



Location Of Kazakhstan

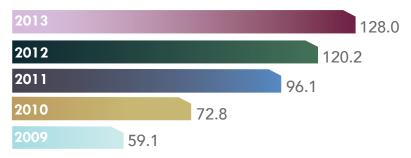


Plant Location In Kazakhstan

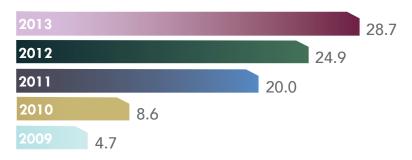




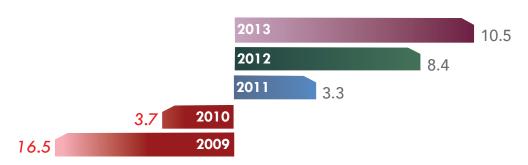
Revenue (USD Million)



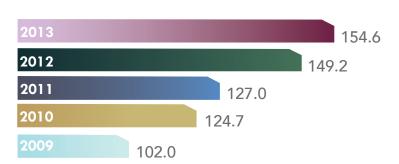
EBITDA (USD Million)



Profit/Loss after Tax (USD Million)



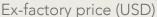
Shareholders Fund (USD Million)





6

Operational and Market Data





Market Share %



Sales Volume (million tonnes)

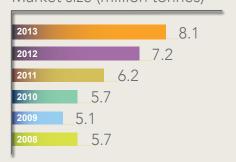


Annual Production Capacity (million tonnes)

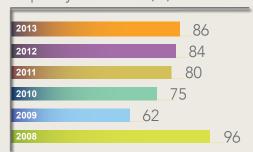


* APC increased to 2.8 million tonnes in March 2014

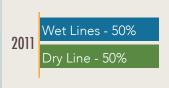
Market size (million tonnes)

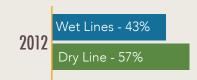


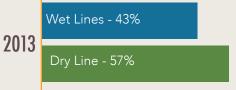
Capacity utilisation (%)



Wet Lines/ Dry Line production mix

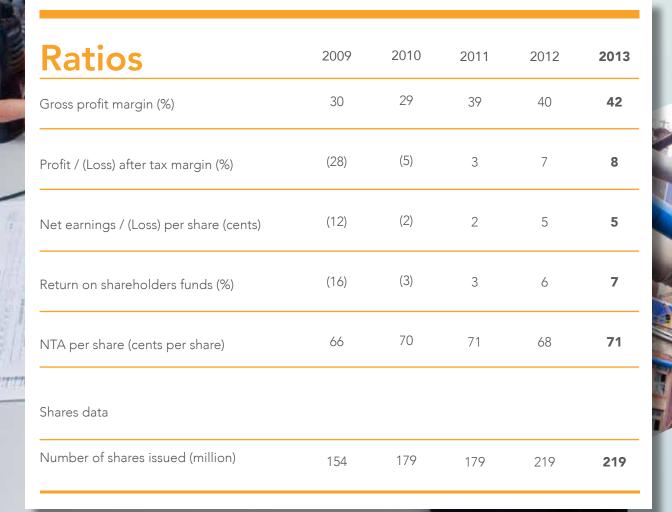








Financial Ratios



1004



Corporate Information

Listing

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

AIM Stock Code

STCM

Bloomberg Ticker

STCM LN Equity

Reuters Ticker

STCM L

Company Registration

LL04433

Country of incorporation

Federal Territory of Labuan, Malaysia

Head Office Address

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

Main Country of Operation

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

Company Secretary

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

Nominated Advisor

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

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

Broker

Westhouse Securities Limited Heron Tower 110 Bishopgate London EC2N 4AY

Bankers

VTB Bank (Austria) AG VTB Bank (France) SA Halyk Bank JSC SB HSBC Bank Kazakhstan JSC

Group Auditor

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

UK Registrar

Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 6ZZ

Solicitor

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

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

Chairman's Statement



"Cement demand in 2013 continued to recover more strongly than had been anticipated in my statement last year. This rose by 13% to 8.1 million tonnes as government spending on key infrastructure projects, notably roads, accelerated."



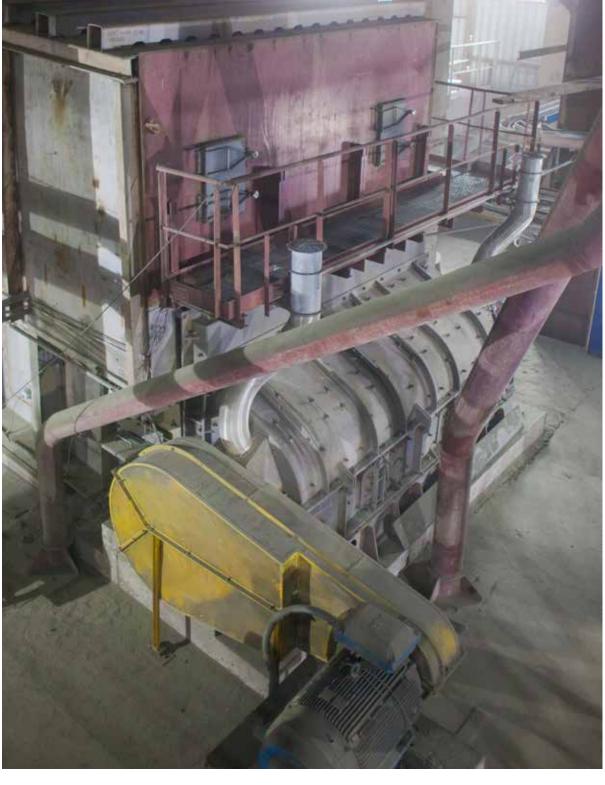
Last year Steppe Cement made great progress in achieving the Board's twin goals: becoming one of the lowest cost producers in Kazakhstan while at the same time reducing the high level of indebtedness resulting from the investment in two dry lines. I can now report that the first of these goals has been successfully achieved with the firing up of Line 5. Good progress is also being made on the second as cash generation strengthens and overall group borrowings start to fall paving the way for future dividend payments for our patient shareholders in the years ahead.

Cement demand in 2013 continued to recover more strongly than had been anticipated in my statement last year. This rose by 13% to 8.1 million tonnes as government spending on key infrastructure projects, notably roads, accelerated. An ambitious road building and improvement project was started in 2010 to upgrade some 2,840 kilometres of highways linking Western Europe and Russia to China and passing through southern Kazakhstan. This Western Europe-Western China (WE-WC) project is the largest infrastructure project in Central Asia and has given added impetus to cement demand that is expected to rise a further 6% in 2014 after a flat first quarter, partly due to an abnormally severe weather in February. By contrast, cement demand from the private commercial and real estate sector remains muted. Non-performing loans made during the heady days of 2005-2007 still accounted for 35% of bank loans at the end of March 2014. New government proposed measures including bank consolidation, creation of a bad loan bank and giving the banks the ability to write off loans should help credit expansion. However, the momentum is slow and caution is much in evidence, an approach reinforced by weaker commodity prices.

Management's efforts in the last eighteen months have been focused almost exclusively on the installation and commissioning of the new dry process line. Their impact will be transformational both in terms of capacity and competitive cost. The four wet lines will be progressively retired and headcount pared back as the dry lines reach optimum output over the next year and a half. Our accounts reflect a partial impairment of the older clinker production lines to reflect the economic reality.

A sharper focus will be placed on marketing to recover lost market share. Steppe was hobbled not only because of historic supply constraints but also as new entrants sought to establish themselves in the metro markets of Astana, Almaty and Karaganda that were the preserve of Steppe Cement. To this end we placed an order for the purchase of up to 300 cement rail wagons to substitute a similar number of rented wagons and we have an option to place a similar order in 2015. These will be delivered later this year so that maximum economic benefit can be derived from the cost advantages conferred by the investment in new dry process plant over the peak summer months.

Important progress was made in a material reduction in electricity costs for the new dry lines. A short transmission line and switch yard have been constructed to enable Karcement to connect directly to KEGOC's national grid.



The group's competitive advantage will thus be further underpinned by the containment of variable costs. These will experience upward pressure following a 19% devaluation of KZT relative to the USD in February 2014 similar to the level experienced in February 2009. For companies seeking to build new plants or to service existing foreign currency loans there will be an immediate adverse cost which should be reflected in higher cement prices.

The audit report makes reference to the carrying value of land and buildings. The directors expect that this issue will be addressed in the next formal quinquennial revaluation due in August 2015.

Without doubt 2013 will be seen as an important landmark in the development of Steppe Cement confirming significant competitive cost advantage over most of its peers. None of this would have been possible without the loyalty and dedication shown by a small core team of senior managers. Their engineering skills and resourcefulness have successfully brought to a timely completion and on budget 2 million tonnes of cement capacity.

Malcolm Ronald Brown Non-Executive Chairman



CEO's Statement



"Steppe Cement completed Line 5 during 2013 taking its dry process installed capacity to 2 million tonnes of cement from two production lines. In addition, we continue to operate the existing wet lines until the production from the new line ramps up. In April 2014 we completed a direct electrical connection to the national grid. In May 2014, outstanding loans due to EBRD and HSBC have been fully refinanced with VTB Bank Austria and France. With the competitive advantages of both lower production costs and a relative low level of debt compared to our competitors, Steppe Cement is poised to gain market share in the domestic market and to continue to benefit from the growth of the Kazakhstan construction industry."



In 2013 Steppe Cement posted a net profit of USD10.5 million with factory capacity utilization of 86%. Sales volume improved by 1% while selling prices increased by 5% in USD or 7% in KZT, which was above the overall inflation rate of 5% for the year. Steppe Cement's EBITDA rose to USD28.7 million compared with USD24.9 million in 2012.

