ANNUAL REPORT 2019

STEPPE CEMENT

Plant Location In Kazakhstan

CONTENTS

FINANCIAL HIGHLIGHTS

Revenue (USD Million)

2019	79.9
2018	82.2
2017	65.8
2016	52.4
2015	93.6

EBITDA* (USD Million)

2019	23.9
2018	21.4
2017	11.6
2016	9.7
2015	22.7

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

Profit/Loss after Tax (USD Million)

2019	9.7
2018	9.1 *
2017	1.2
2016	0.2
2015	3.4

* Restated

Shareholders Funds (USD Million)

2019	62.9
2018	61 *
2017	59.5
2016	58
2015	56.7

* Restated

OPERATIONAL AND MARKET DATA

Ex-factory price (KZT'000)

2019	14.9
2018	13.3
2017	10.9
2016	9.6
2015	10.2

Ex-factory price (USD)

2019	39
2018	39
2017	33
2016	28
2015	49

Sales volume (million tonnes)

2019	1.71
2018	1.72
2017	1.63
2016	1.57
2015	1.64

Market Size (million tonnes)

2019	8.9
2018	8.6
2017	9.0
2016	9.0
2015	9.6

Average exchange rates (USD/KZT)

2019	383
2018	345
2017	326
2016	342
2015	222

Capacity utilisation (%)

2019	90
2018	90
2017	86
2016	76
2015	82

FINANCIAL DATA

Data	2015	2016	2017	2018 Restated	**2019**
Gross profit margin (%)	36	30	30	43	**42**
Profit / (Loss) after tax margin (%)	(4)	0	2	11	**12**
Net earnings / (Loss) per share (cents)	(2)	0	0.6	4	**4**
Return on shareholders funds (%)	(6)	0	2	15	**15**
NTA Per Share (cents per share)	26	27	27	28	**29**
Shares data					
Number of shares issued (million)	219	219	219	219	**219**

CORPORATE INFORMATION

Listing

London Stock Exchange AIM, London
Since 15 September 2005

AIM Stock Code

STCM

Country of incorporation

Federal Territory of Labuan, Malaysia

Company Registration

LL04433

Registered Office

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

Kuala Lumpur Office

Suite 10.1, 10th Floor
Rohas Perkasa, West Wing
No.8, Jalan Perak
50450 Kuala Lumpur Malaysia

Labuan Office

Suite No. 4, Unit Level 9(E)
Main Office Tower, Financial Park
Labuan Jalan Merdeka
87000 Federal Territory of Labuan
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 12, Gateway,1 Macquarie Place
Sydney NSW 2000 Australia

and

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

Broker

RFC Ambrian Limited
Octagon Point
5 Cheapside
London EC2V 6AA, United Kingdom

Group Auditor

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

UK Registrar

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

Bankers

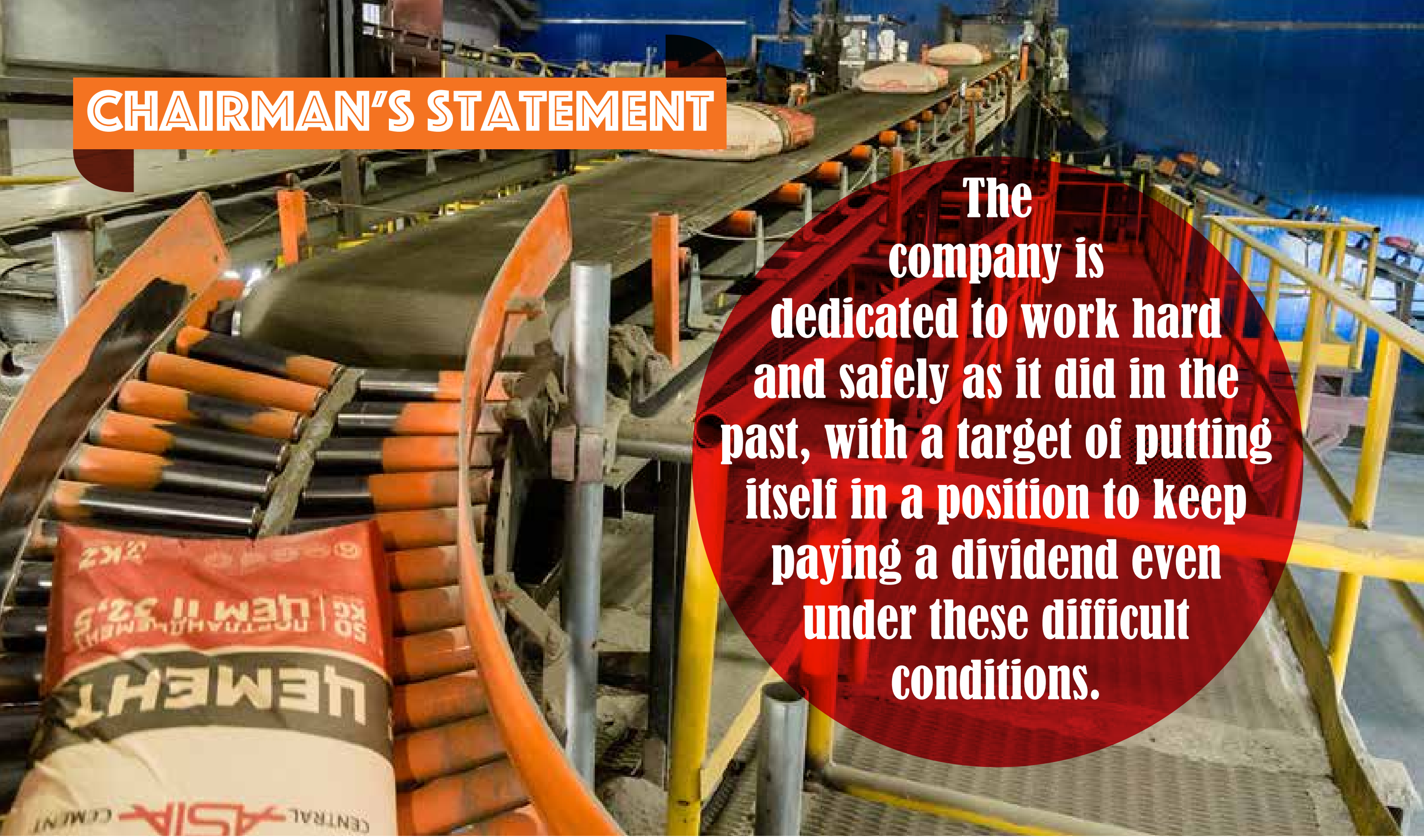
Halyk Bank JSC
Altyn Bank JSC

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 company is dedicated to work hard and safely as it did in the past, with a target of putting itself in a position to keep paying a dividend even under these difficult conditions.

Dear Shareholders

As this report reaches you, everyone's spirit will still be driven towards pessimism if not full despair.

First, I wish to express our gratitude to our Management, staff and workers, subcontractors and customers who are showing a remarkable resilience and continuity under increasingly difficult conditions. Some of our senior staff are expatriates staying in Aktau, entirely focused on maintaining your factory production and sales at the highest possible level and deprived of any possibility to see their relatives left in their country of origin.

Kazakhstan is not among the most affected countries so far. It benefits from its vast territory shared by a limited population. In Aktau, offices are large, workstations are spread across a broad production site. Every measure has been implemented to make the risk of contamination as low as possible, with no casualties reported as of today.

It would be somehow inappropriate to insist heavily on the outstanding profitability reached by your company in 2019. The further fall of the Tenge against the USD, in line with the inflation differential, reduces the magnitude of a record year in Dollar terms.

Although turnover was lower at USD 80 million compared to USD 82 million year-on-year, net profit reached USD 9.7 million against USD 9.1 million in 2018 and EBITDA USD 23.9 million vs. USD 21.4 million. The financial position in cash improved from USD 5.7 million to USD 9.0 million, despite paying USD 8.4 million in dividends and paying down debt.

2019 domestic demand for cement stood at 2% above 2018. 2020 has started on a positive note, the first quarter standing at some 15% above 2019. For an industry heavily dependent on seasonality, winter months cannot be used as a sound early indication for 2020 construction activity, and any more stringent measures to mitigate the epidemic could obviously reverse this trend dramatically.

Those obvious uncertainties surrounding the construction activity appear in a country already adversely affected by depressed oil, gas, mining and other commodities global prices. The reduction of imports, and some positive prospects in the short term in exports may help to mitigate a possible slowdown in the country.

The primary export market for Kazakhstan producers, Uzbekistan, was expected to be partly lost to new entrants in Tajikistan, Kyrgyzstan and Uzbekistan itself. In April 2020, the government of Uzbekistan closed the border to imports from Kazakhstan. This create increased pressure in the southern markets.

Imports in 2019 were mostly coming from Iran into West Kazakhstan. The very low prices offered from this country were probably not giving any return to the producer, once logistic costs are covered. The 15% devaluation in March 2020 of the Tenge against the Iranian Rial has made this flow of imports less sustainable. In April 2020 the government of Kazakhstan closed imports of cement from Iran. This is providing an additional breath of oxygen for competitors in this western market, and, by ripple effect, reduces competitive pressure in our primary market.

From a balance sheet standpoint, the investment made in the new line and some major renovation and various improvements is reflected in a very conservative way in our books: Foreign exchange losses and a heavy accumulated depreciation point to a net asset value which hides the real economic life of the equipment. With proper maintenance and professional operational processes, the Company is in fact operating a 1.9 million tons capacity cement factory in perfect condition and at the most recent level of technology. Any new entrant would need to invest between USD 200 and 250 million to set up an equivalent facility. This is to compare with the carrying value of property, plant and equipment in our books which stands at USD 55.8 million. The net equity of the company is USD 62.9 million (USD 61.0 million in December 2018). As an ongoing concern, a meaningful economic value would be closer to USD250-300 million.

The remarkable performance of your company is more detailed in your CEO's report. It deserves proper consideration. Today, from the Board perspective and the company management, attention is now entirely directed towards the immediate and longer-term consequences of the COVID-19 pandemic.

Your company is geared to keep producing and servicing its customers. We need to remember that our positioning is possibly the strongest in the industry: the factory is ideally located in Aktau, next to some major coal and iron ore deposits, near the only steel producer which generates the slag used in our process. It is situated centrally and is a logical and historical supplier for the populated areas of Nur-Sultan and Almaty. Distribution cost and lead time are major factors for success as cement producers, where transportation costs can easily exceed the production cost. This advantage is likely to increase if, and when, rail fares will increase from their current low value under a regulated tariff system.

We are proud to have nearly completed the full reimbursement of our long-term debt. The new dry process lines, and other ancillary machinery and equipment, paid up in USD at the time, are now fully owned by our shareholders. This gives your company another competitive advantage, more freedom, and a strong balance sheet which will help in any recessionary scenario or tougher competitive environment : factoring the cost of servicing debt in the production cost, we do have the lowest cash cost in the industry. It also gives the company a preferred status with banks to meet the seasonal working capital requirements with short term credit.

The company is dedicated to work hard and safely as it did in the past, with a target of putting itself in a position to keep paying a dividend even under these difficult conditions.

On behalf of the Board of Directors, I congratulate the Steppe Cement subsidiaries on their impressive results and achievements in 2019. We express our recognition of their dedication and hard work, especially under the new external challenges appearing in 2020. We fully appreciate the continuing commitment and support of our shareholders.

Xavier Blutel
Chairman of the Board

CEO'S STATEMENT

Line 5 produced 995,141 tonnes of cement while Line 6 produced 720,620. We continue to make small improvements in Line 6 that will deliver additional production capabilities and lower costs in 2020.

In 2019, Steppe Cement posted a net profit of USD 9.7 million. Steppe Cement's EBITDA increased to USD 23.9 million from USD 21.4 million in 2018 as higher prices in KZT, lower cost of production and the implementation of IFRS 16 were balanced by a devaluation of 11%.

The overall domestic cement market increased by 2% to 8.9 million tonnes, while our sales volume remained flat. Our local sales increased by 4% while exports decreased by 29% due to increased competition from new factories and the strength of the KZT against the Uzbek Som in the second half of the year.

In 2019 our cost of production per tonne in KZT increased by 10%, higher than inflation of 5% due to coal and transportation pricing.

Steppe Cement operated both lines at 88% of their current combined capacity (which is 1.1 million tonnes for line 5 and 0.85 million tonnes for line 6).

Shareholders' funds increased to USD 62.9 million from USD 61.0 million after dividend distribution to shareholders. The replacement cost of the Company's assets remains many times higher than their current book value.

