



Annual Report 2012



LOCATION OF KAZAKHSTAN



PLANT LOCATION IN KAZAKHSTAN





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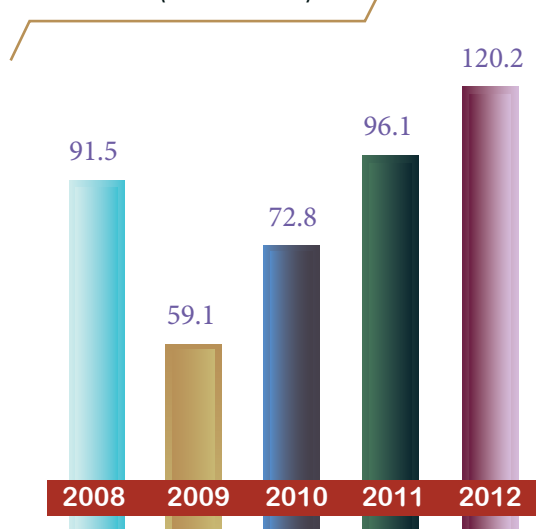
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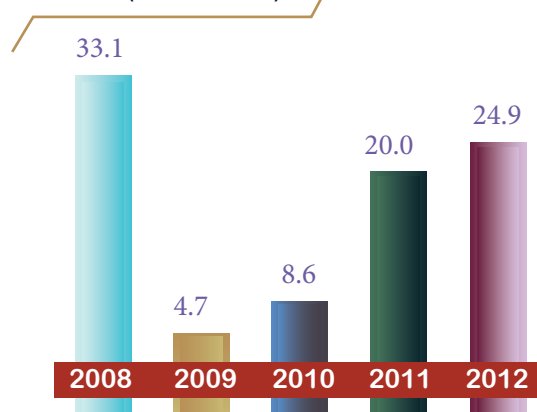
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Financial Highlights

Revenue (USD Million)



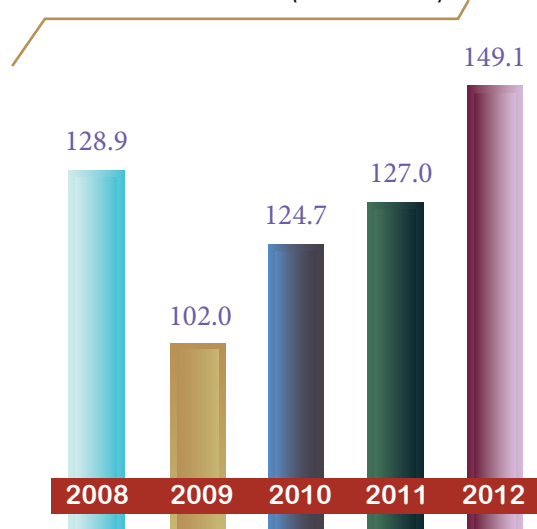
EBITDA (USD Million)



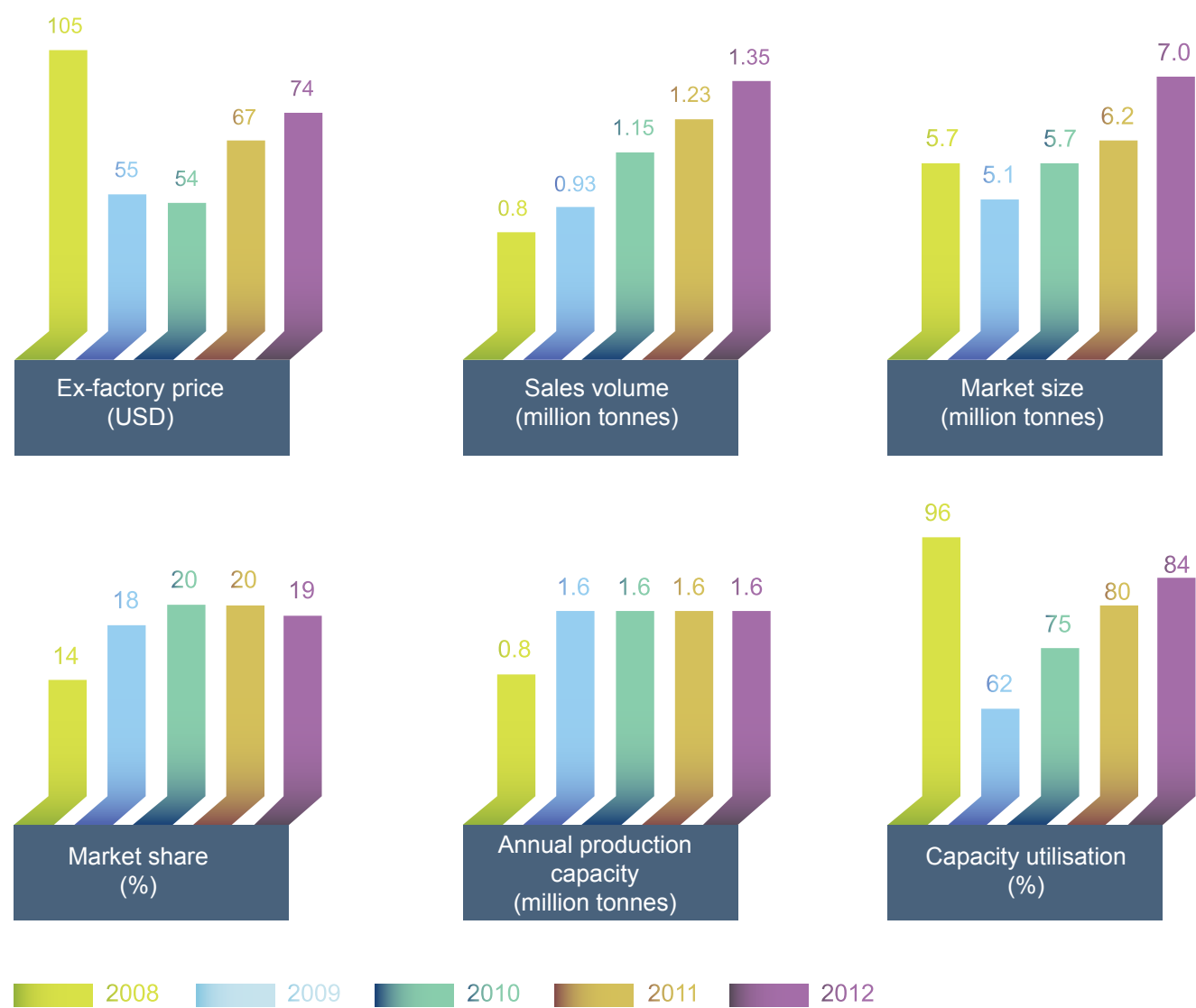
Profit/Loss after Tax (USD Million)



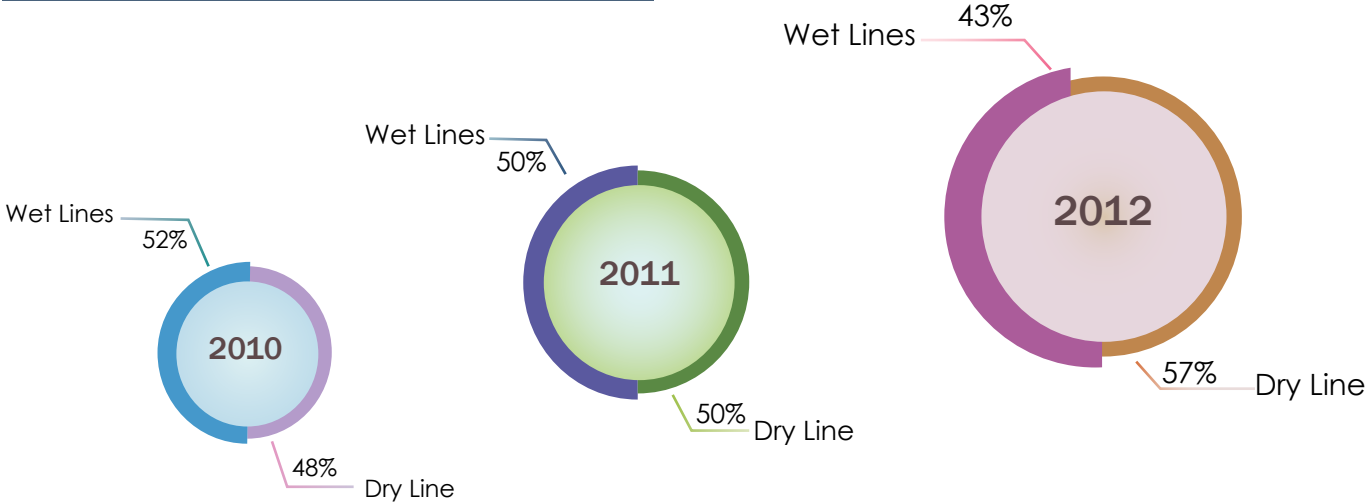
Shareholders Fund (USD Million)



Operational and Market Data



Wet Lines/ Dry Line production mix



Financial Ratios



Ratios	FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012
Gross profit margin (%)	55	30	29	39	40
Profit / (Loss) after tax margin (%)	20	(28)	(5)	3	7
Net earnings / (Loss) per share (cents)	16	(12)	(2)	2	5
Return on shareholders funds (%)	14	(16)	(3)	3	6
NTA Per Share (cents per share)	113	66	70	71	68
Shares data					
Number of shares issued (million)	114	154	179	179	219



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

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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

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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

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SOLICITOR

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Alatau Business Center
151 Abay Street,
Almaty 050009,
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12/1 Kunayev Street, Block 5B,
4th floor, Office #1,
Astana 010000,
Republic of Kazakhstan

Chairman's Statement



“Demand for cement in Kazakhstan rose by 13% to 7.0 million tonnes nationally in 2012 and is forecast to increase further to 7.7 million tonnes in 2013.”

Whilst uncertainty persists about the timing and quantum of recovery from the global recession in Western Europe and the USA, confidence is now clearly returning to a number of the emerging markets such as Kazakhstan. This economy continues to sustain a positive balance of trade, notably in minerals and commodities such as oil, gas and coal. These factors reflect the fact that the country's primary energy reserves are amongst the largest in the world.

The sovereign wealth fund (NFRK) continues to invest heavily in support of the national industrialisation programme. However, the provision of credit through the banking sector remains constrained by loans made to the commercial and residential sectors during the heady days of 2006-2007 before the international financial crisis. Many of these loans are now classified as non-performing in line with the experience of many west European banks. The Kazakh banking and pension system is consolidating and we expect that the credit cost will be lowered and the loan books start to expand again but we don't expect the number of retail mortgages to accelerate yet as the rates remain high.