During the year Steppe Cement completed the reconstruction and modernisation of dry line 5, taking its total capacity to 2 million tonnes of cement in the dry lines and 0.8 million tonnes in the wet lines. The project cost of reconstruction of the Line 5 project was USD105 million of which USD23 million was spent in 2013.

Although the wet lines worked at more than 74% capacity in 2013 and continue to work in 2014, we decided to start recognising impairment loss on depreciable fixed assets used in the wet lines' clinker production process. We plan to replace them progressively with the more cost efficient Line 5 but we shall maintain them in standby pending the future evolution of the market and competition. We decided to charge an impairment loss of USD4.1 million to the statement of profit and loss and we charged USD1 million (net of tax) to the revaluation reserve.

The market volume increased by 13% in 2013 and we expect a 6% increase in 2014

The Kazakh cement market in 2013 was 8.1 million tonnes, an increase of 13% compared to 7.2 million tonnes in 2012. Our expectations are that overall market demand in 2014 will increase by 6% to 8.6 million tonnes. The increase in market size is mostly expected to be taken up by new production capacities coming on stream in 2013 and 2014, Steppe Cement, Kazakh Cement and Caspi Cement (Heidelberg group). Imports increased in 2013 as the local producers could not cope with the increased demand. The local producers' market share decreased from 87% in 2012 to 81% in 2013. We expect that in 2014 it will improve to 88%, especially in West Kazakhstan where Caspi Cement operates.

Steppe Cement's average cement selling prices increased by 5% during the year to USD94 per tonne delivered (equivalent to USD79 per tonne ex-factory). Steppe Cement had a market share of 17% in 2013 compared to 19% in 2012. In 2014 we expect to increase our share back to 20% in line with increased production capacity.

The outlook of the construction industry in Kazakhstan remains positive, mainly driven by the Expo 2017, road building programs and general infrastructure works.

Key financials	Year ended 31-Dec-2013	Year ended 31-Dec-2012	Inc/ (Dec)%
Sales (tonnes of cement)	1,366,678	1,349,561	1.3
Consolidated turnover in USD Million	128.0	120.2	6.5
Consolidated profit before tax (USD Million)	13.0	12.0	8.3
Consolidated profit after tax (USD Million)	10.5	8.4	25
Profit per share (US cents)	4.8	4.6	4.3
Shareholders' funds (USD Million)	154.6	149.2	3.6
Average exchange rate (USD/KZT)	152.2	149.1	
Exchange rate as at year end (USD/KZT)	154.3	150.4	

Dry Line 6 continues to improve its performance while the wet lines will be used to cover the balance of demand until Line 5 produces at designed capacity

The four wet lines produced 593,425 tonnes in 2013, a slight increase as compared to 2012. The dry line contributed 778,040 representing 57% of total production of Steppe Cement. The production from the dry lines will increase significantly in 2014 to cover at least 75% of the total sales, resulting in a significant reduction in production costs per tonne.

Capital investment

During 2013 we concentrated our main capital investment on Line 5 and the completion of the electrical bypass. The bypass project allows Karcement JSC to connect directly to KEGOC (Kazakhstan Electricity Grid Operating Company). It will save in excess of 35% from the electricity costs associated with the dry lines. The total investment in this project was USD3 million and it is expected to save yearly KZT800 million or USD4.4 million at the current exchange rates.

Dry Line number 6 capital improvements and maintenance plans brought a 15% increase in clinker production and an 18% increase in running hours. The main capital investment included:

- Change of raw mill fans that brought a potential increase of 22% production in raw mills
- Cement silos dust plant
- New drag chains below the electrostatic precipitators
- New girth gear in one slag dryer.

We will continue with a reduced capital investment program in the years ahead. The capex will be mostly used to improve the cement mills and cope with the additional clinker produced. Planned capital expenditure on the dry lines will be limited yearly to a maximum of USD5 million.

Wagons

In April 2014 we obtained financing to purchase up to 300 wagons of 72 tonnes capacity for USD50,000 each. They represent 40% of the current rented fleet and they have an expected lifespan of at least 30 years with minimum maintenance in the first 7 years. We currently rent similar but older wagons for USD10,500 each yearly. The financing has been designed so that the principal and interest payments in the first 5 years match the current rent. The purchase will allow to secure the distribution of our increased volume and improve the bargaining power on the remaining rented wagons. A further purchase of 300 wagons is planned in 2015 if the financing and purchase price continues to be attractive. This operation will initially increase the long term debt by USD15 million and the EBITDA by USD3 million yearly.



CEO's Statement

Cost of production in dry and wet lines

Cash production costs increased by 3% to USD50/tonne. There were significant increases in electricity, coal and transportation but they were compensated for by higher productivity, savings in electricity transportation and coal consumption. The increased costs in Central Asia Cement ("CAC") were balanced with lower cost of USD43/tonne in Line 6.

With the completion of Line 5 and the electrical bypass, 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, reduced slightly to USD14.5 per tonne in 2013. This was due to increasing deliveries by truck to Astana. During the high season we chose to maintain delivery to the markets closer to the factory. From 2014 our transportation costs per tonne are expected to decrease further as we invest in our own fleet of wagons.

General and administrative expenses

General and administrative expenses increased by 9% to USD12.7 million from USD11.7 million in 2012 mainly due to an increase in provision for slow-moving inventories of spare parts.

An impairment charge of USD4.1 million was made for the clinker workshop in CAC. While CAC continues to work as a company, its clinker will be progressively replaced by the one produced by Karcement. Even if the wet lines are stopped, they could be restarted again if the market conditions allow it. CAC will continue to operate all ancillary functions such as quarries, garage, locomotives, compressors, water, cement mills, administration, sales and marketing.

The labour count stood at 1,099 on 31 March 2014 compared with 1,025 on 31 March 2013. We now have 719 employees in the wet lines and administration and 380 in the dry lines to run both Lines 5 and 6.



Line 5

After the successful commissioning of Line 5, we expect it to operate at 80% capacity by this summer, in time for the high season. Line 5 is expected to contribute 35% of the total sales volumes in 2014. At full capacity, Line 5 will be able to produce 1.2 million tonnes of cement and the cash cost savings per tonne when compared to the wet lines are estimated at USD12/tonne.

Financial position

The last round of equity financing in late 2012 and the operational cash flows in 2013 allowed Steppe Cement to complete the reconstruction and modernisation of Line 5 while continuing to pay down its long term loans. During the year we reduced our long term debt by USD14.4 million. The reduction in long term debts is mainly due to principal repayments of USD12.2 million. As of 31 December 2013 we have loans of USD31.4 million denominated in USD and unsecured bonds of USD9.4 million denominated in KZT to be repaid in November 2017.





After a further principal repayment of USD2.1 million to HSBC in March 2014 and the devaluation of the KZT in February 2014, our total borrowings at the end of April 2014 stand at USD37.1 million of which USD29.3 million are denominated in USD and the balance of USD8.1 million are denominated in KZT.

In April 2014 we decided to refinance the USD denominated debts from EBRD and HSBC in order to spread the principal repayments evenly over 3 years, return the principal after the selling season to better fit our cash flows and reduce the need for working capital in the winter. The new loan bears interest at 6.2%, a rate comparable to the existing ones, and is repayable by November 2016. At the same time the refinancing will allow Steppe Cement to free some of the assets currently pledged.

We have renewed the revolving working capital credit line from Halyk Bank for KZT3 billion at 10.75% per annum and obtained an additional line of KZT750 million from HSBC. Together they represent approximately USD20 million at the 183 USD/KZT exchange rate.

In 2013 finance costs decreased to USD2.7 million from USD3.5 million in 2012 excluding the effect of interest capitalised for Line 5. Had the interest not been capitalized, the financial expenses would have been USD3.9 million in 2013 and USD4.3 million in 2012. From 1 January 2014 capitalisation of interests ceased as the physical construction activities of Line 5 were substantially completed.

Depreciation was slightly reduced to USD9 million during 2013. The statutory corporate income tax rate remains at 20% in Kazakhstan. Karcement JSC, our wholly owned subsidiary, enjoyed its last year of income tax exemption under 5-year tax holiday and will start normal tax payments in 2014.

I would like to thank the efforts of our employees, which were essential to complete these projects. We expect to collect the fruits of this work in coming years. Finally, I want to thank all the shareholders for their patience and their contributions in the past.

Javier del Ser Chief Executive Officer



Group Structure



Steppe Cement (M) Sdn Bhd (Malaysia) 100% 100%

Mechanical and Electrical Consulting Services Ltd (Malaysia)

100%

Steppe Cement Holdings B.V. (Netherlands)

100%

CENTRAL ASIA CLIMENT

Central Asia Cement JSC (Kazakhstan)

100%

САРЦЕМЕН

Karcement JSC (Kazakhstan)

100%

Central Asia Services LLP

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Board of Directors



Malcolm Brown, 66 years of age, is a UK national with a background as an analyst and corporate finance adviser. He has significant experience with the European building materials sector and has been involved in a number of cement related transactions. Mr Brown worked with HSBC Investment Bank and its predecessor James Capel for 34 years as a director, senior analyst and adviser until his retirement in 2006. The research output, supported by a strong specialist sales team, enabled James Capel and subsequent to its purchase, by HSBC, to establish a leading position in the building material and construction sector in both the primary and the secondary market. This was reflected in the external poll ratings and the expanded number of corporate brokerships.

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

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



Javier del Ser Perez, 48, 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, 68, 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.





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

Project 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 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. Veronica is also the General Director of CAS LLP.

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.





Management & staff of Central Asia Cement JSC

General Director: Peter Durnev

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

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.

Personnel Manager: Irina Poluychik

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

Chief Technologist: Sirazieva Tanzilya Yunusovna
She is qualified as a chemical-technologist engineer from Belgorod Technological Institute of Building Materials and has 42 years of experience in the cement industry.