Key financials	Year ended 31-Dec-2019	Year ended 31-Dec-2018	Inc/ (Dec)%
Sales (tonnes of cement)	1,715,761	1,720,629	0
Consolidated turnover (KZT million)	30,594	28,342	8
Consolidated turnover (USD million)	79.9	82.2	(3)
Consolidated profit before tax (USD million)	12.5	10.8	16
Consolidated profit after tax (USD million)	9.7	9.1	7
Profit per share (US cents)	4.4	4.1	-
Shareholders' funds (USD million)	62.9	61.0	3
Average exchange rate (USD/KZT)	383	345	(11)
Exchange rate as at year end (USD/KZT)	381	384	1

The Kazakh cement market increased by 2% in 2019 but we expect headwinds in 2020

The Kazakh cement market in 2019 was 8.9 million tonnes, an increase of 2% from 2018. Imports into Kazakshtan decreased by 10% to 0.7 million tonnes or 8% of the total market. Exports from local producers decreased by 17% to 1.6 million tonnes.

The market demand in 2020 is very difficult to estimate as we can see the drop in demand during the COVID-19 lock down period. We expect a potential decrease of 10% as the effect of the lockdown and lower oil prices are felt across the economy. However we are still confident to maintain the volumes over the summer.

Exports, mostly to Uzbekistan and Kyrgyzstan, were reduced as they deployed their new factories and prices became more competitive. Still the companies located in the south of Kazakhstan benefited most. In April 2020, the government closed imports from Iran to west Kazakhstan and so it will benefit the companies operating in that region. At the same time Uzbekistan stopped imports from Kazakhstan. We expect imports and exports to be significantly reduced.

Steppe Cement's average cement selling prices increased by 8% in KZT, but decreased by 2% in USD, to USD 46.6 per tonne delivered.

Line 5 produced 995,141 tonnes of cement while Line 6 produced 720,620. We continue to make small improvements in Line 6 that will deliver additional production capabilities and lower costs in 2020.

CEO'S STATEMENT

Capital investment in 2019 was directed to the improvement of cement mills, silos, packing and to reduce power consumption. In 2020 we will endeavour to conserve cash and limit the capital investment to ecological and energy saving projects.

In 2019 we completed the following projects:

- Increasing the capacity of the new 50 kg bags packing line to 2,400 bags per hour, equivalent to 120 tonnes per hour,
- Commissioning the fully automated loading of wagons and trucks,
- Installing a separator in cement mill number four that will allows us to increase the sales of M500 and decrease the production cost of M400,
- Changing the two preheater fans in Line 6 to improve energy efficiency, and
- Automating the silos and loading in the wet line mills area.

Capital investment was maintained at USD 3 million.

In 2020, we plan the limit the capex to USD 2 million including:

- Cooler EP fan system,
- Pan conveyor replacement,
- Slag drier filter and automation,
- Cooler fan replacement, and
- Laboratory equipment.

Cost per tonne increased on the back of coal price increases

The average cash production cost of cement was maintained at USD 23/tonne as cost increases in KZT were balanced by currency depreciation of 11% over the year.

We expect the coal price to be reduced in 2020.

Selling expenses, reflecting mostly cement delivery costs, decreased to USD 8/tonne from USD 9/tonne in 2018, due to lower export volumes (-29%) and the net reclassification of 0.4 million wagon rental expenses from selling expenses to cost of sales and finance costs based on IFRS 16.

Effects of application of IFRS 16 in the accounts

The application of IFRS 16 in our accounts affects mostly the accounting of the expenses associated with the rental of wagons that Steppe Cement does not own. Some wagons are rented for more than one year and the accounting standard requires to account for a new non-current asset called right-of-use assets evaluated at USD 6.1 million (note 11 of the financial statements). The corresponding entries in the liabilities are called lease liabilities seggregated between non-current and current at USD 4.3 million and USD 2.2 million respectively (note 21). The transportation expenses have been reduced by USD 0.4 million to USD 13.3 million while the corresponding lease finance cost has been calculated at USD 0.9 million (note 5) increasing the financial expenses.

Without IFRS 16 accounting, the finance expenses would have been USD 1.1 million and the transportation expenses USD 13.8 million. Consequently, the gross profit has been reduced by USD 0.4 million. As the tax authorities do not recognise for the effects of IFRS 16 accounting, Steppe Cement's effective income tax rate has increased to 23%.

The EBITDA has been increased due to the recognition of the depreciation of right of use assets. Without this depreciation, the EBITDA for 2019 would have been USD 21.6 million.

General and administrative expenses

General and administrative expenses decreased by 5% to USD 5.9 million from USD 6.2 million in 2018 as we reduced the number of expatriates and contained inflation in salaries.

On 31 March 2020, the labour count stood at 751 from 735 in 2018. The increase is due to the termination of the subcontractor for bag packing. We are now employing directly the required personnel.

Financial position: Continuous debt reduction

During the year, our total loans outstanding were reduced from USD 11.8 million to USD 10.3 million. The cash position increased to USD 9.0 million leaving the company almost in net cash position at the end of 2019.

Long term loans were reduced from USD 6.6 million to USD 3.9 million. Of this reduction USD 1.6 million were due to repayment of loans and the balance due to the lower value in USD of long term KZT denominated loans. The effective blended interest rate in the long term loans in USD and KZT was maintained at 6.2% per annum.

Our short term loans and current part of the long term loans were slightly increased from USD 5.2 million in 2018 to USD 6.4 million in 2019, while the cash position at the end of the year was increased from USD 5.7 million to USD 9.0 million.

In 2019, finance costs (ex-operating leases) decreased to USD 1.1 million from USD 1.6 million in 2018 due to the continuous repayment of loan principal. Finance costs increased to USD 2.0 million after accounting for operating lease interest costs of USD 0.9 million under IFRS 16.

Following the drop of oil prices and the devaluation of the Russian Rouble in March 2020, the KZT devalued from 380 to 430 KZT/USD. Our current loans in USD are balanced by similar cash deposits in foreign currency.

We maintain two short term credit lines available as stand by:

KZT 3 billion from Halyk Bank at 6% p.a. in USD or 13% in KZT which includes a government subsidized program of KZT 0.5 billion in KZT at 6% p.a.

KZT 0.9 billion from Altyn Bank at 11% p.a. in KZT.

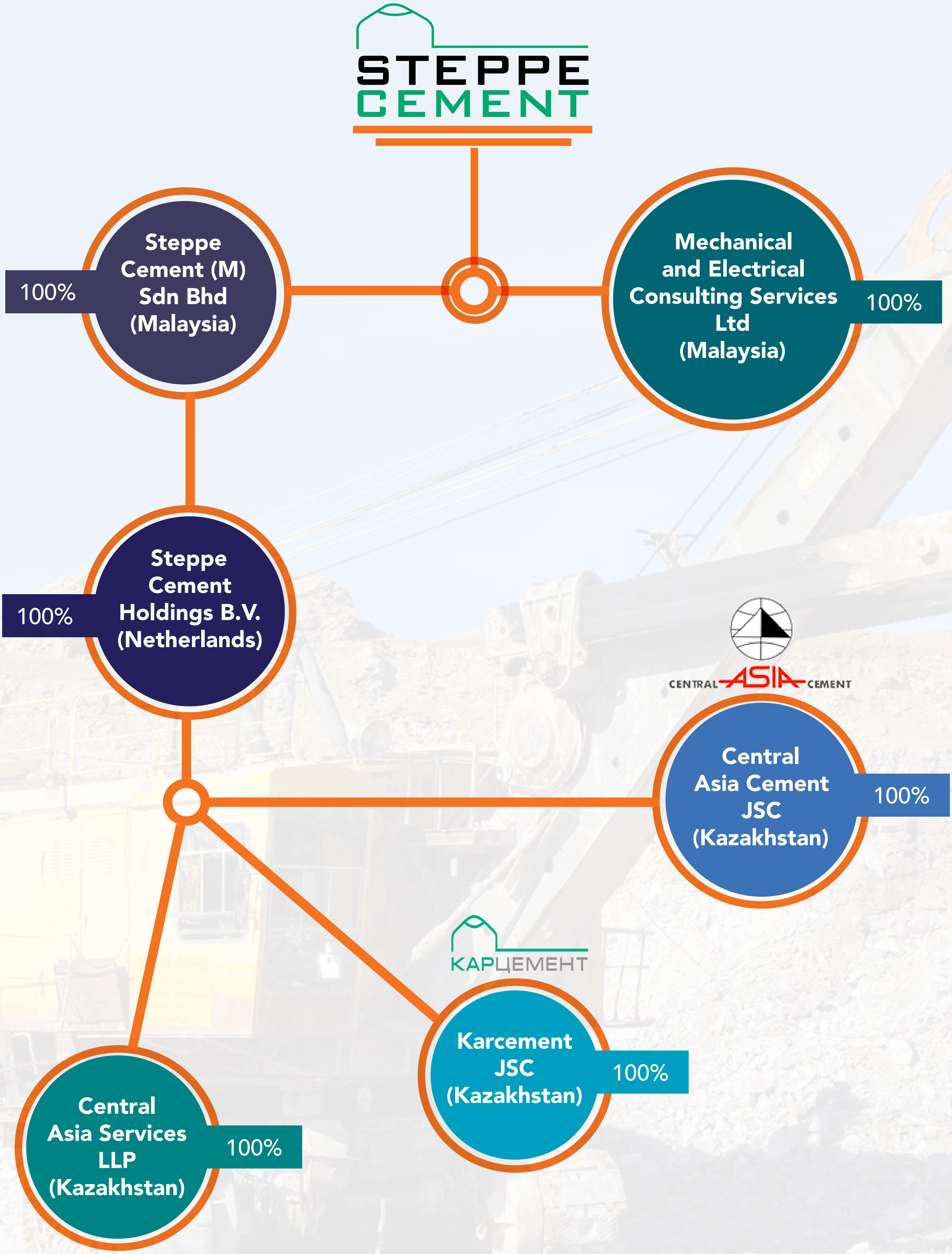
All covenants under the various credit lines have been met comfortably.

Depreciation of property, plant and equipment decreased slightly from USD 7.1 million in 2018 to USD 6.9 million in 2019.

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

Javier del Ser Perez
Chief Executive Officer

GROUP STRUCTURE



BOARD OF DIRECTORS

Xavier Blutel
(Non-Executive Chairman)

Xavier Blutel, 65, is currently member of the Strategic Board of Wagram Corporate Finance and President and founding partner of SAS Baudrimont. 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.

Javier Del Ser Perez
(Chief Executive Officer)

Javier del Ser Perez, 54, 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. Javier is also a Director of Steppe Cement Holding B.V. and Mechanical and Electrical Consulting Services Ltd.

Rupert Wood
(Non-Executive Director)

Rupert Wood, 49, has been involved in Emerging Market Equities since the mid-1990s, predominantly in Central and Eastern Europe. Starting his career at NatWest Markets in 1996 covering Emerging Europe as an analyst and then in equity sales, he worked at CA-IB/Bank Austria and then at ING, where he managed distribution of Emerging Market Equities to institutional investors as Head of EMEA Equity Sales. He then joined Wood & Co as Head of Sales, before becoming Head of Equities and subsequently Senior Advisor. His wide capital markets experience has spanned the broader EMEA region including Central Asia, Turkey, the Gulf, South Africa, as well as Latin America. He holds degrees from the University of Oxford and the School of Slavonic and East European Studies (SSEES), now a part of University College London (UCL).

SENIOR MANAGEMENT

MANAGEMENT AND STAFF OF CENTRAL ASIA CEMENT JSC

General Director : Peter Durnev
A graduate of Academy Marketing Moscow. He has worked in CAC for about 20 years rising from marketing executive to his present position. He also holds the position of Marketing Director.

Chief Accountant : Zilya Khasanova
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.

Finance Director: Derek Kuan Boon San
Derek Kuan is a member of Malaysian Institute of Certified Public Accountants (MICPA). He started his career as an articled student with a local accounting firm in Kuala Lumpur and presently has over 30 years of audit and commercial working experience. Before joining CAC, he held a position of Finance Director based in Liberia, after having spent 9 years in Jakarta and 3 years in Singapore. His expertise encompasses audit, financial reporting, internal control procedures, corporate finance and investment evaluation.

Personnel Manager : Irina Poluychik
An economist by qualification. She specializes in human resources matters. She has been with CAC for 32 years.

MANAGEMENT AND STAFF OF KARCEMENT JSC

General Director: George Ramesh

A Mechanical Engineer by profession with a Master degree in Business Management (Finance & Marketing) from India. He has about 28 years of 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.

Head of Production, Processes and Quality Assurance : Gottapu Nageswara Rao

A chemist by profession with a Bachelor Degree in Chemistry from India. He has about 34 years of vast experience in dry process cement industry in India and abroad, handled raw mix preparation, product development, product quality control, alternative fuels and raw materials planning and ISO systems. Before joining Karcement in April 2017, he worked as Chief Chemist for Lafarge Holcim (Malaysia)for 17 years in quality and optimization department in various positions and projects. Prior to that, with Cheran Cements as project and Plant Manager for grinding unit.

Legal Department Chief: Veronica Kuznetsova

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.

Chief Accountant: Tkachenko Yulia Vladislavovna

In 1998 she graduated from Buketov Karaganda State University where she was trained in the field of "finance and credit". In 2012 she graduated with a bachelors degree in law from Kunayev University. She has a total work experience of 17 years, of which Yulia worked as chief accountant (chief economist) for more than 11 years. She has worked in Karcement JSC since October, 2014 and as the chief accountant since August 2016. Yulia is a certified professional accountant since January 2016.

