest are payable monthly in the six months period from the date of drawdown. In 2010, the loan is secured by Central Asia Cement JSC's inventories of USD5,760,786 (KZT848,967 thousand) (Note 14).

During the financial year end, CAC JSC fully repaid its loan from Halyk Bank JSC.

Subsequent to financial year end, CAC JSC obtained a new loan facility of KZT1,450 million by Halyk Bank JSC at an interest rate of 10.75% p.a. maturing on 23 January 2013 (Note 32).

22. DEFERRED TAX LIABILITIES, NET

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Balance at beginning of year	4,687,225	6,420,957	-	-
Exchange differences	(35,504)	(1,248,566)	-	-
Charged to equity	-	3,605,791	-	-
Charged/(Credited) to income statement (Note 9)	1,524,436	(4,090,957)	-	-
Balance at end of year	6,176,157	4,687,225	-	-

The movement in net deferred income tax liabilities for the Group are as follows for the year:

	Opening balance	Exchange rate differences and recognised in profit or loss	Recognised in equity	Closing balance
	USD	USD	USD	USD
2011				
Temporary differences				
Difference in carrying value of property, plant and equipment	(11,630,956)	(632,025)	-	(12,262,981)
Trade receivables	10,979	58,238	-	69,217
Inventories	70,388	75,541	-	145,929
Others	39,832	1,127	-	40,959
Tax payables	84,447	(45,192)	-	39,255
Unutilised tax losses	6,738,085	(946,621)	-	5,791,464
	(4,687,225)	(1,488,932)	-	(6,176,157)

	Opening balance	Exchange rate differences and recognised in profit or loss	Recognised in equity	Closing balance
	USD	USD	USD	USD
2010				
Temporary differences				
Difference in carrying value of property, plant and equipment	(10,649,498)	2,624,333	(3,605,791)	(11,630,956)
Trade receivables	61,516	(50,537)	-	10,979
Inventories	114,223	(43,835)	-	70,388
Others	(25,960)	65,792	-	39,832
Tax payables	46,016	38,431	-	84,447
Unutilised tax losses	4,032,746	2,705,339	-	6,738,085
	(6,420,957)	5,339,523	(3,605,791)	(4,687,225)

23. TRADE PAYABLES

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Services	3,962,590	1,863,980	-	-
Raw materials	1,378,234	864,464	-	-
Spare parts	747,572	153,450	-	-
Property, plant and equipment	1,736,332	1,529,775	-	-
Others	16,190	53,465	-	-
	7,840,918	4,465,134	-	-

The standard credit period granted by creditors ranges from 1 to 30 days.

The analysis of trade payables balance by currencies is as follows:

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
KZT	6,474,132	2,801,494	-	-
USD	920,170	1,114,092	-	-
EUR	416,681	548,164	-	-
RUB	29,935	-	-	-
CHF	-	1,384	-	-
	7,840,918	4,465,134	-	-

24. OTHER PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Provision for electricity	1,152,872	-	-	-
Liquidation fund accruals	75,601	61,939	-	-
Accruals	1,232,400	1,679,089	892,579	795,333
Accrued interest on bonds issued	-	697,428	-	-
Payable to employees	333,336	274,676	-	-
Provision for unutilised leave	204,842	199,138	-	-
Advances received	661,553	402,898	-	-
	3,660,604	3,315,168	892,579	795,333

The analysis of other payables and accrued liabilities balance by currencies is as follows:

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
KZT	2,588,403	2,475,944	-	-
USD	156,236	30,871	15,875	17,376
EUR	37,271	27,853	-	-
GBP	875,822	776,862	876,704	776,862
MYR	2,872	3,638	-	1,095
	3,660,604	3,315,168	892,579	795,333

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.