Chief Accountant: Hasanova Zilya Vildanovna

She holds a bachelor degree in accounting and audit from the Karagandy Economical University of Kazpotrebsouz and has worked for 25 years in the cement industry.

Deputy Chief Mechanic: Beyskhanov Altai Kalimbekovich

He is a mechanical technician educated from the Aktau Industrial College and has worked in the cement industry for 27 years.







Corporate Governance

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 2013, 4 board meetings were held. The following is the attendance record of the directors:

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-today management and operations of the Group in accordance with the objectives and strategies established by the Board to the Chief Executive Officer and the senior management.

Independence

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

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

Committee meetings are held concurrently with the board meetings.



Corporate Governance

The Chairman currently holds 1,000,000 shares or 0.46% of the issued share capital of Steppe Cement. The Board does not consider the 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.

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.

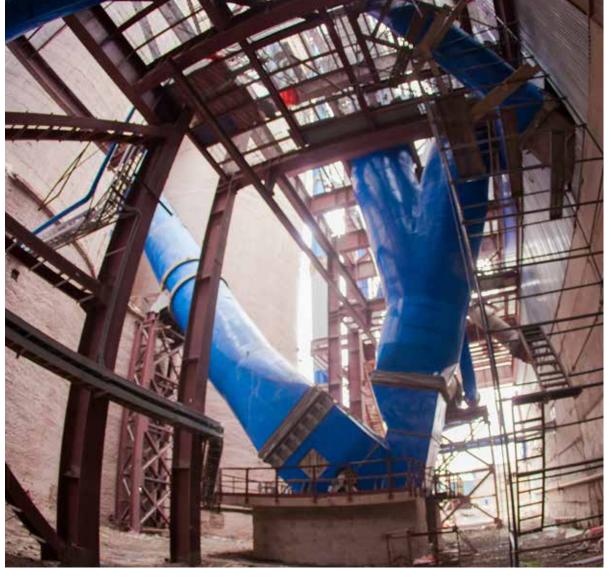
Independence advice and insurance

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:

Paul Rodzianko (Chairman) 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.

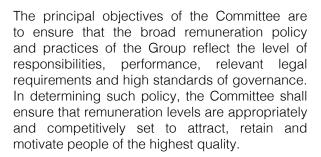
Remuneration Committee

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.



Corporate Governance





The functions of the Remuneration Committee include:

- Determine and review the broad remuneration policy of the Chairman, Chief Executive Officer, Executive Directors and Senior Executives;
- Review the contracts for the Chairman, Chief Executive Officer, Executive Directors and the contractual terms;
- Obtain information on the remuneration of other listed companies of similar size and industry;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference every two (2) years, or more frequently as required to ensure its ongoing relevance and effectiveness.

The Remuneration Committee's members comprises of:

Malcolm Brown (Chairman) 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:

Paul Rodzianko (Chairman) Malcolm Brown

BUSINESS CONDUCT AND ETHICS

In the course of business, the Board acknowledges the need to maintain high standards of business and ethical conduct by all Directors, management and employees of the Group. In this respect, the Group has the responsibility to observe local laws, customs and culture of each country in which it operates in particular Kazakhstan and to adopt the high standards of business practice, procedure and integrity. All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

Conflict of interest

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



Corporate Governance

INVESTOR RELATIONS

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

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

Annual General Meeting

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

INTERNAL CONTROL

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

Purpose

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

Key elements

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

- Control an organisational structure is in place with clearly defined levels of responsibility and authority together with appropriate reporting procedures, particularly with respect to financial information and capital expenditure.
- Financial Reporting and Budgeting A financial reporting and budgeting system with an annual budget approved by the directors has been established to monitor the performance of the subsidiaries. The management evaluates the actual against budget to identify and explain the causes of the significant variances for appropriate action. The budgets are revised regularly taking into internal and external variables such as performance, costs, capital expenditure requirements, macro outlook and other relevant factors.
- Risk Management and Compliance Risk management and compliance policies, controls and practices are in place for the Group to identify, assess, manage and monitor key business risks and exposure and for evaluation of their financial impact and other implications.

Monitoring and review mechanism

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









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 2013, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 34 to 91.

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 and audit opinion on the financial statements of the Group and of the Company, respectively.

Basis for Qualified Opinion

Impairment of property, plant and equipment

As disclosed in Notes 6 and 9 to the financial statements, during the year ended 31 December 2013, the Group recognised an impairment loss of USD5,366,831 in respect of the property, plant and equipment. USD1,277,664 before considering tax effect of USD255,532 is recognised in other comprehensive income to the extent of credit balance existing in the revaluation surplus in respect of buildings and USD4,089,167 is recognised as impairment loss in income statement. We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the assumptions made by the Group in its impairment review and its value in use calculations. There were no practical alternative audit procedures that we could perform to satisfy ourselves as to the appropriateness of the impairment loss recognised during the year. Accordingly, we were unable to assess whether the recoverable amount of the property, plant and equipment exceeded its carrying amount as of 31 December 2013 and whether any additional impairment loss should be recognised in accordance with International Accounting Standard 36, "Impairment of Assets".



Revaluation of land and buildings

As disclosed in Note 9 to the financial statements, the carrying amount of the Group's land and buildings, which was measured at fair value less accumulated depreciation and impairment losses recognised at the date of revaluation, amounted to USD29,453,129 as of 31 December 2013. 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 were of the opinion that the carrying amounts of the land and buildings since the date of revaluation until 31 December 2013 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 31 December 2013. 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 2013 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 of 31 December 2013 included non-current bank loans of USD17,748,603. Certain covenants in the bank loan agreement relating to a non-current loan of USD14,814,000 had been breached during the year and as of 31 December 2013 and the Group did not have an unconditional right to defer its settlement for at least twelve months after 31 December 2013. 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".

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 financial position of the Group as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Labuan Companies Act, 1990 in Malaysia.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013 and of its financial performance and 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

LIM BOON TENG Partner - 3064/04/15 (J) Chartered Accountant

Chartered Acco

14 May 2014



Income Statements FOR THE YEAR ENDED 31 DECEMBER 2013

		The Gr	oup	The Company		
	Note	2013 USD	2012 USD	2013 USD	2012 USD	
Revenue	4	127,981,763	120,165,706	100,000	100,000	
Cost of sales		(74,194,003)	(72,201,346)	<u>-</u>	-	
Gross profit Selling expenses General and administrative		53,787,760 (19,799,639)	47,964,360 (19,859,692)	100,000	100,000	
expenses		(12,696,958)	(11,666,123)	(523,094)	(568,518)	
Interest income		68,401	-	-	-	
Finance costs	5	(2,689,949)	(3,476,788)	-	-	
Impairment loss on property, plant and equipment Other expenses	9	(4,089,167) (1,604,046)	- (923,130)	- (16,740)	- (35,312)	
Other expenses		(1,004,040)	(923, 130)	(10,740)	(33,312)	
Profit/(Loss) before income tax	6	12,976,402	12,038,627	(439,834)	(503,830)	
Income tax expense	7	(2,525,429)	(3,678,393)	-	-	
Profit/(Loss) for the year		10,450,973	8,360,234	(439,834)	(503,830)	
Attributable to: Shareholders of the Company		10,450,973	8,360,234	(439,834)	(503,830)	
Profit per share:			-			
Basic and diluted (cents)	8	4.8	4.6			

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

Statements Of Comprehensive Income FOR THE YEAR ENDED 31 DECEMBER 2013

		The Group		The Company		
	Note	2013 USD	2012 USD	2013 USD	2012 USD	
Profit/(Loss) for the year		10,450,973	8,360,234	(439,834)	(503,830)	
Other comprehensive income/(loss):						
Items that will not be reclassified subsequently to profit or loss:						
Impairment loss on property, plant and equipment, net of tax	18	(1,022,132)	-	-	-	
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign subsidiary						
companies, net of tax	18	(3,977,068)	(1,635,943)	-	_	
Total other comprehensive loss		(4,999,200)	(1,635,943)			
Total comprehensive income/(loss) for						
the year, net of tax		5,451,773	6,724,291	(439,834)	(503,830)	
Attributable to:						
Shareholders of the Company		5,451,773	6,724,291	(439,834)	(503,830)	

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

Statements Of Financial Position AS OF 31 DECEMBER 2013

		The Gr	oup	The Company		
	Note	2013	2012	2013	2012	
		USD	USD	USD	USD	
Assets						
Non-Current Assets Property, plant and equipment	9	167,164,899	135,442,394	-	-	
Investment in subsidiary companies	10	-	-	30,500,002	30,500,002	
Advances and prepaid expenses	14	678,285	2,385,323	-	-	
Other assets	11	17,124,247	40,575,352			
Total Non-Current Assets		184,967,431	178,403,069	30,500,002	30,500,002	
Current Assets Inventories	12	20,466,479	18,247,651	-	-	
Trade and other receivables	13	7,122,772	6,779,161	-	-	
Loans and advances to subsidiaries	10	-	-	39,908,676	37,509,853	
Advances and prepaid expenses	14	4,275,356	4,934,256	8,887	6,091	
Short-term investments	16	-	5,997,607	-	-	
Cash and cash equivalents	15	4,299,183	14,015,751	238,111	2,923,334	
Total Current Assets		36,163,790	49,974,426	40,155,674	40,439,278	
Total Assets		221,131,221	228,377,495	70,655,676	70,939,280	