CORPORATE GOVERNANCE

We are pleased to present our 2019 Corporate Governance Statement. This Statement describes our approach to corporate governance and the governance practices in place at Steppe Cement and its subsidiaries.

OUR VISION

To be Kazakhstan's leading, most sustainable, profitable, trusted and competitive cement producer

OUR VALUES

- DEDICATION TO CUSTOMERS
- QUALITY OF PRODUCT & SERVICES
- SAFEGUARD AND ENHANCE ASSET VALUE
- EMPOWER AND RESPECT EMPLOYEES
- BE ACCOUNTABLE AT ALL LEVELS

SHAREHOLDERS

STEPPE CEMENT BOARD

- BOARD AUDIT COMMITEE
- BOARD REMUNERATION COMMITEE
- BOARD NOMINATIONS & GOVERNANCE COMMITEE

MANAGEMENT

CHIEF EXECUTIVE OFFICER

EXECUTIVE LEADERSHIP AND OPERATIONAL MANAGEMENT

The Board reserves certain power for itself and delegates certain authority and responsiblitity for day-to-day management of our business. The Group CEO in turn delegates certain authorities and responsibilities to senior executives. These delegations are regularly reviewed and confirmed

FOCUS ON CUSTOMERS, CULTURE, VALUE AND ACCOUNTABILITY

In 2019, we have continued our long-term, proactive approach to creating a governance culture that secures availability of our cement to our customers, promotes responsible behaviour and accountability, and contributes to sustainable value creation for our shareholders. This section details core activities during 2019 and early 2020.

On June 12, 2019, our Annual General Meeting was held in Kuala-Lumpur with a high turnout of 55% in person and voting of 88%, giving the CEO and the outgoing Board Members the opportunity to report in detail the company's activities and answer shareholders questions. The Board was re-elected with an unanimous vote.

Across the year, the CEO, often accompanied by a Board member, met with various investors or analysts to deliver all information needed to monitor our business, our prospects and answer any question raised: meetings organised in London, Singapore, Kuala Lumpur, Paris, and participation in conferences in Prague and Bucharest provided the financial community with many opportunities to assess the company's performance, risks and governance.

We held five formal Board meetings, two of which being in Aktau: they were combined with extensive site visits. During these stays in the factory, in-depths reviews were made with each operational manager. The directors also inspected the facility, requested all relevant description about the operations and the proper condition and functioning of the existing and new assets. Personal contacts between directors and senior management were further strengthened in these occasions.

Looking forward into 2020, the constraints created by COVID19 are forcing to interrupt our field visits as well as our regular Board meetings. Until these restrictions are safely lifted, the Board institutes a routine whereby it reviews the key issues with the CEO by conference call twice a month. Moreover, at least every six months a video conference call is scheduled with the senior staff to maintain a concrete dialogue with the operational issues, encourage motivation, assess difficulties and alternative solutions.

Besides these direct contacts with Management, accountability is ensured through the guidance of our Audit Committee, as detailed further. Internal audit was reinforced by the services provided by an experienced person, Gan Chee Leong, a former executive of our Company, and who is given specific internal control programs by the Committee. His first report gave valuable input to the Board and generated useful improvements in organisational processes, policies and guidelines, and control procedures.

Besides ensuring availability of cement to the market, the Company has also taken steps to support loyal customers facing temporary difficulties. This was done by taking ownership of some of their assets and help them to face their cash difficulties. As it should be, the Board monitors permanently such cases and verifies that a prudential approach is taken and that such assistance does not increase the risk level of the company.

The value of our company is on top of our priorities. With the excellent financial position reached in 2019, the Board aims at proposing an optimal and well-balanced allocation of funds. Capital investment has always been strictly justified in the past. Nonpriority projects were and are deferred, but major attention is given to ensure the availability of strategic spare parts, and assuring proper preventive maintenance, two crucial but costly needs. Another priority relates to projects which increase the value of the business. In the past, these were mostly engineering projects, such as creating additional capacity, improving reliability and quality, reducing manufacturing cost. A strong manufacturing base is now in place and should be maintained. Since 2019, capex is mostly oriented towards reinforcing logistics and sales to tap into the more lucrative bagged cement segment of the market: this is a testimony of our dedication to customers. In terms of benefits, it enables us to keep or increase our market share, our margins, and therefore our value for our shareholders.

In 2020 and, hopefully in 2021 the Board hopes to satisfy this priority and, in the same time, propose a dividend to reward shareholders for their loyalty and support.

Financial results and reports, announcements, investor presentations and briefings are available on our website at www.steppecement.com

Xavier Blutel
Chairman of the Board

The Board's role in 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. The Board sets the tone by defining and demonstrating the Company's values and standards. The Board recognises that a robust corporate governance framework is essential to effective delivery of the strategy of the Group and ensure the highest standards of integrity.

Chairman's role in Corporate Governance

The Chairman's role is to ensure that the governance structure remains relevant and appropriate, whilst supporting the Group's strategy and culture and ensuring that the Board delivers effective leadership in order to discharge its duties responsibly and effectively to ensure the long-term success of the Group.

Compliance with QCA code

Steppe Cement complies with the latest Quoted Companies Alliance Corporate Governance Code ("QCA") guidelines published in 2018. Nonetheless, Steppe Cement adopts the principal requirements of the UK Combined Code of Corporate Governance (Combined Code), as far as practicable, to ensure high standards of corporate governance.

Steppe Cement is not required to comply with the 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 QCA has published a set of corporate governance guidelines for as a minimum standard to follow for companies, such as those listed on AIM, which adopt the QCA. The QCA guidelines are less rigorous than the Combined Code and recommendations, examples of which include the following:

- Separation of Chairman and Chief Executive Officer (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.

The application of the principles of the QCA code by Steppe Cement are published on Steppe Cement's website.

BOARD OF DIRECTORS

The Board's primary objective is to protect and enhance long-term shareholders' value. The Board is responsible for:

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

BOARD PROCESSES

The Board has established a framework for the management of the Group including a system of internal control, risk management practices and the establishment of appropriate ethical standards. The Board holds regular meetings to discuss strategy, operational matters and any extraordinary meetings at such other times as may be necessary to address any specific and significant matters that may arise. The Board has determined that individual Directors have the right qualification and experience to perform their duties and responsibilities as Directors.

BOARD 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 CEO. 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 CEO and the senior management.

Independence

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

Selection and appointment of Directors

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

Section 87(1) of the Labuan Companies Act provides that every 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 evaluations of 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 the advice of independent consultants at the Company's expense in relation to Director's rights and duties - 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.

Board Meetings

During the year ended 31 December 2019, 5 board meetings were held.

The following is the attendance record of the directors:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Xavier Blutel (Non-Executive Chairman)	5	4	4	4
Javier Del Ser Perez (Chief Executive Officer)	5	N/A	N/A	4
Rupert Wood (Non-Executive Director	5	4	4	4

Committee meetings are held concurrently with the board meetings.

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 comprise:

1. Rupert Wood (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, CEO, Executive Directors and senior executives;
- Review the contracts for the Chairman, CEO, Executive Directors and the contractual terms;
- Obtain information on the remuneration of other listed companies of similar size and industry;
- Report and make recommendations to the Board on the Committee's activities; and
- Review and update the Terms of Reference every two (2) years, or more frequently as required to ensure its ongoing relevance and effectiveness.

The Remuneration Committee's members comprise:

1. Xavier Blutel (Chairman)
2. Rupert Wood

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.

Details on the roles and responsibilities of the Audit Committee are described in the Audit Committee Report.

The Audit Committee's members comprise:

1. Rupert Wood (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.

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, the internal control system can only provide reasonable but not absolute assurance against material misstatement or loss.

Key elements

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

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

Monitoring and review mechanism

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

Nomination Committee Report 2019

Dear Shareholder,

Last year the Nomination Committee found itself busy looking at several important roles within your Company.

In liaison with the Audit Committee, the Nomination Committee worked to recruit a new Head of Internal Audit, to strengthen the function of oversight within the Company. To drive this forward, Gan Chee Leong, the retiring General Director, was asked to lead the recruitment process. Meanwhile, in the interim, Gan took on the role of acting Head of Internal Audit, reviewing several key areas of your Company's business: Purchasing, Security, Inventory and Stock Taking, and Payroll/Accounting.

Gan's retirement saw the promotion of George Ramesh and Petr Durnev to General Director of Karcement and CAC respectively. They have stepped up to the task in hand and we thank them for their work, dedication and performance.

With a view to succession planning, the Committee met with Oksana Hoschenko, due to take over as Head of HR from Irina Poluychik, the current Head of HR.

In July, the Committee also recommended renewing the CEO's contract for a further two years.

Yours faithfully

Rupert Wood,
Nomination Committee Chairman

Audit Committee Report 2019

Dear Shareholder,

The Audit Committee had a busy year working to ensure your Company's continued improvements to its operational, financial, compliance and audit health.

As part of its oversight remit, the Committee has reviewed procedures and protocols to ensure Best Practice wherever possible.

The Audit Committee, (comprising of its Chairman and Xavier Blutel), formally met four times in person over the course of 2019, as well as by video conference and several further times by telephone. Most occasions of Committee Meetings remained based around Board Meetings, for logistical purposes, and with the opportunity to meet with management on the ground twice yearly in Aktau. The Committee continues to advise and challenge the Management of your Company, and to assist the board on its recommendations to strengthen governance, controls and oversight.

The Committee, with the Board, continues to monitor and evaluate the Company's financial strength and performance on an ongoing basis. This involves comfort with prudent leverage ratios, monitoring the cashflow situation, evaluating legal and tax risks, reviewing internal auditing and accounting changes, whilst monitoring risks both short term as well as medium to long-term to mitigate these potential situations. 2019 was a good year for your Company, seeing a 3p dividend paid in respect of 2018 last summer.

I am pleased to report that the Committee oversaw the recruitment plan for a new Head of Internal Audit, who was due to start in April of 2020. Unfortunately, owing to the pandemic, he has been unable to relocate to Kazakhstan yet, but we anticipate that, once borders reopen, he will be able to start work at the factory.

The Committee also dedicated time to reviewing Insider Lists and potential Conflicts of Interest, and is pleased to report that no issues generated concern.

As part of the commitment to ongoing professional development, and in order to seek external reference points regarding Audit Committee developments and best practice, the Committee Chairman attended a one day Audit Committee training event in London, which proved useful for benchmarking purposes.

Yours faithfully

Rupert Wood,
Audit Committee Chairman

External Audit Process

2019 saw the Audit Committee hold several conference calls with the External Auditors to engage with the External Auditors and set fees, set the terms of the Audit and approve the 2019 Audit Plan, to monitor its progress and discuss any issues arising from the External Audit process. The Audit Committee remains satisfied that the External Auditor does not have a conflict of interest, and it does not presently provide any other consulting services to the Company which might influence its opinion. It also discussed the Management Letter following the 2018 Audit with the External Auditors, and ensured that key items raised had been resolved between the External Auditor and the Company.

Risk Management

The area of risk management is managed by senior management of the Company, business heads with the Board and Audit Committee overseeing this work. This is an area that is under constant revision and monitoring to ensure that the Company is as prepared as it can be for a range of eventualities. In the view of the Audit Committee and Board, the overall risk level did not materially change over the course of 2019.

The development of a risk register remains work in progress to ensure a more formal framework for an assessment and monitoring programme.

Whistleblowing Protocols

During the second half of 2019 the Committee requested that the Company establish formal Whistleblowing Protocols, which were adopted and posted throughout the factory in response to this request. So far there have been no reported concerns or issues raised through the Whistleblowing Programme.

Financial Oversight

Through the year the Committee, alongside the Board, oversaw and reviewed all material announcements by the Company to shareholders via RNS announcements on AIM, annual and interim reports, and of the AGM.

The Committee, as well as the Board, dedicates a significant amount of time at each Board meeting, as well as in intervening periods, reviewing the company's financial situation, discussing this with the management and CEO of the company. Transactions, loans and payments between subsidiary companies in the Group have also been an area that the Committee has explored carefully.

The Committee reviewed the changes to IFRS 16, relating to the difference in treatment for finance versus operating leases (for lessee accounting). The details of the accounting changes and impact on your Company are detailed in the Auditor's Notes – in summary the pushed up the Company's costs in the order of USD0.4m.

Internal Audit

The function of Internal Audit has been one of focus for the Committee, in particular the need for a strengthened internal audit function. To address this issue, in 2019 the Audit Committee recommended to the Board the recruitment of a Head of Internal Audit.

In the meantime, the retiring General Director Gan Chee Leong was tasked with providing an interim Head of Internal Audit function, reviewing several areas of importance for the Company:

- Purchasing and how the department is managed and authorised;
- Inventory and Stock Taking;
- Security Department and related Protocols; and
- Payroll and Accounting, with focus on the 1C software platform integration.

In each of these areas, your Company has been able to improve on procedures and streamline processes to ensure maximum efficiency whilst maintaining proper controls.

