

ANNUAL REPORT

2020




STEPPE
CEMENT

Plant Location In Kazakhstan



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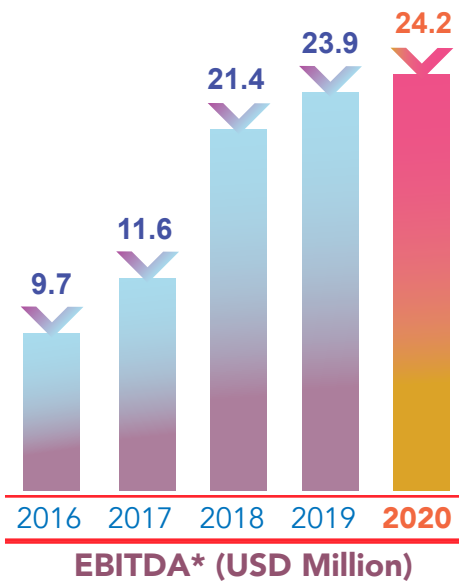
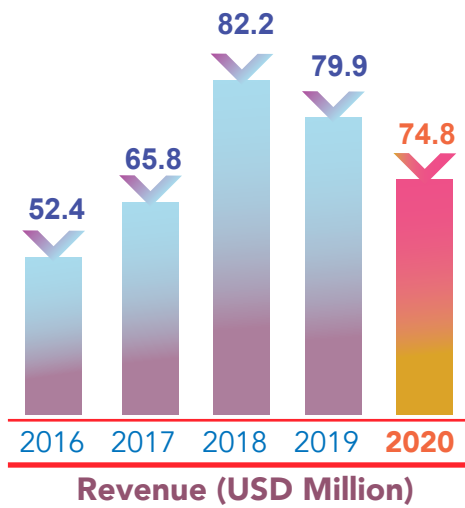
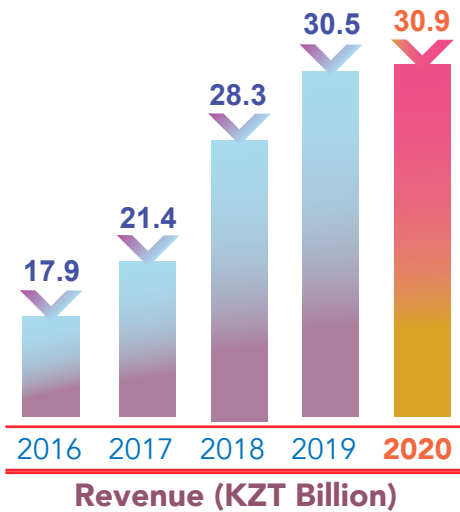
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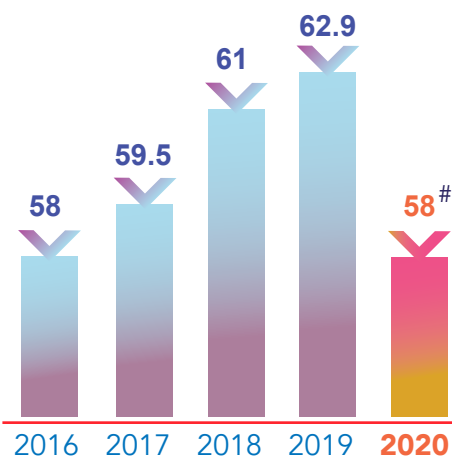
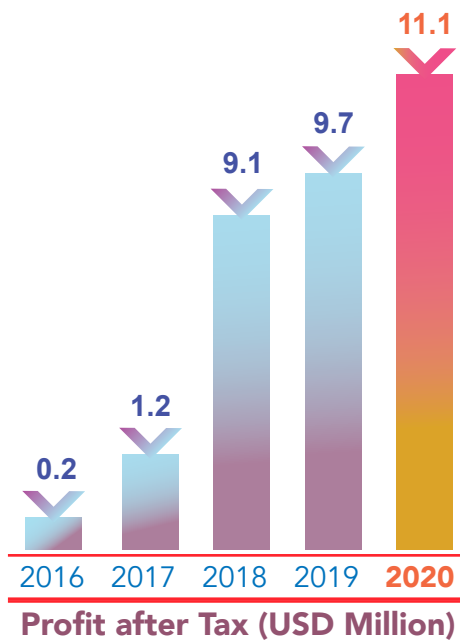
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Financial Highlights

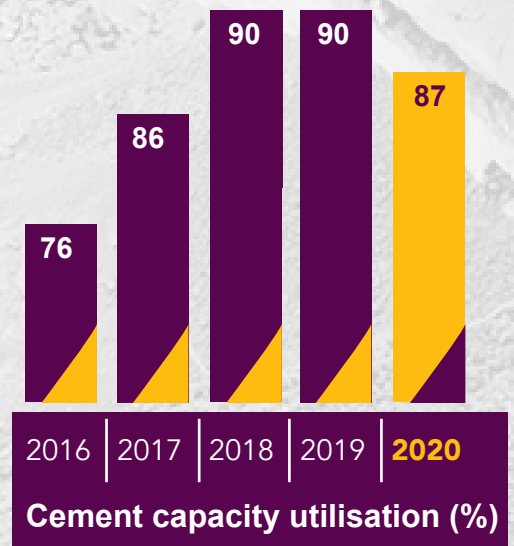
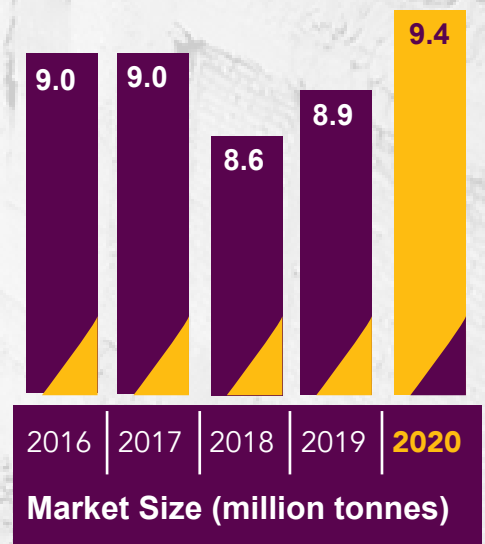
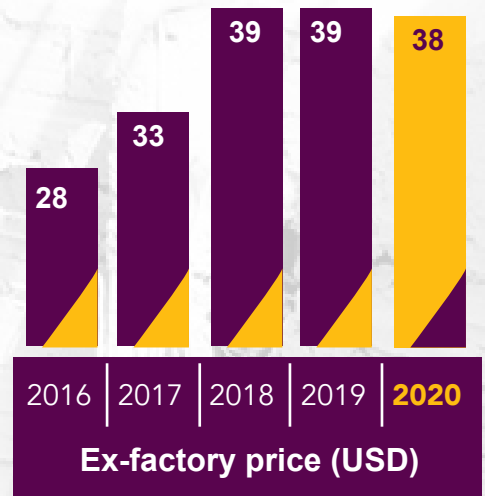
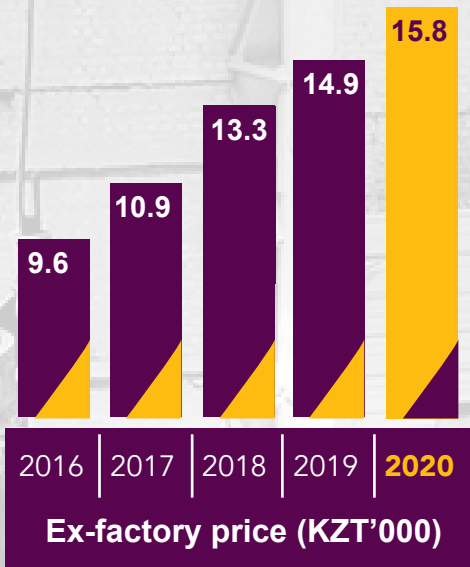


* Excluding foreign exchange gain/ losses arising on devaluation of the Tenge.



[#] After distribution of USD11.5 million dividends in 2020

Operational and Market Data



Annual production capacity of 1.9 million.

Financial Data

| Data | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------|------|
| Gross profit margin (%) | 30 | 30 | 43 | 42 | 43 |
| Profit after tax margin (%) | 0 | 2 | 11 | 12 | 15 |
| Net earnings / (Loss) per share (cents) | 0 | 0.6 | 4 | 4 | 5 |
| Return on shareholders funds (%) | 0 | 2 | 15 | 15 | 19 |
| NTA Per Share (cents per share) | 27 | 27 | 28 | 29 | 26 |
| 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 34, Grosvenor Place Tower,
225 George Street
Sydney NSW 2000
Australia

and

L48 Central Park
152-158 St Georges Terrace
Perth WA 6000
Australia

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

Unexpected resilience of construction sector during a challenging period

When the first signs of the pandemic reached Kazakhstan the Board and Management of your group of companies immediately took whatever emergency measures possible to ensure the necessary health protections were in place. It also held the view that the boat would sail in rough waters but would demand extreme attention and preparation.

One year later, at the time of writing this letter and with the financial results now fully available, the outcome has been better than were initially feared. Before anything else, I must express here all my gratitude to our management and employees in Kazakhstan: They persevered despite the severe illness suffered by several of them who caught the virus. Several employees and managers were particularly affected, and we proposed all possible assistance to our local personnel in terms of testing, paying for vaccination, enforcing social distancing at the workplace. Our Technical Manager had to be flown by chartered plane at the company's initiative to his home country of India in an emergency repatriation. From there, as soon as he could, he monitored and directed very effectively the production and ensured a smooth and effective running of the Aktau factory. The Marketing Director, also COVID-19 positive and weakened, succeeded in remotely servicing our customers, ensuring distribution and logistics in the most efficient way. When foreign expatriates were offered to return to their home country during

the pandemic our Finance Director, a Malaysian national, elected to remain in Kazakhstan throughout the whole year. It is not possible to name here all the staff and employees who demonstrated their commitment and would deserve individual citations. Their constant commitment has truly been a one-of-a-kind testimony of their loyalty to the company.

My corporate governance statement details how we led the company during this troubled period, and how the Board did its best to support the most affected or vulnerable among its employees.

Unparalleled professional dedication under a committed management in constant contact with the Board allowed the company to reap most benefits of several unexpected positive factors:

Construction in Kazakhstan

The construction activity remained well supported in 2020 in Kazakhstan. Public finance, directly or indirectly, is the key driver for the building sector in general. The Government of Kazakhstan had at wherewithal to support and even stimulate construction to avoid harsh social consequences, minimize losses in employment and confront the global recessionary climate. Quoting the World Bank, with a real GDP contraction of 2.6%, "the fallout of the COVID-19 pandemic has hit the economy more than the crises in 2008 and 2015. The pandemic halted global activity in the second quarter of 2020, and depressed global demand and price of oil, which is Kazakhstan's main export commodity. In April 2020, the average oil price dropped to \$21 barrel, the lowest in the last two decades." The oil and service segments of the economy were indeed the most affected. From 5.2% in 2019 inflation has reached an average of 6.8%, affecting households' food budget. The anti-crisis package of the Government included cash support and subsidized lending which had some real positive impact on private construction. Substantial public infrastructure and social projects were launched or maintained.

The resilience of the construction sector against this depressed background materialized into a fair level of cement consumption, which reached 9.4 million tons in 2020 against 8.9 in 2019. Over the last twenty years only in 2015 did we enjoy a higher demand at 9.6 million.

