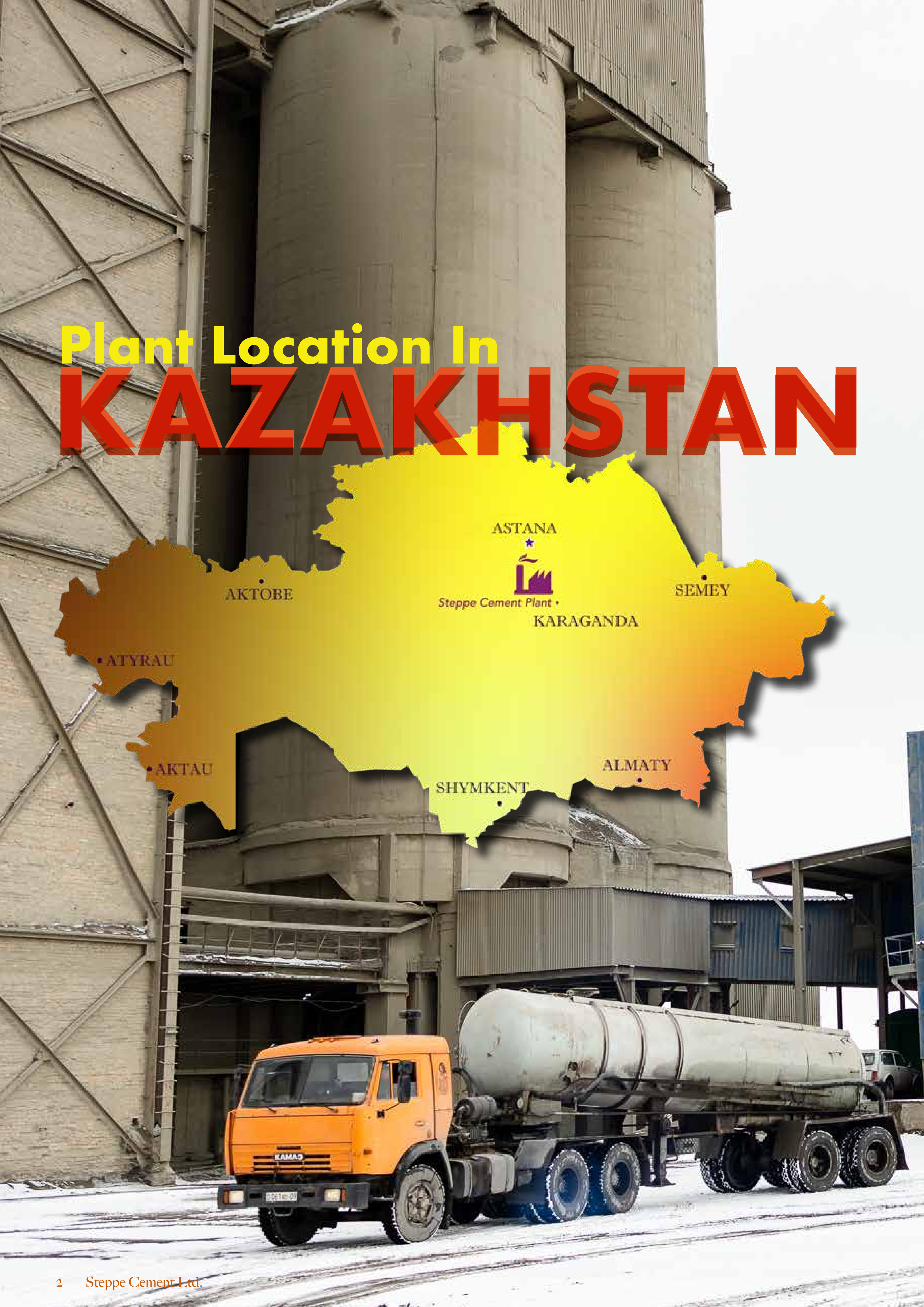
STEPPE CEMENT

2022

Annual Report

Plant Location In KAZAKHSTAN



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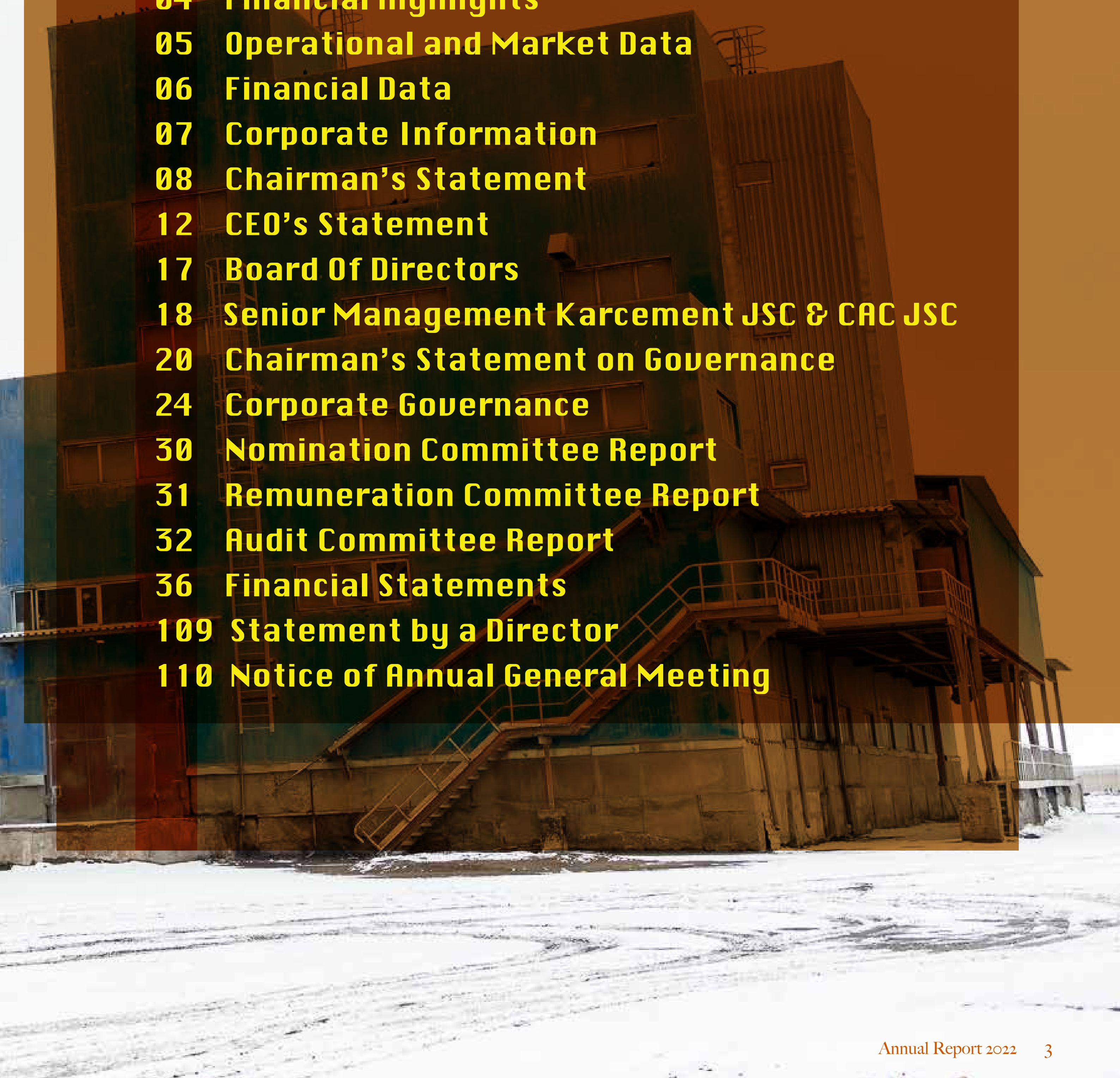
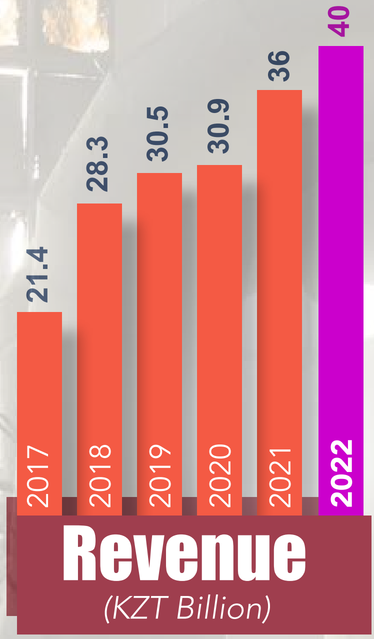
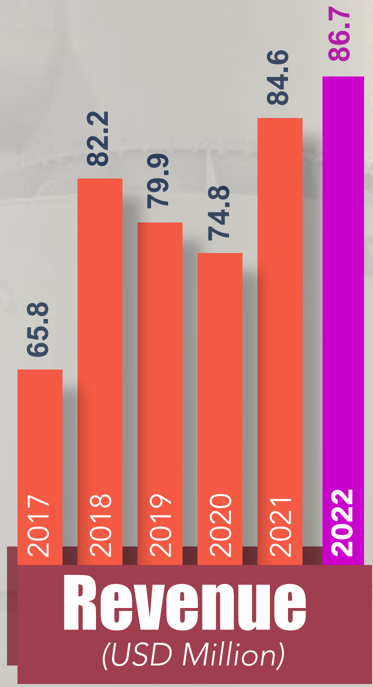
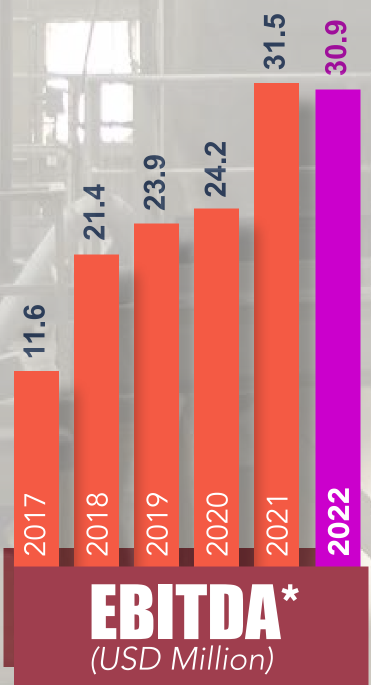