In 2012, the economy grew by 5%, a rate which should be sustained in the current year and beyond as the service sectors such as retail continue to displace agriculture as the mainstay of employment. Such a fundamental re-balancing of the economy is requiring heavy and sustained investment in infrastructure which, to date, has been funded by the public sector. The network of road and rail links are being modernised and expanded to take advantage of the country's proximity to the markets of China and Russia. This initiative is welcome news for cement manufacturers such as Steppe Cement, particular in relation to the years ahead.

Demand for cement in Kazakhstan rose by 13% to 7.0 million tonnes nationally in 2012 and is forecast to increase further to 7.7 million tonnes in 2013.

Against this background, your Board decided to raise the remaining USD40 million needed to complete dry line 5 with a capacity of 1.2 million tonne per annum.

The Board also decided that this scope of work would be performed in-house. This effort has been the central focus of our experienced senior management's attention throughout 2012 – with excellent results – and will continue to dominate their energy and resources until line 5 is completed. To date, the project is being delivered on cost and on time for an October 2013 completion. This accomplishment reflects enormous credit to all those involved, including the need to cope with an unusually severe two-week cold spell in December. On behalf of the shareholders and the Company, the Board of Directors hereby acknowledges and expresses their appreciation for the great dedication shown by these key managers and their staff in this endeavour.

The Board is guided by the twin objectives of becoming the lowest cost cement producer in Kazakhstan and achieving a modest level of financial gearing. This combination will permit both an appropriate level of replacement capital investment and a dividend for shareholders to reward their patience over the last five years. By the middle of 2014, Steppe Cement will be in good shape to counter the threats to its established markets from new entrants like Jambyl Cement and Standard Cement as well as from existing producers seeking to enhance their geographic sphere of influence such as Heidelberg Cement.

Dividends will not be proposed in respect of the 2012 financial year. The decision for 2013 will be taken upon completion of line 5 and depending on the results of the summer season.

Malcolm Ronald Brown
Non-Executive Chairman



CEO's Statement



“Improved market conditions and the deleveraging achieved over the last three years have prompted the board to pursue the completion of line 5. The total dry line capacity of 2 million tonnes of cement available by the end of 2013 will ensure the profitability and competitiveness of Steppe Cement Ltd Group in the coming years. The wet lines will continue to support the transition and help Steppe Cement maintain its market share in a growing market fuelled by renewed investment in infrastructure”.

In 2012 Steppe Cement posted a net profit of USD8.4 million with higher capacity utilization at 85%. Sales volume improved by 10% while selling prices increased by 14%, which was well above the overall inflation rate of 6% for the year. Steppe Cement's EBITDA rose to USD24.9 million compared with USD19.9 million in 2011.

During the year Steppe Cement decided to pursue the completion of line 5, taking its total capacity to 2 million tonnes from the dry lines and 0.8 million tonnes from the wet lines. The total cost of the line 5 project is USD105 million of which USD65 million was spent in 2007 and 2008. To complete the financing, Steppe Cement issued bonds in November 2012 for USD10 million nominal amount with a 10% coupon maturing in November 2017 and also completed a share offer with 40 million new shares issued for trading on the AIM market of the London Stock Exchange in December 2012. The share offer was oversubscribed by existing shareholders and raised USD15.7 million net of expenses. The total amount of outstanding and fully paid shares now stands at 219 million. These proceeds, together with the surplus cash flow from operations in 2012 and 2013, will allow the company to fund the completion of line 5 by October 2013.

The market volume increased by 13% in 2012 and we expect a 10% increase in 2013

The Kazakh cement market in 2012 was 7 million tonnes, an increase of 13% compared to 6.2 million tonnes in 2011. Our expectations are that overall market demand in 2013 will increase by 10% to 7.7 million tonnes. This increase in market size will mostly be taken up by new entrants in 2011 and 2012. We expect our new line 5 to be commissioned in October 2013 after the high selling season, so it will not have an effect on our 2013 volumes.

Imports declined again in 2012 and the share of local producers increased from 85% to 87%. Steppe Cement's average cement

selling prices increased by 14% to USD89 per tonne delivered (equivalent to USD75 per tonne ex-factory) when compared to the previous year.

Steppe Cement managed to maintain a market share of 19.3% in the cement market of Kazakhstan in 2012 (compared with 20% in 2011). In 2013 Steppe Cement expects to see its selling price increase but its market share drop as demand is increasing faster than our production capacity. We hope to recover our market share in 2014 as line 5 comes fully on stream.

The dry line continues to improve its performance while the wet lines will be used to cover the balance of demand until line 5 is commissioned.

The four wet lines produced 583,850 tonnes in 2012, a decrease of 5% as compared to 2011. The dry line contributed 765,711 tonnes, 57% of total sales of Steppe Cement and an increase of 25% over 2011. We expect to maintain similar levels of production in 2013 due to the extreme weather conditions experienced during the last winter. Once line 5 is brought into production in October 2013, we expect to see a sharp increase in the volume of cement produced from the dry lines resulting in a significant reduction in production costs per tonne.

The sharp increase in production from line 6 in 2012 was achieved through increased reliability of the equipment and a reduction in downtime. Reliability of line 6 in 2012 was 81%, 5% higher than 2011, resulting in an additional 248 operating hours. Major improvements in line 6 during the year included:

- Kiln tyres and rollers were grinded to remove all distortions and uneven load on kiln bearings and girth gear.
- A redesigned kiln inlet tongue that has increased its lifetime from 4 months to more than 8 months and the removal of the retainer ring at the kiln outlet.

CEO's Statement

Key financials	Year ended 31-Dec-2012	Year ended 31-Dec-2011	Inc/ (Dec)%
Sales (tonnes of cement)	1,349,561	1,229,288	10
Consolidated turnover in USD Million	120.2	96.1	25
Consolidated profit before tax (USD Million)	12.0	5.6	114
Consolidated profit after tax (USD Million)	8.4	3.3	155
Profit per share (US cents)	4.6	1.9	142
Shareholders' funds (USD Million)	149.2	127.0	17
Average exchange rate (USD/KZT)	149.1	146.7	
Exchange rate as at year end (USD/KZT)	150.4	148.5	

- The replacement of the girth gear links.
- Raw mills iron ore hopper was modified to improve material flow especially during winter.
- The separator of cement mill 3 was completed. Its performance will be tested during 2013 and, depending on the outcome, we will replicate the project in the other cement mills in the dry line.
- Overall production in the cement mills in the dry line increased by 34% in 2012 in anticipation of a rise in sales beginning in 2014.

During 2013 we will concentrate most of our capital investment on line 5 but we plan to continue improving the cement mill section as well as replacing of the pre-heater fans with a target to increase production from line 6 by up to 5%. Planned capital expenditure on line 6 will be limited to USD3 million during the year, most of it to be shared with line 5.

We are aiming to complete an electricity bypass line to supply electricity directly from Kegoc (the Kazakhstan National electricity grid company) to Karcement JSC during 2013. The target is to reduce the electricity costs to the dry lines by 30%. The total investment is USD2.5 million and the initial savings is estimated at approximately USD3 million per year. Most of the capital investment was completed in the second half of 2012.

Health and safety

In 2012, our subsidiary Karcement JSC embarked on preparations to be certified on ISO 14001 (environmental management system) and BS OHSAS 18001 (occupational health and safety management systems). In January 2013, two separate compliance audits were carried out by TUV Germany & Rastama Cert Kazakhstan that approved Karcement JSC as complying with these standards. We will extend progressively these certifications to the other operating subsidiaries.

Cost of production in dry and wet lines

Full production costs increased in 2012 by 12% (above the annual inflation rate of 6%). The major elements were the increases in electricity, coal and transportation costs. Once line 5 and the electrical bypass are completed, we expect our overall variable production cost to decrease in 2014 by at least 10%. The continuing increase in capacity utilization has also enabled us to bring down fixed production costs per tonne.

Selling expenses, reflecting mostly delivery costs, increased from USD12 per tonne in 2011 to USD14.7 per tonne in 2012. This is a combination of higher wagon rental rates and rates charged by the national railway company as well as direct deliveries by truck to clients in the area surrounding the factory. The regional market mix of sales was more focused in the central and northern regions during 2012. In 2013 transportation

CEO's Statement



tariffs will increase again but we expect to pass these costs to customers.

General and administrative expenses increased by 4% in 2012

The labour count stood at 1,025 on 31 March 2013 compared with 1,030 on 31 March 2012. We now have 706 employees in the wet lines and administration and 319 in the dry line.

Line 5 project

Due to the improving market and our financial position, we decided to pursue the completion of line 5 within an additional budget of USD40 million. As of April 2013 we are on track to complete on or below budget, and on time for October 2013. The commissioning will be done through the winter of 2013 and we expect line 5 to replace most of the production from the wet lines by the summer of 2014, with its extra capacity going towards meeting increased sales.

Line 5 will have a total capacity of 1.2 million tonnes of cement and the cash cost savings per tonne when compared to the wet lines are preliminarily estimated at USD15/tonne.

Financing

After discussions with our existing banks (EBRD and HSBC) that held most of the assets under pledge, the board decided to finance the expansion through the issue of bonds and a share issue:

- The company raised KZT1.49 billion in unsecured bonds with a 10% coupon on the Kazakhstan Stock Exchange in November 2012. The net proceeds were KZT1,426 million (approximately USD9.5 million). The bonds mature in November 2017.
- In December 2012 Steppe Cement issued 40 million new shares at 25p per share raising GBP9.7 million net of expenses (approximately USD15.5 million). We would like to thank our shareholders for the continuous support they have given us over the years and this issue was no exception as it was oversubscribed and 83% of existing shareholders participated. The current total number of shares on issue stands at 219 million.

The balance USD15 million will come from internally generated cash flows from operations during 2012 and 2013.

At the end of 2012, we had outstanding loans with EBRD and HSBC of USD30.1 million and USD13.4 million respectively that mature in stages till September 2015, where the average interest charged was 6-month USD Libor + 5.9% per annum.

We have secured a revolving working capital credit line from Halyk Bank for USD20 million at 10.75% per annum. It will be used to build stocks in the coming winters. By the end of 2012 only USD1.7 million from this short-term line was used.