Gan was also tasked with the recruitment of a new Head of Internal Audit. The chosen candidate was due to join in March 2020 (but has been unable to relocate to Kazakhstan so far due to the pandemic). We anticipate that he will be able to take up his new role on the ground once the lockdowns ease.

The Committee met with senior management in Kazakhstan twice last year - sales, operations, maintenance, Human Resource ("HR"), legal, and finance. Internal Audit moved from being primarily devolved within departments of the company, with areas of focus in constant review, and with ad hoc investigation when required. The Audit Committee also liaises closely with the Company Secretary on issues between Group Companies, including tax and accounting matters.

The Audit Committee remains vigilant for any signs of suspected fraud, theft or malfeasance, and will continue to improve internal controls throughout 2020 to mitigate such risks.

Health and Safety

The ongoing wellbeing of the Company's workforce remains a key objective for the Company and the committee has regularly reviewed the latest updates on Health and Safety. Ongoing training of staff has been maintained and the Company maintains a good record with regard to Health and Safety. Additionally, as referred to previously, the Company instituted a Whistleblower Policy so that any concerns from the workforce can be confidentially reported.

Membership of Audit Committee

Rupert Wood - Committee Chairman, since 2017
Xavier Blutel - Member since 2015

All members of the Audit Committee are independent, non-executive directors, with backgrounds in relevant areas for Committee purposes (see Biographies and Skill Sets section). They add both deep and broad experience in the cement industry and plant management as well as relevant financial experience and understanding.

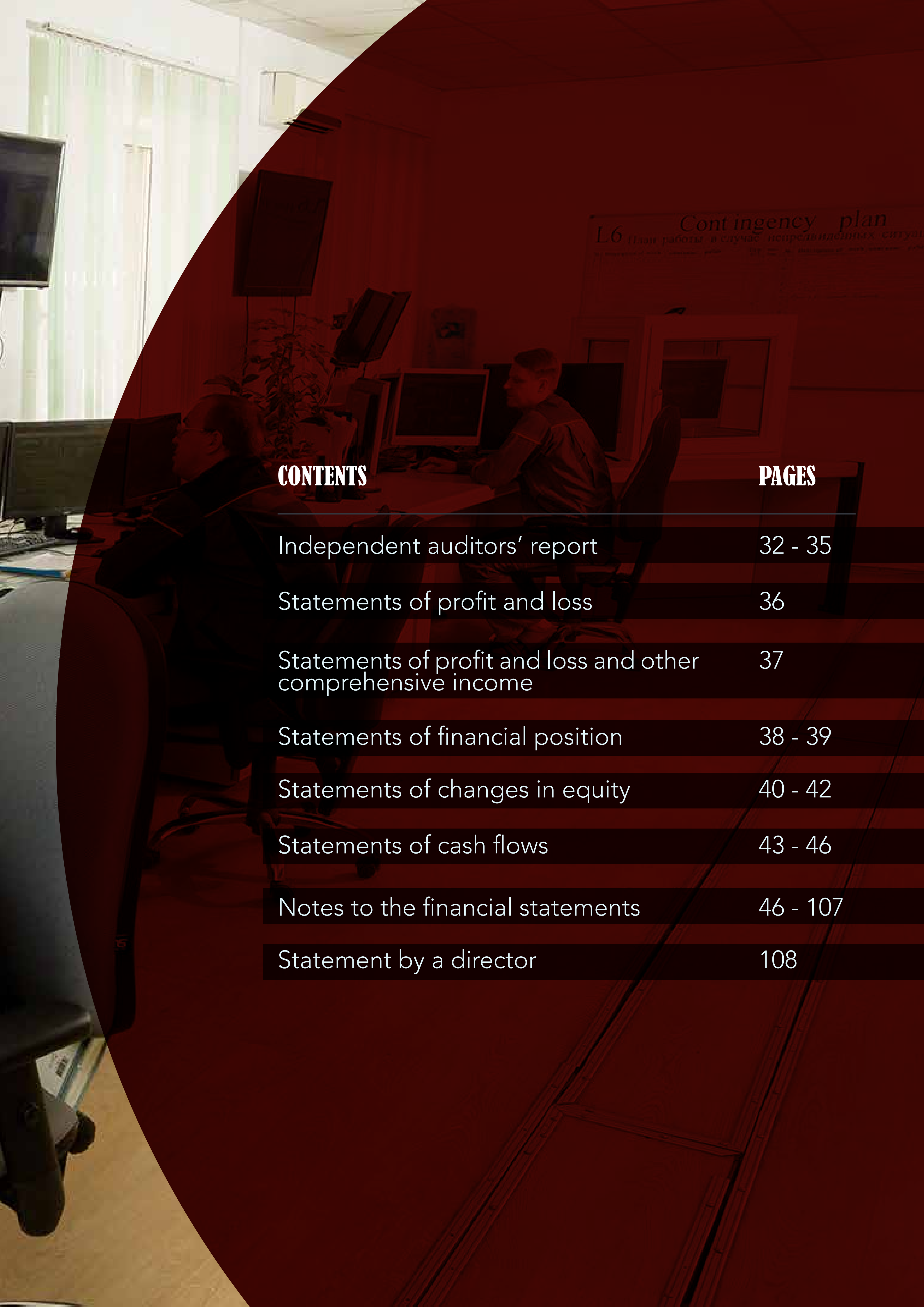
Role and Responsibilities of the Audit Committee
These include:

- 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;
- Monitor and review the effectiveness of the external audit;
- 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.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(In United States Dollar)



CONTENTS

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of STEPPE CEMENT LTD (the "Company"), which comprise the statements of financial position of the Company and its subsidiary companies (the "Group") and of the Company as of 31 December 2019, and the statements of profit or loss, statements of profit or loss and other 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 36 to 107.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the requirements of the Labuan Companies Act, 1990 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matter

Key audit matter is a matter that, in our professional judgement, is of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter is addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment and right-of-use assets The carrying value of property, plant and equipment and right-of-use assets amounted to USD61.9million, representing 66% of the total assets as of 31 December 2019. During the current financial year, the directors considered the Group's historical performance for three consecutive financial periods as well as the Group's current performance and market outlook of the industry, and concluded that indication of impairment of property, plant and equipment and right-of-use assets existed. Consequently, an impairment assessment was performed to determine the recoverable amounts of the Group's property, plant and equipment and right-of-use assets. The recoverable amounts determined by the directors based on a value-in-use model includes key assumptions that are judgemental in nature specifically in relation to the forecast cash flows, future sales volume, discount rates and the growth rates applied. No impairment was recorded during the current financial year as the recoverable amounts of the property, plant and equipment and right-of-use assets calculated by the directors were in excess of their carrying values as of 31 December 2019. Significant judgements and inputs used in the value-in-use model are disclosed in Note 10 to the financial statements.	We discussed with management the future plans of the manufacturing entities and economic outlook in the coming years. Our audit procedures included physical sighting of the property, plant and equipment and right-of-use assets to assess whether they are operating and in a working condition. We considered the appropriateness of the key assumptions used in the value-in-use model approved by the management, including those related to forecast and to project future cash flows, future sales volume, discount rates and growth rates applied. Our consideration includes the non-adjusting subsequent events as disclosed in Note 31 to the financial statements. In performing our audit procedures, we validated the mathematical accuracy of the forecasts and projections and evaluated the pricing and volumes used in management's considerations taking into account the cement market outlook in Kazakhstan. In addition, sensitivity analysis was performed on the key assumptions to assess the potential impact of a range of possible outcome in the impairment assessment. We reviewed historical financial performance of the subsidiary companies involved in the production and sale of cement and compared with previous forecasts to evaluate the accuracy of management's budgeting process.

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended 31 December 2019.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AAL 0009)

LIM KENG PEO
Partner - 2939/01/2022 J
Chartered Accountant

Labuan
3 June 2020

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
	Note	2019	2018	2019	2018
		USD	USD	USD	USD
			Restated		
Revenue	4	79,929,953	82,184,670	9,915,657	8,912,843
Cost of sales		(46,244,126)	(46,737,415)	-	-
Gross profit		33,685,827	35,447,255	9,915,657	8,912,843
Selling expenses		(13,371,624)	(15,612,203)	-	-
General and administrative expenses		(5,921,545)	(6,226,994)	(318,980)	(300,517)
Interest income		128,735	42,649	6,023	458
Finance costs	5	(2,061,008)	(1,637,834)	-	-
Net foreign exchange (loss)/gain	6	(84,400)	(1,786,724)	(35,941)	26,141
Other income/ (expenses), net		166,115	576,570	-	(4,855)
Profit before income tax	7	12,542,100	10,802,719	9,566,759	8,634,070
Income tax expense	8	(2,835,709)	(1,744,486)	-	-
Profit for the year		9,706,391	9,058,233	9,566,759	8,634,070
Attributable to:					
Shareholders of the Company		9,706,391	9,058,233	9,566,759	8,634,070
Earnings per share:					
Basic and diluted (cents)	9	4.4	4.1		

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

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group		The Company	
	2019 USD	2018 USD Restated	2019 USD	2018 USD
Profit for the year	9,706,391	9,058,233	9,566,759	8,634,070
Other comprehensive income/ (loss):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from translation of foreign operations	572,722	(9,445,330)	-	-
Total other comprehensive income/(loss)	572,722	(9,445,330)	-	-
Total comprehensive income/ (loss) for the year	10,279,113	(387,097)	9,566,759	8,634,070
Attributable to:				
Shareholders of the Company	10,279,113	(387,097)	9,566,759	8,634,070

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

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
	Note	2019 USD	2018 USD Restated	2019 USD	2018 USD
Assets					
Non-Current Assets					
Property, plant and equipment	10	55,807,917	59,642,055	-	-
Right-of-use assets	11	6,140,152	-	-	-
Investment in subsidiary companies	12	-	-	36,197,767	26,500,001
Loans to subsidiary company	27	-	-	30,140,000	30,170,000
Advances	16	5,992	191,242	-	-
Other assets	13	2,426,938	2,203,459	-	-
Total Non-Current Assets		64,380,999	62,036,756	66,337,767	56,670,001
Current Assets					
Inventories	14	10,811,542	13,381,295	-	-
Trade and other receivables	15	5,790,278	3,500,468	8,847,922	8,883,956
Income tax recoverable		405,147	175,336	-	-
Loans and advances to subsidiary companies	27	-	-	30,079	9,634,325
Advances and prepaid expenses	16	3,682,896	2,312,534	15,944	6,704
Cash and cash equivalents	17	9,014,360	5,719,491	261,798	23,570
Total Current Assets		29,704,223	25,089,124	9,155,743	18,548,555
Total Assets		94,085,222	87,125,880	75,493,510	75,218,556

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

		The Group		The Company	
	Note	2019 USD	2018 USD Restated	2019 USD	2018 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	2,015,943	2,349,282	-	-
Translation reserve	19	(113,285,956)	(113,858,678)	-	-
Retained earnings	19	100,386,012	98,735,515	1,576,763	399,237
Total Equity		62,876,923	60,987,043	75,337,687	74,160,161
Non-Current Liabilities					
Borrowings	20	3,892,851	6,606,910	-	-
Lease liabilities	21	4,306,929	-	-	-
Deferred taxes	22	4,651,541	2,054,758	-	-
Deferred income	23	1,421,368	1,490,942	-	-
Provision for site restoration		74,435	65,354	-	-
Total Non-Current Liabilities		14,347,124	10,217,964	-	-
Current Liabilities					
Trade and other payables	24	6,203,453	6,614,604	-	-
Accrued and other liabilities	25	1,405,123	2,682,569	155,823	1,058,395
Borrowings	20	6,420,573	5,217,009	-	-
Lease liabilities	21	2,190,586	-	-	-
Deferred income	23	81,387	138,566	-	-
Taxes payable	26	560,053	1,268,125	-	-
Total Current Liabilities		16,861,175	15,920,873	155,823	1,058,395
Total Liabilities		31,208,299	26,138,837	155,823	1,058,395
Total Equity and Liabilities		94,085,222	87,125,880	75,493,510	75,218,556

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

The Group	Share capital	Revaluation reserve	Translation reserve	Retained earnings	Net*
	← Non-distributable		→	Distributable	
	USD	USD	USD	USD	USD
As of 1 January 2019					
As previously stated	73,760,924	2,349,282	(116,266,492)	96,112,997	55,956,711
Adjustments (Note 32)	-	-	2,407,814	2,622,518	5,030,332
As restated	73,760,924	2,349,282	(113,858,678)	98,735,515	60,987,043
Profit for the year	-	-	-	9,706,391	9,706,391
Other comprehensive income	-	-	572,722	-	572,722
Total comprehensive income for the year	-	-	572,722	9,706,391	10,279,113
Other transactions impacting equity:					
Dividends paid (Note 19)	-	-	-	(8,389,233)	(8,389,233)
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(333,339)	-	333,339	-
As of 31 December 2019	73,760,924	2,015,943	(113,285,956)	100,386,012	62,876,923