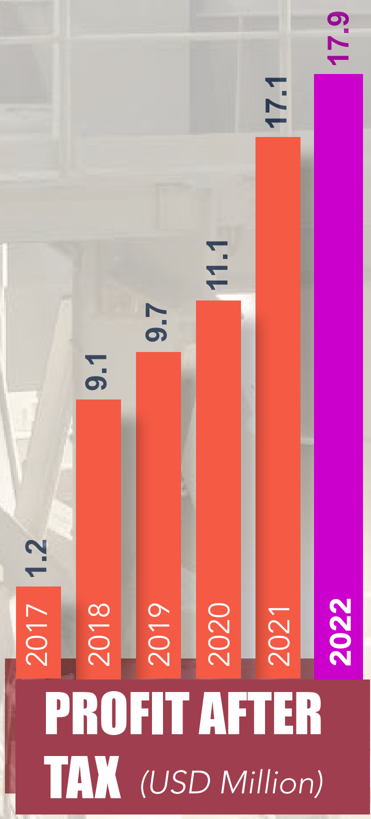
Financial Highlights

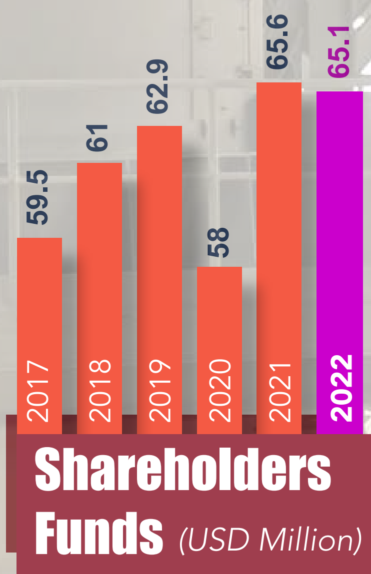




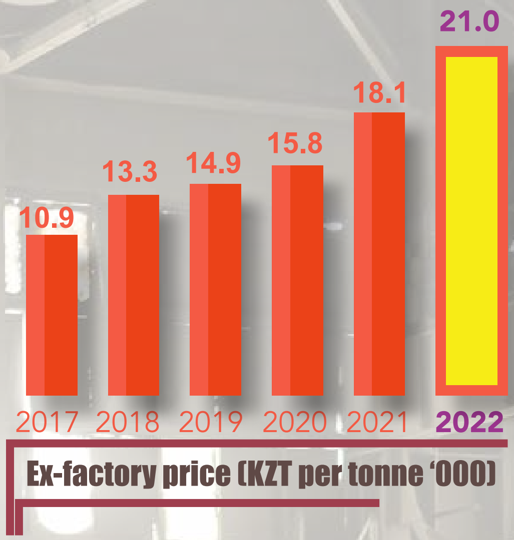


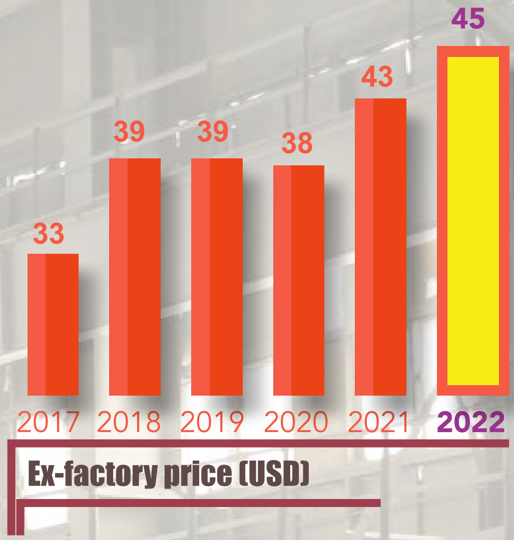
*excluding foreign exchange gain/losses arising on devaluation of the Tenge

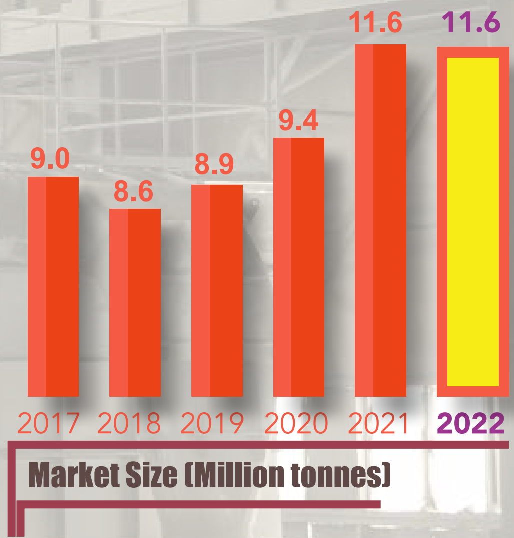


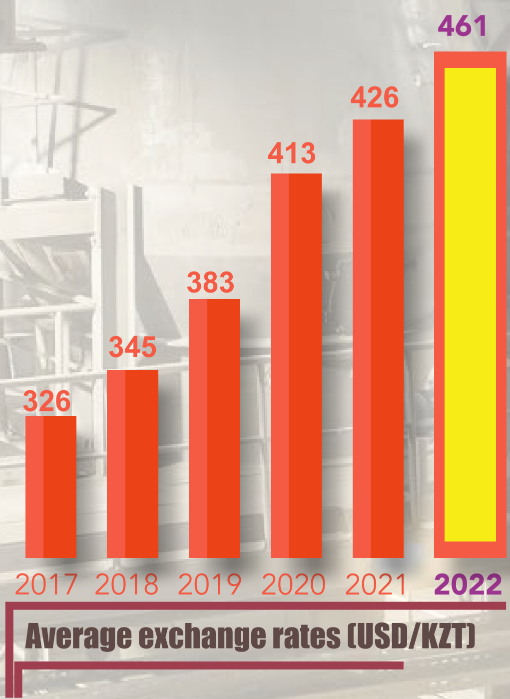


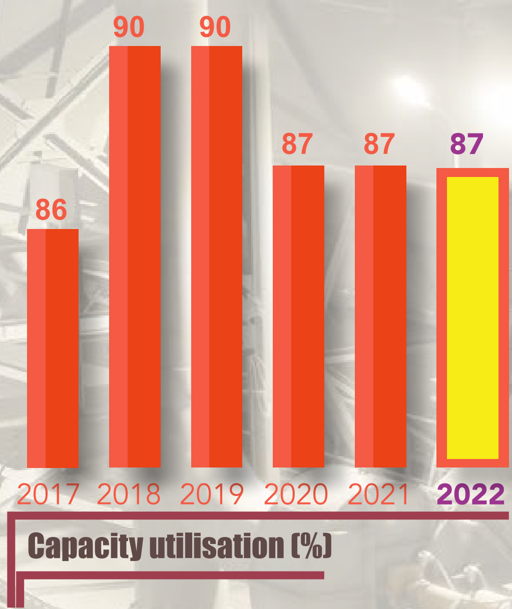
Operational and Market Data











Financial Data

Data	2017	2018	2019	2020	2021	2022
Gross profit margin (%)	30	43	42	43	47	43
Profit after tax margin (%)	2	11	12	15	20	21
Net earnings per share (cents)	0.6	4	4	5	8	8
Return on shareholders funds (%)	2	15	15	19	26	27
NTA Per Share (cents per share)	27	28	29	26	30	30
Number of shares issued (million)	219	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,
Labuan, 87000

UK Registrar

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

Bankers

Halyk Bank JSC
Altyn Bank JSC

Solicitor

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

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

Chairman's Statement

The price and demand for commodities, especially oil, gas, and minerals, have been the main beneficiaries of the international tensions and sanctions. With all its resources and thanks to its geopolitical position, Kazakhstan, although not fully immune from potential threats, maintain this strong advantages

Dear Shareholders

In 2022 Kazakhstan encountered serious challenges which might have profoundly affected its political, social, and economic stability. Everyone should remember the social unrest which almost resulted in revolution and anarchy; and everyone should be fully conscious that the war in Ukraine, with all its unforeseen consequences on the world's economies, should particularly impact a country with a 7,644 km border with Russia, 23% of its population having Russian roots, sharing numerous natural resources and much infrastructure, and with considerable bilateral trade.

On the International scene Mr Tokayev, a diplomat by background, appears to have skilfully walked the tight rope following in his predecessor's footsteps. Kazakhstan's foreign trade turnover hit a record high of $134.4 billion in 2022, a rise of 82 percent over 2021 and four times that of 2020. The country's import volumes reached $50 billion for the first time, surpassing a 2013 record of $48.8 billion. Compared to 2021, the figure increased by 21 percent. Exports, at $84.4 billion, increased by 40%.

The unannounced strategy consists of slowly reducing the importance of bilateral trade with Russia and to discourage the Russians from trying to dominate this vast and rich territory. This, however, has been counterbalanced in 2022 and 2023 by substantial increases attributable to trading strategies in the supply chain to Russia from Europe and Asia, aimed at circumventing western sanctions. The Government is officially committed to fighting such practices and issued legislation and installed controls in 2023, but full compliance is considered unlikely. Kazakhstan also benefits by being a substitute to Russia, for example by supplying coal to countries such as Poland, Latvia, or Turkey.

In 2022, facilitated by the Eurasian Economic Union and structurally unavoidable, Russian imports made up about 30% of Kazakhstan's total imports, down from over 40% before the conflict, while exports to Russia made up about 10% of the total Kazakh exports. Kazakhstan mostly exports iron ore and uranium to Russia while importing cars, semi-finished goods, coal, and refined petroleum.

