STEPPE CEMENT



ANNUAL REPORT 2015



Plant Location In Kazakstan



Major Projects

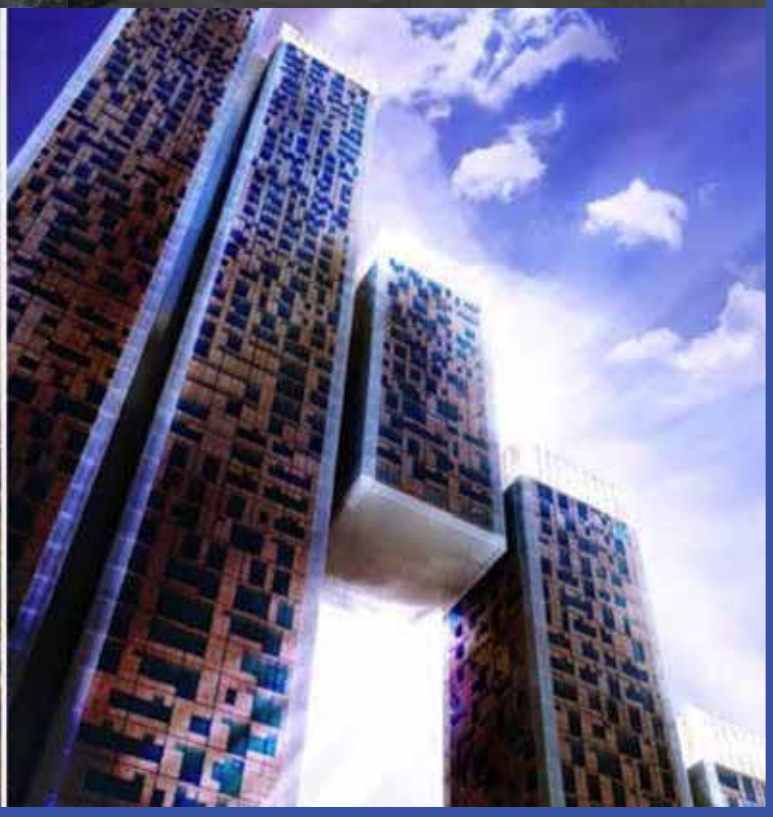


EXPO 2017



EAST WEST AND CENTER SOUTH ROAD PROJECT





ABU DHABI PLAZA

CONTENTS



05 - Financial Highlights

06 - Operational and market data

07 - Financial Ratios

09 - Corporate Information

10 - Chairman's Statement

12 - CEO's Statement

16 - Group Structure

17 - Board Of Directors

18 - Senior Management Karcement JSC

19 - Senior Management CAC JSC

20- Corporate Governance Statement

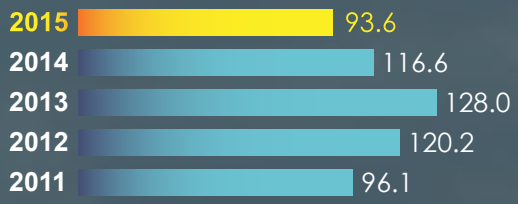
28 - Financial Statements

94 - Statement by a Director

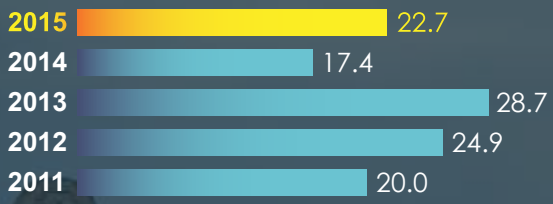
95 - Notice of Annual General Meeting

Financial Highlights

Revenue (USD Million)

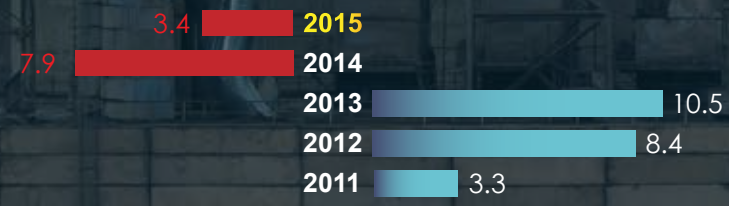


EBITDA* (USD Million)

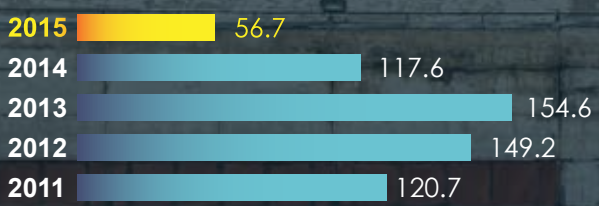


* excluding foreign exchange losses arising on devaluation of the Tenge.

Profit/Loss after Tax (USD Million)

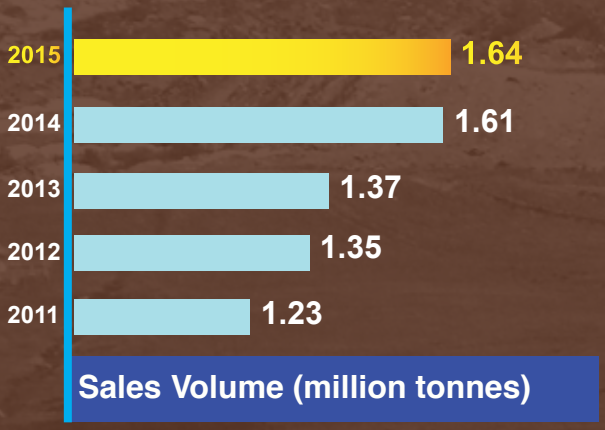


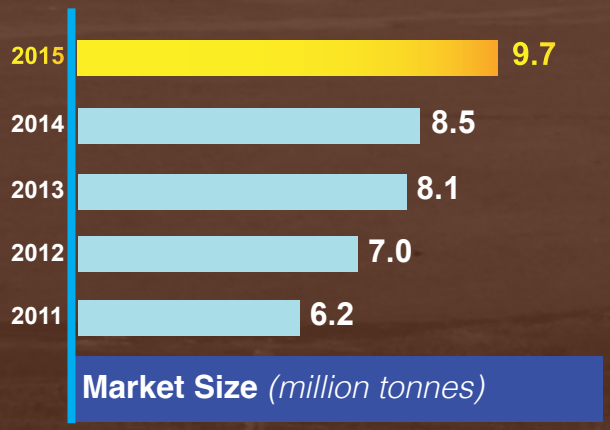
Shareholders Fund (USD Million)



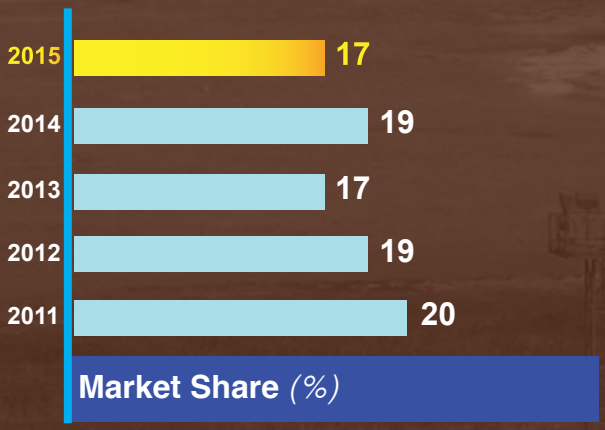
Operational and Market Data

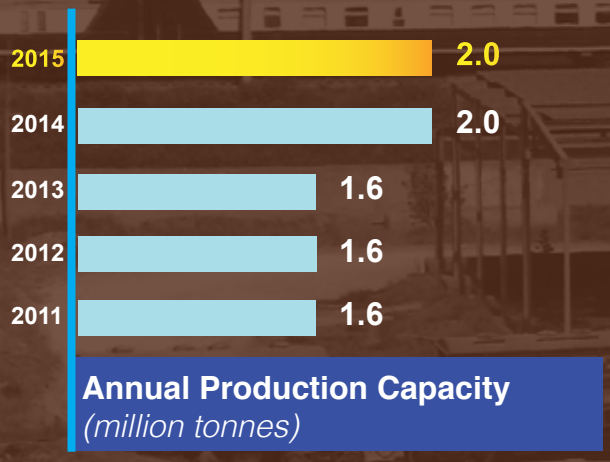


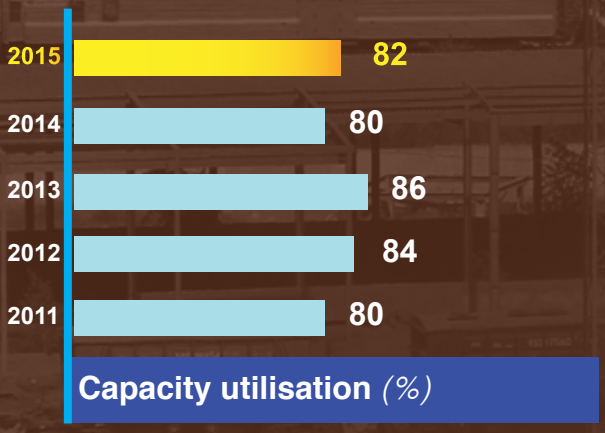




* estimated

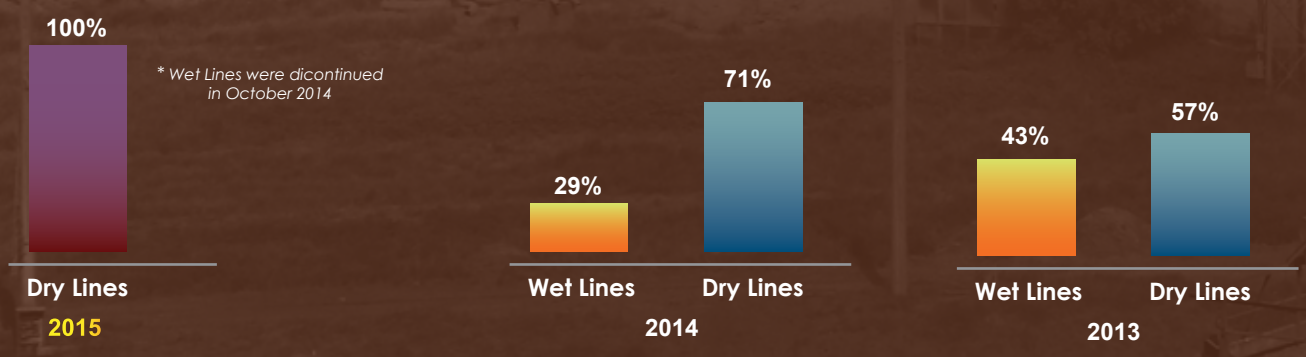






Wet Lines/ Dry Lines production mix

* estimated



Financial Ratios



Ratios	2011	2012	2013	2014	2015
Gross profit margin (%)	39	40	42	31	**36**
Profit / (Loss) after tax margin (%)	3	7	8	(7)	**(4)**
Net earnings / (Loss) per share (cents)	2	5	5	(4)	**(2)**
Return on shareholders funds (%)	3	6	7	(7)	**(6)**
NTA Per Share (cents per share)	71	68	71	54	**26**
Shares data					
Number of shares issued (million)	179	219	219	219	**219**



Corporate Information

Listing
London Stock Exchange AIM Market, London
Since 15 September 2005

AIM Stock Code
STCM

Bloomberg Ticker
STCM LN

Reuters Ticker
STCM L

Company Registration
LL04433

Country of incorporation
Federal Territory of Labuan, Malaysia

Registered Address
Brumby Centre
Lot 42, Jalan Muhibbah
87000 Federal Territory of Labuan
Malaysia