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

The Group	Share capital	Revaluation reserve	Translation reserve	Retained earnings	Net*
	← Non-distributable		→	Distributable	
	USD	USD	USD	USD	USD
As of 1 January 2018					
As previously stated	73,760,924	2,680,003	(106,741,124)	89,817,170	59,516,973
Adjustments (Note 32)	-	-	2,327,776	2,488,738	4,816,514
As restated	73,760,924	2,680,003	(104,413,348)	92,305,908	64,333,487
Profit for the year as previously stated	-	-	-	8,924,453	8,924,453
Adjustments (Note 32)	-	-	-	133,780	133,780
Profit for the year as restated	-	-	-	9,058,233	9,058,233
Other comprehensive loss as previously stated	-	-	(9,525,368)	-	(9,525,368)
Adjustments (Note 32)	-	-	80,038	-	80,038
Other comprehensive loss as restated	-	-	(9,445,330)	-	(9,445,330)
Total comprehensive (loss)/income for the year	-	-	(9,445,330)	9,058,233	(387,097)
Other transactions impacting equity:					
Dividends paid (Note 19)	-	-	-	(2,959,347)	(2,959,347)
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(330,721)	-	330,721	-
As of 31 December 2018	73,760,924	2,349,282	(113,858,678)	98,735,515	60,987,043

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

The Company	Share Capital	Distributable (Accumulated losses)/ Retained earnings	Total
	USD	USD	USD
As of 1 January, 2019	73,760,924	399,237	74,160,161
Total comprehensive income for the year	-	9,566,759	9,566,759
Dividends paid (Note 19)	-	(8,389,233)	(8,389,233)
As of 31 December, 2019	73,760,924	1,576,763	75,337,687
As of 1 January, 2018	73,760,924	(5,275,486)	68,485,438
Total comprehensive income for the year	-	8,634,070	8,634,070
Dividends paid (Note 19)	-	(2,959,347)	(2,959,347)
As of 31 December, 2018	73,760,924	399,237	74,160,161

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
		Restated		
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES				
Profit before income tax	12,542,100	10,802,719	9,566,759	8,634,070
Adjustments for:				
Depreciation of property, plant and equipment	6,880,944	7,138,659	-	-
Depreciation of right-of-use assets	2,285,530	-	-	-
Amortisation of quarry stripping costs	-	4,654	-	-
Amortisation of site restoration costs	1,410	1,566	-	-
Dividend income	-	-	(8,678,970)	(8,389,233)
Reversal of dividend accrued	-	-	-	4,855
Loss on disposal of property, plant and equipment	140,656	30,925	-	-
Interest income	(128,735)	(42,649)	(1,242,710)	(524,068)
Finance costs	2,061,008	1,637,834	-	-
Net foreign exchange loss/(gain)	84,400	1,786,724	1,339	(50,676)
Provision for obsolete inventories	36,146	46,562	-	-
Loss allowance for doubtful receivables	433,412	168,365	-	-
Allowance for advances paid to third parties	142,400	139,979	-	-
Reversal of provision for obsolete inventories	(118,792)	(346,533)	-	-
Deferred income	(246,290)	(41,192)	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group		The Company	
	2019 USD	2018 USD Restated	2019 USD	2018 USD
	24,114,189	21,327,613	(353,582)	(325,052)
Movement in working capital:				
Decrease/(Increase) in:				
Inventories	2,704,172	(2,304,350)	-	-
Trade and other receivables	(2,687,961)	(2,434,470)	-	(125)
Loans and advances to subsidiary companies	-	-	(63,520)	(199,034)
Advances and prepaid expenses	(1,514,504)	-	(9,240)	-
(Decrease)/Increase in:				
Trade and other payables	(354,224)	(161,809)	-	-
Accrued and other liabilities	(2,002,941)	2,244,060	(903,911)	39,589
Cash Generated From/(Used In) Operations	20,258,731	18,671,044	(1,330,253)	(484,622)
Income tax paid	(493,734)	(151,305)	-	(4,941)
Net Cash From/(Used In) Operating Activities	19,764,997	18,519,739	(1,330,253)	(489,563)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,837,509)	(3,138,098)	-	-
Purchase of other assets	(14,982)	(25,621)	-	-
Proceeds from disposal of property, plant and equipment	149,482	-	-	-
Dividends received from subsidiary	-	-	8,389,233	3,430,150
Interest received	128,735	42,649	1,568,481	29,345
Net Cash(Used In) /From Investing Activities	(2,574,274)	(3,121,070)	9,957,714	3,459,495

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	The Group		The Company	
	2019 USD	2018 USD Restated	2019 USD	2018 USD
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
Proceeds from borrowings*	7,834,646	9,363,949	-	-
Repayment of borrowings*	(9,432,630)	(16,732,905)	-	-
Repayment of lease liabilities*	(1,929,741)	-	-	-
Dividends paid	(8,389,233)	(2,959,347)	(8,389,233)	(2,959,347)
Interest paid	(2,036,609)	(1,650,182)	-	-
Net Cash Used In Financing Activities	(13,953,567)	(11,978,485)	(8,389,233)	(2,959,347)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,237,156	3,420,184	238,228	10,585
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	57,713	(746,029)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,719,491	3,045,336	23,570	12,985
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	9,014,360	5,719,491	261,798	23,570

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

* The following table shows the reconciliation in the Group's liabilities arising from financing activities

	Opening balance	Financing cash flows	Non-cash movements [1]	Closing balance
	USD	USD	USD	USD
2019				
Borrowings (Note 20)	11,823,919	(1,597,984)	87,489	10,313,424
Lease liabilities (Note 21)	-	(1,929,741)	8,427,256	6,497,515
2018				
Borrowings (Note 20)	20,029,303	(7,368,956)	(836,428)	11,823,919
Lease liabilities (Note 21)	-	-	-	-

[1] *Non-cash movements primarily relates to recognition of leases arising from effect of adoption of IFRS 16, foreign currency exchange differences and accrued interests.*

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 12.

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 companies are principally engaged in the production and sale of cement. The principal activities of the subsidiary companies are disclosed in Note 12.

The financial statements of the Group and of the Company have been approved by the Board of Directors and were authorised for issuance on 3 June 2020.

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 IFRS

New and revised IFRS that are mandatorily effective for the current year

In the current year, the Group and the Company have applied a number of new and amendments to IFRS and IFRS Interpretations Committee ("IFRIC") Interpretation issued by IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16	Leases
IFRIC 23	Uncertainty Over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle

The application of these new and amendments to IFRS and IFRIC Interpretation did not result in significant changes in the accounting policies of the Group and of the Company and have no material impact on the disclosures in the financial statements of the Group and of the Company, except for the application of IFRS 16 as described below.

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Group and the Company applied IFRS 16 using the cumulative catch-up approach to lease commitments on 1 January 2019 and elected to adjust the opening balance of retained earnings for any financial impact, if any. The Group and the Company did not restate any comparative information which continue to be presented under IAS 17 and IFRIC 4.

(a) **Impact of the new definition of a lease**

The Group and the Company made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease.

The change in definition of a lease mainly relates to the concept of control. A lease must contain an identifiable asset. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group and the Company apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019. The new definition in IFRS 16 did not significantly change the scope of contracts that meet the definition of a lease for the Group and for the Company.

(b) **Impact on lessee accounting**

IFRS 16 changes how the Group and the Company account for leases previously classified as operating leases under IAS 17, which were off the statement of financial position.

Applying IFRS 16 for all leases, the Group and the Company:

(i) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);

(ii) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss; and

(iii) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group and the Company have opted to recognise a lease expense on a straight-line basis in profit or loss as permitted by IFRS 16.

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to measure right-of-use assets at an amount equal to lease liabilities to leases previously classified as operating leases under IAS 17:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- No recognition of right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- Use of hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

There are no impact to leases classified as finance leases as the Group and the Company are not lessees to any finance lease contracts that are effective at 1 January 2019.

(c) **Impact on lessor accounting**

IFRS 16 does not change substantially how a lessor accounts for leases. A lessor continues to classify leases as either finance or operating leases and account for both types of leases differently.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The Group and the Company have assessed all operating sublease agreements at 1 January 2019 and no reclassification is necessary as these agreements continue to be classified as operating leases with lease income recognised on a straight-line basis.

(d) **Financial impact of initial application of IFRS 16**

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January is 12.3%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the Group's statement of financial position at the date of initial application.

	USD
Operating lease commitments recognised under IAS 17	
at 31 December 2018	10,544,729
Effect of discounting based on incremental borrowing rate	(2,175,224)
Lease liabilities recognised at 1 January 2019	8,369,505

The Group recognised right-of-use assets of USD8,369,505 upon transition to IFRS 16 with no impact to retained earnings. In the current financial year, the Group recognised depreciation charges of USD2,285,530 on right-of-use assets as disclosed in Note 11.

Since lease liabilities on operating leases are now on the statement of financial position, the Group's total lease payments of USD2,855,674, representing selling expenses under IAS 17, was debited against lease liabilities. The Group recognised finance costs of USD925,933 in relation to lease liabilities as disclosed in Note 5.

There are no changes to the amounts reported in the Company's statement of financial position as of 1 January 2019 arising from the application of IFRS 16.

New and amendments to IFRS in issue but not yet effective

IFRS 17	Insurance Contracts[2]
IFRSs	Amendments to References to the Conceptual Framework in IFRS Standards[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 3	Definition of Business[1]
Amendments to IAS 39, IFRS 9 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2021. The IASB has decided on 17 March 2020 that the effective date of the Standard will be deferred to annual reporting periods beginning on or after 1 January 2023. This amendment is expected to be issued in the second quarter of 2020.

3 Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the abovementioned new and amendments to IFRSs will be adopted in the financial statements of the Group and of the Company when they become effective and that the adoption of these new and amendments to IFRS will have no material impact on the financial statements of the Group and of the Company.

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) and financial assets and financial liabilities that are recognised at amortised cost.

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 and each component of the other comprehensive income of a subsidiary company are included in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income respectively from the date the Company gains control until the date when the Company ceases to control the subsidiary 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 interests 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 IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. Revenue of the Group represents sale of cement, transmission and distribution of electricity. Revenue of the Company represents management fee income, interest and dividend income.

Sale of cement
Revenue is recognised at a point in time when control of the promised goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customer has full ownership of the goods and bears the risks of loss and damage in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Payment of the transaction price is due immediately for customers without credit terms granted.

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 from an equity instrument is recognised when the Company's right, as a shareholder of the investee is established, which is the date the dividend is appropriately authorised.

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 and of the Company. 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. Monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. 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 profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss 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 at the end of the reporting period. Income and expense items (including comparatives) are translated at the average rates at the dates of the transactions. Exchange differences arising on a monetary item that represents a net investment in a foreign operation, if any, are recorded in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are recognised in profit or loss 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:

	2019 USD	2018 USD
1 Sterling Pound ("GBP")	1.3210	1.2769
1 Euro ("EUR")	1.1213	1.1467
1 Ringgit Malaysia ("MYR")	0.2443	0.2418
1 Russian Ruble ("RUB")	0.0161	0.0144
	KZT	**KZT**
1 USD	381.18	384.20

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 USD555 per month per employee (2018: USD615) 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 to profit or loss 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 profit or loss 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 end of the reporting period.

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 is 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 profit or loss, 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, 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.

Leases

The Group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17.

Policies applicable from 1 January 2019

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The lease liability comprise monthly fixed lease payments (including in-substance fixed payments), less any lease incentives receivable, presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policies on 'Property, Plant and Equipment'.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 profit or loss, in which case, the increase is credited to profit or loss 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 profit or loss 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 profit or loss. 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 and land improvement with indefinite useful lives are 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

Depreciation on stand-by equipment and major spare parts begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 profit or loss.

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 tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the 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 profit or loss unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease (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 profit or loss 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 the end of each reporting period, 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	100.0%

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 end of the reporting period 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 statements 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 profit or loss.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirely at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost.

a. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All the Group's and the Company's financial assets meet the definition of financial assets at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Financial assets of the Group and of the Company measured subsequently at amortised cost are short-term deposits, cash and bank balances, trade receivables, other receivables (excluding value added taxes), refundable deposits and inter-company indebtedness.

(ii) Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including time value of money where appropriate.

For all other financial instruments such as other receivables and amount owing by subsidiary companies, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including overdue status, collection history and forward looking macro-economic factors.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

(a) when there is a breach of financial covenants by the debtor; or
(b) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Exposure at default is represented by the assets' gross carrying amount at the end of the reporting period.

Expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on 1) Nature of financial instruments; 2) Past-due status; 3) Nature, size and industry of debtors; and 4) External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the end of the current reporting period that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the end of the current reporting period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Financial liabilities at amortised costs

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

Borrowing Costs

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

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

Statements of Cash Flows

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

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

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 2019, the directors consider that the carrying amount of the land and buildings is reflective of the fair values of these assets.