These reductions are mirrored by a strong increase in trade with China: Kazakhstan is a vital - and already congested - artery in the Belt and Road Initiative. This land corridor between China and the West provides an attractive alternative to the ocean routes when tensions abound around Taiwan, and other land roads, are closed due to the events in Ukraine. Bilateral trade between Kazakhstan and China in 2022 grew by 23.6% and reached a staggering US$31.2 billion. One of the key aspects of Kazakh-Chinese cooperation has been the construction of new transport and logistics corridors, and related infrastructure. In total, 52 joint industrial projects worth more than US$21 billion are being implemented between Kazakhstan and China.

In parallel, strong messages are sent to reaffirm Kazakh identity and sovereignty – the Latinised alphabet has begun to replace the Cyrillic alphabet

and the very name of the country is increasingly written as ‘Qazaqstan’. Repeated signs of neutrality are given to western countries, public statements and votes at the UN aim at dissociating the Republic from the Russian moves into Ukraine. This is carefully managed, without prejudice to the continuous communication channels remaining open between the Russian and Kazakh Heads of State.

Internally, tangible changes are being put in place, setting the stage for a more democratic institutional framework. Several privileges accumulated during the Nazarbayev era were cancelled. Securing social peace is at the top of priorities and can only be achieved by injecting purchasing power among the population faced with a severe inflationary backdrop. Early in 2022, after the period of civil unrest seemingly sparked by increases to LPG prices in the West in particular, government spending was increased to provide enough economic support to the population, and regional governors were requested to put pressure on private businesses for higher wages to offset the price rises.

All this appears to be politically successful, and Mr Tokayev obtained an overwhelming vote, over 80%, for his snap re-election in November 2022. Snap legislative elections to the lower chamber Mäjilis held on 19 March 2023, confirmed the supremacy of the ruling Amanat party. This came after a constitutional referendum granting more powers to the Mäjilis. Despite all the mounting threats to international peace and global trade, Kazakhstan manages to draw some advantages from the situation and seems to enjoy stability and a favourable business environment.

An island of stability in an ocean of volatility?

The price and demand for commodities, especially oil, gas, and minerals, have been the main beneficiaries of the international tensions and sanctions. With all its resources and thanks to its geopolitical position, Kazakhstan, although not fully immune from potential threats, maintain this strong advantages. Moreover, domestic demand was stimulated by a substantial inflow of population relocating from Russia.

The removal of COVID-19 restrictions, coupled with rising prices for oil and metals, led to a 25.4% increase in tax payments to Kazakhstan’s budget in 2022 on income earned in 2021, according to statistics released in January 2023 by the Ministry of Finance. Moreover, the top 25 foreign private companies operating in the country accounted for around 36% of all tax revenues, while for 2020, their share was 28%. Most of it derives from the oil sector.

To maintain these very positive improvements, Kazakhstan needs a secure distribution of oil, which accounts for about 15% of GDP, more than 30% of general government revenue, and over half of exports. And to this end, it depends on the Caspian Pipeline Consortium (CPC) for about 80% of its oil exports, a prolonged disruption of which could negatively affect its external and fiscal metrics. The pipeline runs mostly on Russian territory to reach Novorossiysk on the Black Sea. Kazakhstan sharply increased its oil exports bypassing Russian terminals through the Baku-Tbilisi-Ceyhan (BTC) pipeline. In 2022, 1.3 million tons of oil were exported through Georgia - 10 times more than a year before.

Around 70% of rail cargo currently exported from Kazakhstan moves on Russian railways. Meanwhile, rail exports to Iran via Turkmenistan in 2022 were 8.5 times greater than the previous year, while exports by rail and sea via the Trans-Caspian International Transport Route (TITR) increased 6.6 times over 2021. Another crucial factor is inflation. CPI was 14.9% above the previous year according to Kazakhstan's National Statistics Bureau. Inflation on foodstuff was even higher, at 25.3%. December inflation topped 20% in year-on-year terms, based on data released on January 4. This is a level last time seen in 1996, a few years after the USSR collapse.

It is partly a consequence of the positive factor mentioned earlier, the high price of commodities. It directly affects the cost of utilities and, indirectly, of most basic consumers goods. "Sharp strengthening of the Russian rouble against the U.S. dollar has caused a price surge for Russian goods, which account for 40 percent of all imports to Kazakhstan," Prime Minister Alikhan Smailov explained in October. At the same time, the Tenge remained weak against the rouble. The parity between the two currencies has only bounced back recently to its historical levels of 5.5-6.0 KZT to 1 RUB during the first month of 2023. It had culminated at 7.5-8.0 during June-October 2022. Supply-chain disruptions caused by the sanctions have also generated additional costs. Government borrowing costs are increasing, given rising interest rates and the reliance on domestic debt issuance, and credit becomes less available for domestic investment and consumption.

Government policy aims to diversify the economy through capital investment programs, including infrastructure and housing projects, which requires cement. The pool of investment projects under consideration amounts to KZT30 trillion (26% of 2023 GDP).

The economy expanded an estimated 3.2% year on year in 2022, supported by growth in construction, information and communications, trade, transport, and manufacturing. The IMF foresees a 4.3% increase in 2023.

What does all this mean for the cement industry?

In this landscape, demand for cement remained strong, with 11.55m tonnes consumed in 2022 against 11.6m tonnes during the historical peak year of 2021. The first month of 2023 have shown a softening market and visibility is uncertain for the rest of 2023. The market in Kazakhstan has strong seasonality and the domestic cement consumption for the year to come and demand may still recover somewhat, but this is hard to predict.

Imports and exports of cement fell in 2022: neighbouring countries have built new capacities to match their domestic demand in Uzbekistan, while logistics issues and a high-cost base in rouble terms have affected Russian exports to West Kazakhstan. Cement factories in Kazakhstan produced similar or lower volumes compared with 2021, except for two new producers, and all benefited from higher selling prices.

And for your Company?

Again, inflationary pressure hit the cement industry hard: salary increases were needed to retain the Company's employees, and, above all, increased energy costs, namely coal and electricity, had the biggest impact. Your Company is best placed to resist these inflationary pressures thanks to its proximity with the main coal mines and with the nearby steel factory providing slag, a partial substitute to clinker. Refractories and spare parts are imported, and everyone has had to find an alternate supply or new logistics, at some significant cost.

Energy costs were one issue, but availability has indeed been another. Electricity supply was sometimes restricted, impacting production and sales were hindered by the congestion of the railway network being overloaded by goods transported to and from Russia, leading to a surplus of empty wagons choking the rail network.

The management of the Company confronted all the challenges mentioned successfully and maintained a strong level of activity and profitability. Production for the first quarter was good and inventories will be available to supply clients during the incoming high season.

A strong balance sheet with a minimal level of debt reduced the negative effects of interest rates hikes. The Chief Executive Officer's report provides more insight on the Company's performance in 2022.

Last year, uncertainties in the tax legislation in Malaysia led us to change the process for paying dividends. Some changes to the tax treatment of the chain of dividend flows from the operating subsidiaries in Kazakhstan have been studied with professional firms and will be implemented to simplify the structure, to minimise the risk of double taxation, and to streamline the process. They will be publicised in due course.

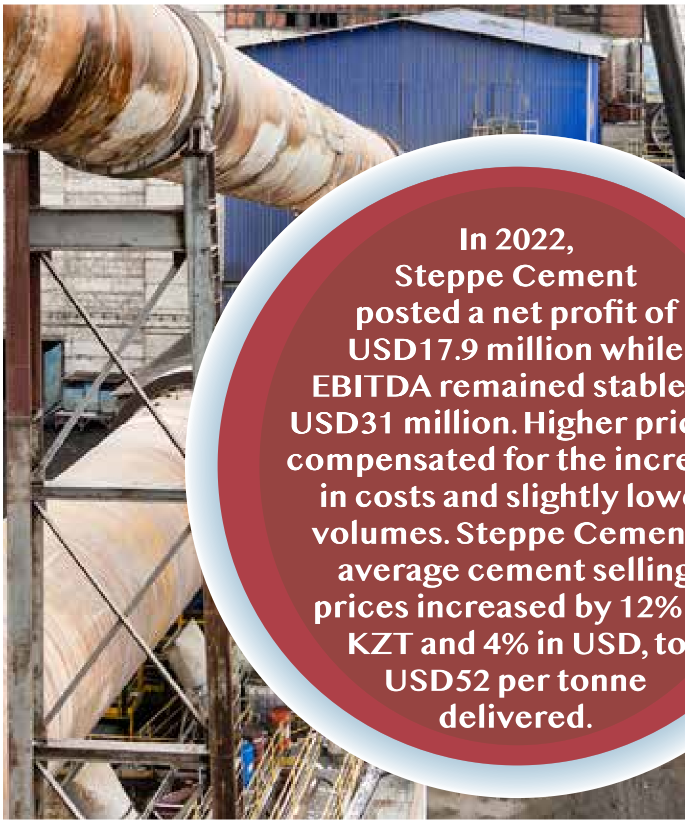
On behalf of the Board of Directors, I express here our recognition for the Management and personnel's strong commitment and dedication.

The Board and I would like to express their recognition for your loyalty as shareholders. All efforts are made to maintain and possibly increase the return you expect from your investment.

Xavier Blutel

Chairman,
Independent Non-Executive Director

CEO's Statement



In 2022, Steppe Cement posted a net profit of USD17.9 million while EBITDA remained stable at USD31 million. Higher pricing compensated for the increase in costs and slightly lower volumes. Steppe Cement's average cement selling prices increased by 12% in KZT and 4% in USD, to USD52 per tonne delivered.

Overall, the cement market in Kazakhstan remained stable in 2022 compared with the historical high achieved during 2021 and on a per capita level, the consumption for the year 2022, of 630 kg per capita is consistent with that which should be expected based on actual GDP and the anticipated GDP growth rate.

The Kazak cement market remained stable at 11.6 million tonnes, with sales volume by Steppe Cement decreasing by 1% year on year, due mostly to logistical problems in the railway system in the third and fourth quarters. The blend of this was that domestic sales increased by 4% and exports reduced to virtually zero.