Exports of cement: 2020 and outlook

Neighbouring Uzbekistan experienced a significant growth in cement consumption which benefitted the cement factories present in South Kazakhstan. As new capacities are now coming on stream in Uzbekistan, it is expected that the Southern producers will seek replacement for their lost sales in the Almaty region, an important secondary market for Steppe Cement. Imports:

Traditional foreign suppliers are Russian high-cost producers in the North and West, and, for several years now, low-cost Iranian producers in the West and South West. A ban on imports imposed on the latter provided well needed volumes and improved selling prices to the sole factory located near the Caspian Sea; they could sell out their entire production capacity in the vicinity with high margins. However, sooner or later, we expect to see this ban lifted and additional pressure applied on some of our markets, either directly or by ripple effect.

Supply/demand balance:

The demonstrated production capacity of the whole industry in Kazakhstan reached 10.5 million tons in 2020. Two additional competitors started operating at capacity. We foresee that total Kazakhstan production will reach 12 million tons by 2022. Save for exceptional infrastructure projects, domestic demand is unlikely to exceed 10 million tons, or 526 kg per capita, which can be considered a sustainable level equivalent to Morocco, Egypt or Vietnam, all countries at similar stage of development in terms of GDP per capita. This stands much above mature markets like the USA or EU countries. Central Asian countries still generally lack main infrastructure, proper housing as well as commercial or office buildings.

We believe that exports will in the medium term comfortably exceed imports into Kazakhstan by a volume of 1.3 million tons per annum at best. Resumption of imports from Iran is the most immediate threat.

This overall picture leads us to expect a continuously competitive pressure in the future years. In this context your company will keep its lead against weaker competitors. It is today the lowest cost

producer if one factors in financing costs. It is operated under a lean and efficient organization. Its central position in the core of its customer base, and its vicinity to major material and energy sources like coal, fly ash and gypsum are major advantages in a business where too high transportation and logistics costs can disqualify the most efficient player.

Record financial performance and sound balance sheet

The Chief Executive Officer's report covers the financial results of 2020 in more depth. It explains the events and actions underlying these results. Volumes at 1.65 million tons were lower than the 1.71m realized in 2019 (-3.1%) due to a limited availability of our finishing mills during the high season. Measures were taken to avoid similar under-performances in the future.

This loss in volume was more than outweighed by better prices and a reduction in production costs by some 3%. Our investments will allow the company to reach a more optimal product mix by increasing further the share of bagged cement in our total sales, in line with the trends in consumption. Providing higher margins and reaching new types of customers, it has already surged from around 150,000 tons in 2017 to more than half a million in 2020.

Operating profit improved by 12% against 2019, reaching USD16 million, or 21% of revenues from 18% the previous year. The EBITDA, at USD24 million (USD24 million in 2019), at 32% of revenues (30% in 2019), places the company in the top league of profitability among cement producers operating in competitive markets. We believe it can be sustained. And so, what about the future?

The Board has and will explore continuously the alternatives offered to reward shareholders either by a sustained dividend pay-out or, if new opportunities arise, by proposing growth and value creation associated with 'well targeted / well priced' acquisitions.

In the meantime, a limited combination of cash flow and debt will be carefully directed towards maintaining or replacing production assets to keep them at the highest standard and undertaking small or medium size short-return projects in productivity, quality, capacity, and efficiency. Like in the past, all necessary attention will be given to regulatory requirements and ecological performance.

Xavier Blutel Chairman of the Board



CEO'S STATEMENT

I would like to thank all of our staff in Kazakhstan that showed incredible resilience in spite of all public health challenges and limitations. Our factory continued to work almost normally and this is only thanks to our employees and their commitment to the future of the company.

In 2020, Steppe Cement posted a net profit of USD11.1 million. Steppe Cement's EBITDA increased to USD 24.2 million from USD23.9 million in 2019 as higher prices in KZT, lower cost of production and the implementation of IFRS 16 were balanced by a devaluation of 8%.

The overall domestic cement market increased by 6% to 9.4 million tonnes, while our sales volume decreased slightly. Our local sales decreased by 6% due to milling limitations during two months of the high season, while exports increased by 20% in line with the market.

In 2020, our cost of production per tonne in KZT decreased by 3%.

Steppe Cement operated both lines at 85% of their current combined capacity (which is 1.1 million tonnes for line 5 and 0.85 million tonnes for line 6).

"Capital investment in 2020 was directed to the improvement of packing and to reduce power consumption. We managed to invest less than USD1 million in investment capex due to the Covid-19 restrictions mostly during the summer of 2020 as we didn't have a full team of engineers in place, but we executed our planned maintenance capex of USD2 million."

Shareholders' funds decreased to USD57.9 million from USD62.9 million due to currency devaluation and after dividend distribution to shareholders. The replacement cost of the Company's assets remains many times higher than their current book value.

Despite the impact of Covid-19, the Kazakh cement market in 2020 increased to 9.4 million tonnes (6%) from 2019. Imports into Kazakhstan decreased by 13% to 0.6 million tonnes equivalent to 6% of the total market, mostly due to the ban on imports from Iran. Exports from local producers increased by 22% to 2 million tonnes mostly to Uzbekistan and Kyrgyzstan.

| Key financials | Year ended 31-Dec-2020 | Year ended 31-Dec-2019 | Inc/ (Dec)% |
|--|---------------------------|---------------------------|----------------|
| Sales (tonnes of cement) | 1,645,744 | 1,715,761 | (4) |
| Consolidated turnover (KZT million) | 30,958 | 30,534 | 1 |
| Consolidated turnover (USD million) | 74.8 | 79.9 | (6) |
| Consolidated profit before tax (USD million) | 13.1 | 12.5 | 5 |
| Consolidated profit after tax (USD million) | 11.1 | 9.7 | 14 |
| Profit per share (US cents) | 5.1 | 4.4 | 14 |
| Shareholders' funds (USD million) | 57.9 | 62.9 | (8) |
| Average exchange rate (USD/KZT) | 413 | 383 | (8) |
| Exchange rate as at year end (USD/KZT) | 421 | 381 | 10 |

The Kazakh cement market increased by 6% in 2020 and we expect a modest increase in 2021

The market demand in 2021 seems strong despite the effects of COVID-19 temporary lock downs. We expect a potential increase of 2-4% as oil prices have recovered and the government stimulus packages continue.

Exports, mostly to Uzbekistan were increased as demand in the Tashkent area remained strong and the companies located in the south of Kazakhstan continued to benefit. Volumes exported to Uzbekistan by Kazakh operators will be reduced once the new factories built in Uzbekistan become operational, most likely in late 2021.

Steppe Cement's average cement selling prices increased by 6% in KZT, but decreased by 3% in USD, to USD 45.4 per tonne delivered.

Production and costs

Line 5 produced 938,074 tonnes of cement while Line 6 produced 707,670. Line 5 had two planned maintenance stops during the year and L6 performed as planned, but further improvements are expected in 2021 when we expect production is excess of 1.75 million tonnes.

Cost per tonne decreased by 3% in KZT due to saving on electricity and coal, partly offset by increases repairs and maintenance.

The average cash production cost of cement was reduced to USD19/tonne due to cost savings and currency depreciation.

We expect the coal price to be maintained in 2021.

Selling expenses, reflecting mostly cement delivery costs, were maintained at USD8/tonne, due to higher export volumes (+20%) and transportation cost inflation.

Selling expenses, reflecting mostly cement delivery costs, were maintained at USD8/tonne, due to higher export volumes (+20%) and transportation inflation.

Other income increased significantly due to the write-back of a payable of USD 1 million previously written down as well as the write-back of deferred income from the government subsidised loans.

General and administrative expenses

General and administrative expenses increased to USD6.2 million from USD5.6 million in 2019. The increase is due to higher provision for doubtful debts and withholding tax of USD0.4 million on transfers from Karcement to the holding company, Steppe Cement

CEO's Statement

Labour and Covid-19

On 31 March 2021, the labour count stood at 781 from 751 in 2020. The difference is mostly due to the increased proportion of bagged cement on our product mix with subcontractors replaced by our own staff.

To prevent the spread of Covid-19 we took standard measures: temperature checking at the entry gates of the factory, masks and distribution of information and advice to all workers. We also made testing available to all workers who wished to be tested and in 2021 we have facilitated vaccination to those willing to take it, with this option still being offered.

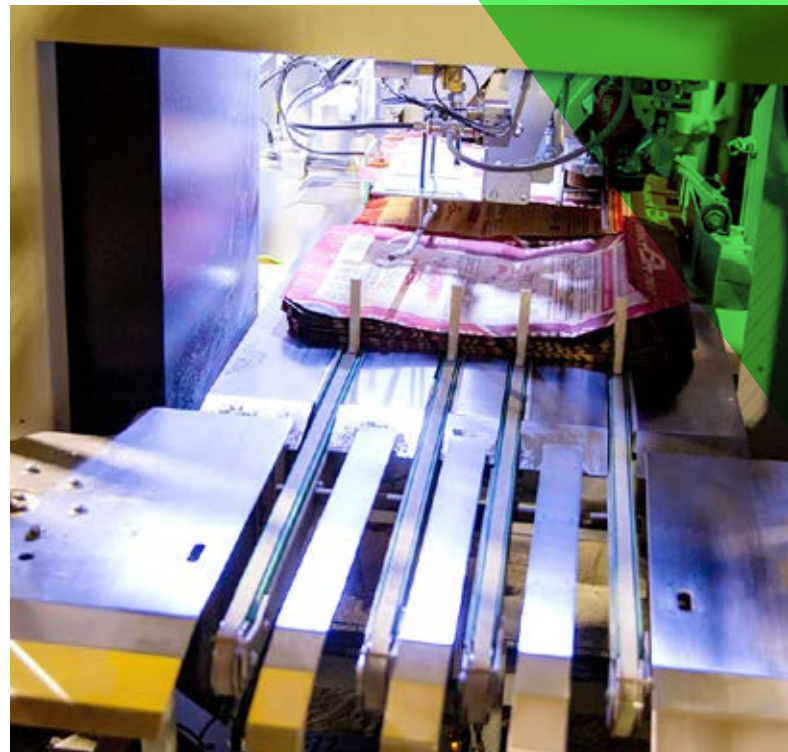
During 2020, the government provided different statistics about the number of deceased due to Covid-19 or pneumonia without a clear distinction between the two. We had three employees that died in 2020 of which two had comorbidities although only one was recognised officially as a victim of Covid-19. In 2021, we had an additional casualty but he was not based in the factory as he had a sales position in Almaty.

Capital investment slowed down but will increase in 2021 and 2022

Capital investment in 2020 was directed to the improvement of packing and to reduce power consumption. We managed to invest less than USD1 million in investment capex due to the Covid-19 restrictions mostly during the summer of 2020 as we didn't have a full team of engineers in place, but we executed our planned maintenance capex of USD2 million. We managed to complete the following projects:

- Pan conveyor replacement;
- Cooler EP fan system replacement;
- Cooler static head fan system; and
- Automatic bag feeder (commissioned in March 2021)

In the fourth quarter of 2020, we purchased through a 6% subsidized loan a new fleet of 70 boxed wagons for transportation of bagged cement. We borrowed KZT0.8 billion before the end of the year and an additional KZT0.4 billion in February 2021 when the wagons arrived in the factory. We will use this small fleet year-round and we will rent between 200-250 additional box wagons during the high season. This operation is similar to the 330 bulk wagons that



we bought in 2014. The return on these wagons is higher than the cost of funds.

