



# ANNUAL REPORT 2021



  
**STEPPE  
CEMENT**



# PLANT LOCATION IN KAZAKHSTAN



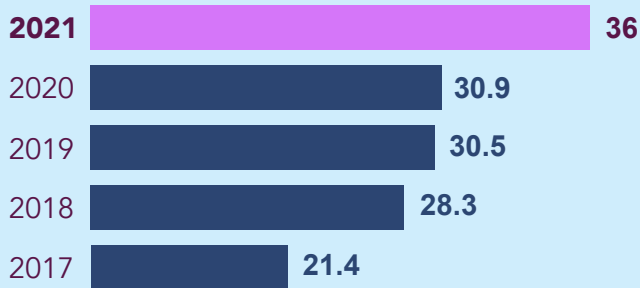


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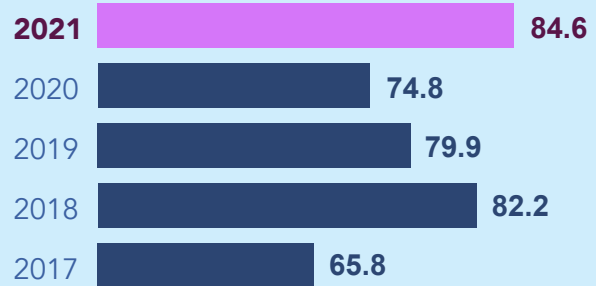
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# FINANCIAL HIGHLIGHTS

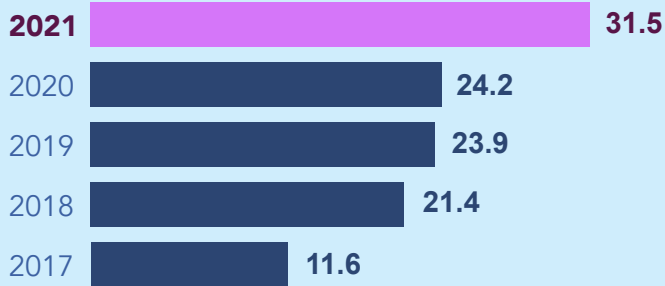
## Revenue (KZT Billion)



## Revenue (USD Million)



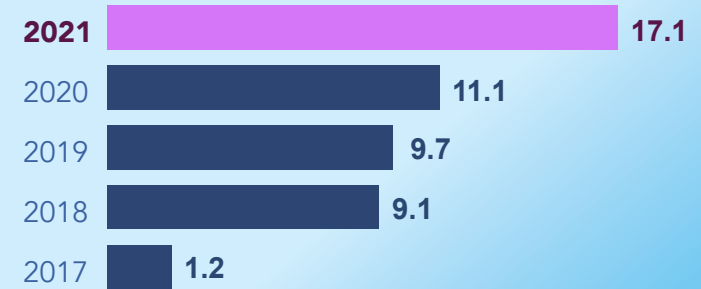
## EBITDA\*



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

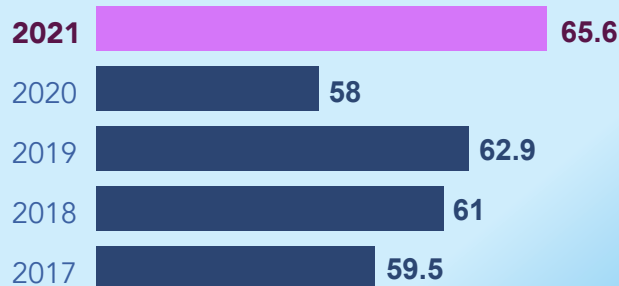
## Profit after Tax

(USD Million)



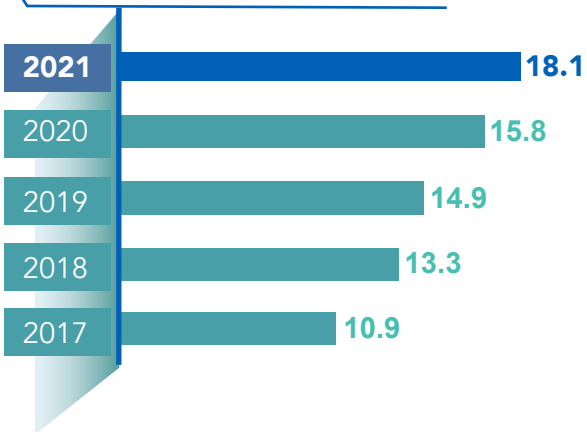
## Shareholders Funds

(USD Million)

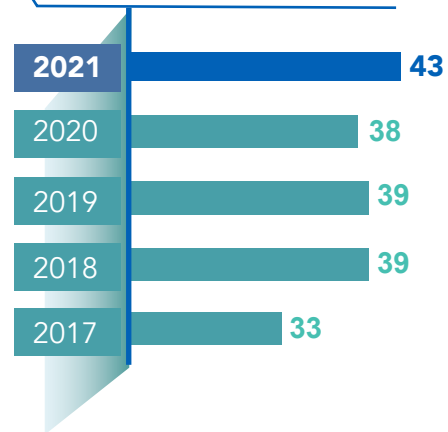


# Operational and Market Data

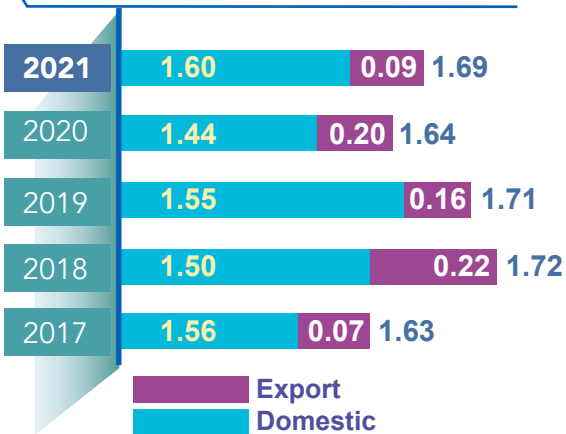
Ex-factory price (KZT'000)



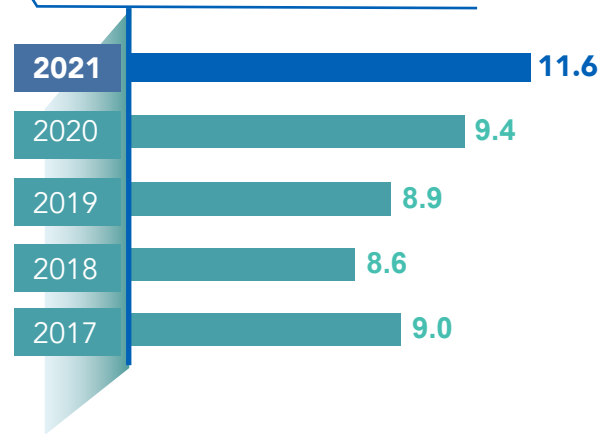
Ex-factory price (USD)



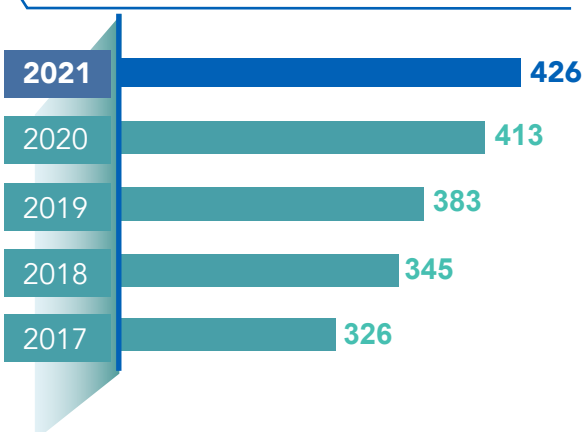
Sales volume (million tonnes)



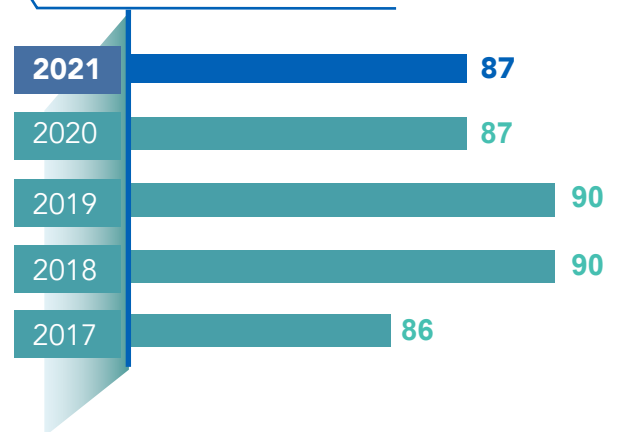
Market Size (million tonnes)



Average exchange rates (USD/KZT)



Capacity utilisation (%)





# Financial Data

Data	2017	2018	2019	2020	2021
Gross profit margin (%)	30	43	42	43	47
Profit after tax margin (%)	2	11	12	15	20
Net earnings per share (cents)	0.6	4	4	5	8
Return on shareholders funds (%)	2	15	15	19	26
NTA Per Share (cents per share)	27	28	29	26	30
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  
Suite 9, 4th Floor, Business Centre  
Wisma Wong Wo Lo  
Jalan Tun Mustapha  
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



**“With a population slowly increasing to 19.1 million inhabitants this translates into 607 kg per capita, a level which is reasonable, possibly on the higher end of what can be considered as a sustainable structural demand in the medium-term horizon.”**

Against all odds 2021 was an outstanding year for Steppe Cement and the Board is pleased to announce to shareholders a net profit of USD17 million. The EBITDA increased by 30% against 2020 at USD 31.5 million.

In the first months of 2021 your Board of directors was expecting serious adverse conditions with the persistent presence of COVID. A worrying 2.5% GDP contraction hit Kazakhstan in 2020. This is now history, offset as it is by a 3.5% growth achieved in 2021, the first four months of 2022 placing the country on a path to 3.7%. We must here report the positive effects on our business of the governmental economic and fiscal measures in reaction to the health situation: special incentives and substantial public investment contributed to stimulate the construction sector. State spending in infrastructures and social housing, temporary allowance to draw from pension plans for individual housing projects resulted in a record domestic demand in cement: with 11.6 mt consumed, a 23 % increase on 2020 (9.4 mt), all expectations were beaten. Even the highest levels recorded during the Soviet times in the late 1980s were exceeded.

With a population slowly increasing to 19.1 million inhabitants this translates into 607 kg per capita, a level which is reasonable, possibly on the higher end of what can be considered as a sustainable structural demand in the medium-term horizon. There will be

short term fluctuations around this level, caused by external factors or public policies, but the trend will probably average around this level.

One such 'external factor' appeared and shocked the country in January 2022, when mass protests occurred and were followed by social unrest and the declaration of a state of emergency. This brought the urban areas to a standstill. It was followed by an important reshuffling in many State and local agencies, a Presidential announcement of several changes in governance to favour progress in democracy, and several social programmes. At a local level, all governors were instructed to strongly encourage the private sector to decide substantial increases for the lowest salaries. The situation seems now stabilized.

Against all odds, these important disruptions did not affect demand in cement: during the first quarter, consumption, usually low during the winter period, broke new records, standing at 2 mt, almost 15% above 2021. Your Company's base is in a rural area which was not affected by the disruptions reported in the main cities. Production, which was only stopped





by technical issues but never by external causes, remained at 1.7 mt. Our management held a number of discussions with workers representatives and local authorities to define and implement reasonable increases in salaries, in line with the industrial sector. Special attention was given to improve the living of our least qualified workers and to offer competitive remuneration to our key local specialists and managers who were developed internally and need to be retained.

Then March came, bringing a new crisis, which may last for an undetermined period: The events in Ukraine had an immediate negative impact on the value of the national currency. However, the Tenge recovered a few weeks later against the dollar, in parallel with the ruble. The inflation on mineral and energy prices benefits the National Economy and this should help maintaining the current Keynesian policy.