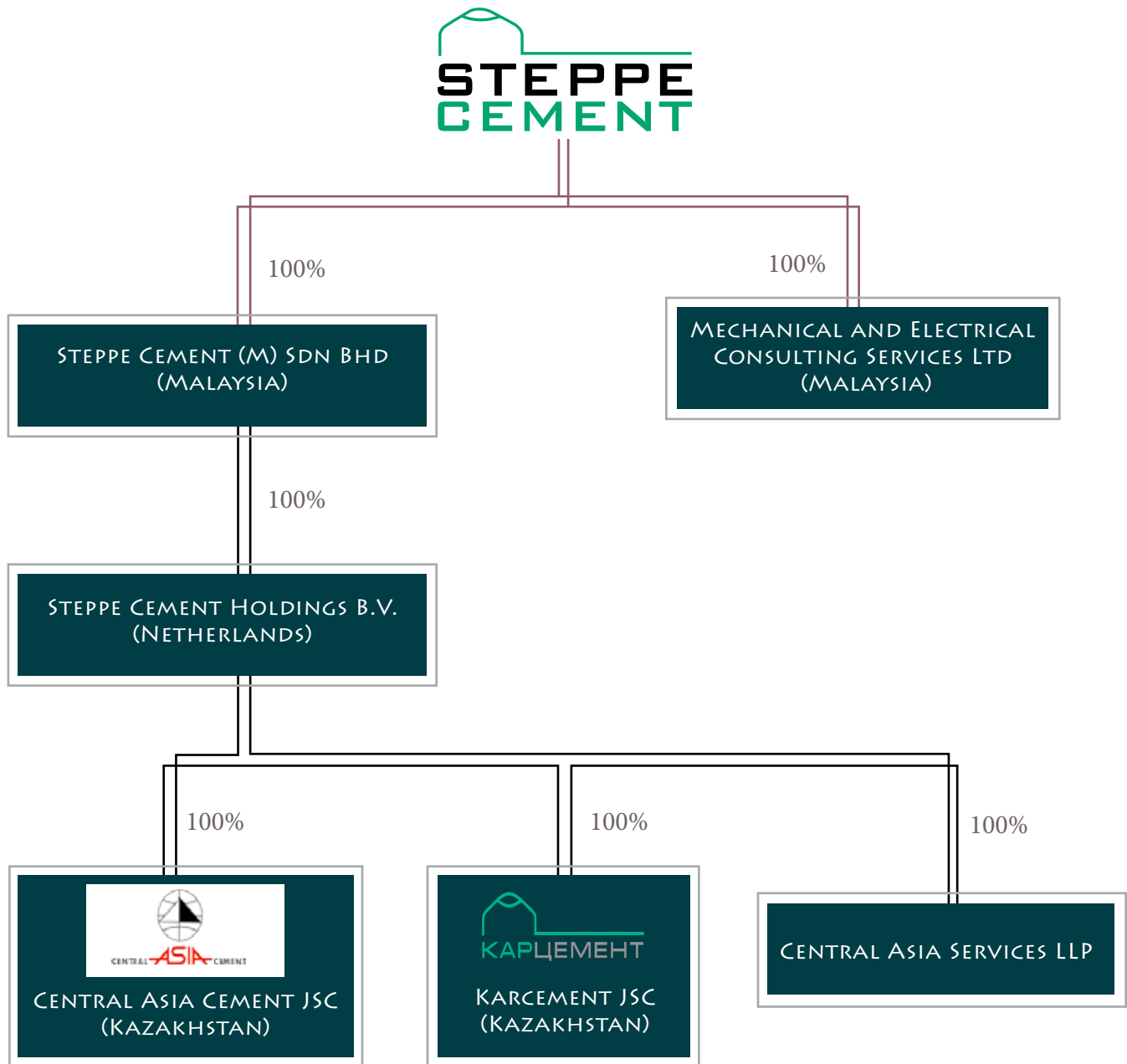
In 2012 finance costs decreased to USD3.5 million from USD4.9 million in 2011 after we paid down loans during most of the year before issuing the bonds to finance line 5 in November and USD0.8 million of finance costs was capitalised into property, plant and equipment since project line 5 resumed active development from 1 July 2012. We will continue to pay down the existing loans in 2013. Depreciation remained stable at USD9.4 million during 2012.

The cash balance (including short-term investments) on 31 December 2012 was USD20 million and the total indebtedness (bank borrowings plus bonds) was USD55 million on the same date.

The statutory corporate income tax rate remains at 20% in Kazakhstan but Karcement JSC, our wholly owned subsidiary, will enjoy its last year of 0% income tax rate under tax holiday in 2013. In 2014, we may consider merging our subsidiaries Central Asia Cement (wet lines) and Karcement (dry lines) if it results in net administrative savings after taking into account tax considerations.

Javier del Ser
Chief Executive Officer

Group Structure



Board of Directors



MALCOLM BROWN
NON-EXECUTIVE CHAIRMAN

Malcolm Brown, 65 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, familycontrolled businesses in the cement industry.



JAVIER DEL SER PEREZ
CHIEF EXECUTIVE OFFICER

Javier del Ser Perez 47, 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
Non-Executive Director

Paul Rodzianko 67, 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 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 over 20 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 over 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 Engineering 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 over 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.

Senior Management

Management & staff of Central Asia Cement JSC



General Director
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.

Marketing 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.

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 16 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.

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.

Line 5 Site



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.

Steppe Cement is not required to comply with the UK Combined Code of Corporate Governance (“Combined Code”) published by the UK Financial Reporting Council. The Combined Code applies to companies listed on the Main Board but not AIM companies.

The Quoted Companies Alliance (“QCA”) has published a set of corporate governance guidelines for AIM companies as a minimum standard to follow. The QCA guidelines are less rigorous than the Combined Code and recommendations include the following:

- Separation of Chairman and CEO roles – both roles should not be performed by the same individual;
- Independent non-executive directors – at least two independent non-executive directors, one of whom may be the Chairman.
- Establishment of Audit, Remuneration and Nomination Committees and that Audit and Remuneration Committees should comprise at least two independent non-executive directors.
- Re-election of directors – All directors should be submitted to re-election at regular intervals subject to continued satisfactory performance of the directors.
- Dialogue with shareholders – there should be a dialogue with shareholders based on mutual understanding of objectives.
- Matters reserved for the Board – there be a formal schedule of matters specifically reserved for the Board’s decision;
- Timely information – the Board should be supplied with timely information to discharge its duties;
- Review of internal controls annually. The review should encompass all material controls including financial, operational and compliance controls and risk management systems.

Steppe Cement complies with the QCA guidelines. Nonetheless, Steppe Cement adopts the principal requirements of the Combined Code, as far as practicable, to ensure high standards of corporate governance.

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

During the year ended 31 December 2012, 4 board meetings were held. The following is the attendance record of the directors:

Corporate Governance

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.

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-to-day 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.

As announced via RNS in Feb 2013, the Chairman holds 572,120 shares or 0.26% of the issued share capital of Steppe Cement. The Board does not consider the 572,120 shares held by the Chairman, Malcolm Brown, to have any impact on his independence given the insignificant shareholdings as a percentage of Steppe paid-up capital. The Board has viewed the Chairman's contribution as valuable due to his extensive experience and knowledge of the building materials sector.

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 Offshore Companies Act provides that every offshore company shall have at least one director who may be a resident director. Section 87(2) states that only an officer of a trust company established in Labuan shall act or be appointed as a resident director. The Company's Articles provide that there shall be at least one and not more than 7 directors. If the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company is determined within the limitations imposed by the Company's Articles and as circumstances demand.

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.

Corporate Governance

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.

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;

Corporate Governance



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. Malcolm Brown (Chairman)
2. Paul Rodzianko

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.

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.



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 2012
(In United States Dollar)

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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Independent Auditors' Report

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 2012, 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 32 to 87.

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 is 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

Revaluation of land and buildings

As disclosed in Note 9 to the financial statements, the carrying amount of the land and buildings, which are measured at fair value less accumulated depreciation and impairment losses recognized at the date of revaluation, amounted to USD4,799,143 as at 31 December 2012. The fair values of the land and buildings were determined based on an independent appraisal performed on 27 August 2010 and they have not been revalued since then. According to International Accounting Standard 16, "Property, Plant and Equipment", for property, plant and equipment that is accounted for under revaluation model, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The directors are of the opinion that the carrying amounts of the land and buildings since the date of revaluation until 31 December 2012 do not differ significantly from their fair values. However, we were unable to obtain sufficient appropriate audit evidence relating to the fair values of the land and buildings as of 1 January 2012 and 31 December 2012. Consequently, we were unable to determine whether any adjustments were necessary in respect of the carrying amounts of the land and buildings and the revaluation reserve of the Group as of 31 December 2012 and the elements making up the income statement and the statement of changes in equity of the Group for the year then ended.

Classification of bank loan

As disclosed in Note 19 to the financial statements, borrowings as at 31 December 2012 included non-current bank loans of USD31,178,377. Certain covenants in the bank loan agreement relating to a non-current loan of USD23,998,287 had been breached as of 31 December 2012 and the Group does not have an unconditional right to defer its settlement for at least twelve months after that date. Under such circumstance, the non-current loan should be classified as a current liability as required by International Accounting Standard 1, "Presentation of Financial Statements". Had the non-current bank loan been classified as a borrowing under current liabilities as at 31 December 2012, the total current liabilities of the Group would have been adjusted from USD30,021,426 to USD54,019,713 and its net current assets of USD19,953,000 would have been adjusted to net current liabilities of USD4,045,287 as explained in Note 2 to the financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matters discussed in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2012 and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards and the Labuan Companies Act, 1990 in Malaysia.