In addition, in 2021 we plan to increase investment capex to at least USD3 million to compensate for the lower capex in 2020 while we expect maintenance capex to be smaller. The projects will include:

- a new XRF (X-ray analyser) for the laboratory to improve clinker quality and stability;
- slag drier filter and automation for ecological reasons;
- an automatic bag feeder to reduce labour cost and increase bagged cement;
- a new Schenck coal dosing system, to better control the feed to the preheater in line 6;
- coal mill ducting modifications to increase coal milling capacity;
- railway line extension purchase to save transportation fees; and
- cement mill separators that will allow us to increase the amount of additives as well as control the cement finess. This project will be carried over 2022.

Effects of application of IFRS 16 in the accounts

The application of IFRS 16 in our accounts continues to affect the accounting of the rental of wagons that Steppe Cement does not actually own. Some wagons are rented for more than two years and the accounting standard that we started to implement in 2019 requires us to account for a new non-current asset called "right-of-use assets" evaluated in 2020 at USD 3.5 million vs USD 6.1 million in 2019 (the



Long-term loans were reduced from USD3.9 million to USD2.4 million. Of this reduction USD1.5 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 reduced to 5% per annum.

Our short term loans and current part of the long term loans decreased from USD6.4 million in 2019 to USD4.4 million in 2020, while the cash position at the end of the year was slightly decreased from USD9 million to USD8.2 million.

In 2020, finance costs decreased to USD1.2 million from USD2.1 million in 2019. Without operating lease interest of USD0.6 million under IFRS 16, the finance cost was USD0.6 million of which USD0.4 million was interest on loans.

The KZT had a very bumpy ride against the USD, devaluing from 380 to 430 KZT/USD during the beginning of the Covid crisis and following the drop of oil prices. It then strengthened back to 400 by the beginning of the summer and devalued to 430 by the winter. The average rate for the year was 413.

We maintain short term credit lines available as stand by:

- KZT 1 billion in a government subsidized program in KZT at 6% p.a.
- KZT 2 billion from Halyk Bank at 6% p.a. in USD or 13% in KZT.
- KZT 0.9 billion from Altyn Bank at 12% p.a. in KZT.

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

Depreciation of property, plant and equipment remained the same at USD6.9 million for 2020 and 2019.

Steppe Cement's effective income tax rate has decreased to 15%. The statutory corporate income tax rate remains at 20% in Kazakhstan.

Javier del Ser Perez
Chief Executive Officer

lease contracts have already been accounted for one year). The amount will be reduced yearly until these contracts are renewed and it may increase again depending on the renewal terms. The corresponding entries in the liabilities are called lease liabilities segregated between non-current at USD2.1 million in 2020 vs USD4.3 million in 2019 and current of USD1.8 million vs USD2.2 million in 2019.

The selling expenses have been reduced to USD13 million while the corresponding lease finance cost has been calculated at USD0.6 million increasing the financial expenses but less than in 2019 when they were increased by USD0.9 million.

Without IFRS 16 accounting, the finance expenses would have been USD0.6 million and the selling expenses USD 13.5 million. Consequently, the gross profit has been reduced by USD 0.1 million.

The EBITDA has been increased due to the recognition of the depreciation of right-of-use assets. Without this depreciation, the EBITDA for 2020 would have been USD22.1 million.

Financial position: Debt has all been repaid apart from the subsidised lines.

During the year, our total loans outstanding were reduced from USD10.3 million to USD6.8 million, the majority of these loans have very favourable subsidized rates in KZT. The company ended the year with a net cash position of USD1.4 million, excluding IFRS 16 leases.

GROUP STRUCTURE



**Steppe
Cement (M)
Sdn Bhd
(Malaysia)**

100%

**Mechanical and
Electrical
Consulting Services
Ltd
(Malaysia)**

100%

100%

**Steppe
Cement
Holdings B.V.
(Netherlands)**

**Central
Asia Services
LLP
(Kazakhstan)**

100%



**Karcement
JSC
(Kazakhstan)**

100%



**Central
Asia Cement
JSC
(Kazakhstan)**

100%

Board Of Directors



Xavier Blutel
(Non-Executive Chairman)

Xavier Blutel, 66, 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 ItalcementiGroup 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, 55, 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, 50, 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). He is a Board Advisor at Adtones, the mobile advertising technology platform.

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.

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.

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.

Personnel Manager : Irina Poluychik

An economist by qualification. She specializes in human resources matters. She has been with CAC for 32 years.

Senior Management

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.

Srinivasa Reddy, Maintenances Head

A Mechanical Engineer from India and a graduate from the National Institute of Technology, Warngal with strong academics. He joined us in 2008 with 19 years of dry process cement plants experience. His experience includes Greenfield projects execution with latest art of technology built in machinery, plant operation, maintenance and optimization. He had vast experience in vertical mills, ball mills and modern kilns. He also worked in plant upgradation projects in his career. Before joining us, he was working with Holcim (ACC Limited, India) in plant operation, maintenance and optimization of 1 MTPA plant. Apart from maintenance he had expertise in production and process optimization.

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.

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.

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 bachelor's 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.

Chairman Statement on Governance

We are pleased to present our 2020 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
COMMITTEE

BOARD
REMUNERATION
COMMITTEE

BOARD
NOMINATIONS &
GOVERNANCE
COMMITTEE

MANAGEMENT

CHIEF EXECUTIVE OFFICER

EXECUTIVE LEADERSHIP AND
OPERATIONAL MANAGEMENT

The Board reserves certain power for itself and delegates certain authority and responsibility 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

Chairman Statement on Governance

Dear Shareholders

2020 will be long remembered as one of the most challenging years for the whole of humanity from health, economic, social, and individual perspectives. For many the situation continues to worsen even in Q2 2021. For Steppe Cement it created, like for all companies, the most challenging test for our business and, in respect of this report, for the resilience and adaptability of our governance and control processes.

The Board of Directors which is composed of two independent directors, including its Chairman, and of the CEO, also a substantial shareholder, held its first meeting physically in Paris in January 2020.

On March 17, when it became clear that travel would be banned or too risky for a long period of time, the Directors held their first videoconference Board Meeting. After the January 15 board meeting in Paris, five other formal Board meetings took place by Zoom (April 13 and 24, July 7, August 28, September 24).

Besides this, numerous calls between directors took place to tackle urgent situations or monitor and guide our marketing and manufacturing strategies. The uncertainties created by the global health crisis led the Board to keep a tight rein on the management, as well as to support them as much as possible from a distance. This close communication helped your Company to reap the benefits of unexpectedly favourable market conditions despite the circumstances.

Moreover, to comply with the regulations for companies incorporated in Malaysia, a physical meeting took place on October 28 with two Alternate Directors, Messrs Gan Chee Leong and Charles Tingey, both residents in Malaysia, and acting on behalf of Messrs Javier del Ser and Rupert Wood respectively, whilst the Chairman attended by videoconference. The appointment of these Alternate Directors was duly announced to the London Stock Exchange by a public announcement released on October 1, 2020.

On July 8, 2020, our Annual General Meeting was held in Kuala-Lumpur and by Zoom with a high turnout of 70.16 %. The Board was re-elected at the unanimity of the votes. It also re-elected me as its Non-Executive Chairman.

The CEO and Directors answered various investors by phone or e-mail. All in-person gatherings were cancelled for obvious reasons.

The virus did not spare the Management and employees of our operational subsidiary CAC in Kazakhstan. All expatriate managers or experts, save our Finance Director, elected to return to their home country, India, or Malaysia. It must be said that the Company had to organize repatriation in India of the General Director of Production, who suffered severe symptoms after having caught the virus: administrative formalities and the chartering of a dedicated airplane were swiftly organized. The Board is particularly grateful to George Ramesh who, despite his condition continuously monitored and directed the production of your factory in Aktau remotely, before returning on site in 2021 in good condition. Recognition is also due for the dedication of Piotr Durnev, also strongly affected, but who kept leading the marketing and distribution activities with the utmost attention, and Derek Kuan, our Finance Director, seriously affected by the virus. All other staff and employees also deserve their share of recognition and the excellent financial performance of 2020 would not have been possible without their constant commitment in what was a very adverse environment.

Understandably two technical managers from India decided to leave the Company and stay with their family. They are now successfully replaced by local hires or internal promotion, which happily reduces the factory dependency on foreign support.

Since the traditional site visits by independent Board Directors could not be held several videoconferences were held with the management. A full-time internal auditor hired in Malaysia and supported by the

Chairman Statement on Governance



former General Manager, Mr Gan Chee Leong who resides in Kuala Lumpur made detailed investigations and checks in the most sensitive areas and in 2021 moved for several months to Aktau for interviews and field controls. The Chairman of the Audit Committee develops this additional process further in a separate section of this report. Despite the heavy workload and the effects of catching the illness, the Managers were able to report clearly on their activities and the quality of their presentations and answers to questions were extremely useful to the Board.

I am also pleased to report that 2020 did not reveal any lack of compliance with any legal requirements, real or artificially created, nor did CAC experience any new claim or litigation whatsoever. Pending cases are progressing towards a close. The fact that employment and compensation were maintained in an area where opportunities do not abound, and salaries paid during sick leave periods beyond normal practice did contribute to uplifted goodwill towards the factory from local stakeholders.

Regular contacts were maintained between the Directors forming the Audit Committee and the external auditors from Deloitte to facilitate and guarantee an effective preparation and processing of the financial and accounting information which provides a fair and reliable reflection of the Company's performance. Due consideration was given to the dividend policy which is in effect since

the long-term debt was fully repaid and major capital expenditures completed successfully. Future long term investment needs were assessed with great attention: in our cyclical and capital-intensive industry the Board takes the prudent approach of maintaining the free cash-flows expected after dividend pay-out at a level allowing to maintain or repair the equipment to keep in its best condition. Some combination of cash and debt is also allocated each year to a reasonable number of fast-return projects improving the efficiency or the overall profitability of the Company.

The Company also ensures that its operational risks are effectively managed. The Audit Committee took the responsibility of launching and monitoring a Risk Register. Definitions and processes are close to complete in early 2021 and the register will be built and shared with the CEO and operational management. It is expected that the identification and implementation of the material risks, the various risk prevention and protection measures will thereafter be approached in a structured manner, reducing the number of situations where individual reactivity and crisis management, for all their merits, are the only answer to an adverse event. The Company is progressing well on this path.

Xavier Blutel
Chairman of the Board

Corporate Governance

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;

Corporate Governance

- 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-to-day 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

Corporate Governance

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 2020, 7 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) | 7 | 7 | 7 | 7 |
| Javier Del Ser Perez (Chief Executive Officer) | 7 | N/A | N/A | 7 |
| Rupert Wood (Non-Executive Director) | 7 | 7 | 7 | 7 |

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.

Corporate Governance

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,

Corporate Governance

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 2020

Dear Shareholder,

It is said that necessity is the mother of invention – and whilst not always the only driver of innovation, the last 18 months has seen your Company and its management, Board and Committees adapt and innovate.

The Nomination Committee was only able to meet in person once, at the time of the January 2020 Board meeting. Subsequently the Committee held its meetings remotely via Zoom or teleconference a further six times, either at the time of Board meetings or during Board updates.