The only negative direct impact observed on our operations has been a need to adjust logistics for certain supplies coming from western Europe, like refractories or special spare parts. Strategic spare parts are safely stored and available according to our procedures. Our operations will bear a minimal impact, alternate routes having already been identified to reorganize our procurement processes. Once more, the local nature of the cement market, the good location of our factory well positioned with regards to its markets and near its sources of raw

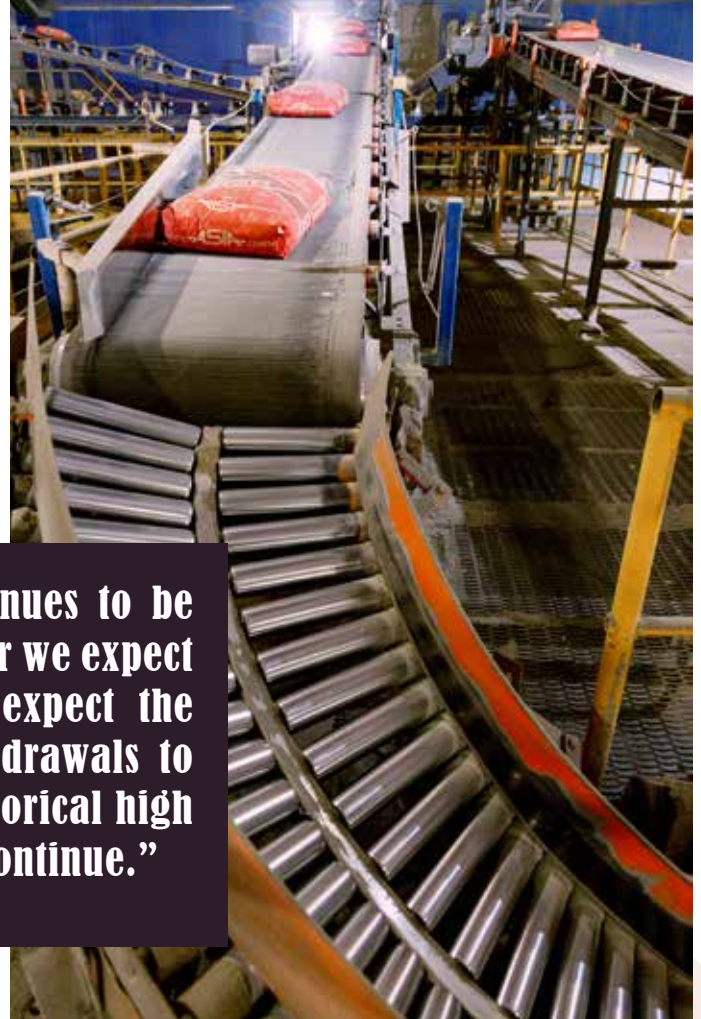
materials and energy, the continuous maintenance and modernization of the equipment and machinery, and a proper anticipation in the management of our strategic stocks have secured a strong resilience in this unstable environment. A strong balance sheet with virtually all long-term external debt reimbursed also provides a very solid protection against any severe possible financial turmoil.

Domestic competitors were increasingly active and took their share of this favourable environment. National production reached a record at 12.4 mt, an 18% increase on 2021 (10.5 mt). The main producers maintained or increased their output and two smaller manufacturers managed to solve their recurring technical problems, adding together an additional supply of some 1.6 mt compared to previous year. Imports from Iran remained minimal whilst some 0.7 mt were supplied from Russia. With this unbalanced supply/demand situation the excess capacity was mostly absorbed by Uzbekistan (1.1 mt), Kyrgyzstan and Russia (0.25 mt each). Those markets are likely to be progressively lost with the start-up of new capacities in Uzbekistan and increasing competition from recent plants in Tajikistan and South Kyrgyzstan. We expect the southern producers of Kazakhstan to redirect most of their reduced exports into the Almaty region. Although this has not materialized as of May 2022, we anticipate some impact on selling prices under this increasingly competitive scenario.

The company and its Board of Directors move ahead in 2022 with great confidence and endeavour to keep returning an attractive value to its shareholders.

**Xavier Blutel**  
Chairman of the Board

# CEO's Statement



**“The market demand in 2022 continues to be strong. After a very strong first quarter we expect the market to stabilise. While we expect the construction driven by pension withdrawals to taper off, oil prices are at near a historical high and government stimulus packages continue.”**

Kazakhstan has experienced a boom in construction and cement consumption towards the end of the pandemic, mostly due to government incentives. Our factory continued to perform and we managed to initiate various internal capital projects that will allow us to increase the production volumes in the coming years.

The construction sector grew very fast in 2021 and the financial markets remained fairly stable. The stability was subsequently shattered in early 2022 with internal political upheaval starting in West and Southern Kazakhstan and the subsequent events in Ukraine in February 2022. Although the cement market remains strong in 2022, the uncertainty is likely to continue during the remaining months of the year. The management will continue a conservative financial and investment policy.

In 2021, Steppe Cement posted a net profit of USD17 million while EBITDA increased to USD 31.5 million from USD24.2 million in 2020, mostly due to bigger volumes and 13% higher prices in KZT. The increase of cost of production was contained and the KZT devaluation against the USD was limited to only 3% for the year.

The overall domestic cement market increased by 23% to 11.6 million tonnes. Our sales volume increased by 3%. Local sales increased by 11% while exports decreased by 57% as we focused on the domestic market.

The increase of the market is attributable mostly to the government decision that allowed individuals to use a portion of their pensions to buy or improve properties or for health reasons as part of the stimulus of the Covid pandemic. It is estimated that around USD6 billion have been taken from the pension fund system since the beginning of the program in 2020. This represents around 20% of the USD30 billion currently in the national pension fund.

Steppe Cement operated both lines at 87% of their current combined capacity (which is 1.1 million tonnes for line 5 and 0.85 million tonnes for line 6).

Shareholders' funds increased to USD65.6 million from USD57.9 million after dividend distribution to shareholders. The replacement cost of the Company's assets remains many times higher than their current book value.

The Kazakh cement market in 2021 increased to 11.6 million tonnes or 23% from 2020. Imports into Kazakhstan increased by 34% to 0.8 million tonnes equivalent to 7% of the total market, as shipping from Iran was resumed. Exports from local producers decreased by 19% to 1.6 million tonnes mostly to Uzbekistan and Kyrgyzstan. Exports to Uzbekistan, concentrated in the Tashkent area, will continue to decline as the country commissions new facilities.



Key financials	Year ended 31-Dec-2021	Year ended 31-Dec-2020	Inc/ (Dec)%
Sales (tonnes of cement)	1,688,544	1,645,744	3%
Consolidated turnover (KZT million)	36,020	30,958	16%
Consolidated turnover (USD million)	84.6	74.8	13%
Consolidated profit before tax (USD million)	21.4	13.1	63%
Consolidated profit after tax (USD million)	17.0	11.1	53%
Profit per share (US cents)	7.8	5.1	53%
Shareholders' funds (USD million)	65.6	57.9	13%
Average exchange rate (USD/KZT)	426	413	(3%)
Exchange rate as at year end (USD/KZT)	432	421	(3%)

### The Kazakh cement market increased by 23% in 2021 and we expect 2022 to be at a similar level

The market demand in 2022 continues to be strong. After a very strong first quarter we expect the market to stabilise. While we expect the construction driven by pension withdrawals to taper off, oil prices are at near a historical high and government stimulus packages continue.

On the back of the market growth, Steppe Cement's average cement selling prices increased by 13% in KZT and 10% in USD, to USD50 per tonne delivered.

### Production and costs

Line 5 produced 62% of total production or 1,050,373 tonnes of cement while Line 6 produced 638,170. Line 5 performed at 95% capacity while Line 6 was limited by exceptional maintenance. In 2022 we will endeavor to keep the good performance of Line 5 and increase significantly the production of clinker of Line 6. We intend to achieve production of 1.75 to 1.8 million tons. In addition to increases in clinker production, we intend to use more slag. This will bring a reduction in CO2 emissions and lower costs.

Cost per tonne increased by 6% in KZT in line with inflation. The average cash production cost of clinker

increased from USD19/tonne to USD20/tonne while cement cash cost increased from USD21.5/tonne to USD23/tonne in 2020 due to inflation in electricity and transportation.

Despite the increase of transportation costs, selling expenses, reflecting mostly cement delivery costs, were reduced to USD7.3/tonne as we focused in markets closer to the factory and reduced exports significantly.

Foreign exchange losses are now negligible at USD0.2 million as we don't have USD denominated loans. Those are attributable mostly to the time difference between the purchase of consumable and capex materials throughout the year.

Other income of USD1.6 million reflects the write-back of receivables previously written down and the write-back of deferred income from the government subsidised loans.

### General and administrative expenses

General and administrative expenses increased to USD6.7 million from USD6.2 million in 2020 in line with inflation.

# CEO's Statement

## Labor and Covid-19

On 31 March 2022 the labour count stood at 801 from 781 in 2021 as we have replaced certain subcontractors with our own staff. This policy will be constantly under revision as we evaluate the quality and pricing of the different subcontractors that become available in the region.

We didn't have any further covid deaths in 2021. All employees were offered voluntary vaccination and 75% of them took it. This compared favorably with the overall region and country statistics across all age groups. An employee of our subcontractors had a fatal accident in the factory and the subcontractor was terminated following an investigation.

## Capital investment increased significantly in 2021 and the trend will continue in 2022

Capital investment was accelerated to USD6.2 million to compensate the slow down in investment during 2019 and 2020. Apart from the traditional maintenance capex and key spare purchasing in the region of USD2 million per year we managed to complete a significant number of projects and some of them will be continuing in 2022. The main investment completed during the year 2021 were:

- Bag feeder automatization to improve productivity
- Coal mill gas duct size change to save power and increase production
- Kiln 6 main gear drive replacement to improve reliability and reduce power consumption
- New coal dosing system, to better control the feed to the preheater in line 6
- Slag drying dedusting and automatization to improve ecology and stability
- XRF analyser for laboratory to increase clinker quality and stability
- Acquisition of rail line connection to main train station to save transportation costs
- Start of new separator for cement mill number 1



We have plans for a further USD7 million investment in 2022 and the first half of 2023 including:

- Complete the new separator for cement mill number 1 to increase slag content and cement production and to reduce electricity consumption
- Start the new separator for cement mill number 2
- Crane revamping as maintenance capex
- Replacement of one reducer for cement mill as a key spare part
- Two new cement mill motors as key spare parts
- One new motor for preheater fan to reduce power consumption
- Raw mill 3 separator revamp to increase production of line 6
- Modifications to the line 6 preheater to increase production
- Software upgrades to the control system to prevent obsolescence
- Online monitoring of main stack emissions to improve ecology
- Upgraded bag filters to improve ecology

We have obtained additional subsidised loans of USD4.5 million in KZT at 6% and we will use them in 2022 mostly for the cement mill separators.





### Financial position: New debt has been limited to subsidised credit lines as interest rates in Kazakhstan have increased to 14% in 2022

During the year, our total loans outstanding were reduced from USD7 million to USD5.6 million, the majority of the loans have very favourable subsidised rates in KZT. The company ended the year with a net cash position of USD4.6 million, excluding IFRS 16 leases.

Long-term loans were reduced from USD2.4 million to USD1.9 million mostly due to repayment of subsidised loans.

Our short term loans and current part of the long term loans decreased from USD4.4 million in 2020 to USD3.6 million in 2021, while the cash position at the end of the year increased from USD8.2 million to USD10.1 million.

In 2021, finance costs decreased to USD1.09 million from USD1.25 million in 2020. Without operating lease interest of USD0.4 million under IFRS 16, the finance cost was USD0.7 million of which USD0.4 million was interest on loans.