Statements Of Financial Position AS OF 31 DECEMBER 2013

		The Gro	oup	The Co	mpany
	Note	2013 USD	2012 USD	2013 USD	2012 USD
Equity and Liabilities					
Capital and Reserves					
Share capital	17	73,760,924	73,760,924	73,760,924	73,760,924
Revaluation reserve	18	5,603,756	8,033,718	-	-
Translation reserve	18	(25,621,877)	(21,644,809)	-	-
Retained earnings/ (Accumulated losses)		100,883,344	89,024,541	(4,379,884)	(3,940,050)
Total Equity		154,626,147	149,174,374	69,381,040	69,820,874
Non-Current Liabilities					
Borrowings	19	27,064,821	40,663,029	-	-
Deferred tax liabilities	20	9,357,535	8,518,666		_
Total Non-Current Liabilities		36,422,356	49,181,695	<u>-</u> _	-
Current Liabilities					
Trade and other payables	21	9,051,771	8,025,685	-	-
Accrued and other liabilities	22	6,801,926	7,079,815	1,274,636	1,118,406
Borrowings	19	13,729,079	14,527,492		-
Taxes payable	23	499,942	388,434		
Total Current Liabilities		30,082,718	30,021,426	1,274,636	1,118,406
Total Liabilities		66,505,074	79,203,121	1,274,636	1,118,406
Total Equity and Liabilities		221,131,221	228,377,495	70,655,676	70,939,280

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

The Group	Share capital	Non-distr	ibutable ————————————————————————————————————	Distributable Retained earnings	Total*
	USD	USD	USD	USD	USD
Balance as of 1 January 2013	73,760,924	8,033,718	(21,644,809)	89,024,541	149,174,374
Profit for the year	-	-	-	10,450,973	10,450,973
Other comprehensive loss	-	(1,022,132)	(3,977,068)	-	(4,999,200)
Total comprehensive income/(loss) for the year	-	(1,022,132)	(3,977,068)	10,450,973	5,451,773
Other transactions impacting Equity:					
Transfer of revaluation reserve relating to property, plant and equipment through use	_	(1,407,830)	_	1,407,830	_
_	72.760.024	<u> </u>	(25 621 977)		154 696 147
Balance as of 31 December 2013	73,760,924	5,603,756	(25,621,877)	100,883,344	154,626,147

^{*}Attributable to the shareholders of the Company.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

	Non-distri	ibutable —	Distributable	
Share capital	Revaluation reserve	Translation reserve	Retained earnings	Total*
USD	USD	USD	USD	USD
58,298,542	9,477,390	(20,008,866)	79,220,635	126,987,701
- -		- (1,635,943)	8,360,234 -	8,360,234 (1,635,943)
- 15,980,000	-	(1,635,943) -	8,360,234	6,724,291 15,980,000
(517,618)	-	-	-	(517,618)
	(1 442 672)		1 440 670	
70.700.004				
	58,298,542 - - - 15,980,000	Share capital Revaluation reserve USD USD 58,298,542 9,477,390 - - - - 15,980,000 - (517,618) -	USD USD 58,298,542 9,477,390 (20,008,866) - - - - - (1,635,943) 15,980,000 - - (517,618) - -	Share capital Revaluation reserve Translation reserve Retained earnings USD USD USD 58,298,542 9,477,390 (20,008,866) 79,220,635 - - (1,635,943) - - (1,635,943) 8,360,234 15,980,000 - - - (517,618) - - - - (1,443,672) - 1,443,672

^{*}Attributable to the shareholders of the Company.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

The Company	Share capital USD	Accumulated losses USD	Total USD
Balance as of 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 of 31 December 2012	73,760,924	(3,940,050)	69,820,874
Balance as of 1 January 2013	73,760,924	(3,940,050)	69,820,874
Total comprehensive loss for the year		(439,834)	(439,834)
Balance as of 31 December 2013	73,760,924	(4,379,884)	69,381,040

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

Cash Flow Statements FOR THE YEAR ENDED 31 DECEMBER 2013

	The Gr	oup	The Com	pany
	2013 USD	2012 USD	2013 USD	2012 USD
CASH FLOWS FROM OPERATING ACTIVITIES Profit/(Loss) before income tax	12,976,402	12,038,627	(439,834)	(503,830)
Adjustments for:	12,010,102	12,000,021	(100,001)	(000,000)
Depreciation of property, plant and equipment Amortisation of quarry stripping	8,968,434	9,369,956	-	-
costs	37,539	85,612	-	-
Finance costs	2,689,949	3,476,788	-	-
Unrealised foreign exchange loss	842,564	1,169,109	17,214	32,326
Interest income	(68,401)	-	-	-
Provision for doubtful receivables	137,331	115,116	-	-
Provision for doubtful advances paid to third parties	145,777	73,591	_	-
Loss on disposal of property, plant and equipment	223,238	45,659	-	-
Provision for obsolete inventories	1,897,712	648,936	-	-
Impairment loss on property, plant and equipment _	4,089,167		<u>-</u>	
Operating Profit Before Working Capital Changes	31,939,712	27,023,394	(422,620)	(471,504)

Cash Flow Statements FOR THE YEAR ENDED 31 DECEMBER 2013

	The G	roup	The Co	mpany
	2013 USD	2012 USD	2013 USD	2012 USD
Movement in working capital: (Increase)/Decrease in:				
Inventories	(2,174,486)	684,223	-	-
Trade and other receivables	(466,814)	2,597,124	-	-
Loans and advances to subsidiaries	-	-	(2,398,823)	(12,358,432)
Advances and prepaid expenses	2,240,157	(1,900,042)	(2,796)	(6,091)
Other assets	3,071,875	(12,833,649)	-	-
Increase/(Decrease) in: Trade and other payables	1,026,086	184,767	-	-
Accrued and other liabilities	(79,659)	3,447,693	139,016	193,501
Cash Generated From/(Used In) Operations	35,556,871	19,203,510	(2,685,223)	(12,642,526)
Income tax paid	(1,317,587)	(1,420,371)	-	-
Interest paid	(3,892,302)	(4,678,268)		_
Net Cash From/(Used In) Operating Activities	30,346,982	13,104,871	(2,685,223)	(12,642,526)
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	106,482	-	-
Purchase of property, plant and equipment	(16,590,562)	(10,150,160)	-	-
Purchase of other assets	(15,571,913)	-	-	-
Payment for quarry stripping costs	(21,436)	(100,665)	-	-
Proceeds from short-term investment	5,997,607	-	-	-
Purchase of short-term investment	-	(5,997,607)	-	-
Interest received	68,401			_
Net Cash Used In Investing Activities	(26,117,903)	(16,141,950)	<u>-</u>	

Cash Flow Statements FOR THE YEAR ENDED 31 DECEMBER 2013

	The G	roup	The Co	mpany
	2013 USD	2012 USD	2013 USD	2012 USD
CASH FLOW FROM 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)	-	-
Proceeds from bank loans	15,621,961	13,163,387	-	-
Repayment of bank loans	(29,470,458)	(21,547,873)		-
Net Cash (Used In)/From Financing Activities	(13,848,497)	16,562,548		15,462,382
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(9,619,418)	13,525,469	(2,685,223)	2,819,856
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(97,150)	(3,319)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,015,751	493,601	2,923,334	103,478
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 15)	4,299,183	14,015,751	238,111	2,923,334

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

FOR THE YEAR ENDED 31 DECEMBER 2013

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 Group is principally engaged in the production and sale of cement. The principal activities of all 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 14 May 2014.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

Except for the valuation 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").

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 2013:

- IFRS 10 "Consolidated Financial Statements" This Standard replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. SIC-12 Consolidation Special Purpose Entities have been 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" This Standard replaces IAS 31 "Interests in Joint Ventures" and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities Non-monetary Contributions by Venturers has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of joint arrangements joint operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on

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the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. The classification of joint arrangements under IAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

- 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 previous standards.
- IFRS 13 "Fair Value Measurement" This Standard 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 about 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 previous 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.
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income" The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.
- Amendments to IFRS 7 "Disclosures Offsetting Financial Assets" The amendments require entities
 to disclose information about rights to offset and related arrangements for financial instruments under
 an unenforceable master netting agreement or similar agreement.
- IAS 19 (as revised in 2011) "Employee Benefits" This Standard changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. Additionally, IAS (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

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• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" - This standard 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.

Except as mentioned above, the adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies. The abovementioned amendments did not result in significant impact on the Group's 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

Amendment to IFRS 1

Amendment to IFRS 2

Amendment to IFRS 3

Amendment to IFRS 3

Amendment to IFRS 8

Amendment to IFRS 8

Amendment to IFRS 13

Fair Value Measurement²

Amendment to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and

Transition Disclosures³

Amendment to IAS 16 Property, Plant and Equipment²

Amendments to IAS 19 Defined Benefits Plans: Employee Contributions²

Amendment to IAS 24 Related Party Disclosures²

Amendments to IAS 32 Offsetting financial Assets and Financial

Liabilities¹

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets¹

Amendment to IAS 38 Intangible Assets²

IFRIC 21 Levies¹

¹Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

²Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

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

⁴The effective date of IFRS 9 has been removed and would be decided when IASB's IFRS 9 project is closer to completion.

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the financial statements of the Group and the Company when they become effective and that the adoption of these Standards and Amedments will have no material impact on the financial statements of the Group and the Company in the period of initial application.

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 for the revaluation of land and building made 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 goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for the measurement and/or disclosure purposes in these financial statements is determined on such basis.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary companies. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
 and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary or disposed of during the year are included in the income statement and statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their 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 are adjusted to reflect the changes in their relative interests in the subsidiaries.

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. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (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 joint venture.

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 s recognised on a straight-line basis over the period of the agreement as the services are provided.
- Revenue from electricity is recognised upon delivery of electricity to the customers.

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 USD, which is the functional currency of the Company, and the presentation currency for the financial statements of the Group. The functional currency of the principal subsidiaries, Karcement JSC and Central Asia Cement JSC, is the Kazakhstan Tenge ("KZT").