As mentioned in the Chairman's Letter, given the travel restrictions imposed in 2020 due to the pandemic, the Committee elected to consider the issue of Alternate Directors in the second quarter of 2020, in case a physical Board Meeting in Malaysia was not possible later during the calendar year 2020 (this has normally taken place at the time of the AGM, habitually in June). In the event, after due consideration, the Committee recommended to the Board the appointment of two Alternate Directors, Gan Chee Leong and Charles Tingey, representing the CEO Javier del Ser and Rupert Wood respectively, should this eventuality be necessary.

In the end, travel to Malaysia was either impossible or logistically too difficult and costly and so the Committee and Board approved a Board Meeting held on October 28th 2020 in Malaysia itself with the two Malaysian resident Alternate Directors, the meeting being Chaired by your Company's Chairman Xavier Blutel remotely via Zoom.

Throughout the year the Committee also discussed and monitored the Management and Board structures to ensure appropriate resilience given the changing situation throughout the year. At points last summer the Management team on the ground were desperately stretched, many falling ill with Covid-19 around the same time. By outstanding teamwork, communication, dedication and loyalty to each other and the business, they managed not only to keep the show on the road, but to manage the plant with only a very small degree of business interruption, demonstrating a level of resilience, commitment and fortitude which is to be commended. I salute them, and all the staff who persevered in such challenging times.

On behalf of the Nomination Committee I would like to thank both Gan Chee Leong and Charles Tingey for their work in support of your Company.

Yours faithfully

Rupert Wood,
Nomination Committee Chairman

Audit Committee Report 2020

Dear Shareholder,

Last year was an unusual one for everyone – looking promising at first, then dire, and ending reasonably well, all things considered. The same can be said of your Audit Committee and its work, which has been forced to conduct its work remotely since January 2020.

The Committee held seven meetings throughout the year, with several further calls and informal meetings. For triage purposes, in the initial period of the pandemic, the Committee focused on supporting the Board in its crisis management of immediate risks, rather than the areas such as structural refinement or process improvement. Subsequently as the situation stabilised, and as the factory continued to perform ahead of any previous realistic expectation, the financial situation remained not only stable but benign. The Committee's attention then moved to more of the traditional governance, oversight and controls arena. The total of 4p in dividends paid to shareholders in 2020 is testament to the resilience of the business and its management, even faced with deeply challenging times.

Ensuring the timely completion of the 2020 Audit was important given business interruption caused by the pandemic and knock on effect to timeline, and required additional attention from the Committee last March/April. I am pleased to report your Company's Management and our Auditor, Deloitte, performed to a high standard despite logistical and travel difficulties, as well as individuals falling ill from Covid-19 and the general distancing and health restrictions. The 2020 Audit was a smooth process, albeit slightly delayed and the logistical issues notwithstanding, also involving the routine revaluation of certain fixed assets required every 5 years.

As you will remember from last year's Report, the Audit Committee had recruited a Head of Internal Audit, a new role for your Company, from Philip Morris Malaysia (previously Alcatel and Ernst & Young) who joined the Company in May 2020, to review its working practices, procedures and protocols and

assist the management and Audit Committee in their roles of oversight and monitoring.

The travel restrictions and lockdown imposed by both the Malaysian and Kazakh governments made it impossible for him to start this role at the factory, so he was forced to work remotely from home in Malaysia until he could travel to Karaganda in December last year. He made a promising start at the factory, and has been most helpful in identifying areas that need strengthening in terms of procedure and oversight, as well as process. However, due to family reasons, and given the difficulty in practical terms of travel to see family during vacation, he decided to return to Malaysia and resigned from his position, leaving in April.

With the insight and communication available from being on the ground and physically present, Internal Audit was able to re-examine many of the reviews and memos previously worked on remotely, updating some of these and communicating this to the Committee. These included reviews of Procurement (known as the Procure to Pay cycle), Security, Inventory, Payroll, Receivables (Order to Cash), Health & Safety, Transport and Logistics, and a general Risk Assessment.

The Committee once again reviewed and monitored the Insider Lists, the Company's Whistleblowing Protocols and reviewed the Risk Register draft that the Head of Internal Audit had drawn up. This remains work in progress following his departure. The Committee will be discussing how to move forward – there are a few options but pandemic related issues complicate any straight replacement with an ex-patriate. We are hopeful that an interim or hybrid step can be taken.

Yours faithfully

Rupert Wood,
Audit Committee Chairman



FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(IN UNITED STATES DOLLAR)

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INDEPENDENT AUDITORS' REPORT

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

Report on the 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 2020, 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 34 to 102.

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 2020, 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' International Code of Ethics for Professional Accountants (Including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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 matter.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><u>Valuation of property, plant and equipment under revaluation model</u></p> <p>The carrying value of property, plant and equipment amounted to USD48.9 million (2019: USD55.8 million), representing 60.1% of the total assets as of 31 December 2020 (2019: 59.3%).</p> <p>During the current financial year, the directors engaged an independent professional valuer and revalued the Group's land and building accounted for under the revaluation model. The net book value of the revalued asset was USD7.1 million (2019: USD8.0 million).</p> <p>The valuation of the land and building represent a key audit matter due to complex judgement inherent in the valuation exercise that takes into consideration several factors including, but not limited to, the nature of the property, its location and the current economic conditions. Land is valued using the market comparable approach and the recoverable amount of the buildings are determined based on depreciated replacement cost approach.</p> <p>Significant inputs used in the discounted cash flow model are disclosed in Note 10 to the financial statements.</p> | <p>We discussed with management the future plans of the manufacturing entities and economic outlook in the coming years.</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained the external valuation report and agreed the recoverable amounts in the report to the Group's financial information; • Obtained an understanding of the valuation methodology used and validated the mathematical accuracy of the valuation report; • Assessed the competence, capabilities and objectivity of the independent professional valuer which includes determining whether matters were noted that might affect their objectivity or imposed scope limitations on the valuation exercise; • Engaged internal valuation experts to work with the independent professional valuer to challenge the methodology, underlying assumptions and significant inputs used in the discounted cash flow model to ensure they are reasonable; • physically inspected the property, plant and equipment and assessed that they are operating and in a working condition; and • assessed reasonableness of management's disclosure of the valuation methodology and significant inputs as disclosed in Note 10 to the financial statements. |

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended 31 December 2020.

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.

INDEPENDENT AUDITORS' REPORT

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, actions taken to eliminate threats or safeguards applied.

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 - 02939/01/2022 J
Chartered Accountant
Labuan
31 May 2021

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | The Group | | The Company | |
|---|------|--------------|--------------|-------------|-----------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | USD | USD | USD | USD |
| Revenue | 4 | 74,774,297 | 79,929,953 | 10,796,326 | 9,915,657 |
| Cost of sales | | (42,439,633) | (46,244,126) | - | - |
| Gross profit | | 32,334,664 | 33,685,827 | 10,796,326 | 9,915,657 |
| Selling expenses | | (12,966,168) | (13,371,624) | - | - |
| General and administrative expenses | | (6,225,928) | (5,921,545) | (311,871) | (318,980) |
| Interest income | | 199,332 | 128,735 | 934 | 6,023 |
| Finance costs | 5 | (1,249,051) | (2,061,008) | - | - |
| Net foreign exchange loss | 6 | (808,977) | (84,400) | (3,981) | (35,941) |
| Other income, net | | 1,817,314 | 166,115 | 82,507 | - |
| Profit before income tax | 7 | 13,101,186 | 12,542,100 | 10,563,915 | 9,566,759 |
| Income tax expense | 8 | (1,983,727) | (2,835,709) | - | - |
| Profit for the year | | 11,117,459 | 9,706,391 | 10,563,915 | 9,566,759 |
| Attributable to shareholders of the Company | | 11,117,459 | 9,706,391 | 10,563,915 | 9,566,759 |
| Earnings per share: | | | | | |
| Basic and diluted (cents) | 9 | 5.1 | 4.4 | | |

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 2020

| | The Group | | The Company | |
|--|-------------|------------|-------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Profit for the year | 11,117,459 | 9,706,391 | 10,563,915 | 9,566,759 |
| Other comprehensive (loss)/income: | | | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | | |
| Revaluation gain on property, plant and equipment, net of tax | 760,291 | - | - | - |
| Increase in provision for site restoration | (74,671) | - | - | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Exchange differences arising from translation of foreign operations | (5,228,388) | 572,722 | - | - |
| Total other comprehensive (loss)/income | (4,542,768) | 572,722 | - | - |
| Total comprehensive income for the year | 6,574,691 | 10,279,113 | 10,563,915 | 9,566,759 |
| Attributable to the shareholders of the Company | 6,574,691 | 10,279,113 | 10,563,915 | 9,566,759 |

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

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | The Group | | The Company | |
|--|------|-------------------|-------------------|-------------------|-------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | USD | USD | USD | USD |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 10 | 48,856,410 | 55,807,917 | - | - |
| Right-of-use assets | 11 | 3,483,259 | 6,140,152 | - | - |
| Investment in subsidiary companies | 12 | - | - | 36,294,519 | 36,197,767 |
| Loans to subsidiary company | 27 | - | - | 30,110,000 | 30,140,000 |
| Advances | 16 | - | 5,992 | - | - |
| Other assets | 13 | 1,900,656 | 2,426,938 | - | - |
| Total Non-Current Assets | | 54,240,325 | 64,380,999 | 66,404,519 | 66,337,767 |
| Current Assets | | | | | |
| Inventories | 14 | 11,097,613 | 10,811,542 | - | - |
| Trade and other receivables | 15 | 2,332,410 | 5,790,278 | 6,775,995 | 8,847,922 |
| Other assets | 13 | 304,946 | - | - | - |
| Income tax recoverable | | 1,435,100 | 405,147 | - | - |
| Loans and advances to subsidiary companies | 27 | - | - | 39,712 | 30,079 |
| Advances and prepaid expenses | 16 | 3,644,038 | 3,682,896 | 5,848 | 15,944 |
| Cash and cash equivalents | 17 | 8,213,680 | 9,014,360 | 1,352,950 | 261,798 |
| Total Current Assets | | 27,027,787 | 29,704,223 | 8,174,505 | 9,155,743 |
| Total Assets | | 81,268,112 | 94,085,222 | 74,579,024 | 75,493,510 |