The KZT had a stable year against the USD, it fluctuated between 417 and 437 KZT/USD suffering only a 3% devaluation against the USD year on year. This is quite a contrast with the situation experienced in 2020 and the beginning of 2022 with significant political instability in Kazakhstan in January and in the CIS region from February. The average rate for the year was 426.

We maintain short term credit lines available as stand by:

- KZT 1 billion short term in a government subsidised program in KZT at 6% p.a.
- KZT 2 billion from Halyk Bank at 6% p.a. in USD or 14% in KZT.
- KZT 0.9 billion from Altyn Bank at 14% p.a. in KZT.

Depreciation of property, plant and equipment increased slightly to USD7 million in 2021 due to the increased capex.

Steppe Cement's effective income tax rate was in line with the statutory rate of 20% in Kazakhstan.

**Javier del Ser Perez**  
Chief Executive Officer

### Effects of application of IFRS 16 in the accounts

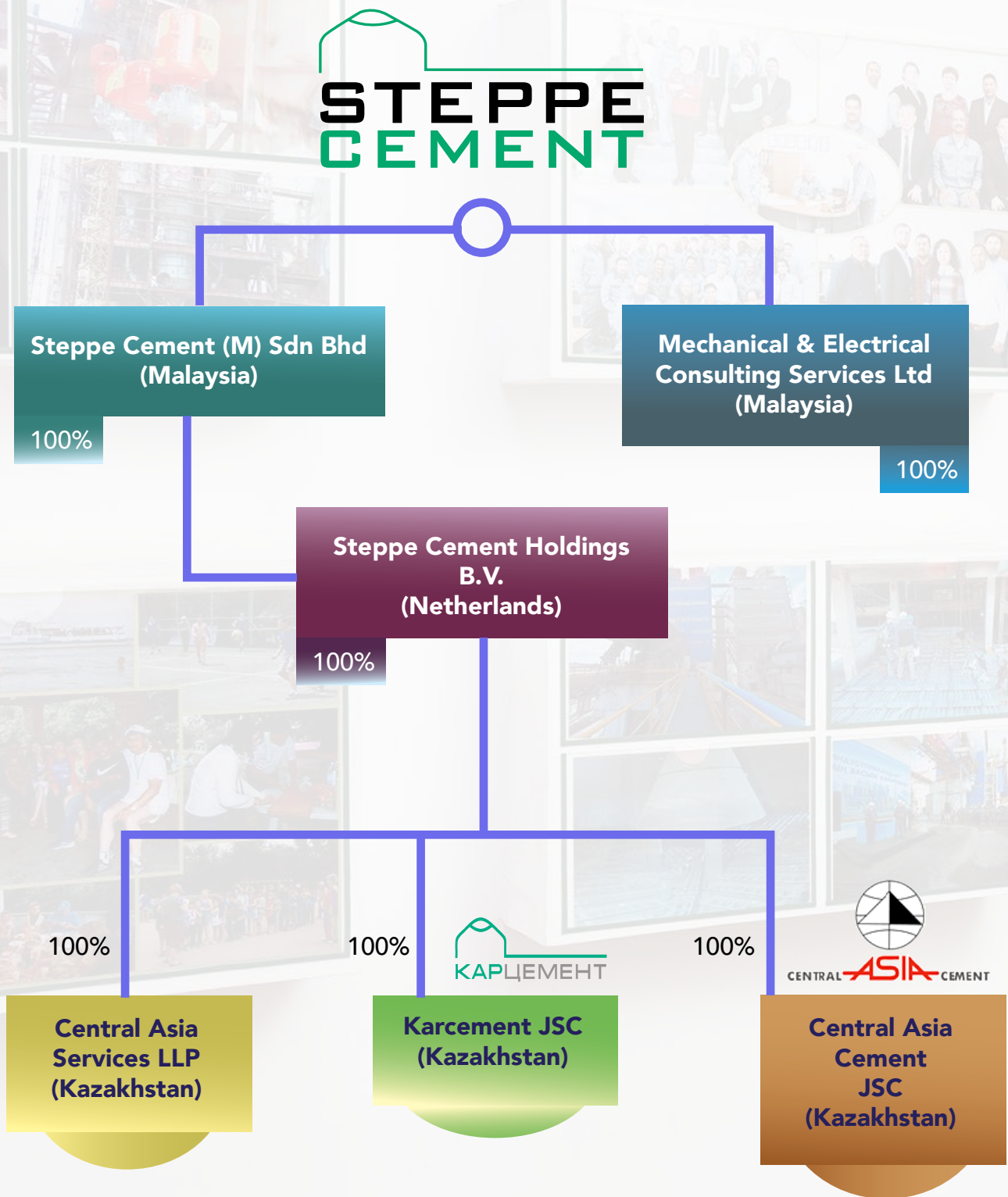
The application of IFRS 16 affects the accounting for the rental of wagons that Steppe Cement does not own. Some wagons were rented for three years and the last year is 2022. The accounting standard requires to account for a new non-current asset called right-of-use assets evaluated in 2021 at USD1.7 million vs USD3.5 million in 2020 (the lease contracts have already been accounted for two years). The amount will be nearly eliminated in 2022 unless the rental contracts are renewed on a multi year basis and it may increase again depending on the renewal terms. The corresponding entries in the liabilities are called lease liabilities of USD2 million in 2021 vs USD3.9 million in 2020.

The selling expenses have been reduced to USD12.3 million while the corresponding lease finance cost has been calculated at USD0.4 million increasing the financial expenses but less than in 2020 when they were increased by USD0.6 million.

Without IFRS 16 accounting, the finance expenses would have been USD0.7 million and the selling expenses USD13.6 million. Consequently, the profit before taxation has been increased by USD1million.

The EBITDA increased due to the recognition of the depreciation of right of use assets. Without this depreciation, the EBITDA for 2021 would have been USD29.8 million.

# Group Structure





# BOARD OF DIRECTORS

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**XAVIER BLUTEL**  
Non-Executive Director

Xavier Blutel, 67, is currently member of the Strategic Board of Wagram Corporate Finance and President and founding partner of SAS Baudrimont. Xavier Blutel spent 33 years as an international executive in capital intensive industries such as the cement industry, with Italcementi Group and Ciments Français Group, and the petrochemicals industry. Besides managing various operations in numerous countries, he was actively involved in screening approach, negotiation and integration of new acquisitions, disposals of non-core businesses and potential mergers. He also spent 6 years (2002-2007) in international lobbying and developed and implemented the Sustainable Development approach in Italcementi Group. He was formerly a director of Shymkent JSC and Beton ATA LLP from 2008 to 2013.



**JAVIER DEL SER PEREZ**  
Chief Executive Officer

Javier del Ser Perez, 56, 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, 51, 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.



**GAN CHEE LEONG**  
Alternate Director

Gan Chee Leong, 65, is currently the Executive Director of Mechanical and Electrical Consulting Services Ltd (MECS Ltd). He is a Chartered Accountant from England and Wales. He has about 27 years of experience in cement industry in various capacities. Gan joined CAC and Karcement in August 2004. He was the General Director of Karcement from 2007 till 2018. He held positions as Director of CAC and Karcement until 2018. After many years of service, Gan retired from full time engagement in Kazakhstan at end of 2018, but have retained his engagement on a part time basis in Kuala Lumpur. Since 2019, Gan is also a Director of Steppe Cement (M) Sdn Bhd in Malaysia. Gan Chee Leong is the Alternate Director to the Chief Executive Officer, Javier Del Ser Perez.



**CHARLIE TINGEY**  
Alternate Director

Charles Tingey, 46, is currently the Director of Partnerships, Asian Tour. He is responsible for all commercial matters pertaining to the Asian Tour alongside providing key strategic advice. He has over 20 years industry experience in professional sports event delivery, sports marketing & commercial sales, client servicing and government relationships. Charles Tingey is the Alternate Director to the Independent Non-Executive Director, Rupert Wood.

# Senior Management



MANAGEMENT AND STAFF OF

## CENTRAL ASIA CEMENT JSC

### **Peter Durnev, General Director**

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.

### **Derek Kuan Boon San, Finance Director**

Derek Kuan is a member of Malaysian Institute of Certified Public Accountants (MICPA). His expertise encompasses audit, financial reporting, internal control procedures, corporate finance and investment evaluation.

### **Zilya Khasanova, Chief Accountant**

She holds a bachelor degree in accounting and audit from the Karagandy Economical University of Kazpotrebsouz and has worked for 32 years in the cement industry.

### **Irina Poluychik, Personnel Manager**

An economist by qualification. She specialises in human resources matters. She has been with CAC for 37 years.



## MANAGEMENT AND STAFF OF

# KARCEMENT JSC

### **George Rozario Ramesh, General Director**

A Mechanical Engineer by profession with a Master degree in Business Management (Finance & Marketing) from India. He has about 30 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 modernisation 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 optimisation. 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 optimisation of 1 MTPA plant. Apart from maintenance he has expertise in production and process optimisation.

### **Gottapu Nageswara Rao, Head of Production, Processes and Quality Assurance**

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.

### **Veronica Kuznetsova, Legal Department Chief**

A graduate from the Legal Academy of Kazakhstan with a Master's Degree in Law. She joined CAC in 2005 as a Lawyer. In 2007 she was transferred to Karcement and from 2010, she was appointed Chief of the Legal Department.

### **Lidiya Timoshenko, Chief Accountant**

Graduated from Karaganda State Industrial University with a bachelor's degree in accounting and auditing. 18 years of experience as an accountant in the manufacturing sector. She has been working in JSC Karcement for 7 years.

# Chairman Statement on Governance

We are pleased to present our 2021 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

The structured process presented in 2020 to ensure proper Governance was rolled out and carefully monitored in a heavily constrained context.

With the ongoing restrictions imposed for health reasons, the Board of Directors and some expatriate managers remained physically distant from the operations on the ground, a vigorous real-life test of this Governance process.

It did work as well as could be expected. However weaker points in this difficult environment were identified and corrected: Whilst it appeared productive enough to hold Board meetings involving the management from a distance via videoconferencing, operational management must be ensured onsite: we had to realise that, in the absence of senior expatriate technical managers, the continuous production process was running smoothly ... until, on one occasion, our first line technical staff could not readjust their parameters adequately to cope with unusually high production levels. The broad experience and the theoretical knowledge were missing, and in one instance proper instructions arrived only after the damage. This translated into losses of production and higher maintenance costs.

This was corrected. Since then, recruitment of local talent and development of junior managers were successfully completed. The company has now replaced three Indian expatriates with local engineers who can react and liaise quickly with George Ramesh, the technical manager, even when he cannot be onsite. The first quarter of 2022 shows very positive achievements in this respect.

The Board held five formal meetings and was able to work adequately despite the impossibility to spend time in the factory. Several informal meetings were also held by phone to solve urgent matters. Statutory physical meetings in Malaysia were held with alternate directors and this will probably no longer be needed in 2022 with more relaxed travel rules. The Audit Committee was particularly active and had numerous exchanges with the factory and the external Auditors.

The overall environment requested substantial reviews by the three Board Committees who met after each Board Meeting, and on several other occasions for the Audit Committee.

**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;
- approval of Group's operational and capital budgets;
- approval of major contracts, capital expenditure, acquisitions and disposals;



# Corporate Governance

- 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 competitive in attracting, retaining and motivating

# Corporate Governance

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 2021, 5 board meetings were held.

The following is the attendance record of the directors:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Xavier Blutel (Non-Executive Chairman)	5	4	4	4
Javier Del Ser Perez (Chief Executive Officer)	4	N/A	N/A	4
Rupert Wood (Non-Executive Director)	4	4	4	4
Gan Chee Leong (Alternate Director to Javier Del Ser Perez)	1	-	-	-
Charlie Tingey (Alternate Director to Rupert Wood)	1	-	-	-

Committee meetings are held concurrently with the board meetings.

## Nomination Committee

The Committee comprises of majority independent Non-Executive Directors. The Terms of Reference of the Nomination Committee was approved by the Board. The Nomination Committee meets at least once a year.