Head Office Address
Suite 10.1, 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

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

Level 28, QV1 Building
250 St Georges Tce
Perth, Western Australia 6000

Broker
RFC Ambrian Limited
Level 5, Condor House
10 St Paul's Churchyard
Londond EC4M 8AL, United Kingdom

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

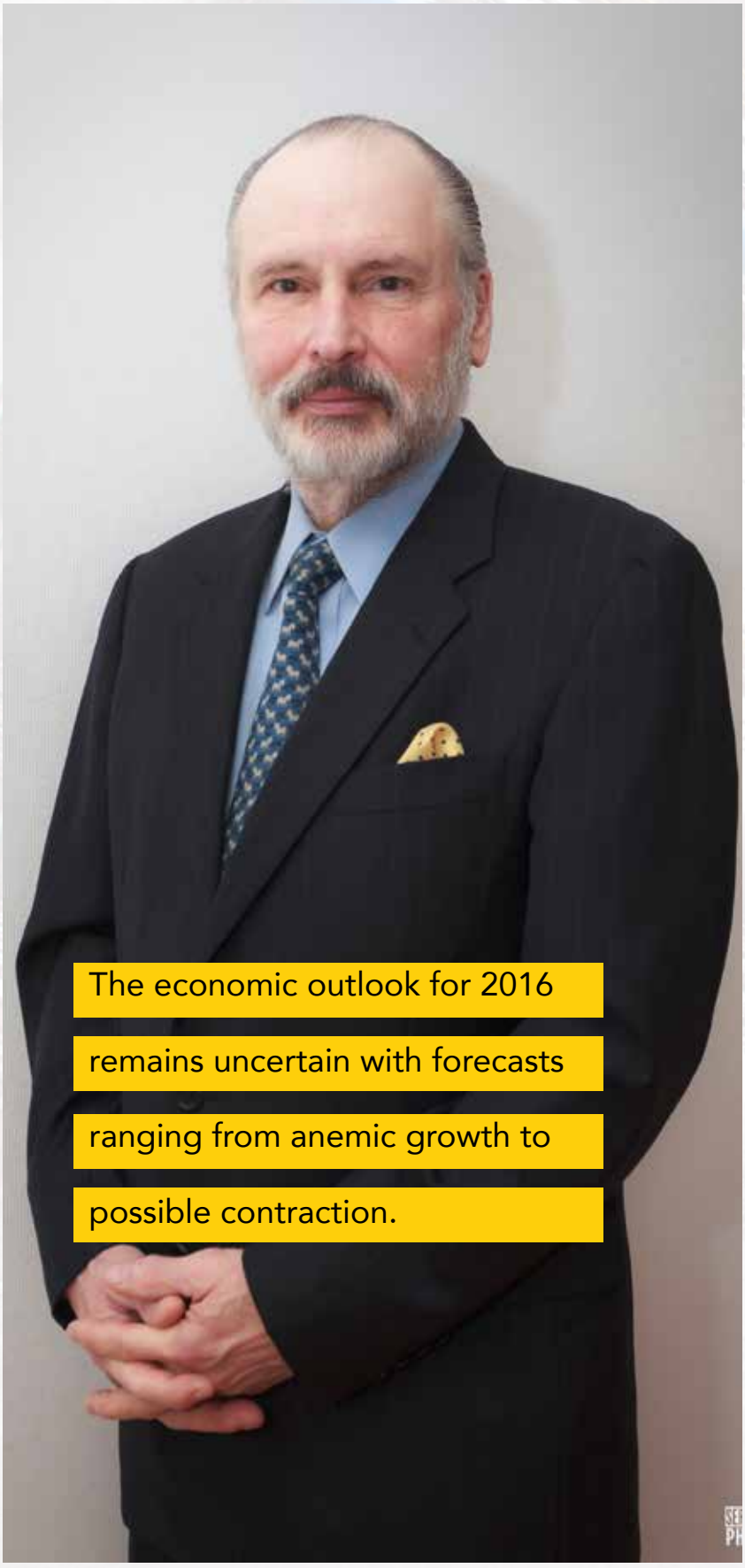
UK Registrar
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Bankers
VTB Bank (Austria) AG
VTB Bank (France) SA
Halyk Bank JSC
Altyn Bank JSC

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

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

Chairman's Statement



The year 2015 placed before the Company two main external challenges: currency volatility and additional competitive pressures. However, coupled with significant internal improvements from streamlining operations, controlling costs and pro-actively addressing externalities, Steppe Cement ended up at year-end on a sounder footing to meet the exigencies of 2016.

The Kazakh Tenge started the year at an exchange rate of USD/KZT 182 and ended the year at USD/KZT 339. Correspondingly, Steppe Cement's share price decreased from 29.50 pence on December 31, 2014 to 14.50 pence at 2015 year end. Currency volatility persisted during the first quarter of 2016 with the Tenge reaching USD/KZT 399 but, with historical parity to the Russian Ruble more than restored, retreated to USD/KZT 326 as of May 10th with possible room for further improvement. Steppe's share price has remained quite stable during this period.

The Kazakh government's decision in August to adopt a floating exchange rate served to stem the flow of imports from Russia which had earlier significantly affected both the Company's sales volumes, margins and market share. This devaluation also intensified inflationary pressures with a resulting 13.6% year-on-year spike in December 2015 and continued high inflation forecast for 2016. Overall, the growth rate of the Kazakh economy slowed from 4.3% in 2014 to 1% in 2015, largely as a result of continuing low oil prices and decreased domestic demand. The economic outlook for 2016 remains uncertain with forecasts ranging from anemic growth to possible contraction. The government's stimulus policy, however, more than offset decreased private sector capital investment in 2015 by actively supporting lending

to industrial companies and the construction sector by financing housing, infrastructure, road construction and Expo 2017 in Astana. We expect this level of support to remain fairly stable in 2016. High interest rates have also made large-scale, long-term capital financing very difficult which could discourage future investment into the cement sector. In addition, existing competitors with a much higher ratio of foreign currency debt per tonne of capacity than Steppe should experience greater pressures on their margins, thereby providing us with a competitive advantage.

Additional competitive pressures have resulted from the two new dry lines, one at Shymkent (replacing their old wet lines) and Standard Cement's second line, not to mention the two new entrants during late 2013 and early 2014 although one of them is near the Caspian sea and far from our potential markets. The full impact of this cumulative increase in competition will depend on the actual size of the market in 2016. While demand in 2015 increased substantially from that of 2014 (from 8.5 million to 9.7 million tonnes), country-wide production capacity appears now for the first time in several years to exceed anticipated demand. While monthly demand through October 2015 was greater than that for each month of the previous year, the period of November through March 2016 experienced an overall decrease of 16% over the preceding period. However, historically, demand has always increased as summer approaches. April and May results confirm this trend.

Notwithstanding, Steppe's sales of cement increased to 1.64 million tonnes in 2015, 2% more than the 1.61 million tonnes sold the previous year, yet resulting in a reduced market share of 17.3% down from 19%. Increased price pressure from Russian imports prior to the further de facto devaluation of the Tenge resulted in an average ex-factory price 6% below that of 2014. Total revenue therefore decreased to KZT 19.537 million which was 7% lower than 2014. In spite of this situation, a real margin of 21.5% represented a significant increase over the 16.3% achieved the previous year. Although a forex loss of USD16.4 million was posted, the overall net loss for 2015 narrowed to USD3.4 million from USD8 million the previous year – a 58% improvement - while, during this same period, net debt was reduced by 42% from USD48 million to USD28 million.

These results were made possible by the operational cost reductions and targeted capex invested during 2014 and 2015 which resulted in significant savings and vindicated management's investment and cost containment strategies.

Personnel cost reductions were also achievable because of management's efforts, starting at the top. The Board not only decided to remain at three in number but also to reduce its levels of compensation. In addition, RFC Ambrian Limited was asked to serve as the Company's Broker as well as its Nominated Advisor, thus realizing a further cost efficiency. The task of rationalization of the Company's work force to 800 personnel – including expatriate as well as local - had been assigned in October 2014 and achieved by December 31, 2015. A further goal was established for year-end 2017. Equally important is the increased effort both to instill greater employee discipline as well as to transform the understanding of individual responsibilities, all in the context of open offices regrouped by function and improved communications.

During 2015, the Company had secured a KZT 2.1 billion subsidized loan with attractive terms from Halyk Bank, KZT 500 million of which was to be used for working capital and KZT 1.6 billion for capex. It is anticipated that all investments contracted for during 2015 will be completed by September 2016. The cement grinding mills received the greatest investment but the kilns, cement loading facilities and laboratory will all benefit both from the ability to handle both the increased volumes of cement and to do so more efficiently while maintaining product quality. Some impact was felt in 2015 but the groundwork has been laid for significant gains in productivity and cost reduction in 2016 and beyond.

Given the current indeterminate market, currency and cash flow situations combined with the reduced but still substantial hard currency debt, the Company will be unable to pay a dividend in respect of 2015. It is planned, however, to refinance the current portion of that debt onto a schedule that will give the Company greater financial flexibility with the possibility of being able to pay a further dividend once the current economic environment becomes clearer.

I am also pleased to report that this year's audit report contains no qualifications.

As 2016 begins, your Company's fundamentals are strong and the steps taken during 2015 should ensure a solid foundation for a more profitable future, even in difficult times.

Respectfully submitted,

Paul Rodzianko
Non-Executive Chairman

CEO's Statement



The 2015 results were significantly affected by the sharp devaluation of the Kazakhstan Tenge (KZT) against our reporting currency between August 2015 and January 2016. The relative strength of the KZT against the rouble until August forced local producers to lower their selling prices to fence off imports into Kazakhstan. As a result, our sales volume in tonnes increased only by 2% while the price in KZT decreased by 8%. After September imports slowed down significantly, but so did the economy as well as the cement consumption.

In 2015 we produced exclusively from the dry lines and, as a consequence, our cost of production was lowered more than our selling price, thereby increasing our gross margin. Steppe Cement operated Line 5 at 85% of its current capacity (1.1 million tonnes) and Line 6 at 87% of capacity (0.8 million tonnes). With small capital investments taking place in 2016 and 2017, we expect to increase the capacity to 1.2 million tonnes in Line 5 and 1.0 million tonnes in Line 6.

Steppe Cement was able to hedge some of the impact of the devaluation as it maintained a healthy cash balance in USD during the year and devoted most of its cash flow to repay term loan principal (USD13.2 million) and interest. Besides, the short-term credit lines available were increased to KZT3.8 billion as at end of the year.

Shareholders' funds reduced from USD117.7 million to USD56.7 million over the year due to the combined effect of a USD3.4 million loss for the year and a USD57.6 million charge

Key financials	Year ended 31-Dec-2015	Year ended 31-Dec-2014	Inc/ (Dec)%
Sales (tonnes of cement)	1,643,136	1,612,709	2%
Consolidated turnover (KZT million)	19,537	20,926	(7%)
Consolidated turnover (USD Million)	93.6	116.6	(20%)
Consolidated loss before tax (USD Million)	(8.8)	(8.1)	(9%)
Consolidated loss after tax (USD Million)	(3.4)	(7.9)	56%
Loss per share (US cents)	(1.5)	(3.6)	58%
Shareholders' funds (USD Million)	56.7	117.7	(52%)
Average exchange rate (USD/KZT)	222	179.5	(24%)
Exchange rate as at year end (USD/KZT)	339.5	182.3	(86%)

against asset carrying values arising from the substantial devaluation of the KZT to the USD over the course of the year (from 182 to 339). However as most of the assets required to build a new cement factory are denominated in USD, the replacement cost for the cement plant would be relatively unchanged in USD terms.