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

HIEW KIM TIAM
Partner - 1717/08/13 (J)
Chartered Accountant

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

		The Group		The Company	
	Note	2012	2011	2012	2011
		USD	USD	USD	USD
Revenue	4	120,165,706	96,109,784	100,000	100,000
Cost of sales		(72,201,346)	(59,026,335)	-	-
Gross profit		47,964,360	37,083,449	100,000	100,000
Selling expenses		(19,859,692)	(14,789,840)	-	-
General and administrative expenses		(11,666,123)	(11,165,193)	(568,518)	(493,411)
Operating profit/(loss)		16,438,545	11,128,416	(468,518)	(393,411)
Interest income		-	24,956	-	-
Finance costs	5	(3,476,788)	(4,970,899)	-	-
Other expenses	6	(923,130)	(628,312)	(35,312)	(3,963)
Profit/(Loss) before income tax		12,038,627	5,554,161	(503,830)	(397,374)
Income tax expense	7	(3,678,393)	(2,221,231)	-	-
Profit/(Loss) for the year		8,360,234	3,332,930	(503,830)	(397,374)
Attributable to: Shareholders of the Company		8,360,234	3,332,930	(503,830)	(397,374)
Profit per share:					
Basic and diluted (cents)	8	4.6	1.9		

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

Statements Of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	The Group		The Company	
		2012 USD	2011 USD	2012 USD	2011 USD
Profit/(Loss) for the year		8,360,234	3,332,930	(503,830)	(397,374)
Other comprehensive profit/loss:					
Exchange differences arising on translation of foreign subsidiary companies	18	(1,635,943)	(1,064,445)	-	-
Total other comprehensive income		(1,635,943)	(1,064,445)	-	-
Total comprehensive profit/(loss) for the year		6,724,291	2,268,485	(503,830)	(397,374)
Attributable to:					
Shareholders of the company		6,724,291	2,268,485	(503,830)	(397,374)

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

Statements Of Financial Position

AS OF 31 DECEMBER 2012

		The Group		The Company	
	Note	2012	2011	2012	2011
		USD	USD	USD	USD
Assets					
Non-Current Assets					
Property, plant and equipment	9	135,442,394	134,760,868	-	-
Investment in subsidiary companies	10	-	-	30,500,002	26,500,001
Advances and prepaid expenses	14	2,385,323	993,326	-	-
Other assets	11	40,575,352	28,162,496	-	-
Total Non-Current Assets		178,403,069	163,916,690	30,500,002	26,500,001
Current Assets					
Inventories	12	18,247,651	21,373,261	-	-
Trade and other receivables	13	6,779,161	9,486,902	-	-
Amount owing by subsidiary companies	10	-	-	37,509,853	29,151,422
Advances and prepaid expenses	14	4,934,256	4,486,508	6,091	-
Short-term investments	16	5,997,607	-	-	-
Cash and cash equivalents	15	14,015,751	493,601	2,923,334	103,478
Total Current Assets		49,974,426	35,840,272	40,439,278	29,254,900
Total Assets		228,377,495	199,756,962	70,939,280	55,754,901

Statements Of Financial Position

AS OF 31 DECEMBER 2012

		The Group		The Company	
	Note	2012 USD	2011 USD	2012 USD	2011 USD
Equity and Liabilities					
Capital and Reserves					
Share capital	17	73,760,924	58,298,542	73,760,924	58,298,542
Revaluation reserve	18	8,033,718	9,477,390	-	-
Translation reserve	18	(21,644,809)	(20,008,866)	-	-
Retained earnings/ (Accumulated loss)		89,024,541	79,220,635	(3,940,050)	(3,436,220)
Total Equity		149,174,374	126,987,701	69,820,874	54,862,322
Non-Current Liabilities					
Borrowings	19	40,663,029	43,212,391	-	-
Deferred tax liabilities	20	8,518,666	6,176,157	-	-
Total Non-Current Liabilities		49,181,695	49,388,548	-	-
Current Liabilities					
Trade and other payables	21	8,025,685	7,840,918	-	-
Accrued and other liabilities	22	7,079,815	3,660,604	1,118,406	892,579
Borrowings	19	14,527,492	11,434,750	-	-
Taxes payable	23	388,434	444,441	-	-
Total Current Liabilities		30,021,426	23,380,713	1,118,406	892,579
Total Liabilities		79,203,121	72,769,261	1,118,406	892,579
Total Equity and Liabilities		228,377,495	199,756,962	70,939,280	55,754,901

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

Statements Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

The Group	Non-distributable			Distributable	
	Share capital USD	Revaluation reserve USD	Translation reserve USD	Retained earnings USD	Total* USD
Balance as at 1 January 2012	58,298,542	9,477,390	(20,008,866)	79,220,635	126,987,701
Profit for the year	-	-	-	8,360,234	8,360,234
Other comprehensive income	-	-	(1,635,943)	-	(1,635,943)
Total comprehensive profit for the year	-	-	(1,635,943)	8,360,234	6,724,291
Issue of shares (Note 17)	15,980,000	-	-	-	15,980,000
Share issue costs	(517,618)	-	-	-	(517,618)
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(1,443,672)	-	1,443,672	-
Balance as at 31 December 2012	<u>73,760,924</u>	<u>8,033,718</u>	<u>(21,644,809)</u>	<u>89,024,541</u>	<u>149,174,374</u>

*Attributable to the shareholders of the Company.

Statements Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

The Group	Non-distributable			Distributable	
	Share Capital	Revaluation reserve	Translation reserve	Retained earnings	Total*
	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
Other comprehensive income	-	-	(1,064,445)	-	(1,064,445)
Total comprehensive profit 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	<u>58,298,542</u>	<u>9,477,390</u>	<u>(20,008,866)</u>	<u>79,220,635</u>	<u>126,987,701</u>

*Attributable to the shareholders of the Company.

Statements Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

The Company	Share capital USD	Accumulated loss USD	Total USD
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
Balance as at 1 January 2012	58,298,542	(3,436,220)	54,862,322
Total comprehensive loss for the year	-	(503,830)	(503,830)
Issue of shares (Note 17)	15,980,000	-	15,980,000
Share issue costs	(517,618)	-	(517,618)
Balance as at 31 December 2012	73,760,924	(3,940,050)	69,820,874

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

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit/(Loss) before income tax	12,038,627	5,554,161	(503,830)	(397,374)
Adjustments for:				
Depreciation of property, plant and equipment	9,369,956	9,334,372	-	-
Amortisation of quarry stripping costs	85,612	187,147	-	-
Finance costs	3,476,788	4,970,899	-	-
Unrealised foreign exchange loss/(gain)	1,169,109	508,955	32,326	(2,677)
Interest income	-	(24,956)	-	-
Provision for doubtful receivables	115,116	327,497	-	-
Provision for doubtful advances paid to third parties	73,591	295,111	-	-
Loss on disposal of property, plant and equipment	45,659	7,358	-	-
Provision for obsolete inventories	648,936	380,369	-	-
Operating Profit/(Loss) Before Working Capital Changes	27,023,394	21,540,913	(471,504)	(400,051)

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
(Increase)/Decrease in:				
Inventories	(12,149,426)	(3,164,380)	-	-
Trade and other receivables	2,597,124	(2,275,713)	-	-
Amount owing by subsidiary companies	-	-	(12,358,432)	(561,552)
Advances and prepaid expenses	(1,900,042)	(2,273,022)	(6,091)	987
Increase/(Decrease) in:				
Trade and other payables	184,767	3,169,228	-	-
Accrued and other liabilities	3,447,693	253,844	193,501	99,923
Cash Generated From/(Used In) Operations	19,203,510	17,250,870	(12,642,526)	(860,693)
Income tax paid	(1,420,371)	(884,026)	-	-
Interest paid	(4,678,268)	(4,584,684)	-	-
Net Cash From/(Used In) Operating Activities	13,104,871	11,782,160	(12,642,526)	(860,693)
CASH FLOW USED IN INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	106,482	2,920	-	-
Purchase of property, plant and equipment	(10,150,160)	(2,046,638)	-	-
Payment for quarry stripping costs	(100,665)	(227,994)	-	-
Purchase of short-term investment	(5,997,607)	-	-	-
Interest received	-	24,956	-	-
Net Cash Used In Investing Activities	(16,141,950)	(2,246,756)	-	-

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from issue of shares	15,980,000	-	15,980,000	-
Share issue costs	(517,618)	-	(517,618)	-
Proceeds from bonds issued	9,583,695	-	-	-
Bonds issue costs	(99,043)	-	-	-
Repayment of bonds	-	(18,183,043)	-	-
Proceeds from bank loans	13,163,387	6,941,225	-	-
Repayment of bank loans	(21,547,873)	(7,416,548)	-	-
Net Cash From/(Used In) Financing Activities	16,562,548	(18,658,366)	15,462,382	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,525,469	(9,122,962)	2,819,856	(860,693)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(3,319)	85,033	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	493,601	9,531,530	103,478	964,171
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 15)	14,015,751	493,601	2,923,334	103,478

Non-cash transactions

During the year, the Group reclassified from inventory to the cost of property, plant, and equipment items of USD1,801,908 (2011:USD350,845) (Note 9).

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

Notes To The Financial Statements

31 DECEMBER 2012

1. GENERAL INFORMATION

Steppe Cement Ltd ("the Company") is incorporated and domiciled in Malaysia. The principal place of business of the Company and its subsidiaries (the "Group") is located at Aktau village, Karaganda region, the 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 10.

The financial statements of the Group and the Company have been approved by the Board of Directors and were authorised for issuance on 6 May 2013.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

Except for the revaluation of land and buildings and classification of a bank loan in the financial statements of the Group as disclosed in Notes 9 and 19, respectively, to the financial statements, the financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

The Group's financial statements have been prepared on a going concern basis, which assumes that the realisation of assets and the settlement of liabilities will occur in the ordinary course of business within the foreseeable future.

As at 31 December 2012, the statement of financial position of the Group would have reported net current liabilities of USD4,045,287 had the bank loan of USD23,998,287 been classified as a current liability in accordance with International Accounting Standard (IAS) 1 "Presentation of Financial Statements" that requires that such liabilities are classified as current liabilities.

The directors believe that the Group will have access to sufficient financing to continue its activities on a going concern basis. The Company had three successful exercises of share sales to shareholders on London Stock Exchange from 2009 to 2012 totaling USD47 million. In October 2012, the Group's subsidiary, Central Asia Cement JSC, successfully listed bonds of USD33,235,842 on Kazakhstan Stock Exchange, out of which USD9,904,281 has been issued in November 2012. The remaining USD23,331,561 of unissued bonds represents a readily available option of financing for the Group. In March 2013, the Group's subsidiary, Karcement JSC, received an offer for a loan facility of USD30,000,000 from a major bank in Kazakhstan. Besides, internally-generated fund from the operation of the Group is expected to remain sufficient given the improved market conditions. In addition, all existing banking facilities will be continuously available for the Group's use.