The Nomination Committee's members comprise:

1. Rupert Wood (Chairman)
2. Javier Del Ser Perez
3. Xavier Blutel

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

The functions of the Nomination Committee include:

- Review annually the structure, size and composition of the Board taking into account the Group's strategies;



# Corporate Governance

- 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.

1. The Audit Committee's members comprise:
2. Rupert Wood (Chairman)
3. Xavier Blutel

## BUSINESS CONDUCT AND ETHICS

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

# Corporate Governance

## 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 2021

Dear Shareholder

2021 saw a certain number of management changes, with the recently recruited Head of Internal Audit departing in H1 2021, the Chief Accountant leaving at the end of 2021 and a new hire in production (a Kazakh National) deciding not to stay. The Committee, and the Board, have been looking at strengthening the resilience of the management team, after several of our expat managers were stuck abroad or preferred to remain away during the pandemic. These efforts continue. The positions mentioned above have been filled internally or are the subject of search presently.

We also were notified at the end of the year that Derek Kuan Boon San had decided to return to Malaysia for personal reasons. We are saddened to see him leave but wish him the best and offer our thanks for his hard work in challenging times. The Board is in the process of recruiting his successor.

At the Board level, during 2021 we maintained the Alternate Director status for Gan Chee Leong and Charlie Tingey to stand in for Javier del Ser and myself at physical Board Meetings, required at least once annually by Malaysian law, and thank them for their assistance. Now that travel restrictions have eased, the Nomination Committee recommended to the Board that the Alternate Directors should no longer be necessary, and hence should be thanked for their service and will be stepping down at the close of the AGM.

The Board also recently received a letter from the Company's largest shareholder representing some 31% of the Company, Azmi Wan Hamzah, to formally request the appointment of his son, Affan Wan Azmi to the Board as the family representative. The Nomination Committee considered the balance of Independent Directors against Non-Independent Directors on the Board, and has resolved that the Chairman will retain a casting vote in the case of any deadlock on the Board. Affan's nomination as a Director is hereby put to the shareholders as a resolution at the AGM for your approval.

Rupert Wood  
Nomination Committee Chairman

# Remuneration Committee Report 2021

The Remuneration Committee reviewed the salaries proposed by the CEO for new hires of engineers and key managers. After 2021, it approved in early 2022 the significant increases of the lowest salaries requested by workers against industry references provided by public sources and local authorities. It also benchmarked and reviewed Directors' fees, referencing independent blue chip surveys such as the KPMG's Report on AIM Listed Companies.

With a view to maintaining cost efficiency, Directors' fees have been kept at the same level for over ten years and are now at the bottom of the reference range for companies by both market capitalisation and turnover.

Taking this into consideration, the Committee recommended to the Board that Directors' fees would remain unchanged, but that the Chairman of the Board's remuneration would be raised to USD50,000 and that the Chairman of the Audit Committee would receive USD10,000, from January 1st 2022, reflecting the changing landscape of Board Governance

Xavier Blutel  
Remuneration Committee Chairman



# Audit Committee Report 2021

Dear Shareholder

Throughout 2021 the Audit Committee continued to meet alongside regular Board Meetings, as well as separately, especially around the External Audit, where again the Committee held calls with Deloitte to set the terms of reference for the Audit, review its progress and hear the results and comments. We are pleased to report that no material matters have been raised and the audit process was completed smoothly.

During the course of 2021 the Committee renewed its search for a replacement to the Head of Internal Audit position, and identified a candidate locally in Kazakhstan who seemed to fit the bill. The process took some time with the travel restrictions in place and unfortunately the candidate fell through. We have now identified two other candidates and are in the process of interviewing them with a view to completing the process in the near future. We view the role of Internal Audit as integral to the 3 lines of defence and the proper functioning of independence and management accountability and look forward to having positive news to report next year.

At the end of 2021, the Company's Finance Director, Derek Kuan Boon San, indicated that he would like to return to Malaysia for personal reasons. He offered to stay with the Company through the completion of the 2021 Audit, and to conduct a handover to his replacement. We wish him well and thank him for his hard work and service to the company, particularly at such a challenging time during the pandemic.

The Chief Accountant of Karcement, Yulia Vladislavovna Tkachenko, also took another offer and left the company at the end of 2021, after seven years with the company. She was replaced internally by Lidiya Timoshenko who has been with the company since 2015.

Zilya Hasanova is the chief accountant of Central Asia Cement and has been with the company since 1990.

During the course of 2021 the Committee discussed the possibility of re-tendering the role of External Auditor. The Company has been happy with Deloitte, who has been your Company's Auditor since the IPO in 2005, some 17 years, but it was felt that the possibility of a rotation should be considered. However, with the resignation of the Finance Director the Committee decided to delay any tender until next year. Change is often a positive, but too much too fast can be unnecessarily problematic.

Rupert Wood  
Audit Committee Chairman



**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
**(In United States Dollar)**





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# INDEPENDENT AUDITORS' REPORT

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of STEPPE CEMENT LTD (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position as of 31 December 2021 of the Group and of the Company, 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 104.

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 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

### 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 Matter

Key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the Group and of the Company for the current year. This matter was 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><b>Revenue recognition</b></p> <p>As of 31 December 2021, revenue from sale of cements amounts to USD84,567,571, which represented 99.9% of the Group's revenue.</p> <p>Revenue recognition is significant to our audit as the Group might have inappropriately accounted the revenue in advance during this economic downturn caused by the Covid-19 pandemic.</p> <p>Refer to revenue accounting policy in Note 3 and 4 to the Financial Statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We have reviewed the terms and conditions of significant sale transactions to ensure that revenue is recognised in accordance with Group's accounting policy and the requirements of IFRS 15 Revenue from Contracts with Customers.</li> <li>• We have obtained an understanding of the relevant controls put in place by the Group in respect of revenue recognition and performed procedures to evaluate the design and implementation and operating effectiveness of such controls.</li> <li>• Performed statistical sampling test of details on revenue and one month cut-off review to ensure the sales are valid and recorded in the correct accounting period.</li> <li>• Reviewed the reconciliations and adjustments to revenue, if any and any unusual credit memo with significant amounts issued during the year and subsequent year.</li> <li>• Performed gross profit margin analysis.</li> </ul>

We have not identified any key audit matter pertaining to the financial statements of the Company for the year ended 31 December 2021.

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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



# INDEPENDENT AUDITORS' REPORT

## 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. 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)

WONG KING YU  
Partner - 03194/06/2023 J  
Chartered Accountant

Labuan

# STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	The Group		The Company	
		2021 USD	2020 USD	2021 USD	2020 USD
Revenue	4	84,578,739	74,774,297	1,469,264	10,796,326
Cost of sales		(44,834,182)	(42,439,633)	-	-
Gross profit		39,744,557	32,334,664	1,469,264	10,796,326
Selling expenses		(12,264,221)	(12,966,168)	-	-
General and administrative expenses		(6,761,722)	(6,225,928)	(324,207)	(311,871)
Interest income		401,619	199,332	-	934
Finance costs	5	(1,090,949)	(1,249,051)	-	-
Net foreign exchange loss	6	(227,951)	(808,977)	(825)	(3,981)
Other income, net		1,616,216	1,817,314	112,940	82,507
Profit before income tax	7	21,417,549	13,101,186	1,257,172	10,563,915
Income tax expense	8	(4,352,182)	(1,983,727)	-	-
Profit for the year		17,065,367	11,117,459	1,257,172	10,563,915
Attributable to shareholders of the Company		17,065,367	11,117,459	1,257,172	10,563,915
Earnings per share:					
Basic and diluted (cents)	9	7.8	5.1		

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



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Profit for the year	17,065,367	11,117,459	1,257,172	10,563,915
Other comprehensive (loss)/income:				
<i>Items that may not be reclassified subsequently to profit or loss:</i>				
Revaluation gain on property, plant and equipment, net of tax	-	760,291	-	-
Gain on recovery of impaired as- sets	15,373	-	-	-
Increase in provision for site restoration	(23,611)	(74,671)	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising from translation of foreign operations	(1,923,738)	(5,228,388)	-	-
Total other comprehensive loss	(1,931,976)	(4,542,768)	-	-
Total comprehensive income for the year	15,133,391	6,574,691	1,257,172	10,563,915
Attributable to the shareholders of the Company	15,133,391	6,574,691	1,257,172	10,563,915

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

# STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2021

		The Group		The Company	
	Note	2021	2020	2021	2020
		USD	USD	USD	USD
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	10	48,437,801	48,856,410	-	-
Right-of-use assets	11	1,700,510	3,483,259	-	-
Investment in subsidiary companies	12	-	-	36,199,599	36,294,519
Loans to subsidiary company	27	-	-	30,080,000	30,110,000
Other assets	13	155,132	1,900,656	-	-
<b>Total Non-Current Assets</b>		<b>50,293,443</b>	<b>54,240,325</b>	<b>66,279,599</b>	<b>66,404,519</b>
<b>Current Assets</b>					
Inventories	14	16,023,541	12,367,557	-	-
Trade and other receivables	15	1,751,720	1,910,839	1,724,364	6,775,995
Other assets	13	2,258,501	726,517	-	-
Income tax recoverable		911,395	1,435,100	-	-
Loans and advances to subsidiary companies	27	-	-	49,536	39,712
Advances and prepaid expenses	16	5,233,894	2,374,094	4,971	5,848
Cash and cash equivalents	17	10,136,022	8,213,680	614,225	1,352,950
<b>Total Current Assets</b>		<b>36,315,073</b>	<b>27,027,787</b>	<b>2,393,096</b>	<b>8,174,505</b>
<b>Total Assets</b>		<b>86,608,516</b>	<b>81,268,112</b>	<b>68,672,695</b>	<b>74,579,024</b>

# STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2021

	Note	The Group		The Company	
		2021 USD	2020 USD	2021 USD	2020 USD
<b>Equity and Liabilities</b>					
<b>Capital and Reserves</b>					
Share capital	18	73,760,924	73,760,924	73,760,924	73,760,924
Revaluation reserve	19	2,068,114	2,370,706	-	-
Translation reserve	19	(120,438,082)	(118,514,344)	-	-
Retained earnings/ (Accumulated losses)	19	110,190,323	100,325,002	(5,605,876)	631,352
<b>Total Equity</b>		<b>65,581,279</b>	<b>57,942,288</b>	<b>68,155,048</b>	<b>74,392,276</b>
<b>Non-Current Liabilities</b>					
Borrowings	20	1,941,383	2,368,296	-	-
Lease liabilities	21	8,571	2,076,668	-	-
Deferred taxes	22	4,318,652	4,559,927	-	-
Deferred income	23	1,588,098	1,492,432	-	-
Provision for site restoration		180,314	150,878	-	-
<b>Total Non-Current Liabilities</b>		<b>8,037,018</b>	<b>10,648,201</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade and other payables	24	5,061,705	4,075,078	-	-
Accrued and other liabilities	25	1,552,778	1,531,039	227,897	186,748
Amount owing to a subsidiary company	27	-	-	289,750	-
Borrowings	20	3,614,801	4,429,053	-	-
Lease liabilities	21	2,017,879	1,830,755	-	-
Deferred income	23	103,720	106,420	-	-
Taxes payable	26	639,336	705,278	-	-
<b>Total Current Liabilities</b>		<b>12,990,219</b>	<b>12,677,623</b>	<b>517,647</b>	<b>186,748</b>
<b>Total Liabilities</b>		<b>21,027,237</b>	<b>23,325,824</b>	<b>517,647</b>	<b>186,748</b>
<b>Total Equity and Liabilities</b>		<b>86,608,516</b>	<b>81,268,112</b>	<b>68,672,695</b>	<b>74,579,024</b>