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | The Group | | The Company | |
|--------------------------------------|------|-------------------|-------------------|-------------------|-------------------|
| | | 2020 | 2019 | 2020 | 2019 |
| | | USD | USD | USD | USD |
| Equity and Liabilities | | | | | |
| Capital and Reserves | | | | | |
| Share capital | 18 | 73,760,924 | 73,760,924 | 73,760,924 | 73,760,924 |
| Revaluation reserve | 19 | 2,370,706 | 2,015,943 | - | - |
| Translation reserve | 19 | (118,514,344) | (113,285,956) | - | - |
| Retained earnings | 19 | 100,325,002 | 100,386,012 | 631,352 | 1,576,763 |
| Total Equity | | 57,942,288 | 62,876,923 | 74,392,276 | 75,337,687 |
| Non-Current Liabilities | | | | | |
| Borrowings | 20 | 2,368,296 | 3,892,851 | - | - |
| Lease liabilities | 21 | 2,076,668 | 4,306,929 | - | - |
| Deferred taxes | 22 | 4,559,927 | 4,651,541 | - | - |
| Deferred income | 23 | 1,492,432 | 1,421,368 | - | - |
| Provision for site restoration | | 150,878 | 74,435 | - | - |
| Total Non-Current Liabilities | | 10,648,201 | 14,347,124 | - | - |
| Current Liabilities | | | | | |
| Trade and other payables | 24 | 4,075,078 | 6,203,453 | - | - |
| Accrued and other liabilities | 25 | 1,531,039 | 1,405,123 | 186,748 | 155,823 |
| Borrowings | 20 | 4,429,053 | 6,420,573 | - | - |
| Lease liabilities | 21 | 1,830,755 | 2,190,586 | - | - |
| Deferred income | 23 | 106,420 | 81,387 | - | - |
| Taxes payable | 26 | 705,278 | 560,053 | - | - |
| Total Current Liabilities | | 12,677,623 | 16,861,175 | 186,748 | 155,823 |
| Total Liabilities | | 23,325,824 | 31,208,299 | 186,748 | 155,823 |
| Total Equity and Liabilities | | 81,268,112 | 94,085,222 | 74,579,024 | 75,493,510 |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| The Group | Non-distributable | | | Distributable | | Net* USD |
|---|----------------------|----------------------------|----------------------------|--------------------------|-----|--------------|
| | Share capital USD | Revaluation reserve USD | Translation reserve USD | Retained earnings USD | USD | |
| As of 1 January 2020 | 73,760,924 | 2,015,943 | (113,285,956) | 100,386,012 | | 62,876,923 |
| Profit for the year | - | - | - | 11,117,459 | | 11,117,459 |
| Other comprehensive loss | - | 685,620 | (5,228,388) | - | | (4,542,768) |
| Total comprehensive income/(loss) for the year | - | 685,620 | (5,228,388) | 11,117,459 | | 6,574,691 |
| Other transactions impacting equity: | | | | | | |
| Dividends paid (Note 19) | - | - | - | (11,509,326) | | (11,509,326) |
| Transfer of revaluation reserve relating to property, plant and equipment through use | - | (330,857) | - | 330,857 | | - |
| As of 31 December 2020 | 73,760,924 | 2,370,706 | (118,514,344) | 100,325,002 | | 57,942,288 |

*Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

| The Group | ← Non-distributable → | | Distributable | | Net* USD |
|---|-----------------------|----------------------------|----------------------------|--------------------------|-------------|
| | Share capital USD | Revaluation reserve USD | Translation reserve USD | Retained earnings USD | |
| As of 1 January 2019 | 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 2020

| The Company | Share Capital | Distributable Retained earnings/ (Accumulated losses) | Net |
|---|---------------|---|--------------|
| | USD | USD | USD |
| As of 1 January, 2020 | 73,760,924 | 1,576,763 | 75,337,687 |
| Total comprehensive income for the year | - | 10,563,915 | 10,563,915 |
| Dividends paid (Note 19) | - | (11,509,326) | (11,509,326) |
| As of 31 December, 2020 | 73,760,924 | 631,352 | 74,392,276 |
| 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 |

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | The Group | | The Company | |
|---|------------|------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | | | |
| Profit before income tax | 13,101,186 | 12,542,100 | 10,563,915 | 9,566,759 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 6,873,876 | 6,880,944 | - | - |
| Depreciation of right-of-use assets | 2,116,952 | 2,285,530 | - | - |
| Amortisation of site restoration costs | - | 1,410 | - | - |
| Dividend income | - | - | (9,441,251) | (8,678,970) |
| Loss on disposal of property, plant and equipment | 26,546 | 140,656 | - | - |
| Interest income | (199,332) | (128,735) | (1,356,009) | (1,242,710) |
| Finance costs | 1,249,051 | 2,061,008 | - | - |
| Net foreign exchange loss | 702,427 | 84,400 | - | 1,339 |
| Provision for obsolete inventories | 100,475 | 36,146 | - | - |
| Credit loss allowance for doubtful receivables | 813,812 | 433,412 | - | - |
| Allowance for advances paid to third parties | 69,152 | 142,400 | - | - |
| Reversal of provision for obsolete inventories | (170,345) | (118,792) | - | - |
| Deferred income | (108,310) | (246,290) | - | - |

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | The Group | | The Company | |
|---|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Operating profit/(loss) before working capital changes | 24,575,490 | 24,114,189 | (233,345) | (353,582) |
| Movement in working capital: | | | | |
| (Increase)/Decrease in: | | | | |
| Inventories | (2,528,062) | 2,704,172 | - | - |
| Trade and other receivables | 2,167,282 | (2,687,961) | - | - |
| Loans and advances to subsidiary companies | - | - | (76,385) | (63,520) |
| Advances and prepaid expenses | (390,332) | (1,514,504) | 10,096 | (9,240) |
| (Decrease)/Increase in: | | | | |
| Trade and other payables | (1,538,598) | (354,224) | - | - |
| Accrued and other liabilities | 449,819 | (2,002,941) | 30,925 | (903,911) |
| Cash Generated From/(Used In) Operations | 22,735,599 | 20,258,731 | (268,709) | (1,330,253) |
| Income tax paid | (2,925,488) | (493,734) | - | - |
| Net Cash From/(Used In) Operating Activities | 19,810,111 | 19,764,997 | (268,709) | (1,330,253) |
| CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (3,108,678) | (2,837,509) | - | - |
| Contribution to site restoration fund | (33,825) | (14,982) | - | - |
| Proceeds from disposal of property, plant and equipment | 134,630 | 149,482 | - | - |
| Dividends received from subsidiary | - | - | 11,509,326 | 8,389,233 |
| Interest received | 199,332 | 128,735 | 1,359,861 | 1,568,481 |
| Net Cash (Used In)/From Investing Activities | (2,808,541) | (2,574,274) | 12,869,187 | 9,957,714 |

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | The Group | | The Company | |
|--|--------------|--------------|--------------|-------------|
| | 2020 USD | 2019 USD | 2020 USD | 2019 USD |
| CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | | | |
| Proceeds from borrowings* | 7,414,558 | 7,834,646 | - | - |
| Repayment of borrowings* | (9,657,053) | (9,432,630) | - | - |
| Repayment of lease liabilities* | (2,014,790) | (1,929,741) | - | - |
| Dividends paid | (11,509,326) | (8,389,233) | (11,509,326) | (8,389,233) |
| Interest paid | (1,240,129) | (2,036,609) | - | - |
| Net Cash Used In Financing Activities | (17,006,740) | (13,953,567) | (11,509,326) | (8,389,233) |
| NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS | (5,170) | 3,237,156 | 1,091,152 | 238,228 |
| EFFECTS OF FOREIGN EXCHANGE RATE CHANGES | (795,510) | 57,713 | - | - |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 9,014,360 | 5,719,491 | 261,798 | 23,570 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17) | 8,213,680 | 9,014,360 | 1,352,950 | 261,798 |

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 |
| 2020 | | | | |
| Borrowings (Note 20) | 10,313,424 | (2,242,495) | (1,273,580) | 6,797,349 |
| Lease liabilities (Note 21) | 6,497,515 | (2,014,790) | (575,302) | 3,907,423 |
| 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 |

[1] Non-cash movements primarily relates to foreign currency exchange differences, accrued interests and in relation to the previous financial year, impact on initial adoption of IFRS 16.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 31 May 2021.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group and the Company have applied a number of amendments to IFRSs issued by IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2020.

| | |
|--|--|
| IFRSs | Amendments to References to the Conceptual Framework in IFRS Standards |
| Amendments to IAS 1 and IAS 8 | Definition of Material |
| Amendments to IFRS 3 | Definition of Business |
| Amendments to IAS 39, IFRS 9, and IFRS 7 | Interest Rate Benchmark Reform |
| Amendments to IFRS 16 | COVID-19 - Related Rent Concessions ¹ |

¹ The Group and the Company elected to early adopt the amendments to IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

The application of these amendments to IFRSs 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.

New and amendments to IFRS in issue but not yet effective

| | |
|--|--|
| IFRSs | Annual Improvements to IFRS Standards 2018 - 2020 ³ |
| IFRS 17 | Insurance Contracts ⁴ |
| Amendments to IFRS 3 | Reference to the Conceptual Framework ³ |
| Amendments to IFRS 4 | Extension of the Temporary Exemption from applying IFRS 9 ⁴ |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform - Phase 2 ¹ |
| Amendments to IFRS 10 and IAS 128 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵ |
| Amendments to IFRS 16 | COVID-19 - Related Rent Concessions Beyond 30 June 2021 ² |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-Current and Disclosure of Accounting Policies ⁴ |
| Amendments to IAS 8 | Definition of Accounting Estimates ⁴ |
| Amendments to IAS 16 | Property, Plant and Equipment: Proceeds before Intended Use ³ |
| Amendments to IAS 37 | Onerous Contracts - Costs of Fulfilling a Contract ³ |

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 April 2021.

³ Effective for annual periods beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

⁵ 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 IFRSs will have no material impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 interest and dividend income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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 i.e. deferred income, 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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:

| | 2020 | 2019 |
|----------------------------|--------|--------|
| | USD | USD |
| 1 Sterling Pound ("GBP") | 1.3649 | 1.3210 |
| 1 Euro ("EUR") | 1.2216 | 1.1213 |
| 1 Ringgit Malaysia ("MYR") | 0.2489 | 0.2443 |
| 1 Russian Ruble ("RUB") | 0.0135 | 0.0161 |
| | KZT | KZT |
| 1 USD | 420.71 | 381.18 |

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 (2019: USD555) from employee's 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Leases

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.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 a 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 entirety 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.

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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 end of the reporting period. 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.

NOTES TO THE FINANCIAL STATEMENTS

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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.

NOTES TO THE FINANCIAL STATEMENTS

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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.

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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 2020. Valuation techniques used by the professional valuers are subjective and involved 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 2020, 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 2020, loss allowance for doubtful trade receivables amounted to USD1,340,469 (2019: USD626,053) (Note 15) and on advances paid to third parties amounted to USD119,054 (2019: USD334,454) (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 2020, provision for obsolete and slow-moving inventories amounted to USD1,921,024 (2019: USD2,197,359) (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% (2019: 13%) is used as it reflects current market assessment of the time value of money and the risk specific to site restoration obligation.

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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) in Karaganda, Kazakhstan and as such, no segmental information is presented.

| | The Group | | The Company | |
|--|-------------------|-------------------|-------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Sale of manufactured goods | 74,762,650 | 79,917,889 | - | - |
| Transmission and distribution of electricity | 11,647 | 12,064 | - | - |
| Dividend income | - | - | 9,441,251 | 8,678,970 |
| Net interest income | - | - | 1,355,075 | 1,236,687 |
| Total | 74,774,297 | 79,929,953 | 10,796,326 | 9,915,657 |

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 satisfied) 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 | |
|--|------------------|------------------|-------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Interest expenses on: | | | | |
| - Bank loans | 398,540 | 868,901 | - | - |
| - Lease liabilities | 631,442 | 925,933 | - | - |
| Unwinding of discount on provision for site restoration | 8,922 | 23,507 | - | - |
| Others | 210,147 | 242,667 | - | - |
| Total interest expense for financial liabilities not classified as at FVTPL | 1,249,051 | 2,061,008 | - | - |

Other finance charges comprise mainly bank and other commitment charges incidental to secure loan facilities from financial institutions as disclosed in Note 20.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

6. NET FOREIGN EXCHANGE LOSS

| | The Group | | The Company | |
|---------------------------|-----------|----------|-------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Net foreign exchange loss | (808,977) | (84,400) | (3,981) | (35,941) |

During the year, the appreciation in the value of USD and RUB against KZT resulted in foreign exchange losses on the cash and bank and bank loans primarily denominated in USD and RUB respectively.