In 2015 Steppe Cement posted a net loss of USD3.4 million due to the foreign exchange loss of USD16.4 million. Steppe Cement's EBITDA increased to USD22.7 million from USD17.4 million in 2014 with a lower production cost amidst stable volumes, lower pricing and despite the KZT devaluation. The EBITDA calculated in 2015 includes the write back of USD1.9 million charged two years before as electricity expense and it has been reinstated in 2015 as the time for appeal of the court decision has expired.

The market volume increased by 14% in 2015 but we expect no growth in 2016

The Kazakh cement market in 2015 was 9.7 million tonnes, an increase of 14% compared to 8.5 million tonnes in 2014. The increase in market size was taken up by imports growing at 30%, Heidelberg, Standard Cement and Vicat. The local producers' market share decreased slightly to 86% from 87% in 2014.

Our expectations are that overall market demand in 2016 will be stable or decrease slightly. The demand depends upon the government investment plans and macroeconomic situation. The indication in the first months of 2016 is that, despite the drop in the oil price, the government remains committed to a strong infrastructure plan and the outlook of the construction industry in Kazakhstan remains positive, driven by the Expo 2017 and road building programs.

After the sharp devaluation of KZT, imports have plummeted by 75% while exports from Kazakhstan increased. Therefore in 2016 the local cement factories should maintain at least similar volumes to 2015. Steppe Cement had a market share of 17% in 2015 compared to 19% in 2014. We expect to regain our market share in 2016 in line with higher capacity utilization.

Steppe Cement's average cement selling prices decreased by 8% in KZT and by 21% in USD to USD56.9 per tonne delivered (equivalent to USD48.4 per tonne ex-factory).

Line 5 produced 0.94 million tonnes of cement while Line 6 produced 0.70 million tonnes. The combined production of both dry lines was increased by 45% from 1.13 million tonnes in 2014 to 1.64 million in 2015 resulting in a significant reduction in production costs per tonne.



Limited capital investment in 2015

During 2015 capital investment was limited to USD2 million from USD21.8 million in 2014.

In the second quarter we negotiated a capital investment credit facility of KZT1.69 billion at 6% and repayable over 10 years. The facility was used mostly in the first four months of 2016 to improve the reliability of the milling department and in logistics i.e. silos, loading areas, bagging plant and the terminal in Astana.

Significant cost reduction in dry lines

Average cash production costs in the dry lines was reduced to USD30/tonne from USD38/tonne in 2014. Measured in KZT, production cost per tonne decreased by 8% despite inflation declared of 13.6% in 2015. We expect to contain cost increases in 2016.

Selling expenses, reflecting mostly cement delivery costs, were reduced to USD8/tonne from USD12/tonne in 2014. This is due to increasing deliveries to Astana and nearby construction sites, savings on wagon rental and the devaluation.

General and administrative expenses

General and administrative expenses decreased by 34% to USD8 million from USD12.2 million in 2014 due mostly to management efforts and the effect of devaluation.

The labour count stood at 785 on 31 March 2016 compared with 926 on 31 March 2015. Of those 82 are in administration, 177 in the quarry and transportation departments and the balance in production. We will continue to optimize the labor count until the end of 2017.

Dry lines' improved operating performance

In 2015 Line 5 contributed 57% of sales and Line 6 the balance. In 2016 it is expected that Line 5 will contribute 59% and its production increase by at least 7%. Both lines should be operating at 90% capacity. Line 5's further target is to be able to produce 1.2 million tonnes of cement by 2017 and Line 6 1.0 million tonnes.

Financial position: Strong debt reduction and ratios compliance

During the year we decreased our non-current portion of borrowings significantly from USD30.4 million to USD14.9 million. This comprised the repayment of USD13.2 million in principal to VTB Bank, the reduction in the value of the bond (denominated in KZT) from USD7.9 million to USD4.3 million and an increase in capital investment loan of USD1.3 million.





The current portion of borrowings was reduced from USD27.0 million to USD15.7 million as we controlled the draw down of the short-term lines and limited the cash position at the end of year to USD2.4 million from USD9.3 million at 31 December 2014. We consider the risk of further devaluation is now much lower and the cost of borrowing in KZT has come some way off its early 2016 high.

The liquidity ratio improved to 0.7 from 1.55 at 31 December 2014 and all covenants under the various credit lines have been met comfortably.

We have renewed the revolving working capital credit line from Halyk Bank of KZT3 billion until 2018 but the interest remains high (15-20% p.a.). Therefore we have been borrowing at 6% in USD during the first quarter of 2016. KZT0.5 billion from that line will remain in KZT at 6% under the government subsidized program. We have an additional credit line from Altyn Bank of KZT which will be increased to KZT0.9 billion and prolonged later in May 2016.

The KZT2.19 billion government subsidized loan that we negotiated covers KZT1.69 billion capital expenditure and replaces KZT0.5 billion of the working capital lines. Both lines are denominated in KZT, priced at 6% and have been substantially disbursed as of 31 March 2016.

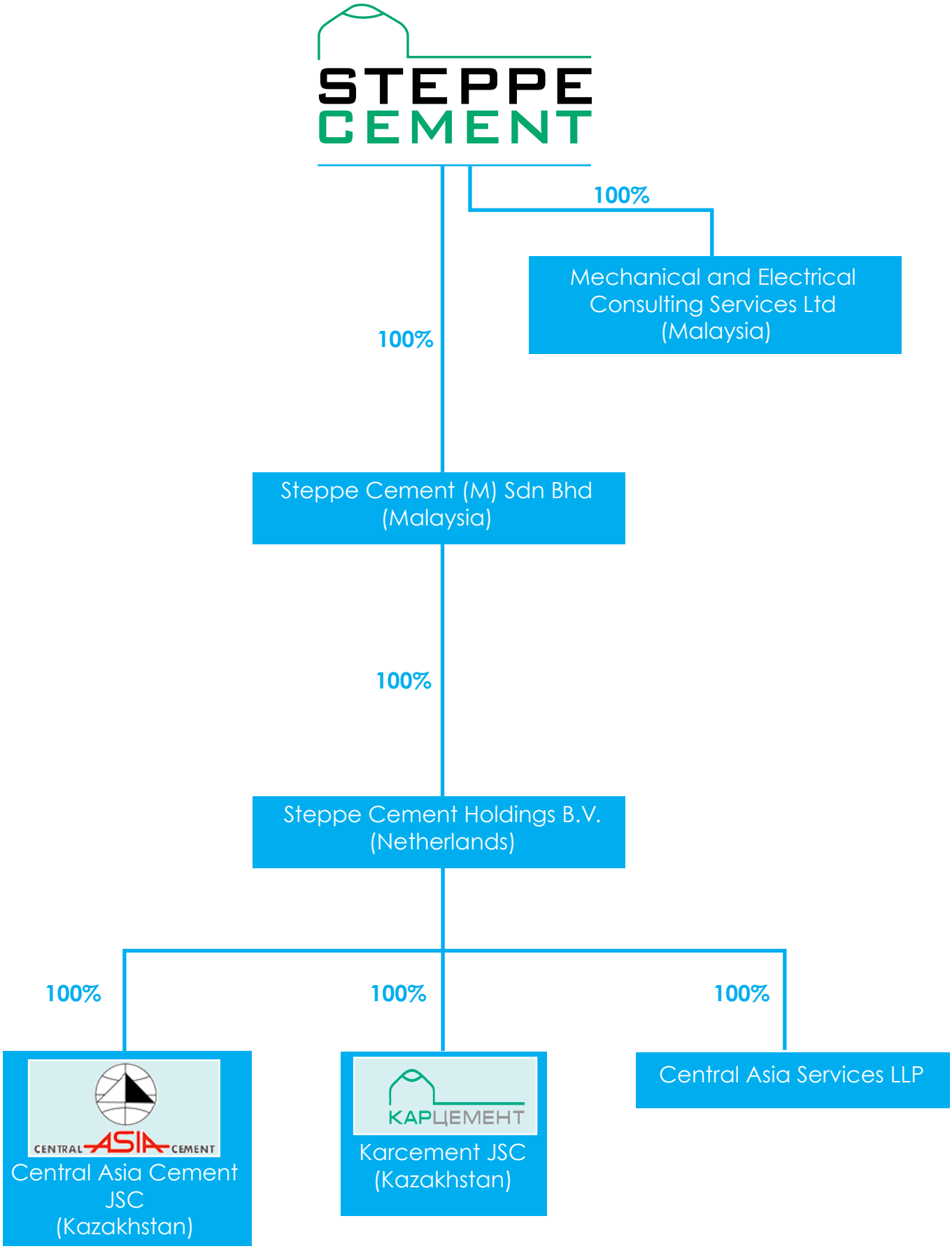
In 2015 finance costs decreased to USD4.2 million from USD4.8 million in 2014 due to the continuous repayment of loan principals.

Depreciation decreased to USD10.7 million in 2015 from USD12.2 million in 2014 mostly due to the exchange rate.

The statutory corporate income tax rate remains at 20% in Kazakhstan.

Javier del Ser
Chief Executive Officer

Group Structure



Board of Directors

Paul Rodzianko (Non-Executive Chairman)



Paul Rodzianko, 70, 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. Currently volunteering as Chairman Emeritus of the Hermitage Museum Foundation (USA), he serves on the boards of the US-Russia Business Council, the Kennan Council of the Woodrow Wilson International Center, and the International Tax & Investment Center. Previously he was Vice-chairman of the Board of the US-Kazakhstan Business Association and Director 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.

Javier Del Ser Perez (Chief Executive Officer)



Javier del Ser Perez, 50, 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.

Xavier Blutel (Non-Executive Director)



Xavier Blutel, 61, is currently the Senior Adviser, Wagram Corporate Finance, President and founding partner of SAS Baudrimont and a Conseiller du Commerce Extérieur de la France. Xavier Blutel spent 33 years as an international executive in capital intensive industries such as the cement industry, with Italcementi Group and Ciments Français Group, and the petrochemicals industry. Besides managing various operations in numerous countries, he was actively involved in screening approach, negotiation and integration of new acquisitions, disposals of non-core businesses and potential mergers. He also spent 6 years (2002-2007) in international lobbying and developed and implemented the Sustainable Development approach in Italcementi Group. He was formerly a director of Shymkent JSC and Beton ATA LLP from 2008 to 2013.

Senior Management

Management & staff of Karcement JSC



Gan Chee Leong

General Director

Gan is a Chartered Accountant from England and Wales. He started work in Kuala Lumpur as a senior auditor with a well-known international firm. He has about 23 years of experience in cement industry in various capacities. Before joining CAC and Karcement, he was GM-marketing of a leading cement company in Malaysia and held various directorships within the Group companies He also held a number of positions in the Cement and Concrete Association Malaysia and was once the Deputy Secretary General of Asian Federation of Cement Manufacturers.

George Ramesh

Operation Director

A Mechanical Engineer by profession with a Master degree in Business Management (Finance & Marketing) from India. He has about 24 years' of vast experience in the Dry process cement industry in various countries (India, Malaysia & Singapore), handled plant improvement projects, operational reliability, methodology development and maintenance. Before joining Karcement in September 2007, he worked as Maintenance & Project Manager for Holcim (Malaysia) and prior to that, with Lafarge (Malaysia). He was the Project Manager of the Line 5 dry line modernization Project in Karcement which was successfully commissioned in 2014.

P. Sampathkumar

Head of Production

He is a Chemistry graduate with a Master degree in Sociology, Post Graduate Diploma holder in Personnel Management & Industrial Relations and also a holder of Technical Diploma in Total Productive Maintenance (Gemba Kaizen).