After considering these factors, the directors consider the Group will have sufficient working capital to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the financial statements of the Group have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as

Notes To The Financial Statements

31 DECEMBER 2012

current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

Adoption of new and revised Standards

New and revised IFRSs in issue and effective

The Group has adopted the following new or revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Group's annual consolidated financial statement for the year ended 31 December 2012:

- IFRS 7 "Financial Instruments: Disclosures" – amendments enhancing disclosures about transfers of financial assets effective from annual periods beginning on or after 1 January 2013. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.
- IAS 12 "Income Taxes" – limited scope amendment (recovery of underlying assets); effective for annual periods beginning on or after 1 January 2012. The Group has applied the amendments to IAS 12 in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies. Amendments did not result in significant impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Interpretations which were in issue but not yet effective:

IFRS 9	<i>Financial Instruments</i> ³
IFRS 10	<i>Consolidated Financial Statements</i> ⁴
IFRS 11	<i>Joint Arrangements</i> ⁴
IFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
IFRS 13	<i>Fair Value Measurement</i> ¹
Amendments to IFRS 7	<i>Disclosures – Offsetting Financial Assets</i> ¹
Amendment to IFRS 9 and IFRS 7	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i> ³
Amendment to IFRS 10, IFRS 11 And IFRS 12	<i>Consolidated financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> ¹
IAS 19 (as revised in 2011)	<i>Employee Benefits</i> ¹
IAS 27 (as revised in 2011)	<i>Separate Financial Statements</i> ⁴
IAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
Amendments to IAS 32	<i>Offsetting financial Assets and Financial Liabilities</i> ²
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2009-2011 Cycle except for the Amendment to IAS 1</i> ¹
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ¹

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¹Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

²Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The new offsetting disclosure requirements are effective for annual periods beginning on or after 1 January 2013.

³Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

⁴Each 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).

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments", issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9 "Financial Instruments", entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 "Financial Instruments" requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 "Financial Instruments: Recognition and Measurement", the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The directors anticipate that the adoption of IFRS 9 "Financial Instruments" in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 "Financial Instruments" until a detailed review has been completed.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interest in Other Entities", IAS 27 (as revised in 2011) "Separate Financial Statements" and IAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures".

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Key requirements of these five Standards are described below:

IFRS 10 "Consolidated Financial Statements" replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10 "Consolidated Financial Statements". Under IFRS 10 "Consolidated Financial Statements", there is only one basis for consolidation, that is, control. In addition, IFRS 10 "Consolidated Financial Statements" includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 "Consolidated Financial Statements" to deal with complex scenarios.

IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures". IFRS 11 Joint Arrangements deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11 "Joint Arrangements".

IFRS 12 "Disclosure of Interests in Other Entities" is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

The directors have considered the impact from the adoption of these new standards commencing 1 January 2013 and anticipated that the adoption would have no effect on consolidation.

IFRS 13 Fair Value Measurement

IFRS 13 "Fair Value Measurement" establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 "Fair Value Measurement" is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 "Fair Value Measurement" are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments: Disclosures" will be extended by IFRS 13 "Fair Value Measurement" to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new standard may affect certain amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the Interpretation, the costs from this waste removal activity ('stripping') which provide improved access to ore is recognised as a non-current asset ('stripping activity asset') when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 "Inventories". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

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The directors anticipate that the implementation of IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine may not have material impact on the financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention except the revaluation of land and building to fair values in accordance with IAS 16 "Property, Plant and Equipment" (Note 9).

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 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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 subsidiaries of the Group.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income, the amounts previously recognised in other

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comprehensive income are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue of the Group represents sales of cement, transmission and distribution of electricity and interest income. Sales of cement and transmission and distribution of electricity are stated at invoice value net of discounts, rebates, commissions and returns. Revenue of the Company represents management fee.

Revenue is recognised on the following bases:

- Gross invoiced value of goods sold: upon shipment/delivery of goods net of discounts, rebates, commissions and returns and when the risks and rewards of ownership have passed to the customers.
- Interest income: on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.
- Management fee income: on accrual basis in accordance with the substance of the relevant agreement. Management fee determined on a time basis is recognised on a straight-line basis over the period of the agreement.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements of the Group, 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 financial statements of the Group.

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 settlement of monetary item and on the retranslation of monetary items are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period 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 in other comprehensive income.

For the purposes of presenting 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 recorded in other comprehensive income and accumulated in the Group's translation

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reserve. Such translation differences are recognised in the income statements 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:

	2012	2011
	USD	USD
1 Sterling Pound ("GBP")	1.6255	1.5543
1 Euro ("EUR")	1.3193	1.2961
1 Ringgit Malaysia ("MYR")	0.3270	0.3156
1 Russian Ruble ("RUB")	0.0328	0.0311
	KZT	KZT
1 USD	150.44	148.49

KZT denotes Kazakhstan Tenge.

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 USD869 per month per employee (2011: USD818) 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax and is calculated in accordance with tax legislation applicable to the respective jurisdiction and based on the operating results for the year after adjustments for 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 not 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

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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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for certain land and buildings which are stated at their revalued amounts. The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes and any directly attributable cost to bring the property, plant and equipment to its working condition and location for its intended use.

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.

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

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.

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Any revaluation increase arising on revaluation of such land and buildings is recognised in other comprehensive income and the accumulated 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 statement 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 determined 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 the income statement. On the subsequent sale or retirement of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Depreciation of property, plant and equipment commences when the assets are ready for their intended use.

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, on a straight-line basis over their estimated useful lives 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 income statement 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.

Impairment of Tangible Assets

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

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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 statement unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease (see accounting policy on property, plant and equipment above).

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 statement 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 (see accounting policy on property, plant and equipment above).

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 determined based on inventory ageing as follows:

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group 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

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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 not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the income statement.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (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.

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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalents, short-term investments and trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The Group does not have financial assets designated as FVTPL, held-to-maturity or AFS.

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Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments with 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 disclosed in the notes to the financial statements.

Short-term Investments

Short-term investments represent fixed short-term deposits in banks with original maturity of more than three months.

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 is 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 against allowance made previously.

Impairment of Financial Assets

The Group provides 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 happen 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.

For certain categories of financial assets, such as trade receivables, assets that are assessed not 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 income statement and the assets are reduced by the amount of the impairment allowances. The factors evaluated by the Group in determining whether the evidence of impairment is objective includes information on liquidation of borrowers, solvency and exposure to financial risks, insolvency trends regarding similar financial assets, general economic condition 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.

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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.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities (including debt securities issued, borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The Group does not have financial liabilities designated as FVTPL.

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 Assets and Liabilities

Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the income statement.

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 the income statement.

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 the income statement in the period in which they are incurred.

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Cash Flow Statement

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

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the directors 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.

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

The Group's land and buildings are measured at fair value at the date of revaluation less accumulated depreciation and impairment losses recognised. The carrying amount of the land and buildings was determined by professional valuers on 27 August 2010. Valuation techniques used by the professional valuer are subjective and involve the use of professional judgment in the estimation of amongst other things, the Group's future cash flows from operations and appropriate discount factors and relevant market information.

As at 31 December 2012, the directors consider that the carrying value of land and buildings is reflective of the fair value of these assets.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset 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. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. 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. 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% (2011: 13.20%) 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 determined 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. In 2012 and 2011, the directors did not identify any indicators of impairment.

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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.

Allowances

The Group provides allowances for doubtful debts. Significant judgement is used to estimate doubtful debts. In estimating doubtful debts, historical and anticipated customer performances are considered. Changes in the economy or specific customer conditions may require adjustments to the allowance for doubtful debts. As at 31 December 2012, allowance for doubtful debt amounted to USD1,468,094 (2011: USD1,371,641) (Notes 13 and 14).

The Group makes allowance for obsolete and slow-moving inventories based on data of annual stock count and on the results of inventory turnover analysis. As at 31 December 2012, allowance for obsolete and slow moving inventories amounted to USD1,369,117 (2011: USD729,638) (Note 12).

4. REVENUE

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Sales of manufactured goods	120,093,933	96,109,784	-	-
Transmission and distribution of electricity	71,773	-	-	-
Management fee receivable from subsidiary company	-	-	100,000	100,000
	<u>120,165,706</u>	<u>96,109,784</u>	<u>100,000</u>	<u>100,000</u>

5. FINANCE COSTS

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Interest expense on loans from financial institutions	3,107,026	3,758,148	-	-
Interest on bonds	116,467	1,167,414	-	-
Other finance costs	253,295	45,337	-	-
	<u>3,476,788</u>	<u>4,970,899</u>	<u>-</u>	<u>-</u>

The Group's weighted average interest rate on the bank loans is 6.83% (2011: 6.40%) per annum.

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6. OTHER EXPENSES

Included in other expenses are:

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Foreign exchange gain/(loss):				
Realised	274,903	(3,276)	(2,986)	(6,640)
Unrealised	(1,169,109)	(508,955)	(32,326)	2,677
Loss on disposal of property, plant and equipment	(45,659)	(7,358)	-	-

7. INCOME TAX EXPENSE

The income tax expense is as follows:

	The Group		The Company	
	2012	2011	2011	2011
	USD	USD	USD	USD
Current tax expense:				
- subsidiary companies	(1,468,549)	(1,034,720)	-	-
- overprovision in prior years	221,362	337,925	-	-
Deferred tax expense (Note 20):				
- subsidiary companies	(2,431,206)	(1,524,436)	-	-
	(3,678,393)	(2,221,231)	-	-

Under the Labuan Business Activity Tax Act, 1990, the Company has to elect annually whether it is to be charged tax at the amount of RM20,000 (USD6,540) 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. 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%.

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A subsidiary company (Karcement JSC) is entitled to the following investment tax concessions starting from the date of commissioning of the cement production plant on 5 February 2009 up until 4 February 2014:

- Corporate Income Tax: 5 years corporate income tax exemption
- Property Tax: 5 years property tax exemption on newly built properties of the cement production plant; and
- Land Tax - 5 years land tax exemption on the parcel of 22 hectares of land.

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

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Profit/(loss) before income tax	12,038,627	5,554,161	(503,830)	(397,374)
Tax calculated at domestic tax rates applicable to the respective jurisdictions	1,782,513	942,335	(15,115)	(11,921)
Tax effects of expenses not deductible for tax purposes	1,728,027	1,572,031	-	-
Tax effects of income not assessable for tax purposes	(34,683)	(37,938)	-	-
Effect of unused tax losses not recognised as deferred tax assets	93,251	82,728	15,115	11,921
Underprovision of deferred tax in prior years	330,647	-	-	-
Overprovision of current tax in prior years	(221,362)	(337,925)	-	-
Income tax expense	3,678,393	2,221,231	-	-

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8. PROFIT PER SHARE

Basic and diluted

The Group		
	2012	2011
	USD	USD
Profit attributable to ordinary shareholders	<u>8,360,234</u>	<u>3,332,930</u>
	2012	2011
Number of ordinary shares in issue at beginning of year	<u>179,000,000</u>	179,000,000
Issue of ordinary shares during the year	<u>40,000,000</u>	-
Number of ordinary shares in issue at end of year	<u>219,000,000</u>	<u>179,000,000</u>
Weighted average number of ordinary shares in issue	<u>181,410,959</u>	<u>179,000,000</u>
	2012	2011
Profit per share, basic and diluted (cents)	<u>4.6</u>	<u>1.9</u>

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

There are no dilutive instruments outstanding for the years ended 31 December 2012 and 2011.