25. TAXES PAYABLE

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Corporate income tax	188,423	340,144	-	-
Property tax	8,863	-	-	-
Personal income tax	28,763	22,026	-	-
VAT	-	1,893	-	-
Other taxes	218,392	323,696	-	-
	444,441	687,759	-	-

26. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011 USD	2010 USD	2011 USD	2010 USD
Cash in hand and at banks	454,885	5,418,813	103,478	964,171
Short-term deposits	38,716	4,112,717	-	-
	493,601	9,531,530	103,478	964,171

27. RELATED PARTIES

Related parties include shareholders, directors and affiliates and entities under common ownership (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 transactions with related parties are included in the consolidated income statement for the financial year ended 31 December 2011 and 2010:

	2011 USD	2010 USD
Quarry blasting services	1,027,192	679,895
Rental expenses	35,654	18,533
Underwriting fees	-	489,600
Consulting services	-	52,906

In 2010, the underwriting fees of GBP300,000 (3% of gross proceeds GBP10 million) or equivalent to USD489,600 were paid to the major shareholders of the Company, Halfmoon Bay Capital Limited, Mango Bay Enterprises Inc., Asian Investment Management Services Limited and Portola Group Limited (controlled by a director), in relation to their role to fully underwrite the Offer for Subscription exercise completed in Nov 2010.

The following balances with related parties are included under trade payables in the consolidated statement of financial position as of 31 December 2011 and 2010:

	Payable to related parties	
	2011 USD	2010 USD
Services rendered by related parties	182,544	122,040

Included in services rendered by related parties are drilling and blasting services performed by Maxam Kazakhstan of USD169,729 (2010: USD109,391). The contract is negotiated yearly on an arms length basis. Maxam Kazakhstan is a subsidiary company of Maxam S.A., a company in which the Company's director, Javier Del Ser Perez, indirectly holds a 20% equity interest. The outstanding amounts are unsecured and will be settled in cash.

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	
	2011 USD	2010 USD	2011 USD	2010 USD
Remuneration	908,619	861,961	219,157	220,129
Short-term benefit	62,751	38,078	-	-
Total	971,370	900,039	219,157	220,129

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

The directors' remuneration in the Company is as follows:

	The Company			
	2011 GBP	2010 GBP	2011 USD	2010 USD
Director fees				
Executive director				
Javier del Ser Perez	66,000	66,000	102,584	103,039
Non-executive director				
Malcolm Brown	50,000	50,000	77,715	78,060
Paul Rodzianko	25,000	25,000	38,858	39,030
Total	141,000	141,000	219,157	220,129

28. 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 USD65 million. On 21 June 2007, the Loan Agreement was amended and restated. On and subject to the terms and conditions of this Agreement, EBRD agrees to lend to the Borrower an amount not exceeding USD42 million. Under the Guarantee and Support Agreement signed between the Company, Steppe Cement (M) Sdn Bhd, Central Asia Cement JSC, Steppe Cement Holdings B.V. and other parties ("Guarantors"), EBRD and the Borrower, the Guarantors 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.

Under the original loans agreements, the Company is required to comply with financial covenants in relation to funds borrowed from EBRD. These covenants include various financial performance ratios. The Company has breached the leverage ratio covenant during the year ended 31 December 2011 and in prior years. The conditional restructuring agreements, which were signed in 2011, would address the various breaches of covenants.

Obligations under Liquidation Fund - In accordance with the Subsurface Use Contracts requirements, the subsidiary company, Central Asia Cement JSC 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 subsidiary company mining operations. Not later than 6 months before the Subsurface Use Contract expiration, the subsidiary company shall submit the liquidation program to competent body. As at 31 December 2011 and 2010, the undiscounted contractual liability on future contributions to the liquidation fund obligation is KZT73,923,000 equivalent to USD497,832 (2010: KZT70,365,000 equivalent to USD477,472). Management estimated this provision, 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 statement of financial statement. 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 31 December 2011, 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 Karcement JSC, Karcement JSC 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 Karcement JSC in accordance with the working program is KZT7,975 million equivalent to USD53,707,320 (2010: KZT17,822 million equivalent to USD120,933,704) over the period of five years (2006 – 2010).

Non-compliance with the terms of the Investment Contract could lead to revocation of the Investment Contract by state authorities at any time.

On 2 November 2011, the investment program of KZT7,975 million was officially approved by the Investment Committee under the Ministry of Industry and Trade of the Republic of Kazakhstan.

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 2011 is KZT95,622,000 equivalent to USD643,962 (2010: KZT99,735,000 equivalent to USD676,766)

29. 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.

30. OPERATING ENVIRONMENT

The Group's business activities are within the Republic of Kazakhstan and are exposed to economical, political, social, legal and normative risks, different from risks in developed market. 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 in 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.

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 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.

Tax and regulatory environment

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.