He has extensive experience of more than 33 years in the operation of all types of kilns right from wet process to modern kilns. He specializes in process stabilization and optimization. He has worked in India, Iraq, and UAE with companies like ACC Ltd – (Now HOLCIM) and Lafarge.

G. Srinivasa Reddy

Head of Maintenance

A Mechanical Engineer from India and graduated from the prestigious Regional Engineering College, Warangal. He has extensive experience in the cement industry for more than 23 years in projects, maintenance and operation in various capacities. He has worked at India Cements Ltd, Dalmia Cements (B) Ltd. and Holcim India before joining Karcement in 2008. He has very good knowledge about modern dry plant maintenance, operation, process control and optimization.

Veronica Kuznetsova

Legal Department Chief

A graduate from the Legal Academy of Kazakhstan with a Master's 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 the Legal Department.

Svetlana Alekseeva

Chief Accountant:

Svetlana is a CAP certified accountant and an Engineer-Economist by qualification. She graduated from Karaganda Polytechnic Institute.

Tanzilya Sirazieva

Quality Assurance

She qualified as a chemical-technologist engineer from Belgorod Technological Institute of Building Materials and has 42 years of experience in the cement industry.

Senior Management

Management & staff of Central Asia Cement JSC



Peter Durnev
General Director

A graduate of Academy Marketing Moscow. He has worked in CAC for about 18 years rising from marketing executive to his present position. He also holds the position of Marketing Director.

Chan Keng Chung
Finance Director

Chan Keng Chung is a member of Malaysian Institute of Certified Public Accountants (MICPA) and a graduate from the University of Malaya in bachelor degree of accountancy. He has over 18 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.

Zilya Khasanova
Chief Accountant

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.

Irina Poluychik
Personnel Manager

An economist by qualification. She specializes in human resources matters. She has been with CAC for more than 25 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 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.



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

Committee meetings are held concurrently with the board meetings.

Board Meetings

During the year ended 31 December 2015, 4 board meetings were held. The above is the attendance record of the directors:

BOARD COMPOSITION

At least half of the Board comprises of independent non-executive directors. The Board composition reflects the balance of skills and expertise to ensure that these are in line with the Group's strategies.
There is a clear segregation of roles of between the Chairman and Chief Executive Officer. The Chairman is responsible for leadership and management of the Board and ensures that it operates effectively and fully discharges its responsibilities. The Board has delegated responsibility for the day-today management and operations of the Group in accordance with the objectives and strategies established by the Board to the Chief Executive Officer and the senior management.

Independence

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

Selection and appointment of directors

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

Section 87(1) of the Labuan Companies Act 1990 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:

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

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

The functions of the Nomination Committee include:

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



Remuneration Committee

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

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

The functions of the Remuneration Committee include:

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

Corporate Governance



The Remuneration Committee's members comprises of:

1. Xavier Blutel (Chairman)

2. Paul Rodzianko

Audit Committee

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

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

The functions of the Audit Committee include:

- Review the Group's financial statements, regulatory announcements relating to the Group's results;
- Review the Group's significant accounting policies and practices;
- Review compliance with international financial reporting standards, regulatory and other legal requirements;



- Review and advise the Board on the appointment, nomination and re-appointment of the external auditors;
- Oversee the relationship with the external auditors, including the engagement of auditors, the audit scope, plan, remuneration and objectivity;
- Evaluate and monitor the adequacy and effectiveness of the internal controls system and procedures including risk management and compliance;
- Monitor and review the performance and effectiveness of the internal audit function;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference at least once a year and recommend any changes to the Board for approval.

The Audit Committee's members comprises of:

1. Paul Rodzianko (Chairman)
2. Xavier Blutel

BUSINESS CONDUCT AND ETHICS

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

Conflict of interest

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

INVESTOR RELATIONS

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

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

Corporate Governance





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

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

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

Monitoring and review mechanism

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



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(In United States Dollar)

CONTENTS	PAGES
Independent auditors' report	30 - 31
Income statements	32
Statements of comprehensive income	33
Statements of financial position	34 - 35
Statements of changes in equity	36 - 38
Statements of cash flows	39 - 41
Notes to the financial statements	42 - 93
Statement by a director	94

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 2015, 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 32 to 93.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with International Financial Reporting Standards and the Labuan Companies Act, 1990 in Malaysia. The directors are also responsible 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 about 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of 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(1) 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 KENG PEO
Partner - 2939/01/18 (J/PH)
Chartered Accountant

16 May 2016

INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	The Group		The Company	
		2015	2014	2015	2014
		USD	USD	USD	USD
Revenue	4	93,632,720	116,634,875	100,000	4,247,325
Cost of sales		(60,383,321)	(80,925,733)	-	-
Gross profit		33,249,399	35,709,142	100,000	4,247,325
Selling expenses		(13,082,506)	(19,139,532)	-	-
General and administrative expenses		(8,037,254)	(12,151,311)	(383,830)	(531,641)
Interest income		40,584	8,245	-	-
Finance costs	5	(4,215,275)	(4,787,593)	-	-
Net foreign exchange (loss)/gain	6	(16,376,575)	(5,281,327)	72,203	29,391
Other (loss)/income, net		(94,795)	691,630	-	-
Impairment loss on investment		-	-	(4,000,001)	-
Impairment loss on property, plant and equipment, net of tax	10	(298,397)	(3,144,100)	-	-
(Loss)/Profit before income tax	7	(8,814,819)	(8,094,846)	(4,211,628)	3,745,075
Income tax credit/(expense)	8	5,433,161	154,161	-	(5,720)
(Loss)/Profit for the year		(3,381,658)	(7,940,685)	(4,211,628)	3,739,355
Attributable to:					
Shareholders of the Company		(3,381,658)	(7,940,685)	(4,211,628)	3,739,355
Loss per share:					
Basic and diluted (cents)	9	(1.5)	(3.6)		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

		The Group		The Company	
		2015	2014	2015	2014
	Note	USD	USD	USD	USD
(Loss)/Profit for the year		(3,381,658)	(7,940,685)	(4,211,628)	3,739,355
Other comprehensive loss:					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation gain on property, plant and equipment, net of tax	10	124,531	-	-	-
Impairment loss on property, plant and equipment, net of tax	10	(142,081)	(481,777)	-	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(57,566,026)	(24,936,678)	-	-
Total other comprehensive loss		(57,583,576)	(25,418,455)	-	-
Total comprehensive (loss)/income for the year		(60,965,234)	(33,359,140)	(4,211,628)	3,739,355
Attributable to:					
Shareholders of the Company		(60,965,234)	(33,359,140)	(4,211,628)	3,739,355

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

		The Group		The Company	
	Note	**2015**	**2014**	**2015**	**2014**
		USD	**USD**	**USD**	**USD**
Assets					
Non-Current Assets					
Property, plant and equipment	10	71,787,157	151,695,517	-	-
Investment in subsidiary companies	11	-	-	26,500,001	30,500,002
Advances and prepaid expenses	16	1,270,919	50,666	-	-
Other assets	12	2,442,499	7,021,239	-	-
Deferred taxes	13	549,669	-	-	-
Total Non-Current Assets		76,050,244	158,767,422	26,500,001	30,500,002
Current Assets					
Inventories	14	13,319,832	22,112,879	-	-
Trade and other receivables	15	2,290,736	3,949,124	-	-
Income tax recoverable		547,232	1,211,045	-	-
Loans and advances to sub-sidiary companies	25	-	-	39,845,904	40,377,069
Advances and prepaid expenses	16	1,432,447	2,514,290	6,582	5,731
Cash and cash equivalents	17	2,406,309	9,295,439	338,124	2,112
Total Current Assets		19,996,556	39,082,777	40,190,610	40,384,912
Total Assets		96,046,800	197,850,199	66,690,611	70,884,914

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

		The Group		The Company	
	Note	2015	2014	2015	2014
		USD	USD	USD	USD
Equity and Liabilities					
Capital and Reserves					
Share capital	18	73,760,924	73,760,924	73,760,924	73,760,924
Revaluation reserve	19	3,443,582	3,986,065	-	-
Translation reserve	19	(108,124,581)	(50,558,555)	-	-
Retained earnings/ (Accumulated losses)	19	87,646,119	90,502,844	(8,427,886)	(4,216,258)
Total Equity		56,726,044	117,691,278	65,333,038	69,544,666
Non-Current Liabilities					
Borrowings	20	14,857,018	30,363,401	-	-
Deferred taxes	13	-	7,399,794	-	-
Deferred income	21	517,778	-	-	-
Provision for site restoration		51,265	84,458	-	-
Total Non-Current Liabilities		15,426,061	37,847,653	-	-
Current Liabilities					
Trade and other payables	22	4,485,684	7,658,755	-	-
Accrued and other liabilities	23	3,084,812	6,638,802	1,357,573	1,334,528
Borrowings	20	15,822,258	27,088,698	-	-
Taxes payable	24	501,941	925,013	-	5,720
Total Current Liabilities		23,894,695	42,311,268	1,357,573	1,340,248
Total Liabilities		39,320,756	80,158,921	1,357,573	1,340,248
Total Equity and Liabilities		96,046,800	197,850,199	66,690,611	70,884,914

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

		← Non-distributable →		Distributable	
The Group	**Share capital**	**Revaluation reserve**	**Translation reserve**	**Retained earnings**	**Total***
	USD	**USD**	**USD**	**USD**	**USD**
As of 1 January 2015	73,760,924	3,986,065	(50,558,555)	90,502,844	117,691,278
Loss for the year	-	-	-	(3,381,658)	(3,381,658)
Other comprehensive loss	-	(17,550)	(57,566,026)	-	(57,583,576)
Total comprehensive loss for the year	-	(17,550)	(57,566,026)	(3,381,658)	(60,965,234)
Other transactions impacting equity:					
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(524,933)	-	524,933	-
As of 31 December 2015	73,760,924	3,443,582	(108,124,581)	87,646,119	56,726,044

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	← Non-distributable →			Distributable	
The Group	**Share capital**	**Revaluation reserve**	**Translation reserve**	**Retained earnings**	**Total***
	USD	**USD**	**USD**	**USD**	**USD**
As of 1 January 2014	73,760,924	5,603,756	(25,621,877)	100,883,344	154,626,147
Loss for the year	-	-	-	(7,940,685)	(7,940,685)
Other comprehensive loss	-	(481,777)	(24,936,678)	-	(25,418,455)
Total comprehensive loss for the year	-	(481,777)	(24,936,678)	(7,940,685)	(33,359,140)
Other transactions impacting equity:					
Dividends (Note 19)	-	-	-	(3,575,729)	(3,575,729)
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(1,135,914)	-	1,135,914	-
As of 31 December 2014	73,760,924	3,986,065	(50,558,555)	90,502,844	117,691,278

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

The Company	Share capital	Accumulated losses	Total
	USD	USD	USD
As of 1 January 2015	73,760,924	(4,216,258)	69,544,666
Total comprehensive loss for the year	-	(4,211,628)	(4,211,628)
As of 31 December 2015	73,760,924	(8,427,886)	65,333,038
As of 1 January 2014	73,760,924	(4,379,884)	69,381,040
Total comprehensive income for the year	-	3,739,355	3,739,355
Other transaction impacting equity:			
Dividends (Note 19)	-	(3,575,729)	(3,575,729)
As of 31 December 2014	73,760,924	(4,216,258)	69,544,666