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9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD	Computer software USD	Construction in progress USD	Other assets USD	Total USD
Cost							
At 1 January 2011	4,213,361	51,597,028	77,271,942	78,462	29,245,148	13,598,391	176,004,332
Additions	-	11,785	725,537	17,772	1,511,031	337,915	2,604,040
Transfers	-	166,873	854,327	-	(1,288,659)	267,459	-
Disposals	-	(545)	(64,988)	-	-	(10,614)	(76,147)
Exchange differences	(31,780)	(389,176)	(582,831)	(591)	(268,313)	(102,566)	(1,375,257)
At 31 December 2011	4,181,581	51,385,965	78,203,987	95,643	29,199,207	14,090,585	177,156,968
Additions	12,696	139,983	285,277	756,169	10,011,539	746,404	11,952,068
Transfers	-	202,626	1,705,311	-	(2,008,375)	100,438	-
Disposals	(11,333)	(32,392)	(677,440)	(19,882)	-	(50,585)	(791,632)
Exchange differences	(54,202)	(666,064)	(1,013,678)	(1,240)	(460,502)	(182,642)	(2,378,328)
At 31 December 2012	4,128,742	51,030,118	78,503,457	830,690	36,741,869	14,704,200	185,939,076

(Forward)

Notes To The Financial Statements

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The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD	Computer software USD	Construction in progress USD	Other assets USD	Total USD
Accumulated depreciation							
At 1 January 2011	-	16,696,353	12,666,707	34,905	-	4,097,311	33,495,276
Charge for the year	-	2,154,193	5,735,136	5,618	-	1,439,425	9,334,372
Reclassification	-	652,973	(651,606)	-	-	(1,367)	-
Disposals	-	(168)	(61,270)	-	-	(4,431)	(65,869)
Exchange differences	-	(152,473)	(166,244)	(333)	-	(48,629)	(367,679)
At 31 December 2011	-	19,350,878	17,522,723	40,190	-	5,482,309	42,396,100
Charge for the year	-	2,337,264	5,488,763	27,006	-	1,516,923	9,369,956
Reclassification	-	23,052	(239,351)	-	-	216,299	-
Disposals	-	(2,167)	(592,648)	(19,882)	-	(24,794)	(639,491)
Exchange differences	-	(270,867)	(274,194)	(753)	-	(84,069)	(629,883)
At 31 December 2012	-	21,438,160	21,905,293	46,561	-	7,106,668	50,496,682
Net Book Value							
At 31 December 2012	4,128,742	29,591,958	56,598,164	784,129	36,741,869	7,597,532	135,442,394
At 31 December 2011	4,181,581	32,035,087	60,681,264	55,453	29,199,207	8,608,276	134,760,868

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Land and buildings were revalued on 27 August 2010 by an independent professional valuer based on depreciated replacement cost and income approach. The carrying amount of the land and building, which is stated at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation, amounted to USD4,799,143 as at 31 December 2012.

If the land and buildings were measured using the cost model, the net carrying amounts would be as follows:

	The Group	
	2012	2011
	USD	USD
Land	526,263	544,050
Building	<u>4,516,698</u>	<u>4,836,597</u>

During the year, a subsidiary company (Karcement JSC) reclassified items previously classified as inventories of USD1,801,908 (2011: USD350,845) to property, plant and equipment and capitalised borrowing costs of USD812,417 (2011: USDNil) which were charged by lender banks (European Bank for Reconstruction and Development ("EBRD") and HSBC Bank Kazakhstan JSC).

As at 31 December 2012, all of the movable and immovable properties of a subsidiary company (Karcement JSC) were pledged to secure borrowing obtained from banks (EBRD and HSBC Bank Kazakhstan JSC) (Note 19). The property plant and equipment of a subsidiary company (CAC JSC) with a net book value of USD38,876,203 (2011: USD51,268,826) was pledged to secure borrowing obtained from a bank (EBRD) (Note 19).

As of 31 December 2012, the cost of fully depreciated property, plant and equipment amounted to USD1,105,251 (2011: USD644,010).

10. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2012	2011
	USD	USD
Unquoted shares, at cost	<u>30,500,002</u>	<u>26,500,001</u>

Investment in subsidiary companies including all intra-group transactions are eliminated on consolidation.

Notes To The Financial Statements

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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
		2012 %	2011 %	
Direct Subsidiary Companies				
Steppe Cement (M) Sdn. Bhd.	Malaysia	100	100	Investment holding company
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	Transmission and distribution of electricity

* audited by member firm of Deloitte Touche Tohmatsu.

** CAS LLP was incorporated on 1 December 2011 and has commenced operation in January 2012.

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The amount owing by subsidiary companies arose mainly from unsecured advances, which are interest-free and are repayable on demand.

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

Company	Nature of transactions	Revenue from services performed	
		2012 USD	2011 USD
MECS Ltd.	Management fees	<u>100,000</u>	<u>100,000</u>

Company	Nature of transactions	Receivable from subsidiary companies	
		2012 USD	2011 USD
Karcement JSC	Intercompany loans	35,690,000	26,090,000
MECS Ltd.	Advances and management fees	478,071	2,048,071
Steppe Cement (M) Sdn. Bhd.	Advances	<u>1,341,782</u>	<u>1,013,351</u>

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

The Company		
	2012 USD	2011 USD
USD	37,207,199	28,860,274
MYR	<u>302,654</u>	<u>291,148</u>
	<u>37,509,853</u>	<u>29,151,422</u>

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11. OTHER ASSETS

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Construction materials	28,311,859	20,263,681	-	-
VAT recoverable	8,706,787	6,824,567	-	-
Spare parts	3,160,967	657,809	-	-
Quarry stripping costs	395,739	380,686	-	-
Others	-	35,753	-	-
	<u>40,575,352</u>	<u>28,162,496</u>	<u>-</u>	<u>-</u>

Construction materials and spare parts represent machinery parts and equipment which will be used in the construction of a certain production line.

12. INVENTORIES

	The Group		The Company	
	2012 USD	2011 USD	2012 USD	2011 USD
Spare parts	7,533,136	8,415,819	-	-
Raw materials	4,902,453	4,008,149	-	-
Work in progress	3,813,534	6,420,648	-	-
Finished goods	2,273,548	2,346,687	-	-
Packing materials	242,967	190,592	-	-
Fuel	194,662	298,572	-	-
Goods held for resale	79,288	80,349	-	-
Construction materials	62,264	55,855	-	-
Other materials	514,916	286,228	-	-
	<u>19,616,768</u>	<u>22,102,899</u>	<u>-</u>	<u>-</u>
Less: Allowance for obsolete inventories	<u>(1,369,117)</u>	<u>(729,638)</u>	<u>-</u>	<u>-</u>
	<u>18,247,651</u>	<u>21,373,261</u>	<u>-</u>	<u>-</u>

Notes To The Financial Statements

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The movements in the allowance for obsolete inventories are as follows:

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Balance at beginning of year	(729,638)	(351,924)	-	-
Exchange differences	9,457	2,655	-	-
Add: Provision for obsolete inventories	(648,936)	(380,369)	-	-
Balance at end of year	(1,369,117)	(729,638)	-	-

As at 31 December 2012, inventories in the amount of USD8,732,086 (2011: Nil) were pledged as collateral under the short term loan agreement with a bank (Halyk Bank JSC) (Note 19).

13. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Trade receivables	3,607,532	2,928,453	-	-
Less: Allowance for doubtful receivables	(396,903)	(346,077)	-	-
	3,210,629	2,582,376	-	-
Other receivables:				
VAT recoverable	3,173,338	6,601,118	-	-
Receivables from related party	7,444	-	-	-
Receivable from employees	16,605	-	-	-
Others	371,145	303,408	-	-
	6,779,161	9,486,902	-	-

The Company entered into sales contracts with trade customers on cash terms. Some customers with good payment history were granted certain credit periods on their cement purchases, which were secured against bank guarantee or other credit enhancements.

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Age of trade receivables as at 31 December are as follows:

The Group		
	2012	2011
	USD	USD
10-90 days	1,550,013	1,272,140
91-180 days	548,963	1,194,936
181-270 days	696,949	13,509
271-360 days	-	101,791
> 360 days	414,704	-
	<u>3,210,629</u>	<u>2,582,376</u>

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Age of impaired trade receivables as at 31 December are as follows:

The Group		
	2012	2011
	USD	USD
1-2 years	55,231	294,696
> 2 years	341,672	51,381
	<u>396,903</u>	<u>346,077</u>

The movements in the allowance for doubtful trade receivables are as follows:

The Group		The Company	
	2012	2011	2012
	USD	USD	USD
Balance at beginning of year	(346,077)	(54,889)	-
Exchange differences	4,492	414	-
Add: Provision for doubtful receivables	(115,116)	(327,497)	-
Write-off of allowance for doubtful receivables	59,798	35,895	-
Balance at end of the year	<u>(396,903)</u>	<u>(346,077)</u>	<u>-</u>

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In determining the recoverability of trade receivables, the directors consider any change in the credit quality of the trade receivables from the date the credit was initially granted up to the end of the reporting period. 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 from the major receivables of a subsidiary company (CAC JSC) of USD26,713,587 have been pledged as collateral under the loan agreement with a bank (Bank Center Credit JSC) for a loan facility of USD4,749,949 (Note 19).

Other receivables mainly comprise VAT recoverable and others. VAT recoverable are value added tax credits arising from the purchase of materials, property, plant and equipment and repair and maintenance services made or procured by a subsidiary company (Karcement JSC) in relation to the refurbishment of a production line. Others include custom duties levied on the import of property, plant and equipment for the refurbishment project.