7. PROFIT BEFORE INCOME TAX

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

| | The Group | | The Company | |
|---|-------------|-------------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Reversal of provision for obsolete inventories | 170,345 | 118,792 | - | - |
| Allowance for advances paid to third parties | (69,152) | (142,400) | - | - |
| Credit loss allowance for doubtful receivables | (813,812) | (433,412) | - | - |
| Amortisation of deferred income | 108,310 | 246,290 | - | - |
| Depreciation of property, plant and equipment | (6,873,876) | (6,880,944) | - | - |
| Employee benefit expenses | (4,874,390) | (5,091,238) | - | - |
| Depreciation of right-of-use assets | (2,116,952) | (2,285,530) | - | - |
| Loss on disposal of property, plant and equipment | (26,546) | (140,656) | - | - |
| Amortisation of site restoration costs | - | (1,410) | - | - |
| Provision for obsolete inventories | (100,475) | (36,146) | - | - |

Employee benefit expenses include contributions paid by the Group and the Company to defined contribution plans amounting to USD471,933 (2019: USD452,265) and USD2,986 (2019: USD237) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

8. INCOME TAX EXPENSE

| | The Group | | The Company | |
|------------------------|-----------|-----------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Income tax: | | | | |
| - current year | 1,771,721 | 266,326 | - | - |
| - prior year | 27,291 | - | - | - |
| Deferred tax (Note 22) | 184,715 | 2,569,383 | - | - |
| Total | 1,983,727 | 2,835,709 | - | - |

Under the Labuan Business Activity Tax Act, 1990, no tax is chargeable on the Company's Labuan non-trading activities for the current and prior years of assessment. Effective 1 January 2019, a Labuan company carrying on Labuan trading activities shall be charged at a tax rate of 3% on the chargeable profits of the Labuan company for a particular 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% (2019: 20%), and Malaysian and Netherland subsidiaries are subject to statutory tax rates of 24% (2019: 24%) and 25% (2019: 25%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 | |
|---|------------|------------|-------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Profit before income tax | 13,101,186 | 12,542,100 | 10,563,915 | 9,566,759 |
| Tax expense calculated at domestic tax rates applicable to the respective jurisdictions | 2,517,693 | 2,308,029 | - | - |
| Tax effects of expenses not deductible for tax purposes | 303,160 | 476,952 | - | - |
| Income not taxable in determining taxable profits | (899,336) | - | - | - |
| Effect of unused tax losses not recognised as deferred tax assets | 34,919 | 50,728 | - | - |
| Income tax - prior year | 27,291 | - | - | - |
| Income tax expense | 1,983,727 | 2,835,709 | - | - |

The tax expense calculated at domestic tax rates represents a blend of the tax rates of the jurisdictions in which taxable profits have arisen.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

9. EARNINGS PER SHARE

Basic and diluted

| | The Group | |
|--|-------------|-------------|
| | 2020 | 2019 |
| | USD | USD |
| Profit attributable to ordinary shareholders | 11,117,459 | 9,706,391 |
| | 2020 | 2019 |
| 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 |
| | 2020 | 2019 |
| Earnings per share, basic and diluted (cents) | 5.1 | 4.4 |

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 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

| The Group | Freehold land and land improvement | | Buildings | | Machinery and equipment | | Railway wagons | | Stand-by equipment and major spare parts | | Construction in progress | | Other assets | | Total | | |
|--|------------------------------------|-------------|-------------|-----------|-------------------------|-------------|----------------|--------------|--|-----|--------------------------|-----|--------------|-----|-------|-----|--|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | |
| At 1 January 2019 | 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 | | | | | | | | | |
| Additions | - | - | 121,135 | - | 13,168 | 2,882,247 | 92,128 | 3,108,678 | | | | | | | | | |
| Transfers | - | 250,915 | 1,231,202 | - | - | (3,547,785) | 2,065,668 | - | | | | | | | | | |
| Disposals | - | (117,748) | (2,906,558) | - | (7,444) | - | (171,216) | (3,202,966) | | | | | | | | | |
| Revaluation | 73,830 | 876,532 | - | - | - | - | - | 950,362 | | | | | | | | | |
| Reclassification from/(to) inventories | - | - | 333,192 | - | (131,467) | 602,564 | 424,176 | 1,228,465 | | | | | | | | | |
| Exchange differences | (176,001) | (1,939,933) | (6,920,339) | (675,275) | (251,114) | (297,143) | (687,221) | (10,947,026) | | | | | | | | | |
| At 31 December 2020 | 1,770,970 | 19,691,330 | 64,920,357 | 6,511,547 | 2,373,422 | 2,759,691 | 8,589,088 | 106,616,405 | | | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

| The Group | Freehold land and land improvement | | Buildings | | Machinery and equipment | | Railway wagons | | Stand-by equipment and major spare parts | | Construction in progress | | Other assets | | Total | |
|---|------------------------------------|-------------|-------------|-----------|-------------------------|-----------|----------------|------------|--|-----------|--------------------------|-----|--------------|-------------|-------|-----|
| | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD | USD |
| Accumulated depreciation and impairment losses | | | | | | | | | | | | | | | | |
| At 1 January 2019 | - | 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 | | |
| Charge for the year | - | 1,290,148 | 4,708,858 | 331,359 | - | - | - | - | - | 543,511 | - | - | - | 6,873,876 | | |
| Disposals | - | - | (2,885,100) | - | - | - | - | - | - | (156,690) | - | - | - | (3,041,790) | | |
| Reclassification from/(to) inventories | - | - | - | - | - | - | - | - | - | 6,532 | - | - | - | 6,532 | | |
| Exchange differences | - | (1,383,007) | (3,716,935) | (189,526) | - | - | - | - | - | (460,130) | - | - | - | (5,749,598) | | |
| At 31 December 2020 | - | 14,386,208 | 36,519,382 | 2,097,311 | - | - | - | - | - | 4,757,094 | - | - | - | 57,759,995 | | |
| Net Book Value | | | | | | | | | | | | | | | | |
| At 31 December 2020 | 1,770,970 | 5,305,122 | 28,400,975 | 4,414,236 | 2,373,422 | 2,759,691 | 3,831,994 | 48,856,410 | | | | | | | | |
| 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 | | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Land and buildings were revalued on 31 August 2020 by an independent professional valuer based on market approach for freehold land and depreciated replacement cost for buildings respectively. 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 2020 to December 2025;
- derivation of a terminal value using a constant growth model; and
- discount rate of 15.00% 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 USD7,076,092 as of 31 December 2020 (2019: USD8,015,638). 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 2020 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 | |
|-----------|-----------|---------|
| | 2020 | 2019 |
| | USD | USD |
| Land | 192,442 | 212,399 |
| Buildings | 490,786 | 818,481 |

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.

As at 31 December 2020, property, plant and equipment of a subsidiary company (Karcement JSC) with a cost and net book value of USD6,060,992 and USD3,162,045 (2019: USD6,689,543 and USD3,947,505) respectively are pledged as collateral for the government-subsidised loan (Note 20).

As of 31 December 2020, the cost of property, plant and equipment that is fully depreciated amounted to USD5,883,604 (2019: USD2,033,966).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

11. RIGHT-OF-USE ASSETS

| | Railway wagons USD | The Group Buildings USD | Total 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 |
| Exchange differences | (789,333) | (3,299) | (792,632) |
| At 31 December 2020 | 7,611,370 | 31,813 | 7,643,183 |
| 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) |
| Charge for the year | (2,110,476) | (6,476) | (2,116,952) |
| Exchange differences | 251,917 | 774 | 252,691 |
| At 31 December 2020 | (4,147,199) | (12,725) | (4,159,924) |
| Carrying amount | | | |
| At 31 December 2020 | 3,464,171 | 19,088 | 3,483,259 |
| At 31 December 2019 | 6,112,063 | 28,089 | 6,140,152 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | The Group | |
|--|-----------|-----------|
| | 2020 | 2019 |
| | USD | USD |
| Amount recognised in profit or loss: | | |
| Interest expense on lease liabilities | 631,442 | 925,933 |
| Expense relating to short-term leases | 3,502,631 | 1,563,704 |
| Income from sub-leasing of right-of-use assets | 1,174,910 | 1,099,006 |
| Total cash outflow for leases | 2,646,232 | 2,855,674 |

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 | |
|--|-------------|-------------|
| | 2020 | 2019 |
| | USD | USD |
| Unquoted shares, at cost | 40,199,600 | 37,242,408 |
| Net investment in a subsidiary company | 94,920 | 2,955,360 |
| | 40,294,520 | 40,197,768 |
| Less: Accumulated impairment loss | (4,000,001) | (4,000,001) |
| Net | 36,294,519 | 36,197,767 |

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.

During the year, the Company subscribed for 10,423,167 additional ordinary shares in SCM at USD2,957,192 by way of capitalisation of amount owing by the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 |
|---|--|--|------|--|
| | | 2020 | 2019 | |
| | | % | % | |
| Direct Subsidiary Companies | | | | |
| Steppe Cement (M) Sdn. Bhd. ("SCM") | Malaysia | 100 | 100 | Investment holding |
| Mechanical & Electrical Consulting Services Ltd. ("MECS Ltd") | Malaysia | 100 | 100 | Provision of consultancy services |
| Indirect Subsidiary Companies | | | | |
| <i>Held through SCM:</i> | | | | |
| Steppe Cement Holdings B.V. ("SCH BV") | Netherlands | 100 | 100 | Investment holding |
| Indirect Subsidiary Companies | | | | |
| <i>Held through SCH BV:</i> | | | | |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

13. OTHER ASSETS

| | The Group | | The Company | |
|---|-------------|-------------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| VAT recoverable - non-current | 1,760,129 | 2,068,579 | - | - |
| Site restoration fund | 140,527 | 131,298 | - | - |
| Quarry stripping costs | - | 193,740 | - | - |
| Site restoration costs | - | 33,321 | - | - |
| Others | 304,946 | - | - | - |
| | 2,205,602 | 2,426,938 | - | - |
| Less: non-current portion of other assets | (1,900,656) | (2,426,938) | - | - |
| Current portion of other assets | 304,946 | - | - | - |

Site restoration fund

A subsidiary company entered into a Subsurface Use Contract for mining of limestone and loam in Karaganda, Kazakhstan and is obliged to contribute 1% out of the total expenditure incurred on extraction of limestone and loam from the quarry annually to the site restoration fund.

In accordance with the Law on Land of the Republic of Kazakhstan and resource usage and Environmental rehabilitations, the subsidiary company will be obliged to provide additional resources in the event the site restoration fund is insufficient to cover actual site restoration and abandonment costs in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

14. INVENTORIES

| | The Group | | The Company | |
|---|-------------------|-------------------|-------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Finished goods | 3,130,122 | 3,812,649 | - | - |
| Work-in-progress | 399,409 | 632,491 | - | - |
| Spare parts | 5,025,089 | 5,118,941 | - | - |
| Raw materials | 2,248,630 | 1,501,745 | - | - |
| Packing materials | 648,128 | 585,944 | - | - |
| Construction materials | 43,983 | 5,646 | - | - |
| Goods held for resale | 38,551 | 48,835 | - | - |
| Others | 1,484,725 | 1,302,650 | - | - |
| Total | 13,018,637 | 13,008,901 | - | - |
| Less: Provision for obsolete inventories | (1,921,024) | (2,197,359) | - | - |
| Net | 11,097,613 | 10,811,542 | - | - |

The cost of inventories of the Group recognised as an expense during the financial year was USD42,439,633 (2019: USD46,244,126).