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(8,814,819)	(8,094,846)	(4,211,628)	3,745,075
Adjustments for:				
Depreciation of property, plant and equipment	10,685,978	12,239,764	-	-
Amortisation of quarry stripping costs	-	15,699	-	-
Amortisation of site restoration costs	2,430	-	-	-
Loss on disposal of property, plant and equipment	545,175	237,877	-	-
Impairment loss on investment	-	-	4,000,001	-
Impairment loss on property, plant and equipment	298,397	3,144,100	-	-
Dividend income	-	-	-	(4,147,325)
Interest income	(40,584)	(8,245)	-	-
Finance costs	4,215,275	4,787,593	-	-
Net foreign exchange loss/(gain)	16,376,575	5,284,714	(68,172)	(66,613)
Provision for obsolete inventories	395,646	1,750,864	-	-
Provision for doubtful receivables	33,502	103,630	-	-
Provision on advances paid to third parties	39,347	119,956	-	-
Accrued unused leaves	-	19,359	-	-
Reversal of accrued unused leaves	(6,799)	(55,688)	-	-
Reversal of provision of electricity charges	(1,922,083)	-	-	-
	21,808,040	19,544,777	(279,799)	(468,863)

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(2,324,878)	(3,619,182)	-	-
Trade and other receivables	1,844,366	1,069,568	(851)	3,156
Loans and advances to subsidiary companies	-	-	531,165	(468,393)
Advances and prepaid expenses	(909,535)	1,505,920	-	-
Increase/(Decrease) in:				
Trade and other payables	452,420	(169,749)	-	-
Accrued and other liabilities	1,462,067	1,483,330	90,977	126,505
Cash From/(Used In) Operations	22,332,480	19,814,664	341,492	(807,595)
Income tax paid	(398,712)	(1,448,896)	(5,480)	-
Interest paid	(4,073,196)	(4,806,663)	-	-
Net Cash From/(Used In) Operating Activities	17,860,572	13,559,105	336,012	(807,595)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,831,446)	(21,834,528)	-	-
Purchase of other assets	(26,002)	(356,421)	-	-
Dividends received	-	-	-	4,147,325
Interest received	40,584	8,245	-	-
Net Cash (Used In)/From Investing Activities	(1,816,864)	(22,182,704)	-	4,147,325

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	-	(3,575,729)	-	(3,575,729)
Proceeds from bank loans	20,184,000	89,745,890	-	-
Repayment of bank loans	(38,853,066)	(71,954,803)	-	-
Net Cash (Used In)/From Financing Activities	(18,669,066)	14,215,358	-	(3,575,729)
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	(2,625,358)	5,591,759	336,012	(235,999)
EFFECTS OF FOREIGN EX-CHANGE RATE CHANGES	(4,263,772)	(595,503)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,295,439	4,299,183	2,112	238,111
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	2,406,309	9,295,439	338,124	2,112

The accompanying notes form an integral part of the financial statements.

1. GENERAL INFORMATION

Steppe Cement Ltd (the "Company") is a limited liability company incorporated in Malaysia. The Company's registered office is Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan FT, Malaysia. The Company's shares are listed on the Alternative Investment Market of the London Stock Exchange. The group comprises the Company and the subsidiary companies (collectively the "Group") that are disclosed in Note 11.

The principal place of business of the Company's operating subsidiary companies is located at 472380, Aktau village, Karaganda Region, the Republic of Kazakhstan.

The Company's principal activity is investment holding. The Company's operating subsidiary are principally engaged in the production and sale of cement. The principal activities of the subsidiary companies are disclosed in Note 11.

The financial statements of the Group and of the Company have been approved by the Board of Directors and were authorised for issuance on 16 May 2016.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

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

Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group and the Company have applied a number of amendments to IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

Amendments to IAS 19 Defined Benefit Plans - Employee Contributions

Amendments to IFRSs contained in the document entitled Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

IFRS 9	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 16	Leases[5]
Amendments to IFRS 11	Accounting for Acquisitions of interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 7	Disclosure Initiative[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[4] Effective date deferred to a date to be determined and announced, with earlier application still permitted.
[5] Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted provided MFRS 15 is also applied.

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 Amendments will have no material impact on the financial statements of the Group and the Company except for the application of IFRS 9 and IFRS 15 which may have impact on the disclosure as described below.

IFRS 9 Financial Instruments

IFRS 9 issued by IASB in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments. Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of equity instrument (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regards to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liabilities, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for credit event to have occurred before credit losses are recognised; and

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about any entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and of the Company's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group and the Company complete a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use

in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements of the Group. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of 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 10).

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 the 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.

In addition, for financial reporting purposes, fair value measurements are categorised 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; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

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

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

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies 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 subsidiary companies.

When the Group loses control of a subsidiary company, 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 company. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary company (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 company 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 sale of cement, transmission and distribution of electricity and interest income. Sale 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 and dividend income.

Sale of goods
Upon shipment/delivery of goods and when the risks and rewards of ownership have passed to the customers, revenue is recognised at gross invoiced value, net of discounts, rebates, commissions and returns.

Transmission and distribution of electricity
Revenue is recognised upon delivery of electricity to the customers.

Interest income
Interest income is recognised on an accrual basis by reference to the principal outstanding and at the effective interest rate applicable.

Management fee income
Management fee is recognised on a straight-line basis over the period of the agreement as the services are provided.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Foreign Currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements of the Group, the results and financial position of each entity are expressed in United States Dollars ("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 subsidiary companies, Karcement JSC and Central Asia Cement JSC ("CAC 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 statement 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:

	2015 USD	2014 USD
1 Sterling Pound ("GBP")	1.4736	1.5577
1 Euro ("EUR")	1.0862	1.2098
1 Ringgit Malaysia ("MYR")	0.2329	0.2860
1 Russian Ruble ("RUB")	0.0138	0.0173
	KZT	**KZT**
1 USD	339.47	182.35

Retirement Benefit Costs

In accordance with the requirements of the legislation of the country 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 USD440 per month per employee (2014: USD821) 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 to settle the carrying amount of its assets and liabilities. Deferred tax is charged or is 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 subsidiary companies, 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.

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 and buildings and construction in progress

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

Construction in Progress

Assets 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 assets will be presented in the appropriate categories of property, plant and equipment when they are 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, their remaining revaluation surplus recorded in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and construction in progress) 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
Railway wagons	20 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 sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Mining assets

Mining assets comprise quarry stripping costs and site restoration costs relating to quarry used by the Group.

(i) 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.

(ii) Site restoration costs

Site restoration provisions are made in respect of the estimated discounted costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual material and remediation of disturbed areas). Over time, the discounted obligation is increased for the change in present value based on the discount rates that reflect current market assessments of the time value of money and the risks specific to the liability. A corresponding asset is capitalised where it gives rise to a future benefit and depreciated over the remaining life of the quarry to which it relates on a straight-line basis. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumption will be recognised as additions or charges to the corresponding asset and provision when they occur.

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).

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.

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:

Not moving more than 1 year	33.3%
Not moving more than 2 years	66.7%
Not moving 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.

Equity

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividend declared on or before the reporting date is recognised as liability. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

Financial Instruments

Financial assets and financial liabilities are recognised in the 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 financial 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 financial liability, 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 subsidiary companies) 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 at FVTPL, held-to-maturity investments or AFS financial assets.

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 from use, they are disclosed in the notes to the financial statements.

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

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

Impairment of Financial Assets

The Group provides an allowance for impairment of financial assets 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 the 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 the income statement and the assets are reduced by the amount of the impairment allowances. The factors evaluated in determining whether the evidence of impairment is objective includes information on liquidity of borrowers, solvency and exposure to financial risks, insolvency trends regarding similar financial assets, general economic condition and fair value of security and guarantees.

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 Financial Liabilities

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

Derecognition of 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 liabilities. Due to the inherent uncertainty in making those judgements and 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 10, 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 31 August 2015. Valuation techniques used by the professional valuers are subjective and involve the use of professional judgement in the estimation of, amongst others, the Group's future cash flows from operations and appropriate discount factors and in the application of relevant market information.

As of 31 December 2015, the directors consider that the carrying amount of the land and buildings is reflective of the fair value of these assets.

Impairment of Property, Plant and Equipment
The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. 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.

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. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. The determination of the recoverable amount of a CGU involves the use of estimates by management. These estimates can have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

On 31 August 2015, the Group performed a revaluation of land and buildings based on independent revaluation. As a result of the revaluation, the Group recognised a net loss on revaluation of USD95,551, of which USD251,216 was recognised as impairment loss in the income statement, while a net revaluation gain of USD124,531 was recognised in revaluation reserve, net of deferred tax of USD31,134.

On 31 August 2015, several buildings which were no longer in use as a result of operational streamlining were identified as unlikely to be re-used. As such, those buildings were subject to full impairment loss on that date. The Group recognised an impairment loss of USD224,780 of which USD47,181 was recognised in the income statement and USD142,081 was charged to revaluation reserve, net of deferred tax of USD35,518.

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. The useful lives and residual values are estimated based on normal life expectancies and industry factors. Changes in expected level of usage could impact the economic useful lives and the residual values of these assets, hence future depreciation charges on such assets could be revised.

Provisions for Doubtful Debts, Advances paid to Third Parties and Inventories
The Group makes provisions for doubtful debts and advances paid to third parties. 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 and advances paid to third parties. As of 31 December 2015, provision for doubtful debt amounted to USD40,171 (2014: USD481,826) (Note 15) and advances paid to third parties amounted to USD86,888 (2014: USD1,107,623) (Note 16).

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 2015, provision for obsolete and slow moving inventories amounted to USD2,805,285 (2014: USD4,485,879) (Note 14).

Provision for Electricity Charges
As stated in Note 23, as of 31 December 2015, a provision of USD617,698 (2014: USD3,492,586) was made by the Group pertaining to ongoing lawsuit between a subsidiary company, CAC JSC, and Karaganda Zharyk LLP on electricity transportation services. There is an inherent uncertainty in the final outcome of the court case. Having considered all pertinent factors, including after due consultation with solicitor and assessment of the merits of the case, management considers the provision made as adequate.

Provision for Site Restoration

The Company's subsidiary company, CAC JSC, engaged professional consultants with geology and environmental protection expertise to estimate site restoration obligation which may arise from its limestone and clay quarries in accordance with Subsurface Use Contracts and relevant legislations. In arriving at the present value of site restoration obligation, a pre-tax discount rate of 13% (2014:13%) is used as it reflects current market assessment of the time value of money and the risk specific to site restoration obligation.

4. REVENUE

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Sale of manufactured goods	93,606,443	116,576,914	-	-
Transmission and distribution of electricity	26,277	57,961	-	-
Dividend income	-	-	-	4,147,325
Management fee receivable from subsidiary company	-	-	100,000	100,000
	93,632,720	116,634,875	100,000	4,247,325

5. FINANCE COSTS

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Interest expenses on:				
- Bank loans	3,407,346	3,774,373	-	-
- Bonds issued	713,191	830,084	-	-
Amortisation of discount on bonds issued	61,497	64,217	-	-
Others	33,241	118,919	-	-
	4,215,275	4,787,593	-	-

The Group's weighted average interest rate on the bank loans is 7.26% (2014: 7.65%) per annum.

6. NET FOREIGN EXCHANGE (LOSS)/GAIN

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Net foreign exchange (loss)/gain	(16,376,575)	(5,281,327)	72,203	29,391

During the year, foreign exchange losses of USD16,505,050 arose from the translation of the USD denominated bank loans due to significant decline in the value of KZT against USD. These losses are presented as part of the repayment of bank loans in statement of cash flows.