Tax, currency and customs legislation in Kazakhstan is subject to various interpretations; in addition enterprises which carry out their primary activity in Kazakhstan constantly face various legal and finance difficulties. The future economic development is significantly dependant on effectiveness of economic, tax-budget and currency reforms, conducted by the government and also on change in legal, normative and political spheres.

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 tax risks for the Group.

The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes additionally accrued. Interest is assessed at 15%. As a result, penalties and interest can result in amounts that are multiples of any incorrectly reported taxes resulting in an understatement. The provisions related to this uncertainty were not accrued by the Group in these financial statements.

Environment protection matters

The Group believes it is currently in compliance with all existing Republic of Kazakhstan environmental laws and regulations. However, Kazakhstan environmental laws and regulations 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 Company to modernise technology to meet more stringent standards.

31. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's capital risk management objectives are to maximise value to shareholders and to ensure that the Group's subsidiary companies will continue to operate as a going concern via optimisation of equity and debt structure.

The Group's capital structure consists of net debt (borrowings as detailed in Notes 20 and 21 offset by cash and bank balance) and equity of the Group (comprising issued capital, reserves and retained earnings as detailed in Notes 18 and 19).

Financial Risk Management Objectives and Policies

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

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

The Group monitors the fluctuations in exchange rate of foreign currencies to limit currency risk.

(ii) **Market Risk**

The market is the risk of possible fluctuations in the value of the financial instrument as a result of changes in market prices. The Group manages the market risk by periodic evaluation of potential losses which may arise from negative changes in the market condition.

Foreign currency sensitivity analysis

The Group's financial assets and liabilities are mainly exposed to risk of change in KZT.

The carrying amounts of the Group's financial assets and financial liabilities in foreign currencies as of 31 December are presented below:

2011	KZT	GBP	EUR	MYR	CHF	RUB	USD	Total
Financial Assets								
Cash and cash equivalents	271,318	-	34,302	449	-	-	187,532	493,601
Trade receivables	2,582,376	-	-	-	-	-	-	2,582,376
Financial Liabilities								
Trade payables	6,474,132	-	416,681	-	-	29,935	920,170	7,840,918
Other payables	2,588,403	875,822	37,271	2,872	-	-	156,236	3,660,604
Loans	795,293	-	-	-	-	-	53,851,848	54,647,141
Bonds	-	-	-	-	-	-	-	-

2010	KZT	GBP	EUR	MYR	CHF	RUB	USD	Total
Financial Assets								
Cash and cash equivalents	7,784,231	-	270,186	543	-	4,926	1,471,644	9,531,530
Trade receivables	2,135,095	-	-	-	-	-	-	2,135,095
Financial Liabilities								
Trade payables	2,801,494	-	548,164	-	1,384	-	1,114,092	4,465,134
Other payables	2,475,944	776,862	27,853	3,638	-	-	30,871	3,315,168
Loans	517,765	-	-	-	-	-	54,192,705	54,710,470
Bonds	18,257,495	-	-	-	-	-	-	18,257,495

The following table displays the Group's sensitivity to a 10% increase and decrease in the value of USD against the relevant foreign currencies. A benchmark sensitivity rate of 10% is used to report foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only non-regulated monetary position in foreign currency and adjusted their translation taking into account at financial year end 10% change in foreign currency rates. The sensitivity analysis includes payables, loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower a) external loans and trade account payables, and b) trade receivables where the loan or trade accounts payable/receivable are denominated in the currency different from the currency of the creditor or debtor. The sensitivity analysis below indicates the changes in financial assets and liabilities of the effect of a 10% increase in value of USD against the relevant foreign currency. A positive/(negative) effect will increase/(decrease) the Group's profits. In the case of 10% decrease in value of USD against the relevant foreign currency, there would be an equal and opposite impact on the Group's profits.

	Effect of KZT	
	2011	2010
Financial assets	(285,369)	(991,933)
Financial liabilities	985,783	2,405,270

	Effect of GBP	
	2011	2010
Financial liabilities	87,582	77,686

	Effect of EUR	
	2011	2010
Financial assets	(3,430)	(27,019)
Financial liabilities	45,395	57,602

	Effect of MYR	
	2011	2010
Financial assets	(45)	(54)
Financial liabilities	287	364

	Effect of CHF	
	2011	2010
Financial liabilities	-	138

	Effect of RUB	
	2011	2010
Financial assets	-	(493)
Financial liabilities	2,994	-

(ii) **Credit Risk**

Credit risk arising as a result of counterparties' failure to meet the term of contracts with financial instruments of the Group is normally limited to the amounts, if any, by which the amount of liabilities of the counterparties exceeds the Group's liabilities before these counterparties. The Group's policy provides for conducting operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk equals the carrying amount of each financial asset.