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



# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

The Group	← Non-distributable →		Distributable		Net* USD
	Share capital USD	Revaluation reserve USD	Translation reserve USD	Retained earnings USD	
<b>As of 1 January 2021</b>	73,760,924	2,370,706	(118,514,344)	100,325,002	57,942,288
Profit for the year	-	-	-	17,065,367	17,065,367
Other comprehensive loss	-	(8,238)	(1,923,738)	-	(1,931,976)
Total comprehensive income for the year	-	(8,238)	(1,923,738)	17,065,367	15,133,391
Other transactions impacting equity:					
Dividends paid (Note 19)	-	-	-	(7,494,400)	(7,494,400)
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(294,354)	-	294,354	-
<b>As of 31 December 2021</b>	73,760,924	2,068,114	(120,438,082)	110,190,323	65,581,279

\* Attributable to the shareholders of the Company

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

The Group	Non-distributable		Distributable		Net*
	Share capital USD	Revaluation reserve USD	Translation reserve USD	Retained earnings USD	
<b>As of 1 January 2020</b>	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 gain/(loss)	-	685,620	(5,228,388)	-	(4,542,768)
Total comprehensive income 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	-
<b>As of 31 December 2020</b>	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 2021

The Company	Share Capital	(Accumulated losses)/ Distributable Retained earnings	Total
	USD	USD	USD
<b>As of 1 January 2021</b>	73,760,924	631,352	74,392,276
Total comprehensive income for the year	-	1,257,172	1,257,172
Dividends paid (Note 19)	-	(7,494,400)	(7,494,400)
<b>As of 31 December 2021</b>	73,760,924	(5,605,876)	68,155,048
<b>As of 1 January 2020</b>	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)
<b>As of 31 December 2020</b>	73,760,924	631,352	74,392,276

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



# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
<b>CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES</b>				
Profit before income tax	21,417,549	13,101,186	1,257,172	10,563,915
Adjustments for:				
Depreciation of property, plant and equipment	7,039,116	6,873,876	-	-
Depreciation of right-of-use assets	1,716,748	2,116,952	-	-
Dividend income	-	-	-	(9,441,251)
Loss on disposal of property, plant and equipment	-	26,546	-	-
Interest income	(401,619)	(199,332)	(1,469,264)	(1,356,009)
Finance costs	1,090,949	1,249,051	-	-
Net unrealised foreign exchange loss	227,951	702,427	-	-
Provision for obsolete inventories	142,387	100,475	-	-
Credit loss allowance for doubtful receivables	594,901	813,812	-	-
Allowance for advances paid to third parties	11,676	69,152	-	-
Reversal of provision for obsolete inventories	-	(170,345)	-	-
Deferred income	(105,947)	(108,310)	-	-
Bad debts recovered	(769,654)	-	-	-
Operating cash flows before movements in working capital	30,964,057	24,575,490	(212,092)	(233,345)
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(6,054,197)	(3,817,367)	-	-
Trade and other receivables	302,194	2,578,712	(90,000)	-
Loans and advances to subsidiary companies	-	-	20,176	(76,385)
Advances, prepaid expenses and other assets	(2,820,912)	487,543	877	10,096

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
(Decrease)/Increase in:				
Trade and other payables	659,458	(1,538,598)	-	-
Accrued and other liabilities	54,890	449,819	41,149	30,925
Cash Generated From/(Used In) Operations	23,105,490	22,735,599	(239,890)	(268,709)
Income tax paid	(3,985,384)	(2,925,488)	-	-
Net Cash From/(Used In) Operating Activities	19,120,106	19,810,111	(239,890)	(268,709)
<b>CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(6,215,744)	(3,108,678)	-	-
Contribution to site restoration fund	(18,414)	(33,825)	-	-
Proceeds from disposal of property, plant and equipment	118,234	134,630	-	-
Dividends received from subsidiary	-	-	6,610,895	11,509,326
Interest received	401,619	199,332	-	1,359,861
Net Cash (Used In)/From Investing Activities	(5,714,305)	(2,808,541)	6,610,895	12,869,187

# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
<b>CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES</b>				
Advance from a subsidiary company	-	-	289,750	-
Return of net investment from a subsidiary company	-	-	94,920	-
Proceeds from borrowings*	5,502,753	7,414,558	-	-
Repayment of borrowings*	(6,345,979)	(9,657,053)	-	-
Repayment of lease liabilities*	(1,805,362)	(2,014,790)	-	-
Dividends paid	(7,494,400)	(11,509,326)	(7,494,400)	(11,509,326)
Interest paid	(1,081,123)	(1,240,129)	-	-
Net Cash Used In Financing Activities	(11,224,111)	(17,006,740)	(7,109,730)	(11,509,326)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,181,690	(5,170)	(738,725)	1,091,152
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES</b>	(259,348)	(795,510)	-	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	8,213,680	9,014,360	1,352,950	261,798
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)</b>	10,136,022	8,213,680	614,225	1,352,950



# STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Opening balance	Financing cash flows	Non-cash movements <sup>[1]</sup>	Closing balance
	USD	USD	USD	USD
<b>2021</b>				
Borrowings (Note 20)	6,797,349	(843,226)	(397,939)	5,556,184
Lease liabilities (Note 21)	3,907,423	(1,805,362)	(75,611)	2,026,450
<b>2020</b>				
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

[1] Non-cash movements primarily relates to foreign currency exchange differences, accrued interests and deferred income.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL INFORMATION

Steppe Cement Ltd (the “Company”) is a limited liability company incorporated in Malaysia. The Company’s registered office and principal place of business 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 information on the name, place of incorporation, principal place of operation, principal activities and proportion of ownership interest and voting interest held by the holding company in each subsidiary is as 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 2022.

## 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 2021.

Amendments to IFRS 9, IAS 139, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform - Phase 2
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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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## *New and amendments to IFRS in issue but not yet effective*

Amendments to IFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 <sup>2</sup>
Amendments to IFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 137	Onerous Contracts - Costs of Fulfilling a Contract <sup>2</sup>
IFRS 17	Insurance Contracts <sup>3</sup>
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to IFRS 17	Insurance Contracts <sup>3</sup>
Amendments to IFRS 17	Initial application of IFRS 17 and IFRS 9 - Comparative Information <sup>3</sup>
Amendments to IAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

- 1 Effective for annual periods beginning on or after 1 April 2021, with earlier application permitted.
- 2 Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
- 3 Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
- 4 Effective date yet 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 2021

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses and each component of the other comprehensive income of a subsidiary company are included in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income respectively from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies to be in line with those used by other subsidiary companies of the Group.

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

## **Changes in the Group's ownership interests in existing subsidiary companies**

Changes in the Group's ownership interests in subsidiary companies that do not result in the Group losing control over the subsidiary companies are accounted for as equity transactions. The carrying amounts of the Group's interests are adjusted to reflect the changes in their relative interests in the subsidiary companies.

When the Group loses control of a subsidiary company, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary company. All amounts previously recognised in other comprehensive income in relation to that subsidiary company are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary company (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary company at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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.

### 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, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 subsidiaries, Karcement JSC and Central Asia Cement JSC ("CAC JSC"), is the Kazakhstan Tenge ("KZT").

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary item and on the retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary item in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purposes of presenting financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in USD using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average rates at the dates of the transactions. Exchange differences arising on a monetary item that represents a net investment in a foreign operation, if any, are recorded in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

Goodwill (if any) and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal closing rates used in translation of foreign currency amounts are as follows:

	2021	2020
	USD	USD
1 Sterling Pound ("GBP")	1.3477	1.3649
1 Euro ("EUR")	1.1370	1.2216
1 Ringgit Malaysia ("MYR")	0.2395	0.2489
1 Russian Ruble ("RUB")	0.0133	0.0135
	KZT	KZT
1 USD	431.67	420.71

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## Employee benefits

### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

### (ii) Defined contributions plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the period in which the related service is performed.

### (iii) Retirement Benefit Costs

In accordance with the requirements of the legislation of the country in which the subsidiaries (CAC JSC and Karcement JSC) operate, the subsidiaries withholds amounts of pension contributions (a defined contribution plan) equivalent to 10% of each employee's wage, but not more than KZT 212,500 (USD499) per month per employee (2020: USD515) 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 subsidiaries (CAC JSC and Karcement JSC) do not have any pension arrangements separate from the state pension system of the countries. In addition, the Group has no post-retirement benefits or other significant compensation benefits requiring accrual.

## Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax and is calculated in accordance with tax legislation applicable to the respective jurisdiction and based on the operating results for the year after adjustments for amounts which are non-taxable or non-deductible for tax purposes.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or to settle the carrying amount of its assets and liabilities. Deferred tax is charged or is credited to profit or loss, except when it is related to items that are recognised outside profit or loss (whether in other comprehensive income or charged or credited directly to equity), in which case the deferred tax is also dealt with outside profit or loss, or where they arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary companies, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Leases

### *The Group 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 comprises 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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 'Impairment of tangible assets'.

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

## *The Group as lessor*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## *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.

Freehold land and land improvement with indefinite useful lives are not depreciated.

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.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and construction in progress) less their residual values over their useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings	25 years
Machinery and equipment	14 years
Railway wagons	20 years
Other assets	5 - 10 years

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

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

## *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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. The quarry stripping costs are included in "Property, Plant and Equipment".

### (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 2021

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## Contingent Liabilities

Contingent liabilities are not recognised in these financial statements, except for liabilities on which there are probable outflows of resources, needed for settlement of the liabilities and which can be measured reliably.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

## (ii) Impairment of financial assets

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

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

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

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

### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument as of the end of the reporting period with the risk of a default occurring on the financial instrument as of 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

# NOTES TO THE FINANCIAL STATEMENTS

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its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

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

## *Definition of default*

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

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

## *Credit-impaired financial assets*

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

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

## *Write off policy*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## *Measurement and recognition of expected credit losses*

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

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

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

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

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

### (iii) **Financial liabilities at amortised costs**

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

## **Borrowing Costs**

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

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

## **Statements of Cash Flows**

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 judgement and 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.

### (a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

#### Lease term in contracts with an option to extend

The Group defines a lease term as a non-cancellable lease period, together with periods for which there is an option to extend if the reasonably certain to exercise that option, or periods for which there is an option to determine the lease if the lessee is reasonably certain not to exercise that option.

Under certain lease agreements, the Group has an option to extend the lease for additional period. The Group uses judgement to determine whether there it is reasonable certain that it will exercise this option to extend or not. At the same time, it takes into account all relevant factors that give rise to an economic incentive or cost to exercise the option to extend the lease.

The Group has taken into account the periods for which an extension options is available when determining the lease term for office or other premises to accommodate communications equipment in view of the significance of these assets for operating activities. These leases are short-term, subject to early termination (from one to six months), and the ability to easily replace these assets will not have a significant impact on the production process. Most of the contracts are concluded for one year without the right to prolongation.

### (b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

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As of 31 December 2021, the directors consider that the carrying amount of the land and buildings is reflective of the fair values of these assets.

## Useful lives of property, plant and equipment

As described in Note 3, the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Estimation of the asset's useful life depends on factors such as economic exploitation, repair and maintenance programs, technological improvements and other business conditions. Management's estimation of the useful lives of property, plant and equipment reflects the relevant information available at the date of the financial statements.

## Taxes receivable, other than income tax

Current taxes receivable, other than income tax represents Value Added Tax ("VAT") receivable. Using the management estimate the Group determines whether VAT receivable is recoverable at least on an annual basis.

On the basis of the model for determining future revenues and expenses expected to be received and accrued by the Group which are subject to VAT, the Group determined that the VAT will be fully offset against VAT charges to be paid by decreasing the cost of raw materials purchased from a subsidiary (Karcement JSC) and maintaining the same level of sales and production.

## 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 2021, loss allowance for doubtful trade receivables amounted to USD1,233,713 (2020: USD1,340,469) (Note 15) and on advances paid to third parties amounted to USD127,706 (2020: USD119,054) (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 2021, provision for obsolete and slow-moving inventories amounted to USD2,014,636 (2020: USD1,921,024) (Note 14).