14. ADVANCES AND PREPAID EXPENSES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Advances paid to third parties	8,121,005	6,237,383	-	-
Less: Allowance for doubtful advances paid to third parties	(1,071,191)	(1,025,564)	-	-
	7,049,814	5,211,819	-	-
Less:				
Non-current portion of advances paid to third parties	(2,385,323)	(993,326)	-	-
Current portion of advances paid to third parties	4,664,491	4,218,493	-	-
Prepaid expenses	269,765	268,015	6,091	-
	4,934,256	4,486,508	6,091	-

Advances paid to third parties represent advances made to suppliers by subsidiary companies for the purchase of machinery, equipment and construction work for the construction and refurbishment of cement production lines.

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Movement of allowance for doubtful advances paid to third parties is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
At beginning of year	1,025,564	843,130	-	-
Provision for doubtful advances paid to third parties	73,591	295,111	-	-
Write-off of allowance for doubtful advances paid to third parties	(14,670)	(106,317)	-	-
Exchange differences	(13,294)	(6,360)	-	-
At end of year	1,071,191	1,025,564	-	-
Allowance for doubtful advances paid to third parties:				
Non-current portion	898,837	858,105	-	-
Current portion	172,354	167,459	-	-
	1,071,191	1,025,564	-	-

15. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Cash in hand and at banks	6,993,576	454,885	2,923,334	103,478
Short-term deposits	7,022,175	38,716	-	-
	14,015,751	493,601	2,923,334	103,478

Short term deposits are made for varying periods on a fixed term between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective prevailing short-term fixed deposit rates.

As at 31 December 2012, the cash in banks of a subsidiary company (Karcement JSC), except for its foreign currency deposits, were pledged as security for a loan obtained from a bank (EBRD) (Note 19).

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The analysis of cash in hand and at banks by currencies is as follows:

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
KZT	10,747,162	271,318	-	-
USD	3,219,179	187,532	2,922,085	102,248
EUR	45,714	34,302	1,249	1,230
MYR	3,696	449	-	-
	<u>14,015,751</u>	<u>493,601</u>	<u>2,923,334</u>	<u>103,478</u>

16. SHORT-TERM INVESTMENTS

As at 31 December 2012, short-term investments of USD5,997,607 represent fixed term deposits in a certain bank for periods ranging from 4 to 5 months and interests ranging from 2.5% p.a. to 2.6% p.a. (2011: Nil).

17. SHARE CAPITAL

	The Group and the Company	
	2012	2011
	USD	USD
Issued and fully paid:		
Ordinary shares of no par value each:		
At beginning of year	58,298,542	58,298,542
Issued during the year	15,980,000	-
Share issue costs	(517,618)	-
At end of year	<u>73,760,924</u>	<u>58,298,542</u>

During the year, the Company issued 40,000,000 new ordinary shares at an issue price of GBP0.25 per share (or approximately USD0.39 per ordinary share) to its shareholders. As of 31 December 2012, the Company has a total of 219,000,000 issued ordinary shares.

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18. RESERVES

Revaluation reserve

Revaluation reserve relates to the revaluation of land and buildings of subsidiary companies (CAC JSC and Karcement JSC) performed by an independent valuation appraiser in 2010. The revaluation reserve is not available for cash distribution to the Company's shareholders.

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Revaluation reserve				
Balance at beginning of year	9,477,390	10,940,027	-	-
Transfer of revaluation reserve relating to property, plant and equipment through use	(1,443,672)	(1,462,637)	-	-
Balance at end of year	8,033,718	9,477,390	-	-

Translation reserve

Exchange differences arising from the translation of assets and liabilities of foreign subsidiary companies are recognised in other comprehensive income and accumulated in the translation reserve.

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Translation reserve				
Balance at beginning of year	(20,008,866)	(18,944,421)	-	-
Exchange differences on translation of foreign subsidiary companies	(1,635,943)	(1,064,445)	-	-
Balance at end of year	(21,644,809)	(20,008,866)	-	-

Retained earnings

Any dividend distributions to be made by foreign subsidiary companies are subject to dividend withholding tax ranging from 15% to 25% which may be reduced to 5% or waived subject to compliance with the relevant tax treaties requirements.

Under the Malaysian tax law, any dividend income received by Malaysian subsidiary companies will be credited into an exempt income account from which tax-exempt dividends can be distributed. There is no withholding tax on dividends distributed by Malaysian subsidiary companies.

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

19. BORROWINGS

	The Group	
	2012	2011
	USD	USD
<i>Unsecured - at amortised cost</i>		
Bonds issued at price of:		
96.2458%	9,904,281	-
97.1895%	-	5,601,483
98.3230%	-	5,230,908
99.0574%	-	2,366,024
99.0574%	-	2,864,884
100.0096%	-	5,230,916
	9,904,281	21,294,215
Exchange differences	-	(3,111,172)
Discount on bonds issued	(419,629)	-
Redemption on maturity	-	(18,183,043)
Accrued interest	108,242	-
	9,592,894	-
<i>Secured - at amortised cost</i>		
Bank loans	45,597,627	54,647,141
	55,190,521	54,647,141
Current portion:		
Bonds	108,242	-
Bank loans	14,419,250	11,434,750
	14,527,492	11,434,750
Non-current portion:		
Bonds	9,484,652	-
Bank loans	31,178,377	43,212,391
	40,663,029	43,212,391
Total borrowings	55,190,521	54,647,141

Notes To The Financial Statements

31 DECEMBER 2012

In November 2012, a subsidiary company (CAC JSC) issued 5 year KZT1.49 billion (USD9,904,281 net of USD99,043 issue cost) bonds at a coupon rate of 10% per annum maturing in November 2017. The bond coupon is payable semi-annually. The bonds are listed on the Kazakhstan Stock Exchange and all amounts due in relation to the bonds issued are guaranteed by the Company and its subsidiary company (Karcement JSC).

Details of bank loans are as follows:

The Group					
	Currency	Maturity date	Interest rate	2012 USD	2011 USD
<i>Karcement JSC:</i>					
EBRD	USD	11 May 2015	LIBOR + 5.00% p.a.	30,102,287	32,288,188
SB HSBC Bank Kazakhstan JSC	USD	22 Sep 2015	LIBOR + 6.50% p.a.	13,308,435	20,220,567
<i>CAC JSC:</i>					
Bank CenterCredit JSC	KZT	22 February 2014	10.00% p.a.	-	787,931
Halyk Bank JSC	KZT	23 January 2013	10.75% p.a.	1,664,006	-
Accrued interest				522,899	1,350,455
Total outstanding				45,597,627	54,647,141

Karcement JSC

The outstanding long-term borrowings of a subsidiary company (Karcement JSC) obtained from two banks (EBRD and SB HSBC Bank Kazakhstan JSC), which are repayable in stages during the period ending 11 May 2015 and 22 September 2015, respectively, are secured by all its property, plant and equipment and cash in banks and certain property, plant and equipment of another affiliated company (CAC JSC), with a carrying amount of USD38.9 million.

Notes To The Financial Statements

31 DECEMBER 2012

A subsidiary company (Karcement JSC) is required to comply with certain financial covenants in relation to borrowings obtained from the bank (EBRD). These covenants include various financial ratios. The subsidiary company (Karcement JSC) has breached covenants as at 31 December 2012 and 2011 and during the year then ended. The default was not remedied and the terms of the bank loan was not renegotiated before the financial statements were authorised for issue. The non-current bank loan of USD23,998,287 has not been classified as a current liability as of 31 December 2012 and 2011.

CAC JSC

The outstanding borrowings of a subsidiary company (CAC JSC) obtained from two banks (Bank CenterCredit JSC and Halyk Bank JSC) are repayable in stages during the period ending 20 February 2014 and 23 January 2013, respectively. The outstanding borrowing from the bank (Halyk Bank JSC) is secured by inventories with a carrying amount of USD8.7 million (Note 12).

As of 31 December 2012, a subsidiary company (CAC JSC) has total undrawn loan commitment of USD12.5 million (2011: USD3.9 million) under the loan facilities from two banks (Bank Center Credit JSC and Halyk Bank JSC).

Subsequent to financial year end, subsidiary companies (Karcement JSC and CAC JSC) signed as a co-borrower for an extension of working capital credit line agreement with a bank (Halyk Bank JSC) of up to USD20 million. The facility matures on 23 January 2014. As of the date of the issuance of the financial statements, no draw down was made by the subsidiary company (Karcement JSC) while subsidiary company (CAC JSC) has utilized USD8.5 million from this facility.

20. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Balance at beginning of year	6,176,157	4,687,225	-	-
Exchange differences	(88,697)	(35,504)	-	-
Charged to income statement (Note 7)	2,431,206	1,524,436	-	-
Balance at end of year	8,518,666	6,176,157	-	-

Notes To The Financial Statements

31 DECEMBER 2012

The movement in deferred income tax liabilities of the Group are as follows:

	Opening balance USD	Exchange rate differences USD	Recognised in profit or loss USD	Closing balance USD
2012				
Temporary differences				
Difference in carrying value of property, plant and equipment	(12,262,981)	156,045	339,115	(11,767,821)
Inventories	145,929	(3,014)	130,908	273,823
Trade receivables	69,217	(993)	11,157	79,381
Accrued unused leaves	40,959	(479)	(6,095)	34,385
Tax payables	39,255	(646)	15,964	54,573
Tax losses	5,791,464	(62,216)	(2,922,255)	2,806,993
	<u>(6,176,157)</u>	<u>88,697</u>	<u>(2,431,206)</u>	<u>(8,518,666)</u>

	Opening balance USD	Exchange rate differences USD	Recognised in profit or loss USD	Closing balance USD
2011				
Temporary differences				
Difference in carrying value of property, plant and equipment	(11,630,956)	87,728	(719,753)	(12,262,981)
Trade receivables	10,979	(83)	58,321	69,217
Inventories	70,388	(531)	76,072	145,929
Accrued unused leaves	39,832	(300)	1,427	40,959
Tax payables	84,447	(637)	(44,555)	39,255
Tax losses	6,738,085	(50,673)	(895,948)	5,791,464
	<u>(4,687,225)</u>	<u>35,504</u>	<u>(1,524,436)</u>	<u>(6,176,157)</u>

Notes To The Financial Statements

31 DECEMBER 2012

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Trade payables	7,993,991	7,824,728	-	-
Others	31,694	16,190	-	-
	8,025,685	7,840,918	-	-

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

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

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
KZT	4,930,510	6,474,132	-	-
USD	2,551,223	920,170	-	-
EUR	297,202	416,681	-	-
RUB	240,302	29,935	-	-
GBP	6,448	-	-	-
	8,025,685	7,840,918	-	-

22. ACCRUED AND OTHER LIABILITIES

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Accrued electricity charges	3,977,486	1,152,872	-	-
Advances received from customers	1,039,996	661,553	-	-
Accrued directors fees	967,208	822,665	967,208	822,665
Accrued salaries	589,228	453,336	-	-
Accrued unused leaves	171,982	204,842	-	-
Site restoration accrual	92,077	75,601	-	-
Others	241,838	289,735	151,198	69,914
	7,079,815	3,660,604	1,118,406	892,579

Notes To The Financial Statements

31 DECEMBER 2012

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

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
KZT	5,697,216	2,588,403	-	-
USD	294,546	156,236	60,912	15,875
EUR	26,571	37,271	-	-
GBP	1,054,917	875,822	1,054,917	876,704
MYR	6,565	2,872	2,577	-
	7,079,815	3,660,604	1,118,406	892,579

Site restoration accrual represents annual contribution of 0.5% from the amount of actual expenditures for limestone and loam extraction of the subsidiary company, (CAC JSC) for purposes of site restoration and abandonment of mining operations.