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

| | The Group | | The Company | |
|---|--------------------|--------------------|-------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| At beginning of year | (2,197,359) | (2,262,085) | - | - |
| Exchange differences | 206,465 | (17,920) | - | - |
| Provision for obsolete inventories | (100,475) | (36,146) | - | - |
| Reversal of provision for obsolete inventories | 170,345 | 118,792 | - | - |
| At end of year | (1,921,024) | (2,197,359) | - | - |

As of 31 December 2020, inventories of USD4,729,702 (2019: USD4,424,634) were pledged to secure the Halyk Bank JSC working capital facilities (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

15. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|----------------------------|-------------|-----------|-------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Trade receivables | 2,849,499 | 5,659,381 | - | - |
| Less: Loss allowances | (1,340,469) | (626,053) | - | - |
| Net | 1,509,030 | 5,033,328 | - | - |
| Other receivables: | | | | |
| VAT recoverable - current | 421,571 | 239,092 | - | - |
| Receivables from employees | 86,055 | 30,668 | - | - |
| Others | 315,754 | 487,190 | - | - |
| Dividend receivable | - | - | 6,610,895 | 8,678,970 |
| Interest receivable | - | - | 165,100 | 168,952 |
| Total | 2,332,410 | 5,790,278 | 6,775,995 | 8,847,922 |

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.

NOTES TO THE FINANCIAL STATEMENTS

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

| | The Group | | The Company | |
|------------------------|-------------|-----------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| At beginning of year | (626,053) | (206,330) | - | - |
| Exchange differences | 52,573 | (1,634) | - | - |
| Add: Impairment losses | (813,812) | (433,412) | - | - |
| Less: Write-offs | 46,823 | 15,323 | - | - |
| At end of year | (1,340,469) | (626,053) | - | - |

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 |
| 2020 | | | |
| Not past due | 3% | 427,232 | 11,834 |
| <180 days | 3% | 390,913 | 11,728 |
| 181-270 days | 10% | 166,233 | 16,624 |
| 271-360 days | 20% | 459,200 | 91,840 |
| 1-2 years | 64% | 417,171 | 266,989 |
| >2 years | 100% | 988,750 | 941,454 |
| | | 2,849,499 | 1,340,469 |

NOTES TO THE FINANCIAL STATEMENTS

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| Days past due | Expected credit loss rate | Gross carrying amount at default | Lifetime ECL |
|---------------|---------------------------|----------------------------------|--------------|
| | | | 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 |

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 certain property, plant and equipment of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

16. ADVANCES AND PREPAID EXPENSES

| | The Group | | The Company | |
|---|------------------|------------------|--------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Advances paid to third parties | 2,229,657 | 2,073,202 | - | - |
| Less: Provision on advances paid to third parties | (119,054) | (334,454) | - | - |
| Net advances paid to third parties | 2,110,603 | 1,738,748 | - | - |
| Less: Non-current portion of advances paid to third parties | - | (5,992) | - | - |
| Current portion of advances paid to third parties | 2,110,603 | 1,732,756 | - | - |
| Prepaid and deferred expenses | 1,533,435 | 1,950,140 | 5,848 | 15,944 |
| Total | 3,644,038 | 3,682,896 | 5,848 | 15,944 |

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | The Group | | The Company | |
|---|-----------|-----------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| At beginning of year | (334,454) | (211,668) | - | - |
| Exchange differences | 31,423 | (1,677) | - | - |
| Add: Allowance for advances paid to third parties | (69,152) | (142,400) | - | - |
| Less: Write-offs | 253,129 | 21,291 | - | - |
| At end of year | (119,054) | (334,454) | - | - |

17. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---------------------------|-----------|-----------|-------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Cash in hand and at banks | 5,984,116 | 1,939,857 | 1,352,950 | 261,798 |
| Short-term deposits | 2,229,564 | 7,074,503 | - | - |
| Total | 8,213,680 | 9,014,360 | 1,352,950 | 261,798 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

18. SHARE CAPITAL

| | The Group and the Company | |
|---|---------------------------|------------|
| | 2020 | 2019 |
| | 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, Karcement JSC and CAS LLP) 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 shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Dividends paid

During the year, the Company paid a first and final dividend of GBP0.03 (2018: GBP0.03) per ordinary share of no par value each amounting to GBP6,570,000 (USD8,678,970) in respect of financial year ended 31 December 2019 (2018: GBP6,570,000 (USD8,389,233)).

The Company also declared and paid an interim dividend of GBP0.01 amounting to GBP2,190,000 (USD2,830,356) during the year. No interim dividend was declared in the previous financial year.

Dividends proposed after reporting period

The board of directors of the Company proposed a final dividend of GBP0.025 per ordinary share of no par value each amounting to GBP5,475,000 (USD7,472,828) in respect of the financial year ended 31 December 2020. 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 2021. The dividends have not been recognised as a liability as at 31 December 2020.

20. BORROWINGS

| | The Group | |
|------------------------------------|-----------|------------|
| | 2020 | 2019 |
| | USD | USD |
| Secured - at amortised cost | | |
| Bank loans | 6,797,349 | 10,313,424 |
| Bank loans: | | |
| Current | 4,429,053 | 6,420,573 |
| Non-current | 2,368,296 | 3,892,851 |
| | 6,797,349 | 10,313,424 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Details of bank loans are as follows:

| | Currency | Maturity month | Interest rate | The Group | |
|---|----------|----------------------------------|---------------|------------------|-------------------|
| | | | | 2020 | 2019 |
| | | | | USD | USD |
| Halyk Bank JSC: Facility B | USD | November 2021 | 6.5% p.a. | - | 4,131,746 |
| Halyk Bank JSC government subsidised facility for capital expenditure | KZT | August 2022 | 6% p.a. | 448,551 | 806,068 |
| | KZT | June 2025 | 6% p.a. | 390,554 | 511,798 |
| | KZT | September to November 2025 | 6% p.a. | 1,048,718 | 1,453,290 |
| Halyk Bank JSC | KZT | December 2027 | 6% p.a. | 1,578,795 | - |
| Halyk Bank JSC for working capital | KZT | April 2021 | 6% p.a. | 1,190,588 | 1,041,773 |
| Altyn Bank JSC for working capital | KZT | June 2021 | 12% p.a. | 2,139,241 | 2,361,089 |
| Accrued interest | | | | 902 | 7,660 |
| Total outstanding | | | | 6,797,349 | 10,313,424 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Halyk Bank JSC facility

In the previous financial year, Facility B carried an interest rate of 6.5% per annum. The principal was repayable over a 5-year period in 60 equal monthly instalments commencing from 23 December 2016 until the maturity in November 2021. Interest was payable monthly from 23 December 2016 until maturity. The facility was secured against property, plant and equipment with a net book value of USD10,750,160 (Note 10). In August 2020, the Facility B has been fully settled in advance of the maturity date of November 2021.

Halyk Bank JSC government-subsidised facilities

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 USD3,162,045 (2019: USD3,947,505) (Note 10). No further amounts are available for drawdown from this facility.

On 29 December 2020, CAC JSC entered into a long-term facility agreement with Halyk Bank JSC under the government program for KZT809 million (USD1,923,000) to acquire 70 additional railway wagons for own use. The facility is repayable on 28 December 2027 and bears an interest rate of 6% per annum. As of 31 December 2020, KZT 423million (USD1,005,000) is 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).

Halyk Bank JSC working capital facilities

During the year, CAC JSC and Karcement JSC entered into a short-term facility agreement with Halyk Bank JSC for working capital requirements of KZT327 million (USD777,000) and KZT174 million (USD414,000) respectively under the government programs bearing an interest rate of 6% per annum. The short-term borrowings are repayable in April 2021 and are secured against inventories of USD4,729,702 (2019: USD4,424,634) (Note 14).

As of 31 December 2020, all working capital facilities of KZT2.5 billion (USD5,942,000) with Halyk Bank JSC are available for drawdown.

Altyn Bank JSC working capital facility

On 31 December 2020, 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 12% per annum with a maturity date of 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

21. LEASE LIABILITIES

| | The Group | |
|-------------------------------|-----------|-----------|
| | 2020 | 2019 |
| | USD | USD |
| Operating leases analysed as: | | |
| Non-current | 2,076,668 | 4,306,929 |
| Current | 1,830,755 | 2,190,586 |
| Balance as at 31 December | 3,907,423 | 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 2020:

| | The Group | |
|------------------------------|-----------|-------------|
| | 2020 | 2019 |
| | USD | USD |
| Maturity analysis: | | |
| Year 1 | 2,211,712 | 2,868,338 |
| Year 2 | 2,211,712 | 2,441,076 |
| Year 3 | 8,557 | 2,438,773 |
| | 4,431,981 | 7,748,187 |
| Less: Future finance charges | (524,558) | (1,250,672) |
| | 3,907,423 | 6,497,515 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | The Group | |
|---|------------------|------------------|
| | 2020 | 2019 |
| | USD | USD |
| Balance as at 1 January | 6,497,515 | - |
| Increase arising from adoption of IFRS 16 | - | 8,369,505 |
| Payment of lease liabilities | (2,646,232) | (2,855,674) |
| Finance costs (Note 5) | 631,442 | 925,933 |
| Exchange differences | (575,302) | 57,751 |
| Balance as at 31 December | 3,907,423 | 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 | |
|--|--------------------|--------------------|-------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| At beginning of year | (4,651,541) | (2,054,758) | - | - |
| Exchange differences | 466,400 | (27,400) | - | - |
| Recognised in profit or loss (Note 8) | (184,715) | (2,569,383) | - | - |
| Recognised in other comprehensive income | (190,071) | - | - | - |
| At end of year | (4,559,927) | (4,651,541) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | Opening balance | Exchange rate differences | Recognised in profit or loss | Recognised in other comprehensive income | Closing balance |
|-------------------------------|--------------------|---------------------------------|------------------------------------|---|--------------------|
| | USD | USD | USD | USD | USD |
| 2020 | | | | | |
| Temporary differences: | | | | | |
| Property, plant and equipment | (5,995,170) | 555,522 | 445,490 | (190,071) | (5,184,229) |
| Inventories | 438,798 | (40,992) | (13,601) | - | 384,205 |
| Trade receivables | 125,211 | (14,342) | 147,497 | - | 258,366 |
| Accrued unused leaves | 16,400 | (1,696) | 8,818 | - | 23,522 |
| Tax losses | 763,746 | (59,455) | (704,291) | - | - |
| Payables | 35,346 | (2,973) | (19,954) | - | 12,419 |
| Others | (35,872) | 30,336 | (48,674) | - | (54,210) |
| Total | (4,651,541) | 466,400 | (184,715) | (190,071) | (4,559,927) |
| 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) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | The Group | | The Company | |
|--|-----------|---------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Tax losses for which no deferred tax assets have been recognised | 238,000 | 226,000 | - | - |

23. DEFERRED INCOME

| | The Group | | The Company | |
|-----------------------------------|-----------|-----------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Deferred income | 1,598,852 | 1,502,755 | - | - |
| Less: Amount due within 12 months | (106,420) | (81,387) | - | - |
| Non-current | 1,492,432 | 1,421,368 | - | - |

Movement of deferred income are as follows:

| | The Group | | The Company | |
|------------------------------|-----------|-----------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| At beginning of year | 1,502,755 | 1,629,508 | - | - |
| Exchange differences | (145,419) | 11,819 | - | - |
| Additions | 349,826 | 107,718 | - | - |
| Recognised in profit or loss | (108,310) | (246,290) | - | - |
| At end of year | 1,598,852 | 1,502,755 | - | - |

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

As at 31 December 2020, the related assets in the amount of USD817,138 were put into use (2019: USD1,595,396). During financial year, the Group recognised USD108,310 (2019: USD246,290) 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 | |
|-------------------------------|------------------|------------------|-------------|----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Trade payables | 2,594,495 | 3,346,081 | - | - |
| Other payables | 1,466,186 | 2,831,208 | - | - |
| Amount due to related parties | - | 9,875 | - | - |
| Others | 14,397 | 16,289 | - | - |
| Total | 4,075,078 | 6,203,453 | - | - |

The credit period granted by creditors ranges from 1 to 30 days (2019: 1 to 30 days).