## Provision for site restoration

The Company's subsidiary (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 on 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% (2020: 13%) is used as it reflects current market assessment of the time value of money and the risk specific to site restoration obligation.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. REVENUE

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

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Sale of cement	84,567,571	74,762,650	-	-
Transmission and distribution of electricity	11,168	11,647	-	-
Dividend income	-	-	-	9,441,251
Net interest income	-	-	1,469,264	1,355,075
Total	84,578,739	74,774,297	1,469,264	10,796,326

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	
	2021	2020	2021	2020
	USD	USD	USD	USD
Interest expenses on:				
- Bank loans	395,338	398,540	-	-
- Lease liabilities	376,590	631,442	-	-
Unwinding of discount on provision for site restoration	9,826	8,922	-	-
Others	309,195	210,147	-	-
Total	1,090,949	1,249,051	-	-

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

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## 6. NET FOREIGN EXCHANGE LOSS

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Net foreign exchange loss	(227,951)	(808,977)	(825)	(3,981)

## 7. PROFIT BEFORE INCOME TAX

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

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Reversal of provision for obsolete inventories	-	170,345	-	-
Amortisation of deferred income	105,947	108,310	-	-
Rental income	543,687	691,896	-	-
Bad debts recovered	769,654	-	-	-
Allowance for advances paid to third parties	(11,676)	(69,152)	-	-
Credit loss allowance for doubtful receivables	(594,901)	(813,812)	-	-
Depreciation of property, plant and equipment	(7,039,116)	(6,873,876)	-	-
Employee benefit expenses	(5,683,931)	(4,874,390)	(15,270)	(14,307)
Depreciation of right-of-use assets	(1,716,748)	(2,116,952)	-	-
Loss on disposal of property, plant and equipment	-	(26,546)	-	-
Provision for obsolete inventories	(142,387)	(100,475)	-	-

Employee benefit expenses include contributions paid by the Group and the Company to defined contribution plans amounting to USD468,596 (2020: USD471,933) and USD3,175 (2020: USD2,986) respectively.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 8. INCOME TAX EXPENSE

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Income tax - current year				
- current year	4,430,049	1,771,721	-	-
- prior year	-	27,291	-	-
Deferred tax (Note 22)	(77,867)	184,715	-	-
Total	4,352,182	1,983,727	-	-

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% (2020: 20%), and Malaysian and Netherland subsidiaries are subject to statutory tax rates of 24% (2020: 24%) and 25% (2020: 25%) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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	
	2021 USD	2020 USD	2021 USD	2020 USD
Profit before income tax	21,417,549	13,101,186	1,257,172	10,563,915
Tax expense calculated at domestic tax rates applicable to the respective jurisdictions	3,866,089	2,517,693	-	-
Tax effects of expenses not deductible for tax purposes	444,423	303,160	-	-
Utilisation of deferred tax assets previously not recognised	-	(899,336)	-	-
Effect of unused tax losses not recognised as deferred tax assets	41,670	34,919	-	-
Income tax - prior year	-	27,291	-	-
Income tax expense	4,352,182	1,983,727	-	-

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 2021

## 9. EARNINGS PER SHARE

### Basic and diluted

	The Group	
	2021	2020
	USD	USD
Profit attributable to ordinary shareholders	17,065,367	11,117,459
	<b>2021</b>	<b>2020</b>
Number of ordinary shares in issue at beginning and at end of year	219,000,000	219,000,000
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares in issue	219,000,000	219,000,000
	<b>2021</b>	<b>2020</b>
Earnings per share, basic and diluted (cents)	7.8	5.1

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

There are no dilutive instruments outstanding for the years ended 31 December 2021 and 2020.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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	
<b>Cost/Valuation</b>																	
At 1 January 2020	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									
Additions	6,140	350,799	502,904	-	330,870	1,704,529	3,320,502	6,215,744									
Transfers	-	1,738,343	2,821,073	51,917	(1,152,234)	(3,600,132)	141,033	-									
Disposals	(2,216)	(20,604)	(50,821)	-	-	(36,068)	(193,278)	(302,987)									
Reclassification from inventories	-	-	149,755	-	736,827	859,044	141,744	1,887,370									
Exchange differences	(45,014)	(526,994)	(2,228,100)	(166,005)	(57,776)	(57,428)	(262,646)	(3,343,963)									
At 31 December 2021	1,729,880	21,232,874	66,115,168	6,397,459	2,231,109	1,629,636	11,736,443	111,072,569									



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2020	-	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 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
Charge for the year	-	1,256,746	4,720,310	322,728	-	-	739,332	7,039,116
Disposals	-	(7,880)	(38,401)	-	-	-	(138,472)	(184,753)
Exchange differences	-	(381,587)	(1,411,899)	(57,468)	-	-	(128,636)	(1,979,590)
At 31 December 2021	-	15,253,487	39,789,392	2,362,571	-	-	5,229,318	62,634,768
<b>Net Book Value</b>								
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 2021	1,729,880	5,979,387	26,325,776	4,034,888	2,231,109	1,629,636	6,507,125	48,437,801

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

There was no valuation carried out in 2021. 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 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.

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.

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 USD7,709,267 as of 31 December 2021 (2020: USD7,076,092). 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.

At each year end the directors:

- verifies all major inputs to the independent valuation reports;
- assess property valuation movements compared to the prior year valuation reports.

The directors are of the opinion that the carrying amounts of the land and buildings as of 31 December 2021 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	
	2021	2020
	USD	USD
Land	187,556	192,442
Buildings	347,260	490,786

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 of 31 December 2021, property, plant and equipment of a subsidiary companies with a cost and net book value of USD6,696,409 and USD3,646,621 (2020: USD6,060,992 and USD3,162,045) respectively are pledged as collateral for the government-subsidised loan (Note 20).

As of 31 December 2021, the cost of property, plant and equipment that is fully depreciated amounted to USD2,302,476 (2020: USD1,910,273).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 11. RIGHT-OF-USE ASSETS

	The Group		Total USD
	Railway wagons USD	Buildings USD	
<b>Cost</b>			
At 1 January 2020	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
Exchange differences	(193,250)	(808)	(194,058)
At 31 December 2021	7,418,120	31,005	7,449,125
<b>Accumulated depreciation</b>			
At 1 January 2020	(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)
Charge for the year	(1,709,838)	(6,910)	(1,716,748)
Exchange differences	127,645	412	128,057
At 31 December 2021	(5,729,392)	(19,223)	(5,748,615)
<b>Carrying amount</b>			
At 31 December 2020	3,464,171	19,088	3,483,259
At 31 December 2021	1,688,728	11,782	1,700,510

	The Group	
	2021 USD	2020 USD
Amount recognised in profit or loss:		
Interest expense on lease liabilities	376,590	631,442
Expense relating to short-term leases	141,528	146,246
Income from sub-leasing of right-of-use assets	543,687	691,895
Total cash outflow for leases	1,779,793	2,100,583

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2021	2020
	USD	USD
Unquoted shares, at cost	40,199,600	40,199,600
Net investment in a subsidiary company	-	94,920
	40,199,600	40,294,520
Less: Accumulated impairment loss	(4,000,001)	(4,000,001)
Net	36,199,599	36,294,519

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. However, during the year the subsidiary has made full repayment of the net investment made by the Company of USD94,920 as well as advance to the Company of USD289,750 as disclosed in Note 27.

In year 2020, 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 2021

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
		2021	2020	
		%	%	
<b>Direct Subsidiary Companies</b>				
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
<b>Indirect Subsidiary Companies</b>				
<i>Held through SCM:</i>				
Steppe Cement Holdings B.V. ("SCH BV") *	Netherlands	100	100	Investment holding
<b>Indirect Subsidiary Companies</b>				
<i>Held through SCH BV:</i>				
Central Asia Cement JSC ("CAC JSC")	Republic of Kazakhstan	100	100	Production and sale of cement
Karcement JSC	Republic of Kazakhstan	100	100	Production and sale of clinker
Central Asia Services LLP ("CAS LLP")*	Republic of Kazakhstan	100	100	Transmission and distribution of electricity

\* The financial statements of this subsidiary company was not required to be audited.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 13. OTHER ASSETS

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
VAT recoverable - non-current	-	1,760,129	-	-
VAT recoverable - current	1,694,707	421,571	-	-
Site restoration fund	155,132	140,527	-	-
Others	563,794	304,946	-	-
	2,413,633	2,627,173	-	-
Less: non-current portion of other assets	(155,132)	(1,900,656)	-	-
Current portion of other assets	2,258,501	726,517	-	-

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 (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.

### *Site restoration costs*

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 2021

## 14. INVENTORIES

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Finished goods	2,703,439	3,130,122	-	-
Work-in-progress	2,725,988	1,669,353	-	-
Spare parts	7,016,904	5,025,089	-	-
Raw materials	1,476,806	2,248,630	-	-
Packing materials	636,875	648,128	-	-
Construction materials	6,215	43,983	-	-
Goods held for resale	37,573	38,551	-	-
Others	3,434,377	1,484,725	-	-
<b>Total</b>	<b>18,038,177</b>	<b>14,288,581</b>	<b>-</b>	<b>-</b>
Less: Provision for obsolete inventories	(2,014,636)	(1,921,024)	-	-
<b>Net</b>	<b>16,023,541</b>	<b>12,367,557</b>	<b>-</b>	<b>-</b>

The cost of inventories of the Group recognised as an expense during the financial year was USD44,834,182 (2020: USD42,439,633).

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

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
At beginning of year	(1,921,024)	(2,197,359)	-	-
Exchange differences	48,775	206,465	-	-
Provision for obsolete inventories	(142,387)	(100,475)	-	-
Reversal of provision for obsolete inventories	-	170,345	-	-
<b>At end of year</b>	<b>(2,014,636)</b>	<b>(1,921,024)</b>	<b>-</b>	<b>-</b>

As of 31 December 2021, inventories of USD4,297,227 (2020: USD4,729,702) were pledged to secure the Halyk Bank JSC working capital facilities (Note 20).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Trade receivables	2,392,267	2,849,499	-	-
Less: Loss allowances	(1,233,713)	(1,340,469)	-	-
Net	1,158,554	1,509,030	-	-
Other receivables:				
Receivables from employees	172,078	86,055	-	-
Others	421,088	315,754	-	-
Dividend receivable	-	-	-	6,610,895
Interest receivable	-	-	1,724,364	165,100
Total	1,751,720	1,910,839	1,724,364	6,775,995

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

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

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
At beginning of year	(1,340,469)	(626,053)	-	-
Exchange differences	34,034	52,573	-	-
Add: Impairment losses	(594,901)	(813,812)	-	-
Less: Write-offs	667,623	46,823	-	-
At end of year	(1,233,713)	(1,340,469)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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:

<b>The Group</b>				
<b>Days past due</b>	<b>Expected credit loss rate</b>	<b>Gross carrying amount at default</b>		<b>Lifetime ECL</b>
		<b>USD</b>		<b>USD</b>
<b>2021</b>				
Not past due	0%	751,507		-
1-90 days	5%	110,974		5,549
91-180 days	8%	173,246		13,860
181-270 days	22%	65,138		14,330
271-360 days	42%	13,550		5,691
1-2 years	62%	219,920		136,351
>2 years	100%	1,057,932		1,057,932
			<b>2,392,267</b>	<b>1,233,713</b>
<b>2020</b>				
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
			<b>2,849,499</b>	<b>1,340,469</b>

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.

There were staff loan and advances amounting to USD28,082 (2020: USD29,279) included in other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 16. ADVANCES AND PREPAID EXPENSES

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Advances paid to third parties	5,029,506	2,229,657	-	-
Less: Provision on advances paid to third parties	(127,706)	(119,054)	-	-
Net advances paid to third parties	4,901,800	2,110,603	-	-
Prepaid expenses	332,094	263,491	4,971	5,848
<b>Total</b>	<b>5,233,894</b>	<b>2,374,094</b>	<b>4,971</b>	<b>5,848</b>

Advances are mainly advances for materials and services.