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 year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the retranslation of non-monetary 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 USD 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 reserve. Such translation differences are recognised in the income statements in the year 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:

	2013 USD	2012 USD
1 Sterling Pound ("GBP")	1.6557	1.6255
1 Euro ("EUR")	1.3743	1.3193
1 Ringgit Malaysia ("MYR")	0.3053	0.3270
1 Russian Ruble ("RUB")	0.0304	0.0328
	КZТ	KZT
1 USD	154.27	150.44

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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 (a defined contribution plan) equivalent to 10% of each employee's wage, but not more than USD907 per month per employee (2012: USD869) 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 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 is related 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 with 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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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 except for land, buildings and properties under construction.

Property, plant and equipment except for land and buildings are carried at historical cost less accumulated depreciation and any recognised impairment loss. 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.

Land and buildings

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated at their revalued amounts in the statement of financial position, 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 period.

Any revaluation increase arising on revaluation of such land and buildings is recognised in other comprehensive income and revaluation reserve in equity, 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 expensed. A decrease in the carrying amount arising on revaluation of such land and buildings is recognised in the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Revaluation surplus is transferred directly to retained earnings as the revalued asset is used by the Group. The amount of the surplus transferred is calculated as the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Properties under construction

Properties in the course of construction for production, supply or administrative purposes 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. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation

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

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.

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Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction), less their residual values over their useful lives, using the straight-line method. The estimated useful lives are as follows:

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

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.

Derecognition

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 sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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 property, plant and equipment

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs 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).

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) 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 a provision 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 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 recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

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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 recognised 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, trade and other receivables and loans and advances to subsidiaries) 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.

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.

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Trade and Other Receivables

Trade and other receivables are recognised and carried at fair value upon initial recognition. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment.

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. Financial assets are assessed on individual basis. 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, 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.

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.

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 accrued and other financial liabilities, 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 entitled to offset certain amounts and the entity intends to either record on a net basis or receive assets and offset liabilities simultaneously.

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Derecognition of Financial Liabilities

Financial Liabilities

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

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

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

As stated in Note 9, certain land and buildings of the Group 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 of 31 December 2013, the directors consider that the carrying amount of the land and buildings is reflective of the fair value of these assets.

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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 CGU'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 discount rate of 13% (2012: 13.20%) that reflects current market assessment of the time value of money and the risks specific to the assets.

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. As explained in Note 9, the Group performed an impairment review and an impairment loss of USD4,089,167 on machinery and equipment and other assets was recognised in the income statement during 2013 (Note 6). An impairment loss of USD1,022,132 on buildings which were carried at revalued amount was recognised as a reversal of revaluation surplus, net of tax, in the statement of comprehensive income (Note 18).

Useful lives of Property, Plant and Equipment

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

Provisions

The Group makes provisions 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 provision for doubtful debts. As of 31 December 2013, provision for doubtful debt amounted to USD1,635,295 (2012: USD1,468,094) (Notes 13 and 14).

The Group makes provision for obsolete and slow-moving inventories based on information obtained from annual stock count and the results of inventory turnover analysis. As of 31 December 2013, provision for obsolete and slow moving inventories amounted to USD3,232,839 (2012: USD1,369,117) (Note 12).

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

REVENUE 4.

	The Group		The Com	pany
	2013 USD	2012 USD	2013 USD	2012 USD
Sales of manufactured goods	127,897,372	120,093,933	-	-
Transmission and distribution of electricity	84,391	71,773	-	-
Management fee receivable from subsidiary company		<u> </u>	100,000	100,000
_	127,981,763	120,165,706	100,000	100,000

5. **FINANCE COSTS**

	The Group		The Com	pany
	2013	2012	2013	2012
	USD	USD	USD	USD
Interest expense on loans from financial institutions	2,784,616	3,919,443	-	-
Interest on bonds issued	978,846	109,179	-	-
Amortisation of discount on bonds issued	67,941	7,288	-	-
Other finance costs	60,899	253,295	-	-
Total	3,892,302	4,289,205	-	-
Less: Amounts included in the cost of qualifying assets (Note 9)	(1,202,353)	(812,417)		
_	2,689,949	3,476,788		

The Group's weighted average interest rate on the bank loans is 6.53% (2012: 6.83%) per annum.

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax includes the following income/(expenses):

	The Group		The Co	ompany
	2013	2012	2013	2012
	USD	USD	USD	USD
Staff costs	(9,214,627)	(8,434,518)	-	-
Depreciation of property, plant and equipment	(8,968,434)	(9,369,956)	-	-
Impairment loss on property, plant and equipment	(4,089,167)	-	-	-
Loss on disposal of property, plant and equipment	(223,238)	(45,659)	-	-
Provision for doubtful advances paid to third parties	(145,777)	(73,591)	-	-
Provision for doubtful receivables	(137,331)	(115,116)	-	-
Foreign exchange gain/(loss): Realised	474	274,903	474	(2,986)
Unrealised	(842,564)	(1,169,109)	(17,214)	(32,326)

The impairment loss on property, plant and equipment of USD4,089,167 resulted from the impairment review performed by a subsidiary of the Group (CAC JSC) as described in Note 9.

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7. INCOME TAX EXPENSE

The income tax expense is as follows:

	The G	The Group		mpany
	2013	2012	2013	2012
	USD	USD	USD	USD
Current tax expense:				
- subsidiary companies	(1,153,271)	(1,468,549)	-	-
 - (under)/overprovision in prior years 	(60,380)	221,362	-	-
Deferred tax expense (Note 20):				
- subsidiary companies	(1,311,778)	(2,431,206)		
	(2,525,429)	(3,678,393)		

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 (USD6,106) 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% (2012: 20%).

OR THE YEAR ENDED 31 DECEMBER 2013

A 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 G	roup	The Company		
	2013 USD	2012 USD	2013 USD	2012 USD	
Profit/(Loss) before income tax	12,976,402	12,038,627	(439,834)	(503,830)	
Tax calculated at domestic tax rates applicable to the respective jurisdictions	1,536,176	1,782,513	(13,195)	(15,115)	
Tax effects of expenses not deductible for tax purposes	1,792,025	1,728,027	-	-	
Tax effects of income not assessable for tax purposes	(578)	(34,683)	-	-	
Income tax exemption	(1,433,458)	-	-	-	
Effect of unused tax losses not recognised as deferred tax assets	114,282	93,251	13,195	15,115	
Underprovision of deferred tax in prior years	456,602	330,647	-	-	
Under/(Over)provision of current tax in prior years	60,380	(221,362)			
Income tax expense	2,525,429	3,678,393			

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 to 31 December 2013:

- 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.

Income tax of USD1,433,458 was exempted during 2013 (2012: Nil) after full utilisation of the available unutilised tax losses.

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8. **PROFIT PER SHARE**

Basic and diluted

	The G	roup
	2013 USD	2012 USD
Profit attributable to ordinary shareholders	10,450,973	8,360,234
	2013	2012
Number of ordinary shares in issue at beginning of year Issue of ordinary shares during the year Number of ordinary shares in issue at end of year	219,000,000	179,000,000 40,000,000 219,000,000
Weighted average number of ordinary shares in issue	219,000,000	181,410,959
	2013	2012
Profit per share, basic and diluted (cents)	4.8	4.6

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 2013 and 2012.

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

PROPERTY, PLANT AND EQUIPMENT 9.

Property, plant and equipment consist of the following:

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Computer and software	Construction in progress	Other assets	Total
	USD	USD	USD	USD	USD	USD	USD
Coot							
Cost At 1 January 2012 Additions Transfers	4,181,581 12,696	51,385,965 139,983 202,626	78,203,987 285,277 1,705,311	95,643 756,169	29,199,207 10,011,539 (2,008,375)	14,090,585 746,404 100,438	177,156,968 11,952,068
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/ 1 January 2013	4,128,742	51,030,118	78,503,457	830,690	36,741,869	14,704,200	185,939,076
Additions Transfers	609 -	10,067 86,595	558,534 1,349,932	22,837 -	48,704,615 (1,705,730)	313,528 269,203	49,610,190
Disposals	-	(233)	(293,784)	-	(26,868)	(92,656)	(413,541)
Impairment losses (Note 18)	-	(1,277,664)	-	-	-	-	(1,277,664)
Exchange differences	(102,503)	(1,249,926)	(1,948,974)	(20,623)	(1,069,277)	(365,055)	(4,756,358)
At 31 December 2013	4,026,848	48,598,957	78,169,165	832,904	82,644,609	14,829,220	229,101,703

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Computer and software	Construction in progress	Other assets	Total
	USD	USD	USD	USD	USD	USD	USD
Accumulated depreciation and impairment losses							
At 1 January 2012	-	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/ 1 January 2013	-	21,438,160	21,905,293	46,561	-	7,106,668	50,496,682
Charge for the year	-	2,297,280	5,296,584	30,062	-	1,344,508	8,968,434
Disposals	-	-	(141,797)	-	-	(48,506)	(190,303)
Impairment losses (Note 6)	-	-	4,044,758	-	-	44,409	4,089,167
Exchange differences		(562,764)	(667,966)	(1,555)	<u> </u>	(194,891)	(1,427,176)
At 31 December 2013	<u>-</u>	23,172,676	30,436,872	75,068	- -	8,252,188	61,936,804
Net Book Value At 31 December 2013	4,026,848	25,426,281	47,732,293	757,836	82,644,609	6,577,032	167,164,899
							107,104,000
At 31 December 2012	4,128,742	29,591,958	56,598,164	784,129	36,741,869	7,597,532	135,442,394

FOR THE YEAR ENDED 31 DECEMBER 2013

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 buildings, which is stated at fair value at the revaluation date less accumulated depreciation and impairment losses recognised at the date of revaluation, amounted to USD29,453,129 as of 31 December 2013 (2012: USD33,720,700). In the fair value assessment, the highest and best use of the land and buildings is in their current use which is production and sale of cement. 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 were of the opinion that the carrying amounts of the land and buildings since the date of revaluation until 31 December 2013 do not differ significantly from their fair values.