Impairment of Property, Plant and Equipment

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

The determination of an asset's recoverable amount of a CGU involves the use of estimates by management. The recoverable amount and the fair value are typically determined using a discounted cash flow method and takes into consideration reasonable market participant assumptions and broader economic factors such as expected growth in the industry, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances. The key assumptions and estimates in the discounted cash flow methods concerning timing of expected cash flows, future sales volume and growth rates, applicable discount rates, useful lives and residual values have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

Loss Allowance for Doubtful Receivables, Advances paid to Third Parties and Provision for Inventories

The Group makes loss allowance for doubtful receivables and advances paid to third parties. Significant judgement is used to estimate doubtful receivables. Loss allowance for doubtful receivables is established based on an expected credit loss model. The Group accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. The primary factors that the Group considers whether a receivable is impaired is its overdue status, collection history and forward looking macro-economic factors. As of 31 December 2019, loss allowance for doubtful trade receivables amounted to USD626,053 (2018: USD206,330) (Note 15) and on advances paid to third parties amounted to USD334,454 (2018: USD211,668) (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 based upon past experience and the level of write-offs in previous years. As of 31 December 2019, provision for obsolete and slow moving inventories amounted to USD2,197,359 (2018: USD2,262,085) (Note 14).

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% (2018: 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 derives its revenue from the transfer of cement at a point in time. Transmission of electricity is determined to be a single performance obligation satisfied over time and represents a promise to transfer to the customer a series of distinct goods that are substantially the same and have the same pattern of transfer to the customer. The Group primarily operates in one geographic location (segment) and as such, no segmental information is presented.

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Sale of manufactured goods	79,917,889	82,174,174	-	-
Transmission and distribution of electricity	12,064	10,496	-	-
Dividend income	-	-	8,678,970	8,389,233
Net interest income	-	-	1,236,687	523,610
Total	79,929,953	82,184,670	9,915,657	8,912,843

The Group applied the practical expedient under IFRS 15 not to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period as all unsatisfied contracts with customers are expected to be fulfilled within one year.

5. FINANCE COSTS

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Interest expenses on:				
- Bank loans	868,901	1,484,502	-	-
- Lease liabilities	925,933	-	-	-
Unwinding of discount on provision for site restoration	23,507	8,374	-	-
Others	242,667	144,958	-	-
Total interest expense for financial liabilities not classified as at FVTPL	2,061,008	1,637,834	-	-

6. NET FOREIGN EXCHANGE (LOSS)/GAIN

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Net foreign exchange (loss)/gain	(84,400)	(1,786,724)	(35,941)	26,141

7. PROFIT BEFORE INCOME TAX

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

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
		Restated		
Depreciation of property, plant and equipment	(6,880,944)	(7,138,659)	-	-
Employee benefit expenses	(5,091,238)	(5,500,332)	-	-
Depreciation of right-of-use assets	(2,285,530)	-	-	-
Amortisation of quarry stripping costs	-	(4,654)	-	-
Amortisation of site restoration costs	(1,410)	(1,566)	-	-
Deferred income	246,290	41,192	-	-
Loss on disposal of property, plant and equipment	(140,656)	(30,925)	-	-
Reversal of provision for obsolete inventories	118,792	346,533	-	-
Provision for obsolete inventories	(36,146)	(46,562)	-	-
Credit loss allowance for doubtful receivables	(433,412)	(168,365)	-	-
Allowance for advances paid to third parties	(142,400)	(139,979)	-	-
Reversal of dividend accrued	-	-	-	4,855

8. INCOME TAX EXPENSE

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Income tax - current year	266,326	75,503	-	-
Deferred tax (Note 22)				
- subsidiary companies	2,569,383	1,668,983	-	-
Total	2,835,709	1,744,486	-	-

Under the Labuan Business Activity Tax Act, 1990, no tax is chargeable on the Company's Labuan non-trading activities for the current basis period for that year of assessment. Effective 1 Jan 2019, a Labuan company carrying on Labuan trading activities shall be charged at a tax rate of 3% on the chargeable profits of a Labuan company for the basis period for that year of assessment.

The profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to the prevailing statutory tax rate of 20% (2018: 20%), and Malaysian and Netherland subsidiaries are subject to statutory tax rates of 24% (2018: 24%) and 25% (2018: 25%) respectively.

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

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
		Restated		
Profit before income tax	12,542,100	10,802,719	9,566,759	8,634,070
Tax expense calculated at domestic tax rates applicable to the respective jurisdictions	2,308,029	1,138,251	-	-
Tax effects of expenses not deductible for tax purposes	476,952	399,052	-	-
Effect of loss not available for offset against future taxable income	23,280	33,524	-	-
Effect of previously unrecognised temporary differences	-	130,048	-	-
Effect of unused tax losses not recognised as deferred tax assets	27,448	43,611	-	-
Income tax expense	2,835,709	1,744,486	-	-

The tax expense calculated at domestic tax rates represents a blend of the tax rates of the jurisdictions in which taxable profits have arisen. The higher effective tax rate is due to higher level of non-deductible expenses.

9. EARNINGS PER SHARE

Basic and diluted

	The Group	
	2019 USD	2018 USD Restated
Profit attributable to ordinary shareholders	9,706,391	9,058,233

	2019	2018
Number of ordinary shares in issue at beginning and at end of year	219,000,000	219,000,000
Weighted average number of ordinary shares in issue	219,000,000	219,000,000

	2019	2018
Earnings per share, basic and diluted (cents)	4.4	4.1

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

There are no dilutive instruments outstanding for the years ended 31 December 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD Restated	Railway wagons USD	Stand-by equipment and major spare parts USD	Construction in progress USD	Other assets USD	Total USD
Cost								
At 1 January 2018	2,148,478	22,767,341	78,689,838	8,270,715	3,529,033	4,230,373	7,008,794	126,644,572
Additions	-	-	343,787	-	226	2,562,533	231,552	3,138,098
Transfers	-	198,672	2,352,031	-	(16,590)	(2,791,663)	257,550	-
Disposals	-	-	(6,161)	(26,483)	-	-	(7,379)	(40,023)
Reclassification from/(to) inventories	-	-	14,572	-	(128,689)	137,988	113,555	137,426
Exchange differences	(290,061)	(3,094,091)	(10,977,097)	(1,113,902)	(454,273)	(621,146)	(988,726)	(17,539,296)
At 31 December 2018	1,858,417	19,871,922	70,416,970	7,130,330	2,929,707	3,518,085	6,615,346	112,340,777
Additions	-	127,124	505,456	-	17,693	2,008,538	178,698	2,837,509
Transfers	-	462,664	1,925,186	-	(79,223)	(2,476,339)	167,712	-
Disposals	-	(201)	(359,441)	-	(139,786)	-	(149,489)	(648,917)
Reclassification from/(to) inventories	-	-	-	-	-	43,103	-	43,103
Exchange differences	14,724	160,055	573,554	56,492	21,888	26,421	53,286	906,420
At 31 December 2019	1,873,141	20,621,564	73,061,725	7,186,822	2,750,279	3,119,808	6,865,553	115,478,892

The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD Restated	Railway wagons USD	Stand-by equipment and major spare parts USD	Construction in progress USD	Other assets USD	Total USD
Accumulated depreciation and impairment losses								
At 1 January 2018	-	14,496,758	34,161,056	1,423,403	-	-	4,388,257	54,469,474
Charge for the year	-	811,670	5,217,825	397,361	-	-	711,803	7,138,659
Disposals	-	-	-	(4,859)	-	-	(4,239)	(9,098)
Exchange differences	-	(2,040,202)	(5,962,959)	(232,318)	-	-	(664,834)	(8,900,313)
At 31 December 2018	-	13,268,226	33,415,922	1,583,587	-	-	4,430,987	52,698,722
Charge for the year	-	1,101,084	4,963,267	357,759	-	-	458,834	6,880,944
Disposals	-	(170)	(258,709)	-	-	-	(99,900)	(358,779)
Exchange differences	-	109,927	292,079	14,132	-	-	33,950	450,088
At 31 December 2019	-	14,479,067	38,412,559	1,955,478	-	-	4,823,871	59,670,975
Net Book Value								
At 31 December 2019	1,873,141	6,142,497	34,649,166	5,231,344	2,750,279	3,119,808	2,041,682	55,807,917
At 31 December 2018	1,858,417	6,603,696	37,001,048	5,546,743	2,929,707	3,518,085	2,184,359	59,642,055

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 inputs were used in preparing the discounted cash flow:

- the forecast period was from September 2015 to December 2018;
- derivation of a terminal value using a constant growth model; and
- 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 USD8,015,638 as of 31 December 2019 (2018: USD8,462,113). 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 as of 31 December 2019 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	
	2019	**2018**
	USD	**USD**
Land	212,399	210,724
Buildings	818,481	1,096,489

During the current financial year, management of the subsidiary companies performed an impairment test on the cement manufacturing facilities and right-of-use assets collectively and concluded that no further impairment losses were required to be recognised as their recoverable amounts exceed their net book values as of the end of the reporting period.

The following significant inputs were used to determine the recoverable amount of the cement manufacturing facilities:

- the forecast period was from January 2020 to December 2024;
- derivation of terminal value based on Nil growth beyond the 5 year forecast period with average annual growth rate in EBITDA across the forecast period at 4.3%; and
- discount rate of 17.31% was applied.

As of 31 December 2019, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD24,915,935 and USD10,750,160 (2018: USD24,708,337 and USD12,247,879) respectively is pledged to secure the Facility B loan from Halyk Bank JSC (Note 20).

As at 31 December 2019, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD6,689,543 and USD3,947,505 (2018: USD6,636,960 and USD4,370,424) respectively are pledged as collateral for the government-subsidised loan (Note 20).

As of 31 December 2019, the cost of property, plant and equipment that is fully depreciated amounted to USD2,033,966 (2018: USD1,080,666).

11. RIGHT-OF-USE ASSETS

		The Group	
	Railway wagons	Buildings	Total
	USD	USD	USD
Cost			
At 1 January 2019	-	-	-
Arising from adoption of IFRS 16	8,334,669	34,836	8,369,505
Exchange differences	66,034	276	66,310
At 31 December 2019	8,400,703	35,112	8,435,815
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	(2,278,538)	(6,992)	(2,285,530)
Exchange differences	(10,102)	(31)	(10,133)
At 31 December 2019	(2,288,640)	(7,023)	(2,295,663)
Carrying amount			
At 31 December 2019	6,112,063	28,089	6,140,152

	The Group
	USD
Amount recognised in profit or loss:	
Interest expense on lease liabilities	925,933
Expense relating to short-term leases	1,563,704
Total cash outflow for leases	1,929,741

The Group relies on railway wagons for delivery of finished goods to customers. The Group and the Company did not enter into any low value asset leases or variable lease payment arrangements during the current financial year. The lease terms, including extensions, are 5 years for buildings and 2 to 4 years for railway wagons respectively.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2019	2018
	USD	USD
Unquoted shares, at cost	37,242,408	30,500,002
Net investment in a subsidiary company	2,955,360	-
	40,197,768	30,500,002
Less: Accumulated impairment loss	(4,000,001)	(4,000,001)
Net	36,197,767	26,500,001

Loan that is part of net investment represents amount receivable from a subsidiary which is non-trade, unsecured and is interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat this amount as a long-term source of capital to the subsidiary company. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment loss, if any.

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
		2019	2018	
		%	%	
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

	Place of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2019	2018	
		%	%	
Indirect Subsidiary Companies				
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

13. OTHER ASSETS

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
VAT recoverable - non-current	2,068,579	1,869,721	-	-
Quarry stripping costs	193,740	192,218	-	-
Site restoration costs	33,321	34,464	-	-
Site restoration fund	131,298	106,840	-	-
Others	-	216	-	-
Total	2,426,938	2,203,459	-	-

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 2019. Amortisation commenced upon physical extraction of limestone and clay from this quarry.

Movement of quarry stripping costs is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
At beginning of year	192,218	219,508	-	-
Exchange differences	1,522	(29,160)	-	-
Additions	-	6,524	-	-
Amortisation	-	(4,654)	-	-
At end of year	193,740	192,218	-	-

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 quarry operating agreement on 24 June 2043.

14. INVENTORIES

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Finished goods	3,812,649	5,678,962	-	-
Work-in-progress	632,491	403,895	-	-
Spare parts	5,118,941	6,958,196	-	-
Raw materials	1,501,745	1,435,747	-	-
Packing materials	585,944	411,062	-	-
Construction materials	5,646	23,217	-	-
Goods held for resale	48,835	48,860	-	-
Fuel	21,722	22,075	-	-
Others	1,280,928	661,366	-	-
Total	13,008,901	15,643,380	-	-
Less: Provision for obsolete inventories	(2,197,359)	(2,262,085)	-	-
Net	10,811,542	13,381,295	-	-

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

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
At beginning of year	(2,262,085)	(2,907,854)	-	-
Exchange differences	(17,920)	345,798	-	-
Provision for obsolete inventories	(36,146)	(46,562)	-	-
Reversal of provision for obsolete inventories	118,792	346,533	-	-
At end of year	(2,197,359)	(2,262,085)	-	-

As of 31 December 2019, inventories of USD4,424,634 (2018: USD5,301,411) were pledged to secure the Halyk Bank JSC working capital facilities (Note 20).