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

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
At beginning of year	(119,054)	(334,454)	-	-
Exchange differences	3,024	31,423	-	-
Add: Allowance for advances paid to third parties	(11,676)	(69,152)	-	-
Less: Write-offs	-	253,129	-	-
<b>At end of year</b>	<b>(127,706)</b>	<b>(119,054)</b>	<b>-</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Cash in hand and at banks	1,142,923	5,984,116	614,225	1,352,950
Short-term deposits	8,993,099	2,229,564	-	-
Total	10,136,022	8,213,680	614,225	1,352,950

As of 31 December 2021, the Group had short-term deposits on demand in Halyk Bank JSC and Altyn Bank JSC at the interest rate of 7% and 8% per annum respectively.

## 18. SHARE CAPITAL

	The Group and the Company	
	2021	2020
	USD	USD

### Issued and fully paid:

219,000,000 ordinary shares of no par value each:

Year-end balance	73,760,924	73,760,924
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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 19. RESERVES

### Revaluation reserve

Revaluation reserve represents the reserve arising from the revaluation of land and buildings of subsidiaries (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. However, in the tabling of Budget 2022, the government had announced that foreign source income will be taxed from 1 January 2022. Subject to Inland Revenue Board criteria and guidelines, income tax exemption on dividends will be given to companies.

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

### Dividends paid

In 2020, the Company declared a first and final dividend of GBP0.03 per ordinary share of no par value each amounting to GBP6,570,000 (USD8,678,970) in respect of year ended 31 December 2019. The payment was made on 20 July 2020.

In 2020, the Company also declared an interim dividend of GBP0.01 amounting to GBP2,190,000 (USD2,830,356) in respect of year ended 31 December 2020. The payment was made on 5 November 2020.

In 2021, the Company declared a final dividend of GBP0.025 per ordinary share of no par value each amounting to GBP5,475,000 (USD7,494,400) in respect of the year ended 31 December 2020. The payment was made on 20 July 2021.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 20. BORROWINGS

	The Group	
	2021	2020
	USD	USD
<b>Secured - at amortised cost</b>		
Bank loans	5,566,184	6,797,349
Bank loans:		
Current	3,614,801	4,429,053
Non-current	1,941,383	2,368,296
	5,566,184	6,797,349

Details of bank loans are as follows:

	Currency	Maturity month	Interest rate	The Group	
				2021	2020
				USD	USD
Halyk Bank JSC for capital expenditure	KZT	August 2022	6% p.a.	145,296	448,551
	KZT	June 2025	6% p.a.	305,702	390,554
	KZT	September to November 2025	6% p.a.	747,024	1,048,718
	KZT	December 2027	6% p.a.	1,912,062	1,578,795
	KZT	December 2027	6% p.a.	127,850	-
Halyk Bank JSC for working capital	KZT	April 2021	6% p.a.	-	1,190,588
	KZT	June 2022	6% p.a.	2,317,370	-
Altyn Bank JSC for working capital	KZT	June 2021	12% p.a.	-	2,139,241
Accrued interest				880	902
Total outstanding				5,556,184	6,797,349

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## Halyk Bank JSC capital expenditure facilities

On 17 July 2017, the subsidiary (CAC JSC) signed a loan agreement with Halyk Bank JSC on terms subsidised under government programs. The loan of KZT580 million (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 USD3,646,621 (2020: USD3,162,045) (Note 10). No further amounts are available for drawdown from this facility.

On 29 December 2020, the subsidiary (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 2021, no further amounts are available for drawdown from this facility as the remaining facility of KZT423 million which brought down from year 2020 has been fully drawn in year 2021 as mentioned in the below.

In 2021, the subsidiaries (CAC JSC and Karcement JSC) concluded long-term agreements under the remaining government programs with Halyk Bank JSC for KZT346 million (USD 0.8 million) and KZT77 million (USD0.2 million) respectively at 6% per annum to purchase wagons and front wheel loaders with a maturity date on 28 December 2027.

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, the subsidiaries (CAC JSC and Karcement JSC) entered into short-term facility agreements with Halyk Bank JSC for working capital requirements of KZT0.6 billion (USD1.3 million) and KZT 0.4 billion (USD1.0 million) respectively under the government programs bearing an interest rate of 6% per annum. The short-term borrowings are repayable in June 2022 and are secured against inventories of USD4,297,227 (2020: USD4,729,702) (Note 14).

As of 31 December 2021, all working capital facilities of KZT2 billion (2020: KZT2.5 billion) with Halyk Bank JSC are available for drawdown which is equivalent to USD4,633,000 (2020: USD5,942,000).

## Altyn Bank JSC working capital facility

The KZT900 million (USD2.1 million) credit line facility with Altyn Bank JSC for working capital financing is available for drawdown up to KZT900 million at prevailing market interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 21. LEASE LIABILITIES

	The Group	
	2021	2020
	USD	USD
Operating leases analysed as:		
Non-current	8,571	2,076,668
Current	2,017,879	1,830,755
Balance as of 31 December	2,026,450	3,907,423

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 2021:

	The Group	
	2021	2020
	USD	USD
Maturity analysis:		
Year 1	2,156,391	2,211,712
Year 2	9,174	2,211,712
Year 3	-	8,557
Less: Future finance charges	2,165,565	4,431,981
	(139,115)	(524,558)
	2,026,450	3,907,423

	The Group	
	2021	2020
	USD	USD
Balance as of 1 January	3,907,423	6,497,515
Payment of lease liabilities	(2,181,952)	(2,646,232)
Finance costs (Note 5)	376,590	631,442
Exchange differences	(75,611)	(575,302)
Balance as of 31 December	2,026,450	3,907,423

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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 22. DEFERRED TAXES

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
At beginning of year	(4,559,927)	(4,651,541)	-	-
Exchange differences	163,408	466,400	-	-
Recognised in profit or loss (Note 8)	77,867	(184,715)	-	-
Recognised in other comprehensive income	-	(190,071)	-	-
At end of year	(4,318,652)	(4,559,927)	-	-

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
<b>2021</b>					
Temporary differences:					
Property, plant and equipment	(5,184,229)	131,106	39,763	-	(5,013,360)
Inventories	384,205	(10,135)	28,916	-	402,986
Trade receivables	258,366	(6,475)	(6,544)	-	245,347
Accrued unused leaves	23,522	1,594	2,678	-	27,794
Payables	12,419	(2,526)	(1,136)	-	8,757
Others	(54,210)	49,844	14,190	-	9,824
Total	(4,559,927)	163,408	77,867	-	(4,318,652)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Opening balance	Exchange rate differences	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
	USD	USD	USD	USD	USD
<b>2020</b>					
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)
<b>Total</b>	<b>(4,651,541)</b>	<b>466,400</b>	<b>(184,715)</b>	<b>(190,071)</b>	<b>(4,559,927)</b>

The tax losses for which no deferred tax assets have been recognised as it is not probable that future taxable profits will be available against which the tax losses can be utilised are as follows:

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Tax losses for which no deferred tax assets have been recognised	1,398,350	1,190,000	-	-

The unutilised tax losses of USD1,398,350 (2020: USD1,190,000) has been imposed with a time limit of utilisation, which will be disregarded in the year of assessment 2026 to 2031 (2020: 2026 to 2030).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 23. DEFERRED INCOME

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Deferred income	1,691,818	1,598,852	-	-
Less: Amount due within 12 months	(103,720)	(106,420)	-	-
Non-current	1,588,098	1,492,432	-	-

Movement of deferred income are as follows:

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
At beginning of year	1,598,852	1,502,755	-	-
Exchange differences	(40,594)	(145,419)	-	-
Additions	239,507	349,826	-	-
Recognised in profit or loss	(105,947)	(108,310)	-	-
At end of year	1,691,818	1,598,852	-	-

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.

In 2021 and 2020, the subsidiaries (CAC JSC and Karcement JSC) concluded long-term agreements under the remaining government programs with Halyk Bank JSC (Note 20). The difference at fair value using 14% amounted USD239,507 (2020: USD349,826) was recognised as deferred income in the statement of financial position.

As of 31 December 2021, the related assets in the amount of USD796,391 were put into use (2020: USD817,138). During financial year, the Group recognised USD105,947 (2020: USD108,310) in profit or loss as other income on a straight-line basis over the useful lives of these related assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Trade payables	3,911,856	2,594,495	-	-
Other payables	1,139,167	1,466,186	-	-
Amount due to related parties	765	-	-	-
Others	9,917	14,397	-	-
Total	5,061,705	4,075,078	-	-

The credit period granted by creditors ranges from 1 to 30 days (2020: 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	
	2021	2020	2021	2020
	USD	USD	USD	USD
Accrued directors' fees	178,472	148,974	178,472	148,974
Advances from customers	783,990	851,475	-	-
Accrued salaries	336,199	300,338	-	-
Accrued unused leave	96,576	90,112	-	-
Others	157,541	140,140	49,425	37,774
Total	1,552,778	1,531,039	227,897	186,748

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 26. TAXES PAYABLE

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Corporate income tax	276,473	210,302	-	-
Other taxes:				
VAT payable	213,571	227,399	-	-
Royalties	195	52,345	-	-
Emission taxes	67,026	108,488	-	-
Pension fund	32,606	25,787	-	-
Personal income tax	32,279	31,677	-	-
Social tax	13,522	12,080	-	-
Withholding tax	115	30,845	-	-
Others	3,549	6,355	-	-
<b>Total</b>	<b>639,336</b>	<b>705,278</b>	<b>-</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 27. RELATED PARTIES AND AMOUNT OWING TO A SUBSIDIARY COMPANY

Amount owing to a subsidiary company is unsecured, interest-free and repayable on demand.

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

Other related party includes an entity which is controlled by a director, in 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 USD30,110,000 (2020: USD30,140,000) which bears interest at 8% per annum repayable by year 2033.

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

	Purchase of services	
	2021	2020
	USD	USD
<b>Other related party</b>		
Office rental	9,295	5,469

	Payable to related party	
	2021	2020
	USD	USD
<b>Other related party</b>		
Office rental	765	-

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:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Subsidiary companies	Nature of transactions	2021	2020
		USD	USD
Steppe Cement (M) Sdn. Bhd.	Dividend income	-	9,441,251
Karcement JSC	Interest income	1,469,264	1,355,075
MECS Ltd.	Interest income assigned	740,000	730,000

Subsidiary companies	Nature of transactions	Receivable from/(payable to) subsidiary companies	
		2021	2020
		USD	USD
Karcement JSC	Intercompany loans	30,110,000	30,140,000
Karcement JSC	Interest income	1,724,364	165,100
MECS Ltd.	Advances	19,536	9,712
Steppe Cement (M) Sdn. Bhd.	Advances	(289,750)	94,920
Total		31,564,150	30,409,732

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## Compensation of key management personnel

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

	The Group		The Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
Short-term benefits	789,942	758,880	100,000	100,000

Short-term benefits include contributions paid by the Group and by the Company to defined contribution plans amounting to USD22,848 (2020: USD26,642) and Nil (2020: Nil) respectively.