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

	The Grou	р
	2013 USD	2012 USD
Land	513,807	526,263
Buildings	3,996,655	4,516,698

A new dry production line (Line 5) of a subsidiary of the Group (Karcement JSC) commenced its production in early March 2014. In light of this, a subsidiary of the Group (CAC JSC) performed an impairment review to estimate the recoverable amount of its assets as of 31 December 2013. The value in use of its assets was measured based on the estimate of future cash flows and the application of a pre-tax discount rate of 13% to those future cash flows. The carrying amount of the entire wet production lines in CAC JSC was USD44,064,698. Included therein are land, cement mill, locomotive, garage and other fixed asset items amounting to USD33,785,287 in aggregate which formed an integral part of both the Group's wet and dry production lines in CAC JSC and Karcement JSC. Based on the impairment review, an impairment loss of USD4,089,167 in respect of certain machinery and equipment and other assets was recognised in the income statement (Note 6) and an a reversal of revaluation surplus of USD1,022,132 net of tax of USD255,532 in respect of certain buildings was recognised in the statement of comprehensive income (Note 18).

During the year, a subsidiary company (Karcement JSC) reclassified certain items previously classified as inventories of USD206,359 (2012: USD1,801,908) to property, plant and equipment and capitalised borrowing costs of USD1,202,353 (2012: USD812,417) related to loans from lender banks (European Bank for Reconstruction and Development ("EBRD") and HSBC Bank Kazakhstan JSC).

Other assets included as property, plant and equipment comprise commonly used assets for production, administrative facilities and construction such as cables, conveyors, heaters and others which are usable for a period of time.

As of 31 December 2013 and 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 USD35,597,777 (2012: USD38,876,203) was pledged to secure borrowing obtained from a bank (EBRD) (Note 19).

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As of 31 December 2013, the cost of fully depreciated property, plant and equipment amounted to USD1,923,037 (2012: USD1,105,251).

10. INVESTMENT IN SUBSIDIARY COMPANIES

	The C	Company
	2013	2012
	USD	USD
Unquoted shares, at cost	30,500,002	30,500,002

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

The details of subsidiary companies are as follows:

	Place of incorporation (or registration) and operation	ownersh	oportion of nip interest ting power held	Principal activities
		2013 %	2012 %	
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

The loans and advances to subsidiaries are unsecured, interest-free and repayable on demand.

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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:

Subsidiary Companies	Nature of transactions		e from services erformed
		2013 USD	2012 USD
MECS Ltd.	Management fees _	100,000	100,000
Karcement JSC	Intercompany loans	35,690,000	35,690,000
MECS Ltd.	Advances and management fees	2,588,433	478,071
Steppe Cement (M) Sdn. Bhd.	Advances	1,630,243	1,341,782
Total	_	39,908,676	37,509,853

11. OTHER ASSETS

	The Gr	The Group		any
	2013	2012	2013	2012
	USD	USD	USD	USD
Construction materials	7,605,238	28,311,859	-	-
VAT recoverable - non current	6,473,047	8,706,787	_	-
Spare parts	2,628,521	3,160,967	-	-
Quarry stripping costs	369,813	395,739	-	-
Others	47,628			
	17,124,247	40,575,352		

Construction materials and spare parts represent machinery parts and equipment which will be used in the construction of the dry production line (Line 5) in Karcement JSC. During the year, USD15,571,913 of construction materials were purchased, USD33,019,628 and USD1,908,064 of construction materials which has been used and will be used in the construction of Line 5 was reclassified to property, plant and equipment and inventories, respectively, and USD664,636 of construction materials were expensed off.

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

12. **INVENTORIES**

	The Group		The Company	
	2013 USD	2012 USD	2013 USD	2012 USD
Spare parts	10,034,997	7,533,136	-	-
Raw materials	4,971,440	4,902,453	-	-
Work in progress	5,072,198	3,813,534	-	-
Finished goods	2,209,572	2,273,548	-	-
Packing materials	263,901	242,967	-	-
Fuel	297,401	194,662	-	-
Construction materials	80,580	62,264	-	-
Goods held for resale	73,093	79,288	-	-
Other materials	696,136	514,916	_	_
	23,699,318	19,616,768	-	-
Less: Provision for obsolete inventories	(3,232,839)	(1,369,117)	-	-
	20,466,479	18,247,651	-	_

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

	The Group		The Company	
	2013 USD	2012 USD	2013 USD	2012 USD
At beginning of year	(1,369,117)	(729,638)	-	-
Add: Provision for obsolete inventories	(1,897,712)	(648,936)	-	-
Exchange differences	33,990	9,457		
At end of year	(3,232,839)	(1,369,117)		

As of 31 December 2013, inventories amounting to USD8,515,298 (2012: USD8,732,086) 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 Com	ipany
	2013 USD	2012 USD	2013 USD	2012 USD
Trade receivables Less: Provision for	2,554,956	3,607,532	-	-
doubtful receivables	(447,034)	(396,903)		
	2,107,922	3,210,629	-	-
Other receivables: VAT recoverable - current	4,522,312	3,173,338	-	-
Receivables from related party	49,549	7,444	-	-
Receivables from employees	32,203	16,605	-	-
Income tax receivable Others	8,628 402,158	371,145	- -	_
	7,122,772	6,779,161		

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.

Age of trade receivables that are past due but not impaired as of 31 December are as follows:

		The Group		
	2013 USD	2012 USD		
1-90 days 91-180 days 181-270 days 271-360 days > 360 days	652,966 820,380 107,474 283,101 244,001	1,550,013 548,963 696,949 - 414,704		
	2,107,922	3,210,629		

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Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised a provision 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 of 31 December are as follows:

	The	The Group		
	2013 USD	2012 USD		
1-2 years > 2 years	505 446,529	55,231 341,672		
	447,034	396,903		

Movements in the provision for doubtful trade receivables is as follows:

	The Group		The Company	
	2013 USD	2012 USD	2013 USD	2012 USD
At beginning of year	(396,903)	(346,077)	-	-
Exchange differences	9,849	4,492	-	-
Add: Provision for doubtful receivables Less: Write-off of provision	(137,331)	(115,116)	-	-
for doubtful receivables	77,351	59,798		
At end of the year	(447,034)	(396,903)	-	-

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 doubtful receivables is necessary based on prevailing conditions and available information.

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	
	2013 USD	2012 USD	2013 USD	2012 USD
Advances paid to third parties	5,973,721	8,121,005	-	-
Less: Provision for doubtful advances paid to third parties	(1,188,261)	(1,071,191)		
Less: Non-current portion of advances paid to third parties	(678,285)	7,049,814	<u>-</u>	<u>-</u>
Current portion of advances paid to third parties	4,107,175	4,664,491	_	-
Prepaid expenses	168,181	269,765	8,887	6,091
_	4,275,356	4,934,256	8,887	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 refurbishment of cement production lines.

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

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
At beginning of year	1,071,191	1,025,564	-	-
Exchange differences	(26,594)	(13,294)	-	-
Add: Provision for doubtful advances paid to third parties	145,777	73,591	-	_
Less: Write-off of provision for doubtful advances paid to third				
parties	(2,113)	(14,670)		
At end of year	1,188,261	1,071,191		

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	The Group		The Company	
	2013 USD	2012 USD	2013 USD	2012 USD
Provision for doubtful advances paid to third parties:				
Non-current portion	906,521	898,837	-	-
Current portion	281,740	172,354		
	1,188,261	1,071,191		_

15. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Cash in hand and at banks	4,259,311	6,993,576	238,111	2,923,334
Short-term deposits	39,872	7,022,175		
	4,299,183	14,015,751	238,111	2,923,334

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

As of 31 December 2013, the cash in bank of a subsidiary company (Karcement JSC) amounting to USD1,427,802, except for its foreign currency deposits, was pledged as security for a loan obtained from a bank (EBRD) (Note 19).

16. SHORT-TERM INVESTMENTS

As of 31 December 2012, short-term investments of USD5,997,607 represent fixed term deposits in certain bank for periods ranging from 4 to 5 months and earned interests at rates ranging from 2.5% to 2.6% per annum.

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17. SHARE CAPITAL

	The Group a	
	2013	2012
	USD	USD
Issued and fully paid: Ordinary shares of no par value each:		
At beginning of year	73,760,924	58,298,542
Issued during the year Share issue costs	- -	15,980,000 (517,618)
At end of year	73,760,924	73,760,924

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 impairment loss on property, plant and equipment of USD1,022,132 recognised as a reversal of revaluation surplus, net of tax of USD255,532, in other comprehensive income, resulted from the impairment review performed by a subsidiary of the Group (CAC JSC) as described in Note 9. The revaluation reserve is not available for cash distribution to the Company's shareholders.

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Revaluation reserve				
At beginning of year	8,033,718	9,477,390	-	-
Impairment of property, plant and equipment, net of tax (Note 9)	(1,022,132)	-	-	-
Transfer of revaluation reserve relating to property, plant and	(4, 407, 000)	(4.440.670)		
equipment through use, net of tax	(1,407,830)	(1,443,672)		
At end of year	5,603,756	8,033,718	-	-

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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	
	2013	2012	2013	2012
	USD	USD	USD	USD
Translation reserve				
At beginning of year	(21,644,809)	(20,008,866)	-	-
Exchange differences on translation of foreign subsidiary companies,				
net of tax of USD nil	(3,977,068)	(1,635,943)	-	
At end of year	(25,621,877)	(21,644,809)	<u> </u>	-

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.