Financial instruments, which affect the Group in respect of credit risk, include cash and cash equivalents, bank deposits, accounts receivable and advances. In spite of the fact that the 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 can arise when several debts are due from one borrower or group of borrowers with similar borrowing terms for which there is a basis to expect that changes in economic terms or other circumstances can equally affect their capacity to meet their obligations.

The Company's policy requires constant control over there being adequate credit history for customers with whom transactions are concluded and that transactions do not exceed set credit limits.

Concentration of credit risk on accounts receivable is limited due to large customer profile on the basis of prepayment made against deliverables and sales of cement only. The Group invests its cash in financial institutions with high credit worthiness 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 borrowing facilities. The Group actively monitors its forecasts and actual cash flows and matches the maturity profiles of financial assets and liabilities to determine any shortfall in cash requirements.

As at 31 December 2011, Central Asia Cement JSC has undrawn loan commitment of KZT583 million or equivalent to USD3.9 million under the Bank CenterCredit JSC loan facility (Note 21) to meet its funding requirements and to further reduce liquidation risk.

Subsequent to financial year end (Note 32), CAC JSC obtained a loan facility of KZT1,450 million by Halyk Bank JSC at an interest rate of 10.75% p.a. maturing on 23 January 2013. CAC JSC has drawndown KZT676 million and repaid KZT108 million from this facility. The undrawn loan commitment stands at KZT882 million or equivalent to USD3.8 million.

Tables on Liquidity and Interest Risk

The following tables reflect contractual terms of the Group for its non-derivative financial liabilities. The table was prepared based on the undiscounted cash flows on financial liabilities on the basis of the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows.

2011	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
Interest bearing							
Bonds	-	-	-	-	-	-	-
Loans	6.40%	7,361	673,978	1,484,363	52,508,755	-	54,674,457
Non-interest bearing							
Trade accounts payable		7,840,918	-	-	-	-	7,840,918
Other payables		678,564	-	1,513,551	705,686	-	2,897,801
		8,526,843	673,978	2,997,914	53,214,441	-	65,413,176
2010							
Interest bearing							
Bonds	9.00%	-	824,455	19,145,688	-	-	19,970,143
Loans	6.18%	783,287	983,653	481,516	51,497,774	-	53,746,230
Non-interest bearing							
Trade accounts payable		4,465,134	-	-	-	-	4,465,134
Other payables		655,139	-	970,613	605,780	-	2,231,532
		5,903,560	1,808,108	20,597,817	52,103,554	-	80,413,039

The following table reflects expected maturities of non-derivative financial assets of the Group. The table was prepared based on undiscounted contractual terms of financial assets, including interest received on these assets, except when the Group expects the cash flow in a different period.

2011	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
Non-interest bearing							
Cash and cash equivalents		493,601	-	-	-	-	493,601
Trade receivables		2,582,376	-	-	-	-	2,582,376
Other receivables, advances and prepaid expenses		539,558	-	-	-	-	539,558
		3,615,535	-	-	-	-	3,615,535
2010							
Non-interest bearing							
Cash and cash equivalents		9,492,030	-	-	-	-	9,492,030
Trade receivables		2,135,095	-	-	-	-	2,135,095
Other receivables, advances and prepaid expenses		543,672	-	-	-	-	543,672
		12,170,797	-	-	-	-	12,170,797

(iv) Interest rate risk

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Group. The Group does not use derivative instruments for the purpose of interest rate risk management. The Group limits its interest rate risk by monitoring changes in interest rates applicable to currencies in which loan are denominated.

The only potential risk of the Group connected with change in interest rates is related to loans of the Group.

The sensitivity analysis below shows the Group's sensitivity to the increase/ decrease of floating rate (LIBOR) by 1%. The analysis was applied to floating rate loans based on the assumptions that amount of liability outstanding as at the reporting date was outstanding for the whole year.

	2011 USD	2010 USD
Increase/Decrease in finance costs	525,088	524,620

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term nature of maturity of these financial instruments.