15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Trade receivables	5,659,381	2,970,882	-	-
Less: Loss allowances	(626,053)	(206,330)	-	-
Net	5,033,328	2,764,552	-	-
Other receivables:				
VAT recoverable - Current	239,092	91,286	-	-
Receivables from related party	-	51,526	-	-
Receivables from employees	30,668	87,492	-	-
Others	487,190	505,612	-	-
Dividend receivable	-	-	8,678,970	8,389,233
Interest receivable	-	-	168,952	494,723
Total	5,790,278	3,500,468	8,847,922	8,883,956

The Group 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.

Movement in the credit loss allowances for trade receivables is as follows:

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
At beginning of year	(206,330)	(45,563)	-	-
Exchange differences	(1,634)	6,151	-	-
Add: Impairment losses	(433,412)	(168,365)	-	-
Less: Write-offs	15,323	1,447	-	-
At end of year	(626,053)	(206,330)	-	-

The Group measures the loss allowance for trade accounts receivable at an amount equal to lifetime ECL. The expected credit losses on trade accounts receivable are collectively assessed and estimated using the following provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period:

The Group			
Days past due	Expected credit loss rate	Gross carrying amount at default	Lifetime ECL
		USD	USD
2019			
Not past due	1%	1,676,723	165,347
<180 days	5%	1,162,556	85,928
181-270 days	10%	559,332	74,508
271-360 days	20%	630,466	86,004
1-2 years	33%	1,419,891	43,772
>2 years	66%	133,064	93,145
> 3 years	100%	77,349	77,349
		5,659,381	626,053
2018			
Not past due	1%	1,540,913	15,383
<180 days	5%	962,330	48,116
181-270 days	10%	254,159	25,416
271-360 days	20%	5,651	1,130
1-2 years	33%	82,881	27,350
>2 years	66%	109,131	73,118
> 3 years	100%	15,817	15,817
		2,970,882	206,330

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 at the end of the reporting period. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

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 maintenance 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	
	2019	2018	2019	2018
	USD	USD	USD	USD
Advances paid to third parties	2,073,202	2,215,502	-	-
Less: Provision on advances paid to third parties	(334,454)	(211,668)	-	-
	1,738,748	2,003,834	-	-
Net advances paid to third parties	1,738,748	2,003,834	-	-
Less: Non-current portion of advances paid to third parties	(5,992)	(191,242)	-	-
Current portion of advances paid to third parties	1,732,756	1,812,592	-	-
Prepaid and deferred expenses	1,950,140	499,942	15,944	6,704
Total	3,682,896	2,312,534	15,944	6,704

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. Short-term advances are mainly advances for materials.

Included in deferred expenses are consumables, such as refractory bricks and bag filters, which are designed to withstand high heat during the production of the Group's clinkers stock in the kilns and to suppress dust emission from polluting the environment in compliance with the statutory ecology requirement, respectively. The management uses its judgement to defer the expenses based on the useful life of the refractory bricks and bag filters when consumed. The balance of the deferred expenses will be amortised over the next 6 to 8 months of production.

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

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
At beginning of year	(211,668)	(82,878)	-	-
Exchange differences	(1,677)	11,189	-	-
Add: Allowance for advances paid to third parties	(142,400)	(139,979)	-	-
Less: Write-offs	21,291	-	-	-
At end of year	(334,454)	(211,668)	-	-

17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Cash in hand and at banks	1,939,857	2,882,427	261,798	23,570
Short-term deposits	7,074,503	2,837,064	-	-
Total	9,014,360	5,719,491	261,798	23,570

18. SHARE CAPITAL

	The Group and the Company	
	2019	2018
	USD	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.

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 shareholder.

Dividends paid

During the year, the Company paid a first and final dividend of GBP0.03 (2017: GBP0.01) per ordinary share of no par value each amounting to GBP6,570,000 (USD8,389,233) in respect of financial year ended 31 December 2018 (2017: GBP2,190,000 (USD2,959,347)).

Dividends proposed after reporting period

The board of directors of the Company proposed a final dividend of GBP0.03 per ordinary share of no par value each amounting to GBP6,570,000 (USD8,678,970) in respect of the financial year ended 31 December 2019. The proposed dividend is subject to approval by the shareholders of the Company at the forthcoming Annual General Meeting, and if approved, will be accounted for in equity during the financial year ending 31 December 2020. The dividends have not been recognised as a liability as at 31 December 2019.

20. BORROWINGS

	The Group 2019 USD	2018 USD
Secured - at amortised cost		
Bank loans	10,313,424	11,823,919
Bank loans:		
Current	6,420,573	5,217,009
Non-current	3,892,851	6,606,910
	10,313,424	11,823,919

Details of bank loans are as follows:

	Currency	Maturity month	Interest rate	The Group 2019 USD	2018 USD
Halyk Bank JSC: Facility B	USD	November 2021	6.5% p.a.	4,131,746	6,092,889
Halyk Bank JSC government subsidised facility for capital expenditure	KZT	August 2022	6% p.a.	806,068	1,074,656
	KZT	June 2025	6% p.a.	511,798	584,050
	KZT	September to November 2025	6% p.a.	1,453,290	1,721,273
Halyk Bank JSC for working capital	KZT	February to March 2020	6% p.a.	1,041,773	-
Altyn Bank JSC for working capital	KZT	June 2020	11% p.a.	2,361,089	2,342,530
Accrued interest				7,660	8,521
Total outstanding				10,313,424	11,823,919

Halyk Bank JSC facilities

Facility B carries an interest rate of 6.5% per annum. The principal is repayable over a 5-year period in 60 equal monthly instalments commencing from 23 December 2016 until the maturity in November 2021. Interest is payable monthly from 23 December 2016 until maturity. The facility is secured against property, plant and equipment with a net book value of USD10,750,160 (2018:USD12,247,879) (Note 10). As at 31 December 2019, no further amounts are available for drawdown from Facility B.

Halyk Bank JSC working capital facilities

During the financial year, a subsidiary company signed short-term agreements with JSC Halyk Bank of Kazakhstan for working capital requirements of KZT397 million (equivalent of USD1,042,000) under the government programs bearing an interest rate of 6% per annum. The short-term borrowing was fully drawn and in repayable in February 2020 (KZT283 million) and March 2020 (KZT 114 million) respectively. The facility is secured against inventories of USD4,424,634 (2018: USD5,301,411) (Note 14).

As of 31 December 2019, all working capital facilities of USD6.8 million with Halyk Bank JSC are available for drawdown.

Halyk Bank JSC government-subsidised facility

The government-subsidised loan of KZT1.69 billion (equivalent of USD4,400,000) carries a subsidised fixed interest rate of 6% per annum. The loan is used for capital expenditure with maturity period of 10 years and was fully drawn in the previous financial year.

On 17 July 2017, CAC JSC signed a loan agreement with Halyk Bank JSC on terms subsidised under government programs. The loan of KZT580 million (or equivalent of USD1,500,000) carries a subsidised fixed interest rate of 6% per annum. The loan is used for capital expenditure with maturity period of 5 years and secured against property, plant and equipment with a net book value of USD3,947,505 (2018: USD4,370,424) (Note 10). No further amounts are available for drawdown from this facility.

The government-subsidised loans are initially recognised at fair value at interest rate of 14% per annum, and subsequently carried at amortised cost (Note 23).

Altyn Bank JSC working capital facilities

On 28 December 2018, Karcement JSC signed a KZT900 million (equivalent of USD2.3 million) credit line agreement with Altyn Bank JSC for working capital financing. The facility carried a fixed interest rate of 11% per annum and matured on 17 June 2019. The facility was fully drawn and renewed on 31 December 2019, maturing on 30 June 2020.

21. LEASE LIABILITIES

	The Group	
	2019	2018
	USD	USD
Operating leases analysed as:		
Non-current	4,306,929	-
Current	2,190,586	-
Balance as at 31 December	6,497,515	-

The following table shows the maturity profile of the undiscounted operating lease payments and the effects of discounting on the lease liabilities at 31 December 2019:

	The Group	
	2019	2018
	USD	USD
Maturity analysis:		
Year 1	2,868,338	-
Year 2	2,441,076	-
Year 3	2,438,773	-
	7,748,187	-
Less: Future finance charges	(1,250,672)	-
	6,497,515	-

	The Group	
	2019	2018
	USD	USD
Balance as at 1 January	-	-
Increase arising from adoption of IFRS 16	8,369,505	-
Payment of lease liabilities	(2,855,674)	-
Finance costs (Note 5)	925,933	-
Exchange differences	57,751	-
Balance as at 31 December	6,497,515	-

The incremental borrowing rate was 12.3%. All leases are on a fixed repayment basis and no arrangements have been entered for contingent rental payments.

22. DEFERRED TAXES

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
At beginning of year	(2,054,758)	(637,777)	-	-
Exchange differences	(27,400)	252,002	-	-
Recognised in profit or loss (Note 8)	(2,569,383)	(1,668,983)	-	-
At end of year	(4,651,541)	(2,054,758)	-	-

Movement in net deferred tax assets/(liabilities) of the Group is as follows:

	Opening balance USD	Exchange rate differences USD	Recognised in profit or loss USD	Closing balance USD
2019				
Temporary differences:				
Property, plant and equipment	(6,365,666)	(48,576)	419,072	(5,995,170)
Inventories	451,749	3,506	(16,457)	438,798
Trade receivables	41,265	696	83,250	125,211
Accrued unused leaves	19,035	139	(2,774)	16,400
Tax losses	3,767,061	16,457	(3,019,772)	763,746
Payables	53,709	343	(18,706)	35,346
Others	(21,911)	35	(13,996)	(35,872)
Total	(2,054,758)	(27,400)	(2,569,383)	(4,651,541)
2018				
Temporary differences:				
Property, plant and equipment	(7,576,369)	1,001,466	209,237	(6,365,666)
Inventories	395,012	(70,117)	126,854	451,749
Trade receivables	11,826	(5,133)	34,572	41,265
Accrued unused leaves	8,805	(2,490)	12,720	19,035
Tax losses	6,436,251	(664,045)	(2,005,145)	3,767,061
Payables	78,218	(6,397)	(18,112)	53,709
Others	8,480	(1,282)	(29,109)	(21,911)
Total	(637,777)	252,002	(1,668,983)	(2,054,758)

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

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Tax losses for which no deferred tax assets have been recognised	226,000	198,795	-	-

23. DEFERRED INCOME

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Deferred income	1,502,755	1,629,508	-	-
Less: Amount due within 12 months	(81,387)	(138,566)	-	-
Non-current	1,421,368	1,490,942	-	-

Movement of deferred income are as follows:

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
At beginning of year	1,629,508	1,519,487	-	-
Exchange differences	11,819	(200,929)	-	-
Additions	107,718	352,142	-	-
Recognised in profit or loss	(246,290)	(41,192)	-	-
At end of year	1,502,755	1,629,508	-	-

Deferred income represents government grant in the form of interest rate lower than market interest rates on government-subsidised loan for capital expenditure from Halyk Bank 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 profit or loss as other income over the useful lives of the related assets.

As at 31 December 2019, the related assets in the amount of USD1,595,396 were put into use (2018: USD903,361). During financial year, the Group recognised USD246,290 (2018: USD41,192) in profit or loss as other income on a straight-line basis over the useful lives of these related assets.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Trade payables	3,346,081	3,865,015	-	-
Other payables	2,831,208	2,724,420		
Amount due to related parties	9,875	5,432	-	-
Others	16,289	19,737	-	-
Total	6,203,453	6,614,604	-	-

The credit period granted by creditors ranges from 1 to 30 days (2018: 1 to 30 days).

25. ACCRUED AND OTHER LIABILITIES

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Accrued directors' fees	117,662	1,024,069	117,662	1,024,069
Advances from customers	776,822	1,126,169	-	-
Accrued salaries	294,792	237,957	-	-
Accrued unused leave	74,248	95,169	-	-
Others	141,599	199,205	38,161	34,326
Total	1,405,123	2,682,569	155,823	1,058,395

26. TAXES PAYABLE

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Corporate income tax	12,955	16,538	-	-
Other taxes:				
VAT payable	225,072	839,232	-	-
Royalties	122,916	139,461	-	-
Emission taxes	109,987	136,398	-	-
Pension fund	21,412	16,921	-	-
Personal income tax	33,076	28,738	-	-
Property tax	-	54,193	-	-
Social	28,359	25,337	-	-
Others	6,276	11,307	-	-
Total	560,053	1,268,125	-	-

27. 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 is repayable on demand.

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 are repayable on demand except for loan to a subsidiary company of USD30,170,000 which bears interest at 8% per annum repayable by year 2033.