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

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

19. **BORROWINGS**

	The Group	
	2013 USD	2012 USD
Unsecured - at amortised cost		
Bonds issued at price of:		
96.2458%	9,658,391	9,904,281
Discount on bonds issued	(342,173)	(419,629)
Accrued interest	105,555	108,242
	9,421,773	9,592,894
Secured - at amortised cost		
Bank loans	31,372,127	45,597,627
	40,793,900	55,190,521
Current portion:	105 555	100.040
Bonds	105,555	108,242
Bank loans	13,623,524	14,419,250
	13,729,079	14,527,492
Non-current portion:		
Bonds	9,316,218	9,484,652
Bank loans	17,748,603	31,178,377
	27,064,821	40,663,029
Total borrowings	40,793,900	55,190,521

FOR THE YEAR ENDED 31 DECEMBER 2013

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 G	roup
	Currency	Maturity date	Interest rate	2013 USD	2012 USD
Karcement JSC:					
EBRD	USD	11 May 2015	LIBOR + 5.00% p.a.	23,867,453	30,102,287
			LIBOR + 6.50% p.a.		
SB HSBC Bank Kazakhstan JSC	USD	22 Sep 2015	LIBOR + 6.50% p.a.	7,174,033	13,308,435
CAC JSC:					
Halyk Bank JSC	KZT	23 January 2016	10.75% p.a.	-	1,664,006
Accrued interest				330,641	522,899
Total outstanding				31,372,127	45,597,627

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 except for its foreign currency deposits and certain property, plant and equipment of another subsidiary company (CAC JSC).

A subsidiary company (Karcement JSC) was 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) breached covenants as of 31 December 2013 and 2012 and during the years then ended and EBRD has a right to call for default and demand immediate repayment of the loan. The non-current bank loan of USD14,814,000 (2012: USD23,998,287) was not classified as a current liability as of 31 December 2013. On 12 May 2014, the subsidiary company of the Group (Karcement JSC) fully settled in advance the outstanding principals amounting to USD23,970,000 to EBRD.

OR THE YEAR ENDED 31 DECEMBER 2013

Subsequent to financial year end, a subsidiary company of the Group (Karcement JSC) was granted a working capital facility with a limit of USD4.8 million by SB HSBC Bank Kazakhstan JSC and USD1.9 million was utilised by the end of February 2014.

On 11 April 2014, a subsidiary company of the Group (Karcement JSC) signed a USD60 million credit facility agreement with VTB Bank. The VTB credit facility consists of three tranches:

- Tranche A loan of up to USD30 million. The purpose the loan is to refinance the outstanding loans due to EBRD and HSBC of up to USD29.1 million and with the remaining loan of USD0.9 million is for general working capital purposes. The first instalment of the loan is repayable by 15 July 2014 and the remaining loan outstanding is repayable in equal instalments in July and November annually with the final instalment repayable on maturity date. The applicable interest rate on the loan is 6.2% per annum payable on a quarterly basis.
- Tranche B and C loans of up to USD30 million. The purpose of the loans is for the purchase of railcars. 70% of the principal amounts of the loan is to be repaid in equal monthly instalments with the remaining 30% to be repaid on maturity dates. The maturity dates of Tranche B and C loans are 60 months from 11 April 2014 and up to 60 months from 31 March 2015, respectively. The applicable interest rate on the Tranche B loan is 7.2% per annum repayable on a quarterly basis and the interest rate on Tranche C loan will be fixed at a date to be determined on drawdown.

CAC JSC

The outstanding borrowings of a subsidiary company (CAC JSC) obtained from Halyk Bank JSC is repayable in stages during the period ending 23 January 2014. The outstanding borrowing from the Halyk Bank JSC is secured by inventories with a carrying amount of USD8,515,298 (2012: USD8,732,086) (Note 12).

As of 31 December 2013, a subsidiary company (CAC JSC) has total undrawn loan of USD19.4 million (2012: USD12.5 million) under the loan facility from Halyk Bank JSC. Subsequent to financial year end, the facility was extended by an additional 2 years from 23 January 2014 to 23 January 2016.

20. DEFERRED TAX LIABILITIES

	The Group		The Com	pany
	2013 USD	2012 USD	2013 USD	2012 USD
At beginning of year	8,518,666	6,176,157	-	-
Exchange differences	(217,377)	(88,697)	-	-
Charged to income statement (Note 7) Credited to other comprehensive income	1,311,778 (255,532)	2,431,206	- 	-
At end of year	9,357,535	8,518,666		

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

Movement in deferred tax liabilities of the Group is as follows:

	Opening balance	Exchange rate differences	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
	USD	USD	USD	USD	USD
2013					
Temporary differences					
Property, plant an equipment	d (11,767,821)	275,284	1,013,566	255,532	(10,223,439)
Inventories	273,823	(8,913)	159,132	-	424,042
Trade receivables	79,381	(5,129)	237,682	-	311,934
Accrued unused leaves	34,385	(796)	(3,843)	-	29,746
Tax losses	2,806,993	(36,891)	(2,770,102)	-	-
Others	54,573	(6,178)	51,787	<u>-</u>	100,182
	(8,518,666)	217,377	(1,311,778)	255,532	(9,357,535)

	Opening balance	Exchange rate differences	Recognised in profit or loss	Closing balance
	USD	USD	USD	USD
2012				
Temporary differences				
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
Taxes payable	39,255	(646)	15,964	54,573
Tax losses	5,791,464	(62,216)	(2,922,255)	2,806,993
	(6,176,157)	88,697	(2,431,206)	(8,518,666)

The tax losses for which no deferred tax assets have been recognised are as follows:

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
Tarrilana faminisiala na DTA lanca				
Tax losses for which no DTA have been recognised	114,282	93,251	13,195	15,115

21. TRADE AND OTHER PAYABLES

	The G	The Group		pany
	2013	2012	2013	2012
	USD	USD	USD	USD
Trade payables	9,032,266	7,993,991		
Others	19,505	31,694		
	9,051,771	8,025,685		

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

22. ACCRUED AND OTHER LIABILITIES

	The Group		The Company	
	2013 USD	2012 USD	2013 USD	2012 USD
Provision for electricity charges	4,128,301	3,977,486	-	-
Accrued directors fees	1,193,632	967,208	1,193,632	967,208
Advances received from customers	462,514	1,039,996	-	-
Accrued salaries	445,031	589,228	-	-
Accrued unused leaves	192,980	171,982	-	-
Site restoration accrual	138,530	92,077	-	-
Others	240,938	241,838	81,004	151,198
	6,801,926	7,079,815	1,274,636	1,118,406

EOR THE YEAR ENDED 31 DECEMBER 2013

The movement in the provision for electricity charges of the Group are as follows:

	The Group		The Company	
	2013	2012	2013	2012
	USD	USD	USD	USD
At beginning of year	3,977,486	1,152,872	-	-
Exchange differences	(98,747)	(14,944)	-	-
Add: Provision for electricity charges	1,359,240	2,839,558	-	-
Less: Reversal of Provision for electricity charges	(1,109,678)	<u> </u>		
At end of year	4,128,301	3,977,486	<u>-</u>	-

Provision for electricity charges refer to electricity transportation charges provided by the Group in relation to potential claims by Karaganda Zharyk LLP against CAC JSC for the use of its electrical equipment for the years 2011 to 2013.

During the year, the Group reversed USD1,109,678 in the provision for electricity transportation charges related to year 2011 after the Supreme Court of the Republic of Kazakhstan, the highest court in Kazakhstan, ruled the case in favour of CAC JSC. As at 31 December 2013, the Group assessed that the amount provided for the years 2012 and 2013 is adequate.

Site restoration accrual was made based on 1.0% (2012: 0.5%), of the actual expenditure for limestone and loam extraction incurred by the subsidiary company (CAC JSC) for purposes of site restoration and abandonment of mining operations.

23. TAXES PAYABLE

	The Group		The Com	pany
	2013	2012	2013	2012
	USD	USD	USD	USD
Corporate income tax	-	103,936	-	-
Other taxes:				
Value added tax	90,685	67,974	-	-
Withholding taxes	153,802	62,696	-	-
Emission taxes	88,358	43,705	-	-
Pension fund	47,495	44,848	-	-
Royalty	44,571	-	-	-
Personal income tax	42,497	30,663	-	-
Social	32,534	26,429	-	-
Property tax	-	6,348	-	-
Other taxes		1,835	<u>-</u>	
	499,942	388,434	_	

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.

Loans and advances to subsidiaries of the Company are unsecured, interest-free and are repayable on demand.

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

	Purchase of services		
	2013 20		
	USD	USD	
Shareholders Halfmoon Bay Capital Limited and Mango Bay Enterprises Inc.	-	232,715	
Asian Investment Management Services Limited Portola Group Limited	-	172,327 81,087	
Other related parties Maxam Kazakhstan	1,253,850	1,201,475	
Opera Holding LLP	24,938	22,601	

	Receivable from/(Payable) to related parties		
	2013	2012	
	USD	USD	
Other related parties			
Maxam Kazakhstan	(109,043)	(150,824)	
Opera Holding LLP	(661)	970	
Others	49,549	6,474	

FOR THE YEAR ENDED 31 DECEMBER 2013

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.

Compensation of key management personnel

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

	The Gr	oup	The Com	pany
	2013 USD	2012 USD	2013 USD	2012 USD
Remuneration Short-term benefit	890,454 147,694	1,035,786 71,472	233,454	229,196
Total	1,038,148	1,107,258	233,454	229,196

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 Con	npany	
	2013 GBP	2012 GBP	2013 USD	2012 USD
Director fees				
Executive director:				
Javier del Ser Perez	66,000	66,000	109,276	107,283
Non-executive director:				
Malcolm Brown	50,000	50,000	82,785	81,275
Paul Rodzianko	25,000	25,000	41,393	40,638
Total	141,000	141,000	233,454	229,196

FOR THE YEAR ENDED 31 DECEMBER 2013

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 (which comprise of borrowings 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 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. The Group does not use derivative instruments for the purpose of currency risk management.