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Staff costs	(5,788,259)	(8,713,682)	-	-
Depreciation of property, plant and equipment	(10,685,978)	(12,239,764)	-	-
Amortisation of quarry stripping costs	-	(15,699)	-	-
Amortisation of site restoration costs	(2,430)	-	-	-
Loss on disposal of property, plant and equipment	(545,175)	(237,877)	-	-
Provision for obsolete inventories	(395,646)	(1,750,864)	-	-
Provision for doubtful receivables	(33,502)	(103,630)	-	-
Provision for doubtful advances paid to third parties	(39,347)	(119,956)	-	-
Accrued unused leaves	-	(19,359)	-	-
Reversal of accrued unused leaves	6,799	55,688	-	-
Reversal of provision for electricity charges	1,922,083	-	-	-
Impairment loss on property, plant and equipment	298,397	3,144,100	-	-
Impairment loss on investment	-	-	4,000,001	-

8. INCOME TAX CREDIT/(EXPENSE)

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

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Current tax credit/(expense):				
- Company	-	(5,720)	-	(5,720)
- Subsidiary companies	(433,764)	-	-	-
- Over/(Under)provision in prior years	29,893	(246,479)	-	-
Deferred tax credit (Note 13):				
- Subsidiary companies	5,837,032	406,360	-	-
	5,433,161	154,161	-	(5,720)

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 (USD5,120) or at a tax rate of 3% on the chargeable profits of a Labuan company carrying on Labuan trading activities for the basis period for that year of assessment. No tax is charged on Labuan non-trading activities.

The profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to the prevailing statutory tax rate of 20% (2014: 20%), and Malaysian and Netherland subsidiaries are subject to statutory tax rates of 25% (2014: 25%).

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

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
(Loss)/Profit before income tax	(8,814,819)	(8,094,846)	(4,211,628)	3,745,075
Tax (credit)/expense calculated at domestic tax rates applicable to the respective jurisdictions	(5,466,622)	(1,295,729)	(126,349)	112,352
Tax effects of expenses not deductible for tax purposes	531,774	765,703	120,000	-
Tax effects of income not assessable for tax purposes	(302,432)	(60,540)	-	(124,420)
Effect of previously unrecognised temporary differences	(248,545)	-	-	-
Effect of unused tax losses not recognised as deferred tax assets	82,557	184,206	6,349	12,068
(Over)/Underprovision of current tax in prior years	(29,893)	246,479	-	-
Election of tax at RM20,000	-	5,720	-	5,720
Income tax (credit)/expense	(5,433,161)	(154,161)	-	5,720

The high effective tax rate at 62% as compared to the prevailing statutory tax rate of 20% of subsidiary companies in Kazakhstan is due to tax effects arising on foreign exchange losses on intercompany loan deductible for tax purposes.

9. LOSS PER SHARE

Basic and diluted

	The Group	
	2015 USD	2014 USD
Loss attributable to ordinary shareholders	(3,381,658)	(7,940,685)

	2015	2014
Number of ordinary shares in issue at beginning and end of year	219,000,000	219,000,000
Weighted average number of ordinary shares in issue	219,000,000	219,000,000

	2015	2014
Loss per share, basic and diluted (cents)	(1.5)	(3.6)

The basic loss per share is calculated by dividing the loss 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 2015 and 2014.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Railway wagons	Stand-by equipment and major spare parts	Construction in progress	Other assets	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Cost								
At 1 January 2014	4,026,848	48,598,957	78,169,165	-	-	82,644,609	15,662,124	229,101,703
Additions	5,654	8,045	6,822	15,063,905	5,409,970	6,515,809	210,617	27,220,822
Transfers	-	1,989,542	78,259,929	9,344	(10,480)	(81,019,758)	771,423	-
Disposals	-	(296)	(238,870)	-	(60)	(45,632)	(186,844)	(471,702)
Impairment losses	-	(602,223)	-	-	-	-	-	(602,223)
Exchange differences	(620,093)	(7,474,321)	(18,365,169)	-	-	(7,372,912)	(2,411,804)	(36,244,299)
At 31 December 2014/ 1 January 2015	3,412,409	42,519,704	137,831,877	15,073,249	5,399,430	722,116	14,045,516	219,004,301
Additions	6,313	-	35,649	-	-	1,895,082	113,908	2,050,952
Transfers	-	(669,885)	1,544,643	-	(1,660)	(1,798,277)	925,179	-
Disposals	(7,600)	(281,759)	(1,107,667)	-	(9,836)	(3,469)	(2,334,290)	(3,744,621)
Reclassification to inventories	-	-	-	-	(816,355)	-	-	(816,355)
Revaluation gain/(loss)	391,307	(235,642)	-	-	-	-	-	155,665
Exchange differences	(1,696,309)	(19,280,506)	(66,885,999)	(6,976,490)	(2,188,057)	(391,603)	(6,053,577)	(103,472,541)
At 31 December 2015	2,106,120	22,051,912	71,418,503	8,096,759	2,383,522	423,849	6,696,736	113,177,401

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Railway wagons	Stand-by equipment and major spare parts	Construction in progress	Other assets	Total
	USD	USD	USD	USD	USD	USD	USD	USD
Accumulated depreciation and impairment losses								
At 1 January 2014	-	23,172,676	30,436,872	-	-	-	8,327,256	61,936,804
Charge for the year	-	1,858,195	8,910,156	338,418	-	-	1,132,995	12,239,764
Transfers	-	16	-	-	-	-	(16)	-
Disposals	-	(22)	(114,741)	-	-	-	(119,062)	(233,825)
Impairment losses	-	195,944	2,947,554	-	-	-	602	3,144,100
Exchange differences	-	(3,600,456)	(4,872,288)	(5,289)	-	-	(1,300,026)	(9,778,059)
At 31 December 2014/ 1 January 2015	-	21,626,353	37,307,553	333,129	-	-	8,041,749	67,308,784
Charge for the year	-	1,314,124	7,795,690	618,358	-	-	957,806	10,685,978
Transfers	-	(95,253)	32,270	-	-	-	62,983	-
Disposals	-	(228,652)	(676,787)	-	-	-	(2,294,007)	(3,199,446)
Impairment losses	-	475,996	-	-	-	-	-	475,996
Exchange differences	-	(10,494,204)	(19,736,716)	(367,706)	-	-	(3,282,442)	(33,881,068)
At 31 December 2015	-	12,598,364	24,722,010	583,781	-	-	3,486,089	41,390,244
Net Book Value								
At 31 December 2015	2,106,120	9,453,548	46,696,493	7,512,978	2,383,522	423,849	3,210,647	71,787,157
At 31 December 2014	3,412,409	20,893,351	100,524,324	14,740,120	5,399,430	722,116	6,003,767	151,695,517

Land and buildings were revalued on 31 August 2015 by an independent professional valuer based on depreciated replacement cost and income approach. Valuation of buildings was arrived at by reference to the discounted cash flows method, as the property is a production facility, which is a level [3] measurement in the fair value hierarchy.

The following significant unobservable inputs were used in preparing the discounted cash flow:

- the forecast period was from September 20l5 to December 2018;
- derivation of a terminal value using a constant growth model;
- discount rate of 17.31% was applied.

Valuation of land was arrived at by reference to market evidence of transaction prices for comparable properties, which is a level [2] measurement in the fair value hierarchy.

The carrying amount of the land and buildings, which is stated at fair value at the revaluation date less subsequent accumulated depreciation and impairment losses, amounted to USD11,559,668 as of 31 December 2015 (2014: USD24,305,760). In the fair value assessment, the highest and best use of the land and buildings is their current use which is production and sale of cement facility. According to International Accounting Standard 16, Property, Plant and Equipment, for property, plant and equipment that is accounted for under revaluation model, revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The directors are of the opinion that the carrying amounts of the land and buildings since the date of revaluation until 31 December 2015 do not differ significantly from their fair values.

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

	The Group	
	2015 USD	2014 USD
Land	241,317	428,977
Buildings	1,761,291	3,649,705

As a result of the revaluation on 31 August 2015, the Group recognised a net loss on revaluation of USD95,551, of which 251,216 was recognised as impairment loss in the income statement, while a net revaluation gain of USD124,531 was recognised in revaluation reserve, net of deferred tax of USD31,134.

On 31 August 2015, several buildings which were no longer in use as a result of operational streamlining were identified as unlikely to be re-used. As such, those buildings were subject to full impairment loss on that date. The Group recognised an impairment loss of USD224,780 of which USD47,181 was recognised in the income statement and USD142,081 was charged to revaluation reserve, net of deferred tax of USD35,518.

Other assets included in property, plant and equipment comprise commonly used assets for production, administrative facilities, computer and software and constructed items including cables, conveyors and heaters which are usable for a certain period of time.

As of 31 December 2015, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD32,496,942 (2014: USD52,061,892) and USD23,226,910 (USD41,794,308), respectively, is pledged to secure the loan from VTB Bank (Austria) AG and VTB Bank (France) SA.

As at 31 December 2015, property, plant and equipment with a cost and net book value of USD7,442,160 and USD6,449,527 respectively were pledged as collateral for the government-subsidised loan (Note 20).

As of 31 December 2015, the cost of property, plant and equipment that is fully depreciated amounted to USD614,967 (2014: USD907,365).

11. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2015 USD	2014 USD
Unquoted shares, at cost	30,500,002	30,500,002
Less: Impairment loss	(4,000,001)	-
	26,500,001	30,500,002

The details of subsidiary companies are as follows:

	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2015	2014	
		%	%	
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	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

12. OTHER ASSETS

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
VAT recoverable - non-current	2,170,009	6,557,845	-	-
Quarry stripping costs	167,214	297,412	-	-
Site restoration costs	43,777	84,458	-	-
Site restoration fund	61,499	81,524	-	-
	2,442,499	7,021,239	-	-

Quarry stripping costs

Quarry stripping costs comprised of stripping cost and site restoration cost. Stripping cost represented costs removing the overburden related to the expansion of the existing quarry. The overburden removal work began in 2009 and continued as necessary up to 31 December 2015. Amortisation commenced upon physical extraction of limestone and clay from this quarry.

Movement of quarry stripping costs is as follows:

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
At beginning of year	297,412	371,402	-	-
Exchange differences	(137,654)	(58,291)	-	-
Additions	7,456	-	-	-
Amortisation	-	(15,699)	-	-
At end of year	167,214	297,412	-	-

Site restoration costs

Site restoration cost pertains to CAC's use of limestone and clay quarries and is calculated with reference to the scope of rehabilitation work required under the present relevant laws. The expected timing of economic outflow used in arriving at the site restoration provision is at the expiry of the agreement on 24 June 2043.

13. DEFERRED TAXES

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
At beginning of year	7,399,794	9,357,535	-	-
Exchange differences	(2,108,047)	(1,430,935)	-	-
Credited to income statement (Note 8)	(5,837,032)	(406,360)	-	-
Credited to other comprehensive income	(4,384)	(120,446)	-	-
At end of year	(549,669)	7,399,794	-	-

Movement in net deferred tax assets/(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
2015					
Temporary differences:					
Property, plant and equipment	(11,925,928)	5,653,127	(739,819)	4,384	(7,008,236)
Inventories	780,697	(385,460)	(91,732)	-	303,505
Trade receivables	96,365	(28,191)	(60,208)	-	7,966
Accrued unused leaves	25,502	(12,299)	1,386	-	14,589
Tax losses	3,439,709	(3,035,464)	6,645,567	-	7,049,812
Payables	183,861	(69,585)	30,175	-	144,451
Others	-	(14,081)	51,663	-	37,582
	(7,399,794)	2,108,047	5,837,032	4,384	549,669

	Opening balance	Exchange rate differences	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
	USD	USD	USD	USD	USD
2014					
Temporary differences:					
Property, plant and equipment	(10,223,439)	1,626,330	(3,449,265)	120,446	(11,925,928)
Inventories	646,567	(221,591)	355,721	-	780,697
Trade receivables	89,409	(14,097)	21,053	-	96,365
Accrued unused leaves	29,746	(4,584)	340	-	25,502
Tax losses	-	(54,614)	3,494,323	-	3,439,709
Payables	100,182	99,491	(15,812)	-	183,861
	(9,357,535)	1,430,935	406,360	120,446	(7,399,794)

The loss of the Group in 2015 was due to the foreign exchange losses as a result from the devaluation of the KZT against the USD in 2015. The Group has forecasts that it will have sufficient future taxable profits arising that will enable the reversal of existing temporary differences from unutilised tax losses. Management expects the KZT to recover in the future.