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

	Purchase of services	
	2019 USD	2018 USD
Other related parties		
Office rental	9,403	14,645
Programming services	13,037	-

	Payable to related parties	
	2019 USD	2018 USD
Other related party		
Office rental	9,875	5,432

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

Subsidiary companies	Nature of transactions	2019 USD	2018 USD
Steppe Cement (M) Sdn. Bhd.	Dividend income	8,678,970	8,389,233
Karcement JSC	Interest income	2,121,687	803,610
MECS Ltd.	Interest income assigned	885,000	280,000

Subsidiary companies	Nature of transactions	Receivable from subsidiary companies	
		2019	2018
		USD	USD
Karcement JSC	Intercompany loans	30,170,000	30,210,000
Karcement JSC	Interest income	168,952	494,723
MECS Ltd.	Advances and management fees	79	6,694,437
Steppe Cement (M) Sdn. Bhd.	Advances	2,955,360	2,899,888
Total		33,294,391	40,299,048

Compensation of key management personnel

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

	The Group		The Company	
	2019	2018	2019	2018
	USD	USD	USD	USD
Short-term benefits	751,760	773,485	100,000	100,000

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	
	2019	2018
	USD	USD
Director fees		
Executive director:		
Javier del Ser Perez	30,000	30,000
Non-executive directors:		
Xavier Blutel	40,000	40,000
Rupert Wood	30,000	30,000
Total	100,000	100,000

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group	
	2019	2018
	USD	USD
Financial assets		
At amortised cost:		
Trade and other receivables	5,551,186	3,409,182
Cash and cash equivalents	9,014,360	5,719,491
Financial liabilities		
At amortised cost:		
Trade and other payables	6,203,453	6,614,604
Accrued and other liabilities	628,301	1,556,400
Borrowings	10,313,424	11,823,919
Lease liabilities	6,497,515	-

	The Company	
	2019	2018
	USD	USD
Financial assets		
At amortised cost:		
Loans and advances to subsidiary companies	30,170,079	39,804,325
Cash and cash equivalents	261,798	23,570
Financial liability		
At amortised cost:		
Accrued and other liabilities	155,823	1,058,395

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 and of the Company's financial assets and financial liabilities in foreign currencies as of 31 December are presented below:

The Group 2019	**GBP**	**EUR**	**MYR**	**RUB**	**USD**	**Total**
Financial Asset						
Cash and cash equivalents	3,200	1,050	20	-	1,335,831	1,340,101
Financial Liabilities						
Trade and other payables	-	342,620	-	77,467	850,375	1,270,462
Accrued and other liabilities	40,650	-	32,653	-	-	73,303
Borrowings	-	-	-	-	4,131,746	4,131,746
2018						
Financial Asset						
Cash and cash equivalents	19,539	78	20	11,913	2,401,291	2,432,841
Financial Liabilities						
Trade and other payables	-	429,258	-	114,362	855,229	1,398,849
Accrued and other liabilities	871,140	-	37,470	-	-	908,610
Borrowings	-	-	-	-	6,101,140	6,101,140

The Company 2019	GBP	EUR	MYR	Total
Financial Asset				
Cash and cash equivalents	702	77	10	789
Financial Liability				
Accrued and other liabilities	40,650	-	29,355	70,005

2018	GBP	EUR	MYR	Total
Financial Asset				
Cash and cash equivalents	3,603	78	10	3,691
Financial Liability				
Accrued and other liabilities	871,140	-	32,426	903,566

The following table displays the Group's and the Company's sensitivity to a 20% increase and decrease of the functional currency of each subsidiary company and the Company 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 the functional currency of each subsidiary company and the Company against the relevant foreign currencies respectively. The positive figure indicates an increase in profit before tax for the reporting period. In the case of 20% decrease in value of the functional currency of each subsidiary company and the Company against the relevant foreign currencies, respectively, there would be an equal but opposite impact on the Group's and the Company's profit before tax.

	Impact on profit or loss and equity	
The Group	**2019**	**2018**
USD	729,258	911,070
GBP	7,490	170,320
EUR	68,314	85,836
MYR	6,527	7,490
RUB	15,493	20,490

	Impact on profit or loss and equity	
The Company	**2019**	**2018**
GBP	7,990	170,320
EUR	(15)	(16)
MYR	5,869	7,490

(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 does not have significant credit risk exposure to any single counterparty. The financial assets are not secured by any collateral or credit enhancements.

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. The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

At the end of the reporting period, there is no significant increase in credit risk in financial assets since initial recognition. There are no significant changes in gross carrying amount of trade receivables that contribute to changes in the loss allowance.

(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, actual cash flows, availability of short-term funding and matches the maturity profiles of financial assets and financial liabilities to determine suitable funding to meet any shortfall in cash requirements.

As of 31 December 2019, CAC JSC's short-term loan of USD6.8 million with Halyk Bank JSC is available for drawdown.

Tables on Liquidity Risk

The following table reflects contractual terms of the non-derivative financial liabilities of the Group and of the Company. The table is prepared based on the undiscounted cash flows on non-derivative financial liabilities on the basis of the earliest date at which the Group and the Company 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
The Group 2019							
Interest bearing							
Borrowings	7.17%	277,512	741,256	5,275,282	5,328,121	872,659	12,494,830
Lease liabilities	12.34%	239,028	478,056	2,151,254	4,879,849	-	7,748,187
Non-interest bearing							
Trade and other payables	-	934,522	2,251,107	3,017,824	-	-	6,203,453
Accrued and other liabilities	-	431,005	10,470	186,826	-	-	628,301
		1,882,067	3,480,889	10,631,186	10,207,970	872,659	27,074,771

	Weighted average interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
2018							
Interest bearing							
Borrowings	6.96%	282,715	749,081	5,279,758	8,181,091	1,782,093	16,274,738
Lease liabilities	-	-	-	-	-	-	-
Non-interest bearing							
Trade and other payables	-	1,121,677	2,451,924	3,041,003	-	-	6,614,604
Accrued and other liabilities	-	336,101	56,099	1,164,200	-	-	1,556,400
		1,740,493	3,257,104	9,484,961	8,181,091	1,782,093	24,445,742
The Company **2019**							
Non-interest bearing							
Accrued and other liabilities	-	15,818	-	140,005	-	-	155,823
2018							
Non-interest bearing							
Accrued and other liabilities	-	12,052	1,390	1,044,953	-	-	1,058,395

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

The following table reflects expected maturities of non-derivative financial assets of the Group and of the Company. The table was prepared based on undiscounted contractual terms of financial assets, including interest received on these assets, except when the Group and the Company expect 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
The Group 2019							
Interest bearing							
Cash and cash equivalents	7.56%	8,939,625	-	-	-	-	8,939,625
Non-interest bearing							
Cash and cash equivalents	-	74,735	-	-	-	-	74,735
Trade and other receivables	-	2,026,444	1,079,411	1,029,285	1,416,046	-	5,551,186
		11,040,804	1,079,411	1,029,285	1,416,046	-	14,565,546
2018							
Interest bearing							
Cash and cash equivalents	7.87%	2,895,762	-	-	-	-	2,895,762
Non-interest bearing							
Cash and cash equivalents	-	2,823,729	-	-	-	-	2,823,729
Trade and other receivables	-	558,996	285,990	2,356,366	207,830	-	3,409,182
		6,278,487	285,990	2,356,366	207,830	-	9,128,673

	Weighted average interest rate	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
The Company							
2019							
Interest bearing							
Loans and advances to subsidiary companies	8.00%	-	-	2,483,218	9,888,398	50,044,453	62,416,069
Cash and cash equivalents	1.25%	253,714	-	-	-	-	253,714
Non-interest bearing							
Loans and advances to subsidiary companies	-	79	-	-	-	-	79
Cash and cash equivalents	-	8,084	-	-	-	-	8,084
		261,877	-	2,483,218	9,888,398	50,044,453	62,677,946
2018							
Interest bearing							
Loans and advances to subsidiary companies	8.00%	10,000	-	2,478,947	9,898,158	52,517,911	64,905,016
Cash and cash equivalents	1.91%	23,333	-	-	-	-	23,333
Non-interest bearing							
Loans and advances to subsidiary companies	-	6,694,437	-	-	-	2,955,360	9,649,797
Cash and cash equivalents	-	237	-	-	-	-	237
		6,728,007	-	2,478,947	9,898,158	55,473,271	74,578,383

(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 2019 and 2018, 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 cash flows due to interest rate risk.

Fair Values 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 maturity of these financial instruments.

Trade and other receivables, trade and other payables and accrued and other liabilities

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

Borrowings and lease liabilities

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.

The fair values of the lease liabilities are estimated by discounting expected future cash flows at the Group's incremental borrowing rate.

As of 31 December 2019 and 2018, the fair values of borrowings approximate their carrying values, except for the following:

	Fair value		Carrying amount	
	2019	2018	2019	2018
	USD	USD	USD	USD
Borrowings	4,775,951	6,848,589	4,651,204	6,685,460

The fair values of the borrowings with Halyk Bank JSC were included in the Level 2 of fair value hierarchy, as the fair values had 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 the Group. The discount rate used in the fair value calculation was 4.1% per annum (2018: 5.5% per annum).

29. CAPITAL COMMITMENTS

The Group has outstanding amount of contractual commitments for the acquisition of property, plant and equipment of USD1,068,012 as at 31 December 2019 (2018: USD1,985,463).

30. 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.

31. SUBSEQUENT EVENTS

(a) Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

The Group's primary business is an essential service which remain operational throughout the movement restriction period implemented in the Republic of Kazakhstan which ended on 11 May 2020. The Group considers this outbreak to be a non-adjusting subsequent event as at 31 December 2019. The Group abides by the requirements as activated by respective governments which includes reduced manufacturing activities and workforce social distancing measures.

In light of the rapidly evolving situation at the date these financial statements are authorised for issue, the directors of the Group and of the Company considered that it is not practicable to quantify the potential financial effect of the outbreak on the Group's and the Company's financial statements. Nevertheless, the Group and the Company are monitoring the COVID-19 outbreak development closely and will continue to adhere to the relevant health and safety guidance provided by the relevant authorities in an effort to contain the spread of the epidemic.

(b) The Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Kazakhstani Tenge against major currencies.

The Group is exposed to volatility in Kazakhstani Tenge as its cement manufacturing activities are closely correlated to the economy of the Republic of Kazakhstan. The directors of the Group and the Company monitor the currency movement and implemented measures to support the sustainability and development of the Group's business in the foreseeable future which includes, but not limited to, conserving cash placed in US Dollar bank accounts and obtain financing facilities in Kazakhstani Tenge. CAC JSC's short-term loan of USD6.8 million with Halyk Bank JSC is available for drawdown.

32. COMPARATIVE FIGURES

In the previous financial year, excess depreciation charges pertaining to certain machinery and equipment of the Group were charged to profit and loss. The following accounts in the prior year have been adjusted retrospectively to reflect the effects of the accounting changes and related exchange differences:

	As previously reported USD	Adjustments USD	As restated USD
Statement of financial position at 31 December 2018			
Property, plant and equipment	54,611,723	5,030,332	59,642,055
Translation reserve	(116,266,492)	2,407,814	(113,858,678)
Retained earnings	96,112,997	2,622,518	98,735,515
Statement of profit or loss for the year ended 31 December 2018			
Cost of sales	(46,871,195)	133,780	(46,737,415)
Profit for the year	8,924,453	133,780	9,058,233
Statement of profit or loss and other comprehensive income for the year ended 31 December 2018			
Other comprehensive loss	(9,525,368)	80,038	(9,445,330)
Total comprehensive loss for the year	(600,915)	213,818	(387,097)

STATEMENT BY A DIRECTOR

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 profit or loss, profit or loss and other comprehensive 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 2019 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
3 June 2020

NOTICE OF THE 2020 AGM

NOTICE IS HEREBY GIVEN that the 2020 ANNUAL GENERAL MEETING of the Company will be held online at the office of Steppe Cement Ltd, Suite 10.1, 10th Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur, Malaysia on Wednesday, 8 July 2020 at 4.00 p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTIONS

1. ADOPTION OF AUDITED FINANCIAL STATEMENTS — **RESOLUTION 1**

   To receive and adopt the audited financial statements for year ended 31 December 2019.

2. FIRST AND FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019 — **RESOLUTION 2**

   To approve the payment of First and Final Dividend of GBP 0.03 per ordinary share of no par value each in respect of the financial year ended 31 December 2019.

3. RE-ELECTION OF DIRECTORS — **RESOLUTION 3**

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

   3.1 Xavier Blutel

   3.2 Javier Del Ser Perez

   3.3 Rupert Wood

BY ORDER OF THE BOARD

TMF Secretaries Limited
Corporate Secretary
Labuan F.T., Malaysia

Notes:

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to appoint and vote instead of him.

2. The instrument appointing a proxy shall be produced at the place appointed for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer, unless the appointer, is a corporation or other form of legal entity other than one or more individuals holding as joint owners, in which case the instrument appointing a proxy shall be in writing under the hand of an individual duly authorised by such corporation or legal entity to execute the same.

4. Copies of the proxy form and form of instruction are available at the UK Registrar Computershare Investor Services PLC, The Pavilions, Bridgwater Road BS13 8AE.

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