Trade and other receivables and payable

For assets and liabilities with maturity less than twelve months, the carrying value approximate fair value due to the short-term nature of maturity of these financial instruments.

For following table shows the carrying and fair value of monetary assets and liabilities as of 31 December:

	The Group		The Company	
	Carrying value	Fair value	Carrying value	Fair value
	USD	USD	USD	USD
2011				
Financial Assets				
Trade receivables, net	2,582,376	2,582,376	-	-
Amount owing by subsidiary companies	-	-	29,151,422	29,151,422
Other receivables, advances and prepaid expenses	11,391,034	11,391,034	-	-
Cash and bank balances	493,601	493,601	103,478	103,478
Financial Liabilities				
Bonds	-	-	-	-
Loans	54,647,141	54,647,141	-	-
Trade payables	7,840,918	7,840,918	-	-
Other payables and accrued liabilities	3,660,604	3,660,604	892,579	892,579
2010				
Financial Assets				
Trade receivables, net	2,135,095	2,135,095	-	-
Amount owing by subsidiary companies	-	-	28,589,870	28,589,870
Other receivables, advances and prepaid expenses	8,576,274	8,576,274	987	987
Cash and bank balances	9,531,530	9,531,530	964,171	964,171

	The Group		The Company	
	Carrying value	Fair value	Carrying value	Fair value
	USD	USD	USD	USD
Financial Liabilities				
Bonds	18,257,495	18,257,495	-	-
Loans	54,710,470	54,710,470	-	-
Trade payables	4,465,134	4,465,134	-	-
Other payables and accrued liabilities	3,315,168	3,315,168	795,333	795,333

Borrowings

The estimate was made by discounting expected future cash flows on separate borrowings during the estimated period using market rates prevailing at the end of the relevant year on loans with similar maturities and credit rating. The majority of loans are issued to the Group by international financial institutions and foreign banks. As a result, interest rates on these loans, although lower than interest rates of private commercial credit organizations in Republic of Kazakhstan, are considered as market interest rates for this category of credits.

As at 31 December 2011 and 2010, the carrying value of financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

32. SUBSEQUENT EVENTS

On 19 January 2012, CAC JSC obtained a loan facility of KZT1,450 million by Halyk Bank JSC at an interest rate of 10.75% p.a. maturing on 23 January 2013. CAC JSC has utilised KZT676 million and repaid KZT108 million from this facility.

STATEMENT BY A DIRECTOR

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

I, **JAVIER DEL SER PEREZ,** on behalf of the directors of **STEPPE CEMENT LTD,** state that, in the opinion of the Directors, the accompanying statements of financial position 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 2011 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,

JAVIER DEL SER PEREZ

Labuan
14 May 2012

NOTICE OF 2012 AGM

NOTICE IS HEREBY GIVEN that the 2012 ANNUAL GENERAL MEETING of the Company will be held at the office of Steppe Cement Ltd, Suite 10, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur, Malaysia on Tuesday, 12 June 2012 at 10.30 a.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTION

1.	**ADOPTION OF AUDITED FINANCIAL STATEMENTS** To receive and adopt the audited financial statements for year ended 31 December 2011.	**RESOLUTION 1**
2.	**RE-ELECTION OF DIRECTORS** To re-elect the following Directors who offered themselves for re-election: 2.1 Malcolm Ronald Brown 2.2 Javier Del Ser Perez 2.3 Paul Rodzianko	**RESOLUTION 2**

SPECIAL RESOLUTION

3.	**PROPOSED AMENDMENTS TO THE MEMORANDUM & ARTICLES OF ASSOCIATION** To approve the deletions, alterations and additions to the Memorandum and Articles of Association of the Company as set out in Appendix 1 in line with the changes to the Labuan Companies Act, 1990.	**RESOLUTION 3**
4.	To transact any other business of which due notice shall have been given in accordance with the Labuan Companies Act, 1990.	

BY ORDER OF THE BOARD

TMF Secretaries Limited
(f.k.a. Equity Trust Secretaries Ltd.)
Corporate Secretary
Labuan F.T., Malaysia
Date: 22 May 2012

NOTICE OF 2012 AGM

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, The Pavilions, Bridgwater Road BS13 8AE.

5. Please visit the website at www.steppecement.com for Appendix 1.

STEPPE
CEMENT





STEPPE CEMENT LTD
(Corporate Office)

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