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

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:

2013	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	3,827,309	-	26,240	7,035	-	438,599	4,299,183
Trade and other receivables	2,496,610	-	-	-	-	-	2,496,610
Financial Liabilities							
Trade and other payables	7,487,773	-	428,936	-	43,761	1,091,301	9,051,771
Accrued and other liabilities	1,313,950	1,196,522	31,578	45,879	-	85,696	2,673,625
Borrowings	9,421,773	-	-	-	-	31,372,127	40,793,900
2012	KZT	GBP	EUR	MYR	RUB	USD	Total
2012	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets	КZТ	GBP	EUR	MYR	RUB	USD	Total
	KZT 10,747,162	GBP -	EUR 45,714	MYR 3,696	RUB -	USD 3,219,179	Total 14,015,751
Financial Assets							
Financial Assets Cash and cash equivalents	10,747,162		45,714	3,696	-		14,015,751
Financial Assets Cash and cash equivalents Short-term investments	10,747,162 5,997,607		45,714	3,696	-	3,219,179 -	14,015,751 5,997,607
Financial Assets Cash and cash equivalents Short-term investments Trade and other receivables	10,747,162 5,997,607		45,714	3,696	-	3,219,179 -	14,015,751 5,997,607
Financial Assets Cash and cash equivalents Short-term investments Trade and other receivables Financial Liabilities	10,747,162 5,997,607 3,605,823	- - -	45,714 - -	3,696 - -	- - -	3,219,179 - -	14,015,751 5,997,607 3,605,823

FOR THE YEAR ENDED 31 DECEMBER 2013

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 profit before tax and negative indicates a decrease in profit before tax 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 profit before tax and equity.

	Impact on profit before tax and equity		
	2013	2012	
KZT	1,189,958	(252,731)	
GBP	119,652	106,136	
EUR	43,427	27,806	
MYR	3,885	287	
RUB	4,376	24,030	

Devaluation of the Tenge

Subsequent to financial year end, the National Bank of Republic of Kazakhstan ("NBK") devalued the KZT by approximately 19% from KZT 155 to KZT 185 per USD (Note 29).

(ii) Credit Risk

Credit risk arises when the counterparty defaults on its contractual obligation resulting in financial loss to the Group. The Group adopts a policy of trading only with creditworthy counterparties to mitigate risk of financial loss from defaults. The requirement of cash upfront for sales with major customers limits the credit risk of the Group. 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 customer or group of customers 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.

Concentration of credit risk on trade receivables is limited as sales to major customers are based on cash prepayment terms before the actual delivery of cement.

The Group maintains a stringent credit control policy which includes dealing only with customers with adequate credit history and monitoring of outstanding trade receivables to ensure that customers do not exceed their respective credit limits.

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The Group maintains cash balances only with internationally reputable banks and domestic banks of high credit standing.

(iii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established 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 of 31 December 2013, a subsidiary company (CAC JSC) has total undrawn loan of USD19.4 million (2012: USD12.5 million) under the loan facility from Halyk Bank JSC.

Subsequent to financial year end, the facility was extended by an additional 2 years from 23 January 2014 to 23 January 2016.

Subsequent to financial year end, the Group's subsidiary company, Karcement JSC was granted a working capital facility with a limit of USD4.8 million by SB HSBC Bank Kazakhstan JSC and USD1.9 million was utilised in February 2014.

On 11 April 2014, the Group's subsidiary company, Karcement JSC signed a USD60 million credit facility agreement with VTB Bank (Note 19) to refinance the outstanding loan provided by EBRD and SB HSBC Bank Kazakhstan JSC and to purchase wagons. On 12 May 2014, Karcement JSC fully settled in advance the outstanding principals amounting to USD23,970,000 due to EBRD.

Other than the above credit facilities, the Group is allowed to issue USD6,713,640 in additional bonds.

Notes To The Financial Statements FOR THE YEAR ENDED 31 DECEMBER 2013

Tables on Liquidity and Interest Rate Risk

The following tables reflect contractual terms of the Group for its 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 interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
2013							
Interest bearing							
Borrowings	44.450/			005.000	10 555 000		10 501 717
Bonds Bank loans	11.15% 6.53%	-	- 2,351,535	965,839 12,732,930	12,555,908 18,494,070	- -	13,521,747 33,578,535
	0.0070		2,001,000	12,702,000	10, 10 1,070		00,070,000
Non-interest bearing Trade and other payables		4,461,591	4,590,180	_	_	_	9,051,771
Accrued and other liabilities		521,216	173,112	1,009,021	970,276	-	2,673,625
	_	4,982,807		14,707,790	32,020,254		58,825,678
2012	_	1,002,001		11,707,700	02,020,201		00,020,070
Interest bearing							
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
Non-interest bearing		E 410 040	2.605.926				0.005.605
Trade and other payables Accrued and other liabilities		5,419,849 324,361	2,605,836 156,567	- 1,674,656	- 845,296	- -	8,025,685 3,000,880
7.00.000 and other habilities	_	<u> </u>			· · · · · · · · · · · · · · · · · · ·		
	_	7,437,230	6,287,004	13,812,910	48,247,403		75,784,547

FOR THE YEAR ENDED 31 DECEMBER 2013

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 interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
2013							
Non-interest bearing Cash and cash equivalents		4,299,183	_	_	_	_	4,299,183
Trade and other receivables		1,101,309	697,375	697,926	-	-	2,496,610
		5,400,492	697,375	697,926	<u>-</u>	<u> </u>	6,795,793
2012 Interest bearing							
Cash and cash equivalents Short-term investments	2.40% 2.55%	- -	7,022,175 -	- 5,997,607	- -	-	7,022,175 5,997,607
Non-interest bearing Cash and cash equivalents		6,993,576	_	-	_	-	6,993,576
Trade and other receivables		1,879,788	1,061,466	664,569		<u> </u>	3,605,823
		8,873,364	8,083,641	6,662,176	-		23,619,181

Steppe Cement Ltd.

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(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 manages its interest rate risk by borrowing mainly in loans denominated in USD at floating interest rates (LIBOR) which is currently lower than the prevailing fixed interest rate loan denominated in KZT.

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

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 the amount of liability outstanding as of the reporting date was outstanding for the entire year.

	2013 USD	2012 USD
Increase/(decrease) in finance costs	310,415	434,107

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique. 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 fair value of the instruments presented herein is not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; an
- Level 3 inputs are unobservable inputs for the asset or liability.

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Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments that are not measured at fair value on a recurring basis (but fair value disclosures are required):

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, trade and other 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.

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 of 31 December 2013 and 2012, 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 Group has recognised the electricity transportation charges in respect of potential claims by Karaganda Zharyk LLP against CAC JSC for the use of its electrical equipment. The directors are of the opinion that the amount recognised to-date is adequate based on the outcome of recent legal proceedings (Note 22).

Site restoration - A subsidiary company, CAC JSC, is legally required to restore mining sites. The estimated cost of site restoration and abandonment of mining operation are accrued based on 1% (2012: 0.5%), effective from 1 January 2013, 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 the subsidiary is insufficient.

27. COMMITMENTS

The Group has outstanding commitments for the purchases of equipment, materials and services from various suppliers to fully commission and to complete its dry production line 5. The Group's outstanding amount of contractual commitments for the acquisition of property, plant and equipment as of 31 December 2013 is USD4,581,792 (2012: USD1,635,516).

28. SEGMENTAL REPORTING

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

FOR THE YEAR ENDED 31 DECEMBER 2013

29. SUBSEQUENT EVENTS

On 23 January 2014, a subsidiary of the Group (CAC JSC) signed an extension of working capital credit line agreement with Halyk Bank JSC, extending the maturity date by an additional 2 years from 23 January 2014 to 23 January 2016.

On 11 February 2014, the National Bank of Republic of Kazakhstan ("NBK") devalued the KZT by approximately 19% from 155 to 185 per USD. NBK set a trading band ranging from 182 to 188 for the KZT against USD. The devaluation is expected to have unfavorable impact on the Group's other comprehensive income and translation reserve due to re-translation of the financial statements of foreign subsidiaries whose functional currency is the KZT. The devaluation is also expected to result in a foreign exchange loss arising from the translation of the borrowings of foreign subsidiary denominated in USD (Note 19) to KZT. Despite the NBK's pledge to maintain the trading band, uncertainties remain on the movement of the KZT against the USD. Therefore, the exact amount of the expected foreign exchange translation loss and foreign exchange loss cannot be quantified as of the date of issuance of these financial statements.

On 19 February 2014, a subsidiary of the Group (Karcement JSC) obtained a working capital facility from SB HSBC Bank Kazakhstan JSC with a limit of USD4.8 million and USD1.9 million was utilised by the end of February 2014.

On 11 April 2014, a subsidiary of the Group (Karcement JSC) signed a USD60 million credit facility agreement with VTB Bank (Note 19). The purpose of the loan is to refinance the outstanding loan provided by EBRD and SB HSBC Bank Kazakhstan JSC and to purchase railcars. On 12 May 2014, the subsidiary (Karcement JSC) fully settled in advance the outstanding principals amounting to USD23,970,000 due to EBRD.

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 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 2013 and of their financial performance and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors,

JAVIER DEL SER PEREZ

Labuan 14 May 2014



Notice of 2014 AGM

NOTICE IS HEREBY GIVEN that the 2014 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 Saturday, 14 June 2014 at 12.00 p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTIONS

1. ADOPTION OF AUDITED FINANCIAL STATEMENTS

RESOLUTION 1

To receive and adopt the audited financial statements for year ended 31 December 2013.

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
- 3. 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: 19 May 2014

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.



STEPPE

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