Imports into Kazakshtan decreased by 25% to 0.6 million tonnes, being equivalent to 5% of the total market, with these coming mostly from Russia. Exports from local producers decreased again by 33% to 1.1 million tonnes, with these being mostly to Uzbekistan and Kyrgystan as new capacity has been commissioned in Uzbekistan. Exports remain concentrated to the Tashkent and Bishkek areas.

The market demand in 2023 has shown a decrease in the first quarter due to weather conditions, logistics and persistent high inflation and we expect the market to improve in the coming quarters. High interest rates will slow down the mortgage market but the economy remains strong driven by commodities.

During 2021 and 2022 the government implemented incentives which helped the construction industry, particularly the ability to withdraw part of the individual pension funds and use them for real estate acquisitions. The development of the main cities continues, and the rate of urbanization is estimated to grow from the current 59% to 69% in the next 25 years. The banks are actively promoting long term mortgages and the program has been very successful.

The political unrest at the beginning of 2022 as well as the conflict in Ukraine, have brought higher inflation and more populist policies. After a phase of salary increases to compensate for inflation, the government seems to be committed to lowering inflation.

In 2022, Steppe Cement posted a net profit of USD17.9 million while EBITDA remained stable at USD31 million. Higher pricing compensated for the increase in costs and slightly lower volumes. Steppe Cement's average cement selling prices increased by 12% in KZT and 4% in USD, to USD52 per tonne delivered.

Steppe Cement operated both lines at 86% of their current combined capacity (which is 1.1 million tonnes for line 5 and 0.85 million tonnes for line 6).

Shareholders' funds remained stable at USD65.1 million after the dividend distribution of USD12.6 million to shareholders (5 UK pence per share).

Key Financials	Year ended 31-Dec-22	Year ended 31-Dec-21	Inc/(Dec)%
Sales (tonnes of cement)	1,670,174	1,688,544	(1%)
Consolidated turnover (KZT million)	40,023	36,020	11%
Consolidated turnover (USD million)	86.7	84.6	3%
Consolidated profit before tax (USD million)	21.7	21.4	1%
Consolidated profit after tax (USD million)	17.9	17.1	5%
Profit per share (US cents)	8.2	7.8	5%
Shareholders' funds (USD million)	65.1	65.6	(1%)
Average exchange rate (KZT/USD)	461	426	(8%)
Exchange rate as at year end (KZT/USD)	462	434	(6%)

Production and costs

Line 5 produced 60% 995,933 tonnes of cement while Line 6 produced 663,955 tonnes.

Line 5 performed at 90% capacity as it was limited by roller maintenance while Line 6 was limited by reliability. In 2023, we expect higher production from Line 6 and similar in Line 5.

Cost per tonne increased by 20% in KZT at slightly higher pace than inflation. The average cash production cost of clinker increased from USD20/tonne to USD23/tonne while cement cash cost increased from USD23/tonne to USD26/tonne in 2022. The cost of production increased by 20% in local currency in line with inflation of 18.8% year on year. The devaluation of the currency was limited to 8%.

Despite the increase of transportation costs, selling expenses, reflecting mostly cement delivery costs, were reduced to USD6.6/tonne as we focused in markets closer to the factory.

General and administrative expenses were reduced to USD6.4 million from USD6.7 million in 2021 due to cost control measures.

On 31 March 2023 the company had 799 employees a similar level to 2022.

In 2022, finance costs remained stable at USD1 million. Without operating lease interest of USD0.2 million under IFRS 16, the finance cost was USD0.8 million, mostly interest on loans.

Other income of USD2.4 million reflects the write-back of receivables previously written down and the write-back of deferred income from the government subsidied loans.

The factory receives an allocation of CO2 emissions allowances from the government and does not trade them as they are at a level similar to historical production. There is a very limited market for alternative fuels and the increase in additives in the cement is not yet accepted beyond certain levels.

CEO's Statement

Capital investment increased significantly in 2022 but it will be limited going forward.

Capital investment was accelerated to USD10 million to complete the work started in 2021 and to compensate for the slow down in investment during 2019 and 2020 due to COVID-19. Apart from the traditional maintenance capex and the purchase of key spares for USD3 million per year, we managed to complete a significant number of projects in 2022:

- New FL Smith close circuit separator for cement mill number 1 with an investment of USD3.6 million. The mill capacity was increased by 30%, slag content can be increased to 25%, power consumption has been reduced and the quality and stability has improved
- A similar separator for cement mill number 2, The project was started and USD1.5 million was spent in 2022. Commissioning will be done between the winter 2023 and spring 2024
- Replacement of one reducer for one cement mill at a cost of USD0.9 million
- Bucket crane revamping to support summer sales USD0.3 million
- Online monitoring of main stack emissions to comply with ecological requirements USD0.15 million
- Coal dosing system to improve feeding reliability
- High tension drive motors to maintain key spares
- Additional gas analyzer for kiln system to maintain clinker stability

Those projects were financed by USD4.3 million in subsidized loans and USD 3.5 million from internal cash flow.

We have plans for a further USD4 million investment in 2023 and the first quarter of 2024 including:

- Complete the new separator for cement mill 2 for USD 2 million
- Preheater raiser duct extension by 24 meters to improve the preheater calcination in Line 6
- Software upgrades to the ABB control system at a cost of USD 0.7 million to allow further automatisation of the factory and prevent obsolescence
- Engineering of raw mill 3 separator conversion to dynamic separator to support the increase in production of line 6 by 10% when completed
- Upgrades to bag filters to improve maintenance and future environment requirements

The government has announced that the subsidized credit lines will be limited as the focus shifts to the control of inflation. We will try to complete the remaining capex planned with our cash flow to avoid borrowings at commercial KZT rates as much as possible.

Financial position: New debt will be limited as interest rates in Kazakhstan have increased to 20% per annum in 2023.

During the year, our total loans outstanding were stable at USD6.7 million versus USD5.6 million in 2021. The loans had good subsidized rates in KZT but the renewal will be most likely made at near commercial rates and the Company has an incentive to reduce the borrowing in 2023. The Company ended the year with net debt of USD2.6 million, excluding IFRS 16 leases.

Long-term loans were increased from USD3.2million to USD5.4million while short-term loans were reduced from USD 2.3 to USD 1.3million.

Despite the politically unstable environment in Kazakhstan at the beginning of the year, the unpredictable situation in the region and the surge in inflation, the KZT had only an 8% devaluation against the USD and an average exchange rate of 461 vs 426 in 2021.

We maintain short term credit lines available as stand by:

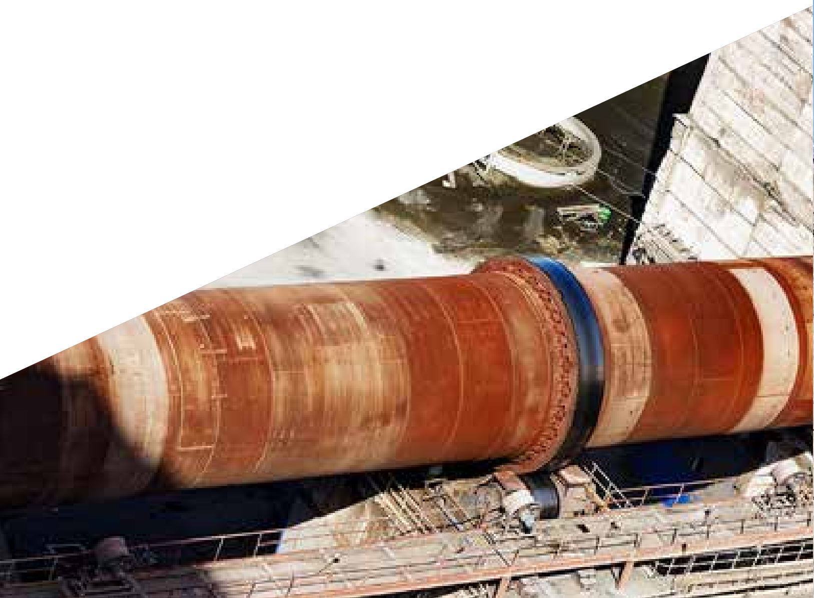
KZT 1 billion short-term in a government subsidized program in KZT at 6% per annum, but this will be difficult to renew.

KZT 2 billion from Halyk Bank at 6% p.a. in USD or 20% in KZT.