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

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Cumulative tax losses for which no deferred tax assets have been recognised	138,944	184,206	6,349	12,068

14. INVENTORIES

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Spare parts	9,234,446	11,664,601	-	-
Work-in-progress	4,118,685	6,692,975	-	-
Raw materials	2,335,670	5,331,523	-	-
Finished goods	52,211	1,683,035	-	-
Packing materials	61,201	317,104	-	-
Fuel	12,785	237,960	-	-
Goods held for resale	35,175	68,966	-	-
Construction materials	13,391	45,769	-	-
Others	261,553	556,825	-	-
	16,125,117	26,598,758	-	-
Less: Provision for obsolete inventories	(2,805,285)	(4,485,879)	-	-
	13,319,832	22,112,879	-	-

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

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
At beginning of year	(4,485,879)	(3,232,839)	-	-
Add: Provision for obsolete inventories	(395,646)	(1,750,864)	-	-
Exchange differences	2,076,240	497,824	-	-
At end of year	(2,805,285)	(4,485,879)	-	-

As of 31 December 2015, inventories amounting to USD2,778,944 (2014: USD7,708,626) are pledged to secure the short-term loan obtained from Halyk Bank JSC (Note 20).

15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Trade receivables	391,708	946,285	-	-
Less: Provision for doubtful receivables	(40,171)	(481,826)	-	-
	351,537	464,459	-	-
Other receivables:				
VAT recoverable - current	1,495,844	2,741,782	-	-
Receivables from related party	33,850	88,943	-	-
Receivables from employees	10,690	11,900	-	-
Others	398,815	642,040	-	-
	2,290,736	3,949,124	-	-

The Company enters into sales contracts with trade customers on cash terms. Some customers with good payment history are granted certain credit periods on their cement purchases which are 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	
	2015 USD	2014 USD
1-90 days	207,385	256,764
91-180 days	78,266	44,135
181-270 days	10,340	26,252
271-360 days	16,829	68,479
	312,820	395,630

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 Group	
	2015 USD	2014 USD
1-2 years	38,286	39,901
> 2 years	40,602	126,674
> 3 years	-	384,080
	78,888	550,655

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

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
At beginning of year	(481,826)	(447,034)	-	-
Exchange differences	223,008	68,838	-	-
Add: Provision for doubtful receivables	(33,502)	(103,630)	-	-
Less: Write-off of provision for doubtful receivables	252,149	-	-	-
At end of year	(40,171)	(481,826)	-	-

The recoverability of trade accounts receivable depends to a large extent on the Group's customers' ability to meet their obligations and other factors which are beyond the Group's control. The recoverability of the Group's trade accounts receivable is determined based on conditions prevailing and information available as at reporting date.

Other receivables mainly comprise VAT recoverable and customs duties that are refundable. 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. Refundable customs duties represent customs duties levied on the import of property, plant and equipment for the refurbishment project.

16. ADVANCES AND PREPAID EXPENSES

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Advances paid to third parties	2,474,060	3,281,108	-	-
Less: Provision on advances paid to third parties	(86,888)	(1,107,623)	-	-
	2,387,172	2,173,485	-	-
Less: Non-current portion of advances paid to third parties	(1,270,919)	(50,666)	-	-
Current portion of advances paid to third parties	1,116,253	2,122,819	-	-
Prepaid expenses	316,194	391,471	6,582	5,731
	1,432,447	2,514,290	6,582	5,731

Non-current advances paid to third parties represent advances made to suppliers by subsidiary companies for the purchase of machinery, equipment and construction work at cement production plant, while short-term advances are mainly advance payments for materials.

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

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
At beginning of year	(1,107,623)	(1,188,261)	-	-
Exchange differences	512,650	182,980	-	-
Add: Provision on advances paid to third parties	(39,347)	(119,956)	-	-
Less: Write-off of provision on advances paid to third parties	547,432	17,614	-	-
At end of year	(86,888)	(1,107,623)	-	-

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Provision for doubtful advances paid to third parties:				
Non-current portion	-	(839,583)	-	-
Current portion	(86,888)	(268,040)	-	-
	(86,888)	(1,107,623)	-	-

17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Cash in hand and at banks	2,369,419	9,259,047	338,124	2,112
Short-term deposit	36,890	36,392	-	-
	2,406,309	9,295,439	338,124	2,112

As at 31 December 2015, in accordance with the Law on Labor of the Republic of Kazakhstan, a non-interest bearing deposit of USD36,890 (2014: USD36,392) was placed with Kazkommertsbank JSC as part of work permit requirements for non-resident employees of the Republic of Kazakhstan which include annual renewal of work permit.

18. SHARE CAPITAL

	The Group and the Company	
	2015 USD	2014 USD
Issued and fully paid:		
219,000,000 ordinary shares of no par value each:		
At beginning and end of year	73,760,924	73,760,924

19. RESERVES

Revaluation reserve

Revaluation reserve represents the reserve arising from the revaluation of land and buildings of subsidiary companies (CAC JSC and Karcement JSC) performed by an independent valuation appraiser.

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.

On 20 August 2015, the National Bank of Kazakhstan adopted the floating rate regime for the Kazakhstan Tenge ("KZT").With the floating rate mechanism, the exchange rate of the KZT is based on its market demand and supply driven by both internal and external economic factors.

As at 31 December 2015, the KZT closed at 339.47 (2014: 182.35) to the USD, representing a 86% decline against the USD through the financial year. The sharp decline caused a significant loss of USD57,566,026 recorded in the translation reserve due to re-translation of the financial statements of the foreign subsidiaries' financial statements whose functional currency is the KZT.

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. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of these subsidiary companies as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

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.

Dividends

	The Group and the Company	
	2015	2014
	USD	USD
Interim tax exempt dividends of GBP0.01 per ordinary share of no par value each in total of GBP2,190,000 in respect of the financial year ended 31 December 2014:	-	3,575,729

No final dividend will be proposed in respect of the financial year ended 31 December 2015 at the forthcoming Annual General Meeting.

20. BORROWINGS

	The Group	
	2015	2014
	USD	USD
Unsecured - at amortised cost		
Bonds issued at price of:		
96.2458%	4,389,195	8,171,100
Discount on bonds issued	(83,695)	(226,268)
Accrued interest	47,969	89,301
	4,353,469	8,034,133
Secured - at amortised cost		
Bank loans	26,325,807	49,417,966
	30,679,276	57,452,099
Current portion:		
Bonds	47,969	89,301
Bank loans	15,774,289	26,999,397
	15,822,258	27,088,698
Non-current portion:		
Bonds	4,305,500	7,944,832
Bank loans	10,551,518	22,418,569
	14,857,018	30,363,401
	30,679,276	57,452,099

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:

	Currency	Maturity date	Interest rate	The Group	
				2015 USD	2014 USD
Karcement JSC:					
VTB Bank (Austria) AG and VTB Bank (France) SA	USD	15 November 2016	6.20% p.a.	10,970,424	21,805,435
VTB Bank (Austria) AG and VTB Bank (France) SA	USD	11 March 2019	7.20% p.a.	11,729,549	13,861,129
Altyn Bank JSC	USD	9 April 2016	7.50% p.a.	2,420,500	-
Altyn Bank JSC	KZT	9 April 2016	8.5 % to 13.85% p.a.	-	4,186,998
Halyk Bank JSC	USD	9 September to November 2025	6% p.a.	89,410	-
CAC JSC:					
Halyk Bank JSC	KZT	23 February 2018	10.75% p.a.	-	9,300,795
Halyk Bank JSC	KZT	9 September to November 2025	6% p.a.	1,014,560	-
Accrued interest				101,364	263,609
Total outstanding				26,325,807	49,417,966

Karcement JSC

On 11 April 2014, Karcement JSC signed a USD60 million credit facility agreement with VTB Bank (Austria) AG and VTB Bank (France) SA ("VTB"). The VTB credit facility consists of three tranches:

- Tranche A loan of up to USD30 million. The purpose of the loan is to refinance the outstanding loans due to EBRD and SB HSBC Bank Kazakhstan JSC of up to USD29.1 million and the remaining balance loan of USD0.9 million is for general working capital purposes. The first instalment of the loan was repayable in 15 July 2014 and the remaining loan outstanding is repayable in equal instalments on 15 July and 15 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 on 12 August annually until maturity; and

- Tranche B and C loans of up to USD30 million. The purpose of the loans is for the purchase of railway wagons. 70% of the principal amounts of the loans 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. The Tranche C of USD15 million is not available for use as the availability period has expired on 30 June 2015.

On 9 April 2015, Karcement JSC signed a credit line agreement for working capital with Altyn Bank JSC with a limit of KZT750 million (or equivalent of USD2.2 million) which matures on 9 April 2016. The line carries an interest rate of 8.5% per annum, subject to discretion of Altyn Bank JSC on prevailing market interest rate.

On 19 June 2015, both CAC JSC and Karcement JSC signed a loan agreement with Halyk Bank Kazakhstan JSC on terms subsidised under government programs. The loan of KZT2.19 billion (or equivalent of USD6,445,341) carries a subsidised fixed interest rate of 6% per annum and is available for drawdown until 19 June 2016. The loan is used for the following purpose:

- KZT1.69 billion, approximately USD4,974,457, for capital expenditure with maturity period of 10 years. KZT1.19 billion (or USD3,499,573) and KZT500 million (or USD1,472,884) loan comes with a 2 year grace period and no grace period with monthly principal repayment, respectively; and

- KZT500 million, approximately USD1,472,884, for 5 years working capital requirement on a revolving basis with interest payable monthly.

This government-subsidised loan is initially recognised at fair value at interest rate of 14% per annum, and subsequently carried at amortised cost effective interest method (Note 21).

CAC JSC

On 23 January 2014, CAC JSC signed an extension of working capital credit line agreement, maturing on 23 January 2016 with Halyk Bank JSC with the same credit limit of KZT3 billion (or equivalent of USD16.4 million).

Subsequent to year end, CAC JSC signed an agreement with Halyk Bank Kazakhstan JSC, to extend the existing working capital credit line from 23 January 2016 to 23 February 2018 (Note 30). The loan from the Halyk Bank JSC is secured by inventories of both CAC JSC and Karcement JSC with a carrying amount of USD2,778,944 (2014: USD7,708,626) (Note 14).

Undrawn loan amounts

As of 31 December 2015, the Group has fully drawndown the loan facilities from VTB Bank (Austria) AG and VTB Bank (France) SA.

As at 31 December 2015, USD4,836,560 is available for drawdown under the government-subsidised loan granted by Halyk Bank JSC.

As of 31 December 2015, CAC JSC's short-term loan of USD7,364,421 with Halyk Bank JSC is available for drawdown.

21. DEFERRED INCOME

Deferred income represents government grant in the form of interest rate lower than market interest rates on government-subsidised loan for capital investment from Halyk Bank Kazakhstan JSC (Note 20). It represents the difference between the initial carrying amount of the loan measured at fair value using interest rate of 14% per annum and the proceeds received, and is amortised to income statement as other income over the useful lives of the related assets.