Other payables mainly arose from purchase of property, plant and equipment and spare parts.

25. ACCRUED AND OTHER LIABILITIES

| | The Group | | The Company | |
|-------------------------|------------------|------------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Accrued directors' fees | 148,974 | 117,662 | 148,974 | 117,662 |
| Advances from customers | 851,475 | 776,822 | - | - |
| Accrued salaries | 300,338 | 294,792 | - | - |
| Accrued unused leave | 90,112 | 74,248 | - | - |
| Others | 140,140 | 141,599 | 37,774 | 38,161 |
| Total | 1,531,039 | 1,405,123 | 186,748 | 155,823 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

26. TAXES PAYABLE

| | The Group | | The Company | |
|----------------------|-----------|---------|-------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Corporate income tax | 210,302 | 12,955 | - | - |
| Other taxes: | | | | |
| VAT payable | 227,399 | 225,072 | - | - |
| Royalties | 52,345 | 122,916 | - | - |
| Emission taxes | 108,488 | 109,987 | - | - |
| Pension fund | 25,787 | 21,412 | - | - |
| Personal income tax | 31,677 | 33,076 | - | - |
| Social tax | 12,080 | 28,359 | - | - |
| Withholding tax | 30,845 | - | - | - |
| Others | 6,355 | 6,276 | - | - |
| Total | 705,278 | 560,053 | - | - |

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.

Receivables from/(payables to) related parties and other related parties, which arose mainly from trade transactions and expenses paid on behalf, are unsecured, interest-free and are 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 USD30,140,000 (2019: USD30,170,000) which bears interest at 8% per annum repayable by year 2033.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 | |
|-----------------------|-----------------------------|-------------|
| | 2020 | 2019 |
| | USD | USD |
| Other related parties | | |
| Office rental | 5,469 | 9,403 |
| Programming services | - | 13,037 |

| | Payable to related parties | |
|---------------------|-----------------------------------|-------------|
| | 2020 | 2019 |
| | USD | USD |
| Other related party | | |
| Office rental | - | 9,875 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 | 2020 | 2019 |
|-----------------------------|--------------------------|-----------|-----------|
| | | USD | USD |
| Steppe Cement (M) Sdn. Bhd. | Dividend income | 5,819,487 | 8,678,970 |
| Karcement JSC | Interest income | 2,085,075 | 2,121,687 |
| MECS Ltd. | Interest income assigned | 730,000 | 885,000 |

| Subsidiary companies | Nature of transactions | Receivable from subsidiary companies | |
|-----------------------------|------------------------|--------------------------------------|------------|
| | | 2020 | 2019 |
| | | USD | USD |
| Karcement JSC | Intercompany loans | 30,140,000 | 30,170,000 |
| Karcement JSC | Interest income | 165,100 | 168,952 |
| MECS Ltd. | Advances | 9,712 | 79 |
| Steppe Cement (M) Sdn. Bhd. | Advances | 94,920 | 2,955,360 |
| Total | | 30,409,732 | 33,294,391 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Compensation of key management personnel

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

| | The Group | | The Company | |
|---------------------|-----------|---------|-------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Short-term benefits | 758,880 | 751,760 | 100,000 | 100,000 |

Short-term benefits include contributions paid by the Group and by the Company to defined contribution plans amounting to USD26,642 (2019: USD32,641) and Nil (2019: Nil) respectively.

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 | |
|--|-------------|------|
| | 2020 | 2019 |
| | 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 |

Alternate directors:

| | | |
|--|---|---|
| Gan Chee Leong (Alternate to Javier del Ser Perez) | - | - |
| Charlie Tingey (Alternate to Rupert Wood) | - | - |

| | | |
|-------|---------|---------|
| Total | 100,000 | 100,000 |
|-------|---------|---------|

The alternate directors, Gan Chee Leong and Charlie Tingey, are paid allowances of USD500 respectively for their attendance in board meetings to represent Javier del Ser Perez and Rupert Wood respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

| | The Group | |
|--|-----------|------|
| | 2020 | 2019 |
| | USD | USD |

Financial assets

At amortised cost:

| | | |
|-----------------------------|-----------|-----------|
| Trade and other receivables | 1,910,839 | 5,551,186 |
| Cash and cash equivalents | 8,213,680 | 9,014,360 |

Financial liabilities

At amortised cost:

| | | |
|-------------------------------|-----------|------------|
| Trade and other payables | 4,075,078 | 6,203,453 |
| Accrued and other liabilities | 679,564 | 628,301 |
| Borrowings | 6,797,349 | 10,313,424 |
| Lease liabilities | 3,907,423 | 6,497,515 |

| | The Company | |
|--|-------------|------|
| | 2020 | 2019 |
| | USD | USD |

Financial assets

At amortised cost:

| | | |
|--|------------|------------|
| Loans and advances to subsidiary companies | 30,314,812 | 30,339,031 |
| Cash and cash equivalents | 1,352,950 | 261,798 |

Financial liability

At amortised cost:

| | | |
|-------------------------------|---------|---------|
| Accrued and other liabilities | 186,748 | 155,823 |
|-------------------------------|---------|---------|

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 | GBP | EUR | MYR | RUB | USD | Total |
|-------------------------------|--------|---------|--------|-----------|-----------|-----------|
| Financial Asset | | | | | | |
| Cash and cash equivalents | 2,353 | 72 | 71 | 1,905,008 | 401,961 | 2,309,465 |
| Financial Liabilities | | | | | | |
| Trade and other payables | - | 284,564 | - | 17,777 | 119,282 | 421,623 |
| Accrued and other liabilities | 44,467 | - | 43,887 | - | - | 88,354 |
| 2019 | | | | | | |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

| The Company | | | | | |
|-------------------------------|------------|------------|------------|--------------|--|
| 2020 | GBP | EUR | MYR | Total | |
| Financial Asset | | | | | |
| Cash and cash equivalents | 546 | 72 | 35 | 653 | |
| Financial Liability | | | | | |
| Accrued and other liabilities | 44,467 | - | 34,190 | 78,657 | |
| 2019 | | | | | |
| Financial Asset | | | | | |
| Cash and cash equivalents | 702 | 77 | 10 | 789 | |
| Financial Liability | | | | | |
| Accrued and other liabilities | 40,650 | - | 29,355 | 70,005 | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 financial 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.

| The Group | Impact on profit or loss and equity | |
|-----------|-------------------------------------|---------|
| | 2020 | 2019 |
| USD | (56,536) | 729,258 |
| GBP | 8,423 | 7,490 |
| EUR | 56,898 | 68,314 |
| MYR | 8,763 | 6,527 |
| RUB | (377,446) | 15,493 |

| The Company | Impact on profit or loss and equity | |
|-------------|-------------------------------------|-------|
| | 2020 | 2019 |
| GBP | 8,784 | 7,990 |
| EUR | (14) | (15) |
| MYR | 6,831 | 5,869 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(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.

The Group recognised additional loss allowance of USD813,812 to reflect the increase in credit risk of certain trade receivables that are past due at the end of the reporting period. Apart from trade receivables, there is no significant increase in credit risk in other financial assets since initial recognition.

(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 2020, CAC JSC's long-term loan of USD1 million (2019: Nil) and working capital facilities of USD5.9 million (2019: USD6.8 million) with Halyk Bank JSC are available for drawdown at the discretion of the directors. The Group expects to meet its other obligations from operating cash flows and proceeds from maturing financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 | | | | | | | |
| 2020 | | | | | | | |
| Interest bearing | | | | | | | |
| Borrowings | 7.74% | 115,963 | 310,630 | 4,425,043 | 3,502,745 | 583,913 | 8,938,294 |
| Lease liabilities | 12.34% | 184,309 | 368,619 | 1,658,784 | 2,220,269 | - | 4,431,981 |
| Non-interest bearing | | | | | | | |
| Trade and other payables | - | 2,210,495 | 1,725,578 | 139,005 | - | - | 4,075,078 |
| Accrued and other liabilities | - | 440,893 | 37,589 | 201,082 | - | - | 679,564 |
| | | 2,951,660 | 2,442,416 | 6,423,914 | 5,723,014 | 583,913 | 18,124,917 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

| | 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 | | | | | | | |
| 2020 | | | | | | | |
| Non-interest bearing | | | | | | | |
| Accrued and other liabilities | - | 13,868 | 1,537 | 171,343 | - | - | 186,748 |
| 2019 | | | | | | | |
| Non-interest bearing | | | | | | | |
| Accrued and other liabilities | - | 15,818 | - | 140,005 | - | - | 155,823 |

The amounts included above for borrowings represent amounts the Group and the Company expect to repay according to repayment terms in loan agreements. At the end of the reporting period, 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 2020

(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 2020 and 2019, 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 values, based on current economic conditions and specific risks attributable to the instrument. The fair values 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 values 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 values of cash and cash equivalents approximate their fair values 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 values approximate fair values 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

As of 31 December 2020 and 2019, the fair values of borrowings approximate their carrying values, except for the following:

| | Fair value | | Carrying amount | |
|------------|------------|-----------|-----------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| | USD | USD | USD | USD |
| Borrowings | 473,290 | 4,775,951 | 391,457 | 4,651,204 |

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 4.9% per annum (2019: 4.1% per annum).

29. CAPITAL COMMITMENTS

The Group has outstanding amount of contractual commitments for the acquisition of property, plant and equipment of USD2,172,435 as at 31 December 2020 (2019: USD1,068,012).

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. SIGNIFICANT EVENTS DURING THE YEAR

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 nearly all year round. The Group abides by the requirements as activated by respective governments which includes frequent sanitisation and workforce social distancing measures.

The Group and the Company continue to monitor 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 pandemic.



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 2020 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
31 May 2021

NOTICE OF THE 2021 AGM

NOTICE OF THE 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 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, 7 July 2021 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 To receive and adopt the audited financial statements for year ended 31 December 2020. | RESOLUTION 1 |
| 2. | FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31 ST DECEMBER 2020 To approve the payment of Final Dividend of GBP 0.025 per ordinary share of no par value each in respect of the financial year ended 31 December 2020. | RESOLUTION 2 |
| 3. | RE-ELECTION OF DIRECTORS 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 | RESOLUTION 3 |

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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**STEPPE**
CEMENT