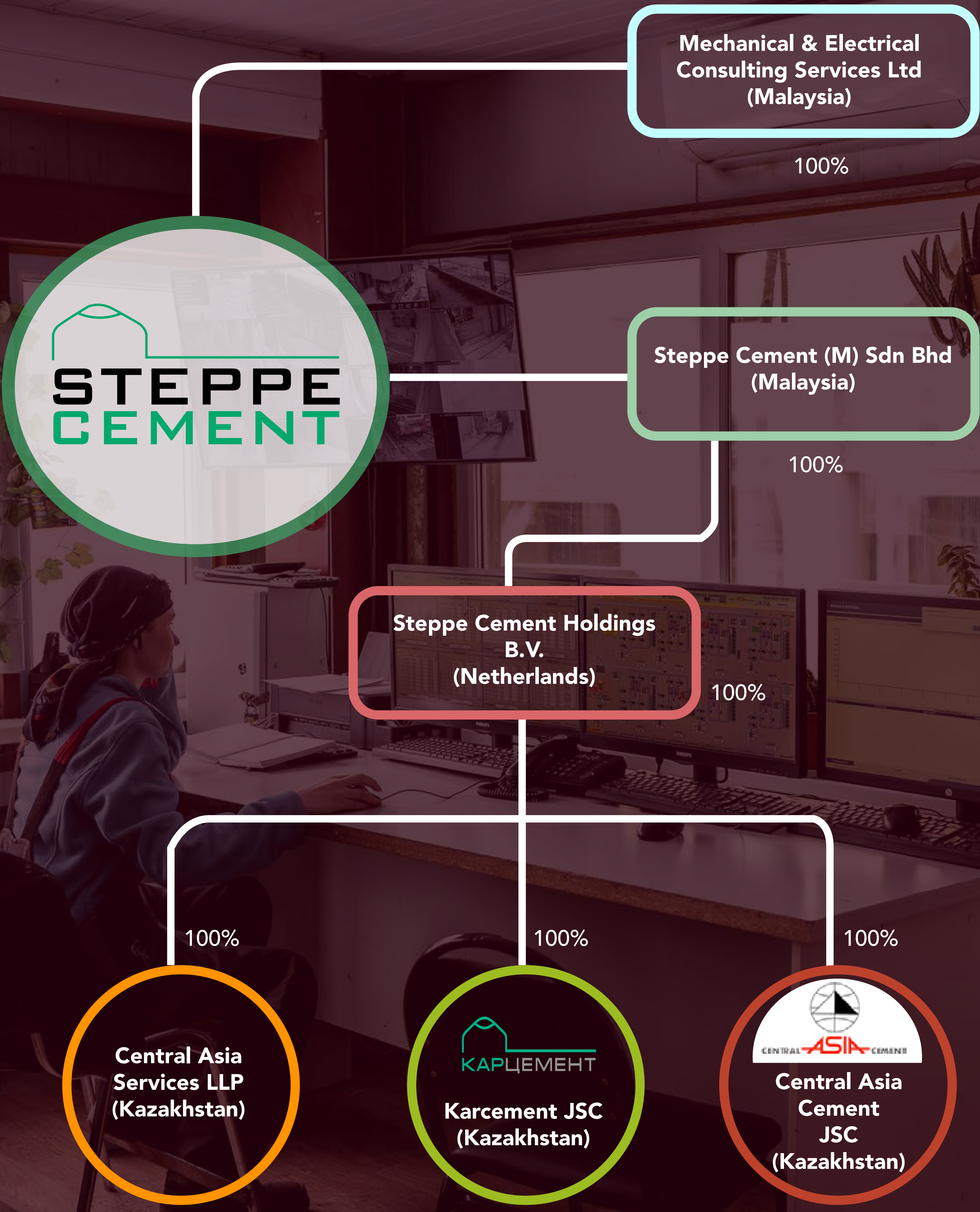
Depreciation of property, plant and equipment decreased to USD6.1 million in 2022 due to devaluation.

Steppe Cement's effective income tax rate was 20% consistent with last year.

Javier del Ser Perez
Chief Executive Officer



GROUP STRUCTURE



BOARD OF DIRECTORS

JAVIER DEL SER PEREZ
Chief Executive Officer

XAVIER BLUTEL
Chairman,
Independent Non-Executive Director

RUPERT WOOD
Independent Non-Executive Director

WAN AFFAN AZAM WAN AZMI
Non-Independent Non-Executive Director

Xavier Blutel, 68, 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, 57, 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, 52, 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.

Wan Affan Azam Wan Azmi, 36, is currently the Chief Operating Officer of Rohas-Euco Industries Berhad, a regional Utility infrastructure, Power & Energy and Telecommunication based company primarily focused on transmission towers and other engineering projects. He was a representative of the Malaysian contingent to the International Galvanizers Conference in Bangkok, Thailand. Wan Affan is involved in the rollout of the JENDELA project (Malaysian nationwide telecommunications expansion for 3G and 4G services), as well as the new 5G national rollout. Wan Affan joined the Board in 2022.

Senior Management

Central Asia Cement JSC

Peter Durnev, General Director

A graduate of Academy Marketing Moscow. He has worked in CAC for 26 years rising from marketing executive to his present position. He oversees marketing, logistics, government relations and human resources.

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's Degree in Accounting and Audit from the Karagandy Economical University of Kazpotrebsouz and has worked for 33 years in the cement industry.

Irina Poluychik, Personnel Manager

An economist by qualification. She specializes in human "resources" matters. She has been with CAC for 38 years.

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 modernization Project in Karcement which was successfully commissioned in 2014.

Srinivasa Reddy, Maintenance Head

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

Gottapu Nageswara Rao, Head of Production, Process and Quality Assurance

A chemist by profession with a Bachelor's 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, he was with Cheran Cements as Project and Plant Manager for grinding unit.

Yevgeniya Orlova, Legal Department Chief

Graduated from Karaganda State University with a Bachelor's Degree in Law and from Ural State University with a Master's Degree in Law. She joined Karcement in 2008 as a Lawyer, and from 2022 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 8 years.

Chairman's Statement on Governance

We are pleased to present our 2022 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 responsiblitity for day-to-day management of our business. The Group CEO in turn delegates certain authorities and responsibilities to senior executives. These delegations are regularly reviewed and confirmed

Chairman's Statement on Governance

This report on Corporate Governance, the Company takes inspiration from the Financial Reporting Council ("FRC") recommendations and its Corporate Reporting Reviews. Their recommendations are progressively implemented whenever they are applicable to the nature, the size and the level of risk associated with of our Group of Companies, and to the expectations of its stakeholders. This report as well as the Chairman's, CEO's and Committee Chairmen's reports are shared with the Company's Auditors and, if necessary, adjusted for any need of clarification.

OBJECTIVES AND STRATEGY

The main objective of the Company is to protect in a sustainable way its assets, its expertise and its "licence to operate" and to remain a leader in supplying the cement market in Kazakhstan with a proper allocation of financial, human, physical assets and resources.

To meet this objective, investment in capital must be dedicated to maintain and possibly improve this position over a long horizon of time, including during periods of strong competitive pressure or adverse economic conditions. Initial borrowings have reached a minimal level and with the continuously growing interest rates, debt will only be used for specific projects with adequate return. Cash generated from the operations is primarily utilized for investments considered necessary. Whenever they appear, external growth opportunities where the Company can create value are carefully assessed; all these priorities being satisfied, the board is committed to propose the highest possible dividend payout from surplus cash.

PROPER STRUCTURE OF COMPANIES

The business of Steppe Cement (STCM) is entirely conducted in Kazakhstan by two local wholly-owned subsidiaries, namely Karcement ("KarCem") and Central Asia Cement ("CAC"). They operate a single factory in Aktau, one hour drive North of the City of Karaganda and 200km South of Astana. The Ultimate Holding Company, Steppe Cement is registered in Labuan (Malaysia) and listed on the AIM. There are no material transactions between parent and intermediate companies other than the distribution of dividends and remuneration for services of a handful of expatriates working for the operational subsidiaries in Kazakhstan.

Intermediate holding companies exist between STCM and CAC/KarCem for historical reasons. They have been established in full compliance with national and International legal and tax regulations. Their main purpose is to avoid double taxation in the dividend flow. Regulations can never be considered as granted for ever and the Board is paying particular attention to identify and anticipate any material change in this respect. Increasing uncertainties in the tax code in Malaysia have led the Board of Directors to consider a change in the chain of ownership of the operational subsidiaries. In-depth advice is in its final stages and will be reviewed to provide solid alternatives which will be communicated as soon as the Board will have selected a preferred structure giving maximum comfort. Since 2022, all Board of Director meetings have addressed this topic, and has also been discussed in numerous communications between the Directors and their external tax advisors. One or two possibilities are now in their final stages of validation and, if endorsed by the Board, the most optimal will be publicized and implemented under its supervision.

ALLOCATION OF CAPITAL

It is common knowledge that cement manufacturing is by nature capital intensive. Good governance must ensure that investments in plant and equipment are properly justified. Their main purposes consist in increasing productivity and efficiency, ensuring reliability-one day of production contributes by more than USD100k in profits, safeguarding the condition of the assets and the duration of their lifetime, and protecting our "licence to operate" under the local regulatory framework. The latter element commands very substantial capital expenditures for the so important requirements of preserving health and the environment.

A detailed review of capital expenditures is part of every quarterly Board meeting. At least two Board meetings per year are held in the cement factory. They include detailed functional meetings with the operational management and on-site inspection of the plant by the Directors. For investments aimed at improving productivity, capacity, logistics, distribution or diversifying finished products, the Board verifies that the return expected will exceed the cost of capital. For ecological investments, wherever some negotiations with the Authorities can be held, multiyear programs are developed to spread over a certain period the cost of expensive devices. An illustration of this can be given for dust emission reduction at the source: the Company is well advanced in the progressive replacement of less effective Electro-static precipitators ('ESPs') by bag filters costing some USD0.4m each. The two kilns, the finishing mills and the slag dryer are fully equipped and what remains to be done in this respect will be spread over four to five years.

PROPER UTILIZATION OF HUMAN RESOURCES

Qualified management and production staff must be retained. The factory is in an industrial basin where workers with limited qualifications are available but should receive a decent compensation. Qualified staff is much more difficult to attract in this remote area. For key positions, it is also sometimes necessary to employ expatriates with the proper background. In production management, experience, and an intimate knowledge of the equipment in place and material available are crucial, as well as the expertise for solving problems and the access to a network of technical experts and reliable suppliers for engineering and equipment supply.

The Board and its Nomination and Remuneration Committees take responsibility for validating new appointments for key positions, continuously reviewing all levels of compensation against national and local practices to ensure the need of stability and loyalty. It encourages the development of local citizens and limits expatriates to a few critical positions where no alternative could be found in the country.

RISKS ASSOCIATED WITH CO2 EMISSIONS

Cement production requires high levels of energy, entirely derived from fossil fuels (coal and electricity, largely produced from coal in Kazakhstan). The process requires a high temperature combustion which triggers a chemical reaction called "decarbonation", in other words, CO2 emissions. Mitigation is only achieved through three separate lines of action:

- Energy efficiency, a continuous priority for the technical staff since it also affects the highest cost component of the final product. Kiln no.5 is close to an optimal level of performance in this respect whilst kiln no.6, with an older design, offers limited potential for improvements with substantial and expensive modifications and which will never be able to attain a similar performance.