Pursuant to the government-subsidised loan agreement, CAC JSC and Karcement JSC are jointly entitled to undrawn loan amount of USD3,363,673 for capital expenditure. The undrawn loan amount is available until 19 June 2016.

As at 31 December 2015, the related assets were not utilised.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2015	2014	2015	2014
	USD	USD	USD	USD
Trade payables	4,484,161	7,648,774	-	-
Others	1,523	9,981	-	-
	4,485,684	7,658,755	-	-

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

23. ACCRUED AND OTHER LIABILITIES

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Provision for electricity charges	617,698	3,492,586	-	-
Accrued directors' fees	1,324,200	1,288,996	1,324,200	1,288,996
Advances from customers	665,959	909,350	-	-
Accrued salaries	197,028	370,200	-	-
Accrued unused leaves	72,937	127,502	-	-
Others	206,990	450,168	33,373	45,532
	3,084,812	6,638,802	1,357,573	1,334,528

The movement in the provision for electricity charges is as follows:

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
At beginning of year	3,492,586	4,128,301	-	-
Exchange differences	(952,805)	(635,715)	-	-
Less: Reversal of provision for electricity charges	(1,922,083)	-	-	-
At end of year	617,698	3,492,586	-	-

Provision for electricity charges represents 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 from 1 January 2013 to 30 June 2013.

During the year, the management reversed provision for electricity transportation services of USD1,922,083 for services provided in the year 2012. This is due to the expiry of the permissible period of 3 years for filing of appeal by Karaganda Zharyk LLP against CAC JSC.

The management considers the provision of electricity transportation services as at 31 December 2015 as adequate, given its assessment of the most probable final outcome of the ongoing and future court cases.

24. TAXES PAYABLE

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Corporate income tax	27,873	5,720	-	5,720
Other taxes:				
VAT payable	230,880	534,818	-	-
Withholding taxes	-	8,610	-	-
Emission taxes	159,917	220,088	-	-
Pension fund	20,809	41,793	-	-
Royalty	-	36,167	-	-
Personal income tax	27,334	36,111	-	-
Social	23,601	27,886	-	-
Other taxes	11,527	13,820	-	-
	501,941	925,013	-	5,720

25. RELATED PARTIES

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

Other related parties include entities which are controlled by a director, which a director of the Group has ownership interests and exercises significant influence.

Receivable from/(payable) to related parties and other related parties, which arose mainly from trade transactions and expenses paid on behalf, is unsecured, interest-free and repayable on demand except as mentioned below.

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 subsidiary companies of the Company are unsecured, interest-free and 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	
	2015	2014
	USD	USD
Other related party		
Opera Holding LLP	16,427	21,170

	Receivable from/(Payable) to related parties	
	2015	2014
	USD	USD
Other related parties		
Opera Holding LLP	(804)	-
Others	33,850	88,944

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 Company	Nature of transactions	Revenue from services performed	
		2015 USD	2014 USD
Steppe Cement (M) Sdn. Bhd.	Dividend income	-	4,147,325
MECS Ltd.	Management fees	100,000	100,000

Subsidiary Companies	Nature of transactions	Receivable from subsidiary companies	
		2015 USD	2014 USD
Karcement JSC	Intercompany loans	31,920,000	34,690,000
MECS Ltd.	Advances and management fees	5,302,886	3,117,634
Steppe Cement (M) Sdn. Bhd.	Advances	2,623,018	2,569,435
		39,845,904	40,377,069

Compensation of key management personnel

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

	The Group		The Company	
	2015 USD	2014 USD	2015 USD	2014 USD
Remuneration	701,191	782,664	142,341	219,763
Short-term benefits	123,586	135,376	-	-
Total	824,777	918,040	142,341	219,763

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

The directors' remuneration in the Company is as follows:

	The Company	
	2015	2014
	USD	USD
Director fees		
Executive director:		
Javier del Ser Perez	59,667	102,868
Non-executive director:		
Paul Rodzianko	37,510	38,965
Xavier Blutel (appointed on 29 June 2015)	15,288	-
Malcolm Brown (retired on 28 May 2015)	29,876	77,930
Total	142,341	219,763

26. FINANCIAL INSTRUMENTS

Capital Risk Management

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

The Group's capital structure consists of net debt (which comprise of borrowings as detailed in Note 20 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.

Financial Risk Management Objectives and Policies

Financial risk management is an essential element of the Group's operations. The Group monitors and manages financial risks relating to the Group's operations through internal reports on risks which analyse the exposure to risk by the degree and size of the risks. 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.

Besides maximising cash at bank in US Dollars, 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.

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:

2015	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	1,922,362	-	48,980	4,427	-	430,540	2,406,309
Trade and other receivables	351,537	-	-	-	-	-	351,537
Financial Liabilities							
Trade and other payables	2,844,605	-	651,996	-	19,000	969,983	4,485,684
Accrued and other liabilities	1,049,762	1,324,775	28,253	33,008	-	31,316	2,467,114
Borrowings	5,368,029	-	-	-	-	25,311,247	30,679,276

2014	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	1,711,160	-	66,290	5,437	-	7,512,552	9,295,439
Trade and other receivables	464,459	-	-	-	-	-	464,459
Financial Liabilities							
Trade and other payables	6,404,595	-	375,487	-	18,218	860,455	7,658,755
Accrued and other liabilities	1,687,386	1,290,679	29,967	38,253	-	99,931	3,146,216
Borrowings	21,577,386	-	-	-	-	35,874,713	57,452,099

The following table displays the Group's sensitivity to a 20% increase and decrease against the relevant foreign currencies. A benchmark sensitivity rate of 20% is used to report foreign currency risk internally to key management and represents management's assessment of the reasonably possible changes 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 20% change in foreign currency rates. The sensitivity analysis below indicates the changes in financial assets and liabilities of the effect of a 20% increase in value of USD against KZT and the other relevant foreign currencies, respectively. The positive figure indicates an increase in profit before tax and negative indicates a decrease in (loss)/profit before tax for the reporting period. In the case of 20% decrease in value of USD against KZT and the relevant foreign currencies, respectively, there would be an equal and opposite impact on the Group's (loss)/profit before tax and equity.

	Impact on (loss)/profit before tax and equity	
	2015	2014
KZT	1,521,131	5,286,959
GBP	264,955	129,068
EUR	126,254	33,916
MYR	5,716	3,282
RUB	3,820	1,822

(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.

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 2015, the Group has available of USD4,836,560 and USD7,364,421 for drawdown under the government-subsidised loan program and short-term loan with Halyk Bank Kazakhstan JSC respectively (Note 20).

Subsequent to financial year end (Note 30), CAC JSC, signed an agreement with Halyk Bank Kazakhstan JSC on 2 February 2016, to extend the existing working capital credit line to mature on 23 February 2018. The interest rate of the credit line was revised from 10.75 % to 20% per annum.

Tables on Liquidity and Interest Rate Risk

The following table reflects contractual terms of the financial liabilities of the Group. The table is 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
2015							
Interest bearing							
Borrowings							
Bonds	11.15%	-	-	438,919	4,828,114	-	5,267,033
Bank loans	7.26%	270,015	3,186,058	13,852,491	11,867,452	959,614	30,135,630
Non-interest bearing							
Trade and other payables	-	1,382,803	3,102,881	-	-	-	4,485,684
Accrued and other liabilities	-	373,657	45,273	57,246	1,324,979	-	1,801,155
		2,026,475	6,334,212	14,348,656	18,020,545	959,614	41,689,502
2014							
Interest bearing							
Borrowings							
Bonds	11.15%	-	817,110	9,805,319	-	-	10,622,429
Bank loans	7.65%	2,723,630	3,431,610	23,070,145	25,600,088	-	54,825,473
Non-interest bearing							
Trade and other payables	-	2,401,519	4,662,177	595,059	-	-	7,658,755
Accrued and other liabilities	-	494,034	294,055	1,341,887	106,890	-	2,236,866
		5,619,183	9,204,952	34,812,410	25,706,978	-	75,343,523

The amounts included above for borrowings represent amounts the Group expects to repay according to repayment terms in loan agreements. As at financial year end, the Group is in compliance with the financial covenants of the loan agreements.

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
2015							
Non-interest bearing							
Cash and cash equivalents	-	2,406,309	-	-	-	-	2,406,309
Trade and other receivables	-	286,122	207,730	267,231	-	-	761,083
		2,692,431	207,730	267,231	-	-	3,167,392
2014							
Non-interest bearing							
Cash and cash equivalents	-	9,295,439	-	-	-	-	9,295,439
Trade and other receivables	-	555,563	498,448	469,400	-	-	1,523,411
		9,851,002	498,448	469,400	-	-	10,818,850

(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.

As at 31 December 2015 and 2014, the Group does not have any exposure to floating interest rates as the interest rates of the Group's loans are fixed and therefore, the Group is not exposed to variability in cashflows due to interest rate risk.

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, judgement 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 realise in a market exchange from the sale of its full holdings of a particular instrument.

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 approximates 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 2015 and 2014, the fair values of financial assets and financial liabilities approximate their carrying values, except for the following:

	Carrying amount		Fair Value	
	2015	2014	2015	2014
	USD	USD	USD	USD
Borrowings	22,890,747	35,874,708	23,291,372	33,964,936

The fair values of the borrowings with VTB Bank (Austria) AG and VTB Bank (France) SA are included in the Level 3 of fair value hierarchy, as the fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties. The discount rate used in the fair value calculation of Tranche A and Tranche B is 6.5% and 7.1% per annum, respectively.

If the discount rate used in the fair value calculation of the borrowings with VTB had been increased by 1%, the fair value of the borrowings as of 31 December 2015 would have decreased by USD315,135.

27. CONTINGENCIES

The Group has and continues to be engaged in 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 23).

Commercial legislation of the Kazakhstan where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of provision for taxation and the market pricing of transactions. The management of the Group believes that it has accrued all tax amounts due and therefore no additional allowance has been made in the financial statements of the Group.

28. COMMITMENTS

The Group has outstanding amount of contractual commitments for the acquisition of property, plant and equipment of USD3,121,419 as at 31 December 2015 (2014: Nil).

29. 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.

30. SUBSEQUENT EVENT

On 2 February 2016, CAC JSC signed an agreement with Halyk Bank Kazakhstan JSC, to extend the existing working capital credit line to mature on 23 February 2018. The interest rate of the credit line was revised from 10.75 % to 20% per annum.

On 19 February 2016, Karcement JSC has repaid working capital credit due to Altyn Bank on a drawdown amounting to USD 2,400,000.

STATEMENTS BY A DIRECTOR

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

I, **JAVIER DEL SER PEREZ,** on behalf of the directors of **STEPPE CEMENT LTD,** state that, in the opinion of the directors, the accompanying statements of financial position and the related statements of income, changes in equity and cash flows are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as of 31 December 2015 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
16 May 2016

Notice of the 2016 AGM

NOTICE IS HEREBY GIVEN that the 2016 ANNUAL GENERAL MEETING of the Company will be held at the office of Steppe Cement Ltd, Suite 10.1, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur, Malaysia on Friday, 10 June 2016 at 2.30 p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTIONS

1. ADOPTION OF AUDITED FINANCIAL STATEMENTS

   To receive and adopt the audited financial statements for year ended 31 December 2015. **RESOLUTION 1**

2. RE-ELECTION OF DIRECTORS

   To re-elect the following Directors who offered themselves for re-election: **RESOLUTION 2**

   2.1 Javier Del Ser Perez

   2.2 Paul Rodzianko

   2.3 Xavier Blutel

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
25 May 2016

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 CEMENT

STEPPE CEMENT LTD
(Corporate Office)

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