The directors' remuneration in the Company is as follows:

	The Company	
	2021	2020
	USD	USD
<b>Directors' fees</b>		
Executive director:		
Javier del Ser Perez	30,000	30,000
Non-executive directors:		
Xavier Blutel	40,000	40,000
Rupert Wood	30,000	30,000
Total	100,000	100,000

## Alternate directors' allowance

Alternate directors:

Gan Chee Leong (Alternate to Javier del Ser Perez)	500	500
Charlie Tingey (Alternate to Rupert Wood)	500	500
Total	1,000	1,000

The alternate directors are paid 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 2021

## 28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group	
	2021	2020
	USD	USD
<i>Financial assets</i>		
At amortised cost:		
Trade and other receivables	1,751,720	1,910,839
Cash and cash equivalents	10,136,022	8,213,680
<i>Financial liabilities</i>		
At amortised cost:		
Trade and other payables	5,061,705	4,075,078
Accrued and other liabilities	768,788	679,564
Borrowings	5,556,184	6,797,349
Lease liabilities	2,026,450	3,907,423

	The Company	
	2021	2020
	USD	USD
<i>Financial assets</i>		
At amortised cost:		
Interest receivable	1,724,364	165,100
Dividend receivable	-	6,610,895
Loans and advances to subsidiary companies	30,129,536	30,149,712
Cash and cash equivalents	614,225	1,352,950
<i>Financial liability</i>		
At amortised cost:		
Accrued and other liabilities	227,897	186,748
Advance from a subsidiary company	289,750	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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 cash (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 2021

## 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 2021	GBP	EUR	MYR	RUB	Total
<b>Financial Asset</b>					
Cash and cash equivalents	1,747	67	9,084	-	10,898
<b>Financial Liabilities</b>					
Trade and other payables	-	515,477	-	58,800	574,277
Accrued and other liabilities	42,992	-	66,602	-	109,594
<b>2020</b>					
<b>Financial Asset</b>					
Cash and cash equivalents	2,353	72	71	1,905,008	1,907,504
<b>Financial Liabilities</b>					
Trade and other payables	-	284,564	-	17,777	302,341
Accrued and other liabilities	44,467	-	43,887	-	88,354

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

<b>The Company</b>				
<b>2021</b>	<b>GBP</b>	<b>EUR</b>	<b>MYR</b>	<b>Total</b>
<b>Financial Asset</b>				
Cash and cash equivalents	-	67	6,322	6,389
<b>Financial Liability</b>				
Accrued and other liabilities	42,992	-	47,343	90,335
<b>2020</b>				
<b>Financial Asset</b>				
Cash and cash equivalents	546	72	35	653
<b>Financial Liability</b>				
Accrued and other liabilities	44,467	-	34,190	78,657

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

<b>The Group</b>	<b>Impact on profit or loss and equity</b>	
	<b>2021</b>	<b>2020</b>
GBP	8,249	8,423
EUR	103,082	56,898
MYR	11,504	8,763
RUB	11,760	(377,446)

<b>The Company</b>		
GBP	8,598	8,784
EUR	(13)	(14)
MYR	8,204	6,831

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## (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. As of 31 December 2021, the Group's trade receivables from third parties are mostly represented by ten large customers, representing 53% of trade accounts receivable for cement sales (2020: 72%). The Group believes that credit risk is limited as both counterparties are reliable partners. The financial assets are not secured by any collateral or credit enhancements.

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

The Group maintains cash balances only with internationally reputable banks and domestic banks of high credit standing. The credit risk on liquid funds are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

## (iii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines. The Group actively monitors its forecasts, actual cash flows, availability of short-term funding and matches the maturity profiles of financial assets and financial liabilities to determine suitable funding to meet any shortfall in cash requirements.

As of 31 December 2021, the subsidiaries (CAC JSC and Karcement JSC) working capital facilities of USD6.7 million (2020: USD5.9 million) with Halyk Bank JSC and Altyn 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 2021

## 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.

The Group 2021	Carrying amount	Effective interest rate per annum	Contractual cash flows	Less than 1 year	1-5 years	Greater than 5 years	Total
	USD	%	USD	USD	USD	USD	USD
<b>Interest bearing</b>							
Borrowings	5,556,184	6.00	7,330,355	3,831,689	3,498,666	-	7,330,355
Lease liabilities	2,026,450	12.34	2,165,565	2,156,391	9,174	-	2,165,565
<b>Non-interest bearing</b>							
Trade and other payables	5,061,705	-	5,061,705	5,061,705	-	-	5,061,705
Accrued and other liabilities	768,788	-	768,788	768,788	-	-	768,788
	13,413,127		15,326,413	11,818,573	3,507,840	-	15,326,413

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## Tables on Liquidity Risk

The Group	Carrying amount	Effective interest rate per annum	Contractual cash flows	Less than 1 year	1-5 years	Greater than 5 years	Total
<b>2020</b>							
<b>Interest bearing</b>							
Borrowings	6,797,349	7.74	8,938,294	4,851,636	3,502,745	583,913	8,938,294
Lease liabilities	3,907,423	12.34	4,431,981	2,211,712	2,220,269	-	4,431,981
<b>Non-interest bearing</b>							
Trade and other payables	4,075,078	-	4,075,078	4,075,078	-	-	4,075,078
Accrued and other liabilities	679,564	-	679,564	679,564	-	-	679,564
	15,459,414		18,124,917	11,817,990	5,723,014	583,913	18,124,917



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

The Company 2021	Carrying amount USD	Effective interest rate per annum %	Contractual cash flows USD	Less than 1 year USD	Greater than 1 year USD	Total USD
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## Non-interest bearing

Accrued and other liabilities	227,897	-	227,897	227,897	-	227,897
Amount owing to a subsidiary company	289,750	-	289,750	289,750	-	289,750

## 2020

## Non-interest bearing

Accrued and other liabilities	186,748	-	186,748	186,748	-	186,748
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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 2021

## (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 of 31 December 2021 and 2020, 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.

As of 31 December 2021 and 2020, the fair values of borrowings were not significantly different from their carrying value.

## 29. CAPITAL COMMITMENTS

The Group has outstanding amount of contractual commitments for the acquisition of property, plant and equipment of USD7,599,836 as of 31 December 2021 (2020: USD2,172,435).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 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. COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform with the current year's presentation.

Statement of financial position	Note	As previously stated USD	Reclassification USD	As reclassified USD
Inventories	14	11,097,613	1,269,944	12,367,557
Advances and prepaid expenses	16	3,644,038	(1,269,944)	2,374,094
Trade and other receivables	15	2,332,410	(421,571)	1,910,839
Other assets-current	13	304,946	421,571	726,517

Statement of cash flow	As previously stated USD	Reclassification USD	As reclassified USD
Inventories	(2,528,062)	(1,289,305)	(3,817,367)
Advances, prepaid expenses and other assets	(390,332)	877,875	487,543
Trade and other receivables	2,167,282	411,430	2,578,712

## 32. SUBSEQUENT EVENTS

### (a) Subsidiaries in Kazakhstan

At the start of January 2022, Kazakhstan witnessed mass protests, which turned into social unrest. On 5 January 2022, the President introduced a state of emergency across the country, which was in place until 19 January 2022. During the mass protests internet access was restricted across Kazakhstan, banking operations and transactions were suspended, stock and commodity exchanges were closed, and flights were cancelled, resulting in businesses being unable to function effectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

The situation in Kazakhstan stabilised and was under the control of the authorities by 15 January 2022. The government is focusing on addressing the political and socio-economic situation.

In February 2022, Tenge depreciated significantly against major foreign currencies amid the external geopolitical situation with the Russia-Ukraine war. In order to reduce the negative impact of external factors on the Kazakhstan economy, the National Bank of the Republic of Kazakhstan ("NBK") raised the base rate from 10.25% to 13.5% per annum with a corridor of +/- 1.0 p.p, and interventions on the currency market were performed to support Tenge exchange rate against foreign currencies. However, there is uncertainty exists related to the future development of the geopolitical risks and their impact on the economy of the Republic of Kazakhstan.

These events did not have a material impact on the Company's operating and financing activities and its separate financial statements.

The Group is monitoring developments in the economic and political situation and taking measures it considers necessary in order to support the sustainability and development of the Group's business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Group's operations.

## (b) Subsidiary in Malaysia

With the economic substance regulations gazetted under the Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2018 [P.U.(A) 392/2018] and the Labuan Business Activity Tax (Requirements for Labuan Business Activity) 2018 (Amendment) Regulations 2020 [P.U.(A) 375/2020], the Group had on 2 May 2021 filed a judicial review in respect of these economic substance regulations.

However, new economic substance regulations were issued on 22 November 2021 (P.U.(A) 423/2021) ("PU(A) 423") which sought to impose substance requirements retrospectively with effect from 1 January 2019. With the gazetted PU(A) 423, the Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2018 [P.U.(A) 392/2018] and the Labuan Business Activity Tax (Requirements for Labuan Business Activity) 2018 (Amendment) Regulations 2020 [P.U.(A) 375/2020] were revoked accordingly. On 18 February 2022, the subsidiary company filed another judicial review application in the High Court of Sabah and Sarawak in the Federal Territory of Labuan with Director General of Inland Revenue and the Ministry of Finance named as respondents on this matter.

The hearing date of the Group's application for judicial review on the merits was held on 10 February 2022, 7 March 2022 and to be continued on 13 June 2022.

Labuan entities that did not comply with substantial activity requirements in PU(A) 423 would be taxed at the rate of 24%. The Directors of the Group are of the opinion that the subsidiary company should be taxed under the Labuan Business Activity Tax Act, 1990 and not under the Income Tax Act, 1967. The Directors of the Group also opined that there will be no tax impact regardless of the outcome of the judicial review as the subsidiary company is a loss-making entity.

# 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 2021 and of their financial performance and cash flows for the year ended on that date.

Signed in accordance with a  
resolution of the Directors,

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JAVIER DEL SER PEREZ

Labuan

# NOTICE OF THE 2022 AGM

NOTICE IS HEREBY GIVEN that the 2022 ANNUAL GENERAL MEETING of the Company will be held online at the office of Steppe Cement Ltd, Suite 10.1, 10<sup>th</sup> Floor, West Wing, Rohas Perkasa, 8 Jalan Perak, Kuala Lumpur, Malaysia on Wednesday, 13 July 2022 at 4.00 p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

## ORDINARY RESOLUTIONS

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

To receive and adopt the audited financial statements for year ended 31 December 2021.
  
2. **RE-ELECTION OF DIRECTORS** **RESOLUTION 2**

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

  - 2.1 Xavier Blutel
  - 2.2 Javier Del Ser Perez
  - 2.3 Rupert Wood
  
3. **APPOINTMENT OF DIRECTOR** **RESOLUTION 3**

To appoint Wan Affan Wan Azmi as Director (non-independent non-executive).

Wan Affan Wan Azmi's profile is appended in the following page.

## 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.

**Wan Affan Wan Azmi**

Wan Affan Wan Azmi, 35, is currently the Chief Operating Officer (COO), Rohas-Euco Industries Berhad. He joined Rohas-Euco Industries Berhad in 2013 as a Business Executive, initially in Marketing and later directly involved in IT, Media and Communications. In 2019, he was assigned as Assistant to the COO, then promoted to Deputy COO in January 2020 and subsequently as COO in October 2020. He is currently running the day-to-day operations at both headquarters in Kuala Lumpur as well as the manufacturing facilities in Bentong, Pahang in Malaysia

Wan Affan Wan Azmi is the son of Steppe Cement Ltd's (Steppe Cement or Company) largest shareholder, Wan Azmi Wan Hamzah, who currently holds 31% interest in Steppe Cement via Halfmoon Bay Capital Limited, Mango Bay Enterprises Inc. and Alwaha Fund Limited.

Wan Affan Wan Azmi has under 20% direct beneficial interests in each of the above entities that holds shares in the Company. He currently holds or has held the following directorship or partnership in the last five years:

Current Directorship  
None

Past Directorship  
None

Wan Affan Wan Azmi has not been involved with any unspent convictions in relation to indictable offences, bankruptcy, creditors voluntary arrangements, receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, public criticisms or other matters which require disclosure pursuant to Schedule 2(g) of the AIM rules.

There are no other matters in relation to Wan Affan Wan Azmi that is required to be disclosed pursuant to Schedule 2(g) of the AIM Rules for Companies.



**STEPPE CEMENT LTD  
(Corporate Office)**

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