- Reduction of the clinker content in cement: clinker is the intermediate product requiring combustion and decarbonation. Under the Product Standards and in compliance with all quality norms it can be partially replaced by slag from the steel industry, fly-ash from coal-fired plants, or pozzolanic material. The cement factory has significantly increased its utilization of slag and benefits from its proximity to a leading steel producer.

- Use of "alternate fuels" as substitutes to fossil fuels: various waste materials are increasingly burnt in Western Europe or the USA instead of conventional incineration: this avoids a duplication of CO2 emissions. Kazakhstan has not reached yet a level of maturity allowing for the adequate collection, transportation and preparation of such substitutes. As yet, no financial incentives or penalties have been put in place by regulators to allow a proper, stable, and economically viable stream of waste that could be utilized as alternate fuels.

The Board continuously challenges management to minimize emission. It monitors the evolution of regulations, innovation in the building industry practices.

The Company, like all large industrial emitters of greenhouse gases in Kazakhstan, is subject to a National Cap and Trade scheme of CO2 emission allowances. Currently under review, it will certainly be inspired by the EU scheme. As all competitors are being affected to a comparable extent, it is expected that some of this additional cost will be passed onto selling prices.

Substitutes to cement/concrete offering similar functionalities, cost and availability in terms of volume are not to be found with the current technologies and construction practices. Clients from the concrete industry will increasingly utilize performance admixtures and additives which will reduce the quantity of cement used for a cubic meter of concrete and this can only have a negative impact in the long term on the volume of cement consumed per capita.

The answer to this challenge is to remain one of the lowest cost producers, and to ensure proper availability and sustainability of our equipment, material, and energy sourcing.

WORKINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

In 2022, at last it was possible for your Board of Directors to meet physically again and to visit the cement factory staff in Karaganda.

The Board is now composed of two independent Directors, including its Chairman who has a casting vote in the event of a tied vote, and two Non-Independent Directors, namely the CEO Javier del Ser and Affan Wan Azmi, both substantial shareholders or their nominees.

On July 13 2022, the two alternate Directors in Malaysia, Messrs Gan Chee Leong and Charles Tingey resigned. They had been appointed on October 1 2020, to act on behalf of Messrs Javier del Ser and Rupert Wood respectively when travel restrictions were in full force.

Each meeting of the Board of Directors was followed by meetings of the three Board Committees. Several conference calls were held to deliberate on such issues as dividend distribution, which required an Extraordinary General meeting of shareholders, and corporate restructuring.

The two Independent Directors also accompany, when deemed necessary, the local management in specific meetings with regulators and local Authorities. Regular contacts are maintained between the Auditors and the same directors, who form the Audit Committee.

The following pages provide a comprehensive update on our Governance and how it was effectively applied in 2022.

Xavier Blutel
Chairman,
Independent Non-Executive Director

Formal BOD meetings and the three Committees	General Meetings	Calls involving at least three Directors
February 2		4
April 27		
July 13	July 13 - (AGM)	
October 12	September 28 - (EGM)	

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 should 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.

Corporate Governance

BOARD OF DIRECTORS

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

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

BOARD PROCESSES

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

BOARD 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 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 2022, 4 board meetings were held.

The following is the attendance record of the Directors:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Xavier Blutel (Chairman) (Independent Non-Executive Director)	4	4	4	4
Javier Del Ser Perez (Chief Executive Officer)	4	N/A	N/A	4
Rupert Wood (Independent Non-Executive Director)	4	4	4	4
Wan Affan Wan Azmi (Non-Independent Non-Executive Director)	1*	-	-	1

**Wan Affan Wan Azmi joined the Board in July 2022 and hence was only eligible to attend one board meeting.*

Committee meetings are held concurrently with the board meetings.

NOMINATION COMMITTEE

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

The Nomination Committee's members comprise:

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

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

The functions of the Nomination Committee include:

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises entirely of independent Non-Executive Directors. The functions of the Remuneration Committee are governed by the Terms of Reference which was approved by the Board. The Remuneration Committee meets at least twice (2) a year. The principal objectives of the Committee are to ensure that the broad remuneration policy and practices of the Group reflect the level of responsibilities, performance, relevant legal requirements and high standards of governance. In determining such policy, the Committee shall ensure that remuneration levels are appropriately and competitively set to attract, retain and motivate people of the highest quality.

The functions of the Remuneration Committee include:

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

The Remuneration Committee's members comprise:

1. Xavier Blutel (Chairman)
2. Rupert Wood

AUDIT COMMITTEE

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

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

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

The Audit Committee's members comprise:

1. Rupert Wood (Chairman)
2. Xavier Blutel

BUSINESS CONDUCT AND ETHICS

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

CONFLICT OF INTEREST

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

INVESTOR RELATIONS

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

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

ANNUAL GENERAL MEETING

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

INTERNAL CONTROL

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

PURPOSE

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

KEY ELEMENTS

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

- Control - an organisational structure is in place with clearly defined levels of responsibility and authority together with appropriate reporting procedures, particularly with respect to financial information and capital expenditure.

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

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

MONITORING AND REVIEW MECHANISM

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

Nomination Committee Report 2022

Dear Shareholder,

Year 2022 saw several changes to the governance and management of your Company which are outlined below, though these were flagged in last year's report. During 2022, the Nomination Committee met 4 times, alongside scheduled Board meetings, and held several ad hoc calls to discuss matters at hand.

Following his nomination by the Company's largest shareholder, at the 2022 AGM Affan Wan Azmi joined the Board as a Non-Executive Director and subsequently also became the resident Director in Malaysia.

As also flagged in last year's report, upon recommendation from the Nomination Committee, the Board resolved to unwind the position of the Alternate Directors who had provided representation for the CEO and myself at physical Board Meetings of your Company in its jurisdiction during the years of restricted travel. They ceased to be Alternate Directors after the AGM in 2022.

Year 2022 saw the reappointment after review of the Directors of the Kazakh subsidiaries, CAC and Karcement. For CAC, these are Xavier Blutel, Tan and Javier del Ser, while for Karcement they are Rinat Mukhamedshin, Francesco Parillo and Javier del Ser.

At a Company level, year 2022 saw the departure of the Head of Legal, Veronika Kuznetsova, who had moved to Russia from Kazakhstan, after 17 years with the Company. We thank her for her dedication over so many years and wish her all the best. Evgeniya Orlova has taken over as the Head of Legal, stepping up from her role as Deputy Head of Legal.

Derek Kuan Boon San has elected to stay with the Company, having previously indicated that he wished to return to leave Kazakhstan, and continues as Finance Director of CAC.

Rupert Wood
Nomination Committee Chair

Remuneration Committee Report 2022

The Committee met on four occasions in 2022.

Overall remuneration practice for all employees, although not strictly within the scope for this Committee, are systematically reviewed. Special attention was given to the increasing inflationary context and to the pressure from local authorities so that the workforce could maintain a decent standard of living.

Expatriates' remuneration packages have remained the same, with one change: bonuses were calculated based on the time spent in the factory. Staff, including expatriates, who had worked full-time in the factory during the year received 2 months in full.

Based on the broadening of his responsibilities and on remuneration given for comparable positions, the salary of the Head of Marketing and Logistics was increased.

Search for new executives in financial and audit positions were launched with remuneration proposals in line with the market for similar assignments in Malaysia and Kazakhstan. Some flexibility is seen as necessary for good candidates, taking into account the difficulty to attract and retain senior managers in the area of the factory.

Board Directors: the level of the Independent Directors' fees was low as compared to the benchmark for companies of a similar size in a KPMG survey published in 2020. Additionally, among London-listed companies it is standard practice to grant separate fees for committee memberships. Moreover, directors were given regular increase in fees in recent years in line with their responsibilities and risks attached to directorship.

As a result, the Chairman's remuneration was raised from USD40k to 50k per annum, and USD10k were proposed for the Chairman of the Audit Committee, the most demanding position among the three Committees.

Xavier Blutel
Chairman of the Executive Committee

Audit Committee Report 2022

Dear Shareholder,

Year 2022 saw the Audit Committee meets regularly alongside scheduled Board Meetings, as well as holding several separate calls and meetings to discuss matters in hand. Not least of these was the External Audit, negotiating fees, setting the Terms of Reference, assessing progress and feedback.

Throughout 2022, the Company spent considerable time and effort to resolve issues created by changes in the interpretation of the tax codes in Malaysia (and uncertainty owing to delays in clarification of the tax code status). Ultimately, albeit with a delay, in December, the Company was able to pay the planned 5p dividend.

As a result of the changing tax regime, both in Kazakhstan and Malaysia, the Company has been exploring restructuring options in order to minimise the taxation risk on the flow of dividends to shareholders from the operating subsidiaries going forward. The Committee has monitored this closely.

In this regard, the Audit Committee considered the proposed appointment of Deloitte to provide Tax Advisory Services with a view to restructuring and the potential options available to the Company, whilst continuing to act as Auditor, and whether there would be any conflict of interest. Given Deloitte's position and understanding of both the Company and the jurisdictional requirements for such advice, the Board decided that they would be best placed to provide the consulting services from a tax advisory perspective and for the restructuring options of the Company.

During 2023, the Audit Committee has overseen the remit of these consulting services and monitors this process and the provision of these Non-Audit Services (NAS). The Committee recommended to the Board that Deloitte be retained for the NAS role, having determined that independence of the Audit function would not be impaired. The Company has also received assurances from Deloitte as to the independence of their External Audit function.

Clearly 2022 highlighted several Risk factors which, whilst always in the background, moved to the forefront last year – namely political risk and geopolitics. The domestic unrest and civil strife, combined with domestic political wrangling, in January 2022 in Kazakhstan put into focus an element beyond the control of the Management or Board. By February, the invasion of Ukraine bringing economic dislocation, sanctions, and an exacerbation of inflationary pressures already building after the policy response to Covid-19 in previous years almost made the domestic disturbances in January recede from memory. Many of these risk factors cannot be ameliorated in any meaningful way though they can be thought through in part in advance. Some can be mitigated in part. For example, as part of our contingency plan, the Company has maintained a stock of Critical Spares, to ensure that any breakdowns are minimised and stoppages limited, especially given the lead time to re-order certain replacement parts. This has been complicated by lengthened order times and supply chain issues as a result of sanctions and the war and could not be made perfect, but has proved to be an important component of operational risk management by the Company.

Taxation risk, as referenced above with regard to changes to the Malaysian Tax Code, but also regarding the Kazakh taxation environment and its often arbitrary nature, remains an area that the Committee and the Board continue to monitor (see note 31a in the Auditor's Notes on page 108 of the Annual Report). These risks have risen over the last year and remain an area for vigilance.

By the same token, the Committee also monitors the Company's environmental obligations (see note 31b below), where such risk is managed by investment into improving environmental standards and ensuring compliance with such legal obligations (also see the Chairman's Statement and the Chairman's Statement on Governance). Environmental issues however remain an area where the regulatory backdrop can take an adverse turn with little notice.

Rupert Wood
Audit Committee Chair

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

(In United States Dollar)

CONTENTS

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 2022 of the Group and of the Company, 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 40 to 108.

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 2022, 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
Revenue recognition As of 31 December 2022, revenue from sale of cements amounts to USD86,707,809, which represented 99.9% of the Group's revenue. Revenue recognition is significant to our audit as the Group might have inappropriately accounted the revenue in advance. Refer to revenue accounting policy in Note 3 and 4 to the Financial Statements.	Our audit procedures included the following: • 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. • 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. • Performed statistical sampling test of details on revenue and one month cut-off review to ensure the sales are valid by tracing to the delivery documents and checked to the delivery or shipping terms to ensure the control are transferred to the customer(s) and recorded in the correct accounting period. • Performed gross profit margin analysis.

We have not identified any key audit matter pertaining to the financial statements of the Company for the financial year ended 31 December 2022.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with International Financial Reporting Standards. 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
Date: 26 May 2023

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	The Group 2022 USD	The Group 2021 USD	The Company 2022 USD	The Company 2021 USD
Revenue	4	86,732,039	84,578,739	14,641,442	1,469,264
Cost of sales		(49,107,243)	(44,834,182)	-	-
Gross profit		37,624,796	39,744,557	14,641,442	1,469,264
Selling expenses		(10,997,920)	(12,264,221)	-	-
General and administrative expenses		(6,393,080)	(6,761,722)	(369,812)	(324,207)
Interest income		573,913	401,619	-	-
Finance costs	5	(1,048,888)	(1,090,949)	-	-
Net foreign exchange loss	6	(435,204)	(227,951)	(330,675)	(825)
Other income, net		2,367,459	1,616,216	-	112,940
Profit before income tax	7	21,691,076	21,417,549	13,940,955	1,257,172
Income tax expense	8	(3,807,706)	(4,352,182)	-	-
Profit for the year		17,883,370	17,065,367	13,940,955	1,257,172
Attributable to shareholders of the Company		17,883,370	17,065,367	13,940,955	1,257,172
Earnings per share:					
Basic and diluted (cents)	9	8.2	7.8		

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

STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Profit for the year	**17,883,370**	17,065,367	**13,940,955**	1,257,172
Other comprehensive (loss)/income:				
Items that may not be reclassified subsequently to profit or loss:				
Revaluation gain on property, plant and equipment, net of tax	-	-	-	-
Gain on recovery of impaired assets	-	15,373	-	-
Increase in provision for site restoration	-	(23,611)	-	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising from translation of foreign operations	**(5,829,119)**	(1,923,738)	-	-
Total other comprehensive loss	**(5,829,119)**	(1,931,976)	-	-
Total comprehensive income for the year	**12,054,251**	15,133,391	**13,940,955**	1,257,172
Attributable to the shareholders of the Company	**12,054,251**	15,133,391	**13,940,955**	1,257,172

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

STATEMENTS OF FINANCIAL POSITION

AS OF 31 DECEMBER 2022

	Note	The Group 2022 USD	The Group 2021 USD	The Company 2022 USD	The Company 2021 USD
Assets					
Non-Current Assets					
Property, plant and equipment	10	49,361,749	48,437,801	-	-
Right-of-use assets	11	5,525	1,700,510	-	-
Investment in subsidiary companies	12	-	-	36,199,599	36,199,599
Loans to subsidiary company	27	-	-	30,050,000	30,080,000
Other assets	13	1,530,916	155,132	-	-
Total Non-Current Assets		50,898,190	50,293,443	66,249,599	66,279,599
Current Assets					
Inventories	14	20,646,156	16,023,541	-	-
Trade and other receivables	15	2,045,004	1,751,720	2,372,114	1,724,364
Other assets	13	1,081,719	2,258,501	-	-
Income tax recoverable		602,734	911,395	-	-
Loans and advances to subsidiary companies	27	-	-	60,352	49,536
Advances and prepaid expenses	16	8,577,714	5,233,894	7,305	4,971
Cash and cash equivalents	17	4,143,953	10,136,022	1,239,827	614,225
Total Current Assets		37,097,280	36,315,073	3,679,598	2,393,096
Total Assets		87,995,470	86,608,516	69,929,197	68,672,695

		The Group		The Company	
	Note	2022 USD	2021 USD	2022 USD	2021 USD
Equity and Liabilities					
Capital and Reserves					
Share capital	18	**73,760,924**	73,760,924	**73,760,924**	73,760,924
Revaluation reserve	19	**1,795,426**	2,068,114	**-**	-
Translation reserve	19	**(126,267,201)**	(120,438,082)	**-**	-
Retained earnings/ (Accumulated losses)	19	**115,791,111**	110,190,323	**(4,220,191)**	(5,605,876)
Net Equity		**65,080,260**	65,581,279	**69,540,733**	68,155,048
Non-Current Liabilities					
Borrowings	20	**3,913,689**	1,941,383	**-**	-
Lease liabilities	21	**-**	8,571	**-**	-
Deferred taxes	22	**3,266,775**	4,318,652	**-**	-
Deferred income	23	**2,572,552**	1,588,098	**-**	-
Provision for site restoration		**178,420**	180,314	**-**	-
Total Non-Current Liabilities		**9,931,436**	8,037,018	**-**	-
Current Liabilities					
Trade and other payables	24	**7,348,587**	5,061,705	**-**	-
Accrued and other liabilities	25	**2,250,689**	1,552,778	**143,808**	227,897
Amount owing to a subsidiary company	27	**-**	-	**244,656**	289,750
Borrowings	20	**2,814,525**	3,614,801	**-**	-
Lease liabilities	21	**58,960**	2,017,879	**-**	-
Deferred income	23	**140,259**	103,720	**-**	-
Taxes payable	26	**370,754**	639,336	**-**	-
Total Current Liabilities		**12,983,774**	12,990,219	**388,464**	517,647
Total Liabilities		**22,915,210**	21,027,237	**388,464**	517,647
Total Equity and Liabilities		**87,995,470**	86,608,516	**69,929,197**	68,672,695

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

The Group	Share capital	Revaluation reserve	Translation reserve	Retained earnings	Net*
	← Non-distributable		→	Distributable	
	USD	USD	USD	USD	USD
As of 1 January 2022	73,760,924	2,068,114	(120,438,082)	110,190,323	65,581,279
Profit for the year	-	-	-	17,883,370	17,883,370
Other comprehensive loss	-	-	(5,829,119)	-	(5,829,119)
Total comprehensive income for the year	-	-	(5,829,119)	17,883,370	12,054,251
Other transactions impacting equity:					
Dividends paid (Note 19)	-	-	-	(12,555,270)	(12,555,270)
Transfer of revaluation reserve relating to property, plant and equipment through use	-	(272,688)	-	272,688	-
As of 31 December 2022	73,760,924	1,795,426	(126,267,201)	115,791,111	65,080,260

* Attributable to the shareholders of the Company

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

The Group	Share capital USD	Revaluation reserve USD (Non-distributable)	Translation reserve USD (Non-distributable)	Retained earnings USD (Distributable)	Net* USD
As of 1 January 2021	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	-
As of 31 December 2021	73,760,924	2,068,114	(120,438,082)	110,190,323	65,581,279

* Attributable to the shareholders of the Company

The Company	Share Capital USD	(Accumulated losses)/Distributable Retained earnings USD	Net USD
As of 1 January 2022	73,760,924	(5,605,876)	68,155,048
Total comprehensive income for the year	-	13,940,955	13,940,955
Dividends paid (Note 19)	-	(12,555,270)	(12,555,270)
As of 31 December 2022	73,760,924	(4,220,191)	69,540,733
As of 1 January 2021	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)
As of 31 December 2021	73,760,924	(5,605,876)	68,155,048

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

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES				
Profit before income tax	21,691,076	21,417,549	13,940,955	1,257,172
Adjustments for:				
Depreciation of property, plant and equipment	6,135,236	7,039,116	-	-
Depreciation of right-of-use assets	1,587,293	1,716,748	-	-
Dividend income	-	-	(13,309,140)	-
Gain on disposal of property, plant and equipment	(27,725)	-	-	-
Interest income	(573,913)	(401,619)	(1,332,302)	(1,469,264)
Finance costs	1,048,888	1,090,949	-	-
Net unrealised foreign exchange loss	538,663	227,951	-	-
Provision for obsolete inventories	167,628	142,387	-	-
Credit loss allowance for doubtful receivables	174,650	594,901	-	-
Allowance for advances paid to third parties	157,723	11,676	-	-
Deferred income	(140,259)	(105,947)	-	-
Reversal of allowance for trade receivable no longer required	(172,464)	(769,654)	-	-
Operating cash flows before movements in working capital	30,586,796	30,964,057	(700,487)	(212,092)
Movement in working capital:				
(Increase)/Decrease in:				
Inventories	(8,501,824)	(6,054,197)	-	-
Trade and other receivables	(427,760)	302,194	(865,000)	(90,000)
Loans and advances to subsidiary companies	-	-	19,184	20,176
Advances, prepaid expenses and other assets	(5,608,461)	(2,820,912)	(2,334)	877

	The Group		The Company	
	2022 USD	2021 USD	2022 USD	2021 USD
Increase/(Decrease) in:				
Trade and other payables	2,097,417	659,458	-	-
Accrued and other liabilities	786,440	54,890	(84,089)	41,149
Cash Generated From/(Used In) Operations	18,932,608	23,105,490	(1,632,726)	(239,890)
Income tax paid	(4,599,594)	(3,985,384)	-	-
Net Cash From/(Used In) Operating Activities	14,333,014	19,120,106	(1,632,726)	(239,890)
CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(7,768,695)	(6,215,744)	-	-
Contribution to site restoration fund	(334)	(18,414)	-	-
Proceeds from disposal of property, plant and equipment	85,599	118,234	-	-
Dividends received from subsidiary	-	-	13,309,140	6,610,895
Interest received	573,913	401,619	1,549,552	-
Net Cash (Used In)/From Investing Activities	(7,109,517)	(5,714,305)	14,858,692	6,610,895
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES				
(Repayment to)/Advance from a subsidiary company	-	-	(45,094)	289,750
Return of net investment from a subsidiary company	-	-	-	94,920
Proceeds from borrowings*	7,299,722	5,502,753	-	-
Repayment of borrowings*	(4,472,018)	(6,345,979)	-	-
Repayment of lease liabilities*	(1,838,949)	(1,805,362)	-	-
Dividends paid	(12,555,270)	(7,494,400)	(12,555,270)	(7,494,400)
Interest paid	(1,038,335)	(1,081,123)	-	-
Net Cash Used In Financing Activities	(12,604,850)	(11,224,111)	(12,600,364)	(7,109,730)

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(5,381,353)	2,181,690	625,602	(738,725)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(610,716)	(259,348)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	10,136,022	8,213,680	614,225	1,352,950
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	4,143,953	10,136,022	1,239,827	614,225

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

2022	Opening balance USD	Financing cash flows [1] USD	Non-cash movements[2] USD	Closing balance USD
Borrowings (Note 20)	5,556,184	2,827,704	(1,655,674)	6,728,214
Lease liabilities (Note 21)	2,026,450	(1,838,949)	(128,541)	58,960
2021				
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

[1] Financing cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

[2] 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.

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 26 May 2023

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 2022.

Amendments to IFRS 3 Amendments to IAS 16	Reference to the Conceptual Framework Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37 Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	Onerous Contracts - Cost of Fulfilling a Contract Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

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 or on the amounts reported in the financial statements of the Group and of the Company.

New and amendments to IFRS in issue but not yet effective

New or revised standard or interpretation	Applicable to annual reporting periods beginning on or after
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	1 January 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (as part of the project to formulate Annual Improvements to IFRS 2010-2012 cycles).	1 January 2023
Amendments to IAS 8 "Definition of Accounting Estimates"	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of Accounting Policies"	1 January 2023
Amendments to IAS 12 Deferred Tax Relating to Assets and Liabilities Arising from a Single Transaction	1 January 2023
IFRS 17 "Insurance contract" (including the June 2020 and December 2021 amendments to IFRS 17)	1 January 2023
Amendments to IAS 1 "Non-current Liabilities with Covenants"	1 January 2024
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	1 January 2024
Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB

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 are not expected to have a material impact on the financial statements of the Group and of the Company in future periods.

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.

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of Consolidation

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

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

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

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

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

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

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

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment lossess. On disposal of such investments, the differences between net disposal proceeds and their carrying amounts is included in profit or loss.

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

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

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

Revenue

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

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.

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 subsidiaries, Karcement JSC ("KAC JSC"), Central Asia Cement JSC ("CAC JSC") and Central Asia Services LLP ("CAS LLP"), is the Kazakhstan Tenge ("KZT"). The functional currency of the subsidiaries, Steppe Cement Holdings B.V. ("SCH BV") and Mechanical & Electrical Consulting Services Ltd ("MECS Ltd") is USD. The functional currency of the subsidiary, Steppe Cement (M) Sdn Bhd ("SCM") is Ringgit Malaysia ("RM").

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:

	2022 USD	2021 USD
1 Sterling Pound ("GBP")	1.2039	1.3477
1 Euro ("EUR")	1.0702	1.1370
1 Ringgit Malaysia ("MYR")	0.2278	0.2395
1 Russian Ruble ("RUB")	0.0133	0.0133
	KZT	**KZT**
1 USD	462.65	431.67

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, Karcement JSC and CAS LLP) operate, the subsidiaries withholds amounts of pension contributions (a defined contribution plan) equivalent to 10% of each employee's wage, but not more than KZT300,000 (USD651) per month per employee (2021: USD499) 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.

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.

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 depreciated terms are 5 years for building and 2 to 4 years for wagon.

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.

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.

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.

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-other assets".

(ii) Site restoration costs

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

Impairment of tangible assets

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

Recoverable amount is the higher of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that management believes reflects the current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease (see accounting policy on property, plant and equipment above).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and the estimated costs necessary to make the sale.

At the end of each reporting period, the Group evaluates its inventory balances for excess quantities and obsolescence and, if necessary, records a provision to reduce inventory for obsolete, slow-moving raw materials and spare parts. Provision is determined based on inventory ageing as follows:

Not moving more than 1 year	33.3%
Not moving more than 2 years	66.7%
Not moving more than 3 years	100.0%

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Equity

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

Contingent Liabilities

Contingent liabilities are not recognised in 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 entirely at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

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

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

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

Amortised cost and effective interest method

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

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

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

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

(ii) Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

Definition of default

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

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

Credit-impaired financial assets

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

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

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

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

(iii) Financial liabilities at amortised costs

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

Borrowing Costs

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

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

Statements of Cash Flows

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

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

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of liabilities. Due to the inherent uncertainty in making those judgements and estimates, actual results reported in future periods could differ from such 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.

As of 31 December 2022, 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

As stated in Note 13, non-current and 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 2022, loss allowance for doubtful trade receivables amounted to USD1,166,679 (2021: USD1,233,713) (Note 15) and on advances paid to third parties amounted to USD263,486 (2021: USD127,706) (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 2022, provision for obsolete and slow-moving inventories amounted to USD2,047,360 (2021: USD2,014,636) (Note 14).

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, Kazakhstan, (segment) and as such, no segmental information is presented.

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Sale of cement	**86,707,809**	84,567,571	**-**	-
Transmission and distribution of electricity	**24,230**	11,168	**-**	-
Dividend income	**-**	-	**13,309,140**	-
Net interest income	**-**	-	**1,332,302**	1,469,264
Total	**86,732,039**	84,578,739	**14,641,442**	1,469,264

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	
	2022	2021	2022	2021
	USD	USD	USD	USD
Interest expenses on:				
- Bank loans	**456,140**	395,338	**-**	-
Less: Interest capitalised (Note 10)	**(98,844)**	-	**-**	-
- Bank loans	**357,296**	395,338		
- Lease liabilities	**194,232**	376,590	**-**	-
Unwinding of discount on provision for site restoration	**10,553**	9,826	**-**	-
Others	**486,807**	309,195	**-**	-
Total	**1,048,888**	1,090,949	**-**	-

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

6. NET FOREIGN EXCHANGE LOSS

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Unrealised foreign exchange loss	(538,663)	(227,951)	-	-
Realised foreign exchange gain/(loss)	103,459	-	(330,675)	(825)
	(435,204)	(227,951)	(330,675)	(825)

7. PROFIT BEFORE INCOME TAX

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

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Amortisation of deferred income	140,259	105,947	-	-
Rental income	1,131,881	543,687	-	-
Allowance for trade receivables and advances no longer required	172,464	769,654	-	-
Allowance for advances paid to third parties	(157,723)	(11,676)	-	-
Credit loss allowance for doubtful receivables	(174,650)	(594,901)	-	-
Depreciation of property, plant and equipment	(6,135,236)	(7,039,116)	-	-
Employee benefit expenses	(6,648,483)	(5,683,931)	(14,345)	(15,270)
Depreciation of right-of-use assets	(1,587,293)	(1,716,748)	-	-
Gain on disposal of property, plant and equipment	27,725	-	-	-
Provision for obsolete inventories	(167,628)	(142,387)	-	-
Short-term leases	(158,683)	(141,528)	(3,600)	(3,600)

Employee benefit expenses include contributions paid by the Group and the Company to defined contribution plans amounting to USD603,035 (2021: USD468,596) and USD2,996 (2021: USD3,175) respectively and Directors' remuneration as dislosed in Note 27.

8. INCOME TAX EXPENSE

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Income tax -				
- current year	4,466,088	4,430,049	-	-
- prior year	155,432	-	-	-
Deferred tax (Note 22)	(813,814)	(77,867)	-	-
Total	3,807,706	4,352,182	-	-

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% (2021: 20%), and Malaysian and Netherland subsidiaries are subject to statutory tax rates of 24% (2021: 24%) and 25% (2021: 25%) respectively.

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

	The Group		The Company	
	2022	2021	2022	2022
	USD	USD	USD	USD
Profit before income tax	21,691,076	21,417,549	13,940,955	1,257,172
Tax expense calculated at domestic tax rates applicable to the respective jurisdictions	3,314,152	3,866,089	-	-
Tax effects of expenses not deductible for tax purposes	338,122	444,423	-	-
Effect of unused tax losses not recognised as deferred tax assets	-	41,670	-	-
Income tax - prior year	155,432	-	-	-
Income tax expense	3,807,706	4,352,182	-	-

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

Judicial Review Application against the Director General of Inland Revenue ("DGIR") and Minister of Finance ("MOF")

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, one of the subsidiary companies filed another judicial review application ("2nd JR application") in the High Court of Sabah and Sarawak in the Federal Territory of Labuan with DGIR and the MOF named as respondents on this matter.

The hearing was then held on 13 June 2022 where the High Court Judge ruled in favour of the Group and quashed the DGIR and the MOF