23. TAXES PAYABLE

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Corporate income tax	103,936	188,423	-	-
VAT	67,974	-	-	-
Withholding taxes	62,696	-	-	-
Emission taxes	43,705	105,691	-	-
Pension fund	44,848	30,130	-	-
Personal income tax	30,663	28,763	-	-
Social	26,429	25,288	-	-
Property tax	6,348	8,863	-	-
Other taxes	1,835	57,283	-	-
	388,434	444,441	-	-

Notes To The Financial Statements

31 DECEMBER 2012

24. RELATED PARTIES

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

Balances and transactions between the Company and its subsidiary companies, which are related parties of the Company, have been eliminated on consolidation.

Amount owing by subsidiary companies to the Company arose mainly from advances which are unsecured, interest-free and has no fixed terms of repayment.

The transactions between related parties and the Group included in the income statement and statement of financial position are as follows:

	Purchase of services	
	2012	2011
	USD	USD
Shareholders		
Halfmoon Bay Capital Limited and Mango Bay Enterprises Inc.	232,715	-
Asian Investment Management Services Limited	172,327	-
Portola Group Limited	81,087	-
Other related parties		
Maxam Kazakhstan	1,201,475	1,027,192
Opera Holding LLP	22,601	35,654
	<u>1,224,076</u>	<u>1,062,846</u>
	Receivable/(Payable) to related parties	
	2012	2011
	USD	USD
Other related parties		
Maxam Kazakhstan	(150,824)	(182,544)
Others	7,438	-
	<u>(143,386)</u>	<u>(182,544)</u>

The transaction with shareholders represents underwriting fees in relation to their role as underwriters during the Company's offer for subscription exercise which was completed in December 2012.

The transactions with Maxam Kazakhstan (under other related parties) represent drilling and blasting services performed by this related party.

Notes To The Financial Statements

31 DECEMBER 2012

Compensation of key management personnel

The remuneration of directors and other members of key management are as follows:

	The Group		The Company	
	2012	2011	2012	2011
	USD	USD	USD	USD
Remuneration	1,035,786	908,619	229,196	219,157
Short-term benefit	71,472	62,751	-	-
Total	1,107,258	971,370	229,196	219,157

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			
	2012	2011	2012	2011
	GBP	GBP	USD	USD
Director fees				
Executive director				
Javier del Ser Perez	66,000	66,000	107,283	102,584
Non-executive director				
Malcolm Brown	50,000	50,000	81,275	77,715
Paul Rodzianko	25,000	25,000	40,638	38,858
Total	141,000	141,000	229,196	219,157

Notes To The Financial Statements

31 DECEMBER 2012

25. 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 going concern through optimisation of debt and equity balance.

The Group's capital structure consists of net debt (as detailed in Note 19 offset by cash and cash equivalents) and equity attributable to the shareholders of the Group. Equity attributable to the shareholders of the Group includes share capital, reserves and retained earnings. The Group monitors and reviews its capital structure based on its business and operating requirements.

The Group is not subject to any externally imposed capital requirements.

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a various financial risks which include foreign currency risk, credit risk, liquidity risk and interest rate risk.

The Group continuously manages 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.

Notes To The Financial Statements

31 DECEMBER 2012

Foreign currency sensitivity analysis

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

2012	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	10,747,162	-	45,714	3,696	-	3,219,179	14,015,751
Short-term investments	5,997,607	-	-	-	-	-	5,997,607
Trade and other receivables	3,605,823	-	-	-	-	-	3,605,823
Financial Liabilities							
Trade and other payables	4,930,510	6,448	297,202	-	240,302	2,551,223	8,025,685
Accrued and other liabilities	5,595,767	1,054,917	26,571	6,565	-	294,546	6,978,366
Borrowings	11,274,488	-	-	-	-	43,916,033	55,190,521
2011	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	271,318	-	34,302	449	-	187,532	493,601
Trade and other receivables	2,885,784	-	-	-	-	-	2,885,784
Financial Liabilities							
Trade and other payables	6,474,132	-	416,681	-	29,935	920,170	7,840,918
Accrued and other liabilities	2,428,183	875,822	37,271	2,872	-	156,236	3,500,384
Borrowings	795,293	-	-	-	-	53,851,848	54,647,141

Notes To The Financial Statements

31 DECEMBER 2012

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 outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. 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. The positive figure indicates an increase in profits and negative indicates a decrease in profits for the reporting period. 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 and equity.

Effect of KZT		
	2012	2011
Financial assets	(2,035,059)	(315,710)
Financial liabilities	2,180,076	969,761
Effect of GBP		
	2012	2011
Financial liabilities	106,136	87,582
Effect of EUR		
	2012	2011
Financial assets	(4,571)	(3,430)
Financial liabilities	32,377	45,395
Effect of MYR		
	2012	2011
Financial assets	(370)	(45)
Financial liabilities	657	287
Effect of RUB		
	2012	2011
Financial liabilities	24,030	2,994

Notes To The Financial Statements

31 DECEMBER 2012

(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.

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.

(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, bank loans and accessible credit lines. 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 2012, a subsidiary company (CAC JSC) has total undrawn loan commitment of USD12.5 million under the loan facilities from two banks (Bank Center Credit JSC and Halyk Bank JSC) (Note 19) to meet its funding requirements and to further reduce liquidity risk.

Notes To The Financial Statements

31 DECEMBER 2012

Tables on Liquidity and Interest Rate Risk

The following tables reflect contractual terms of the Group for its non-derivative financial liabilities of the Group. 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.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
2012							
<i>Interest bearing</i>							
Borrowings							
Bonds	11.15%	-	-	990,428	13,865,993	-	14,856,421
Bank loans	6.83%	1,693,020	3,524,601	11,147,826	33,536,114	-	49,901,561
<i>Non-interest bearing</i>							
Trade and other payables		5,419,849	2,605,836	-	-	-	8,025,685
Accrued and other liabilities		324,361	156,567	5,652,142	845,296	-	6,978,366
		<u>7,437,230</u>	<u>6,287,004</u>	<u>17,790,396</u>	<u>48,247,403</u>	<u>-</u>	<u>79,762,033</u>
2011							
<i>Interest bearing</i>							
Borrowings							
Bank loans	6.40%	7,361	1,011,779	13,380,820	48,841,626	-	63,241,586
<i>Non-interest bearing</i>							
Trade and other payables		7,840,918	-	-	-	-	7,840,918
Accrued and other liabilities		1,281,147	-	1,513,551	705,686	-	3,500,384
		<u>9,129,426</u>	<u>1,011,779</u>	<u>14,894,371</u>	<u>49,547,312</u>	<u>-</u>	<u>74,582,888</u>

Notes To The Financial Statements

31 DECEMBER 2012

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.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
2012							
<i>Interest bearing</i>							
Cash and cash equivalents	2.40%	-	7,022,175	-	-	-	7,022,175
Short-term investments	2.55%	-	-	5,997,607	-	-	5,997,607
<i>Non-interest bearing</i>							
Cash and cash equivalents		6,993,576	-	-	-	-	6,993,576
Trade and other receivables		1,879,788	1,061,466	664,569	-	-	3,605,823
		<u>8,873,364</u>	<u>8,083,641</u>	<u>6,662,176</u>	<u>-</u>	<u>-</u>	<u>23,619,181</u>
2011							
<i>Non-interest bearing</i>							
Cash and cash equivalents		493,601	-	-	-	-	493,601
Trade and other receivables		1,575,547	1,194,936	115,301	-	-	2,885,784
		<u>2,069,148</u>	<u>1,194,936</u>	<u>115,301</u>	<u>-</u>	<u>-</u>	<u>3,379,385</u>

Notes To The Financial Statements

31 DECEMBER 2012

(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.

	2012 USD	2011 USD
Increase/Decrease in finance costs	434,107	525,088

There is no other impact in the Group's equity other than those already affecting the income statement.

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.

Short-term investments, trade and other receivables and payables and accrued and other liabilities

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.

Notes To The Financial Statements

31 DECEMBER 2012

Borrowings

The fair values of the borrowings are estimated by discounting expected future cash flows at market interest rates prevailing at the end of the relevant year with similar maturities adjusted by credit risk.

As at 31 December 2012 and 2011, the fair values of financial assets and financial liabilities approximate their carrying values.

26. CONTINGENCIES

Litigation - The Group has been and continues to be the subject of legal proceedings and adjudications. The directors are of the opinion that the resolution of any legal claim will have no material financial impact to the Group.

Site restoration - A subsidiary company is legally required to restore mining sites. The estimated cost of site restoration and abandonment of mining operation are accrued based on 0.5% of certain mining expenditure. The Group is legally required to provide financial support to cover site restoration and abandonment cost if the site restoration cost accrued by a subsidiary is insufficient.

27. 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 outstanding purchase commitments not provided for as at 31 December 2012 amounted to USD1,635,516 (2011: USD643,962).

28. 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, the Republic of Kazakhstan.

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, changes in equity and cash flows 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 2012 and for the year ended on that date.

Signed in accordance with a
resolution of the Directors,

JAVIER DEL SER PEREZ

Labuan
6 May 2013



Notice of 2013 AGM

NOTICE IS HEREBY GIVEN that the 2013 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 Monday, 3 June 2013 at 2.30 p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTION

1. ADOPTION OF AUDITED FINANCIAL STATEMENTS

RESOLUTION 1

To receive and adopt the audited financial statements for year ended 31 December 2012.

2. RE-ELECTION OF DIRECTORS

RESOLUTION 2

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

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: 13 May 2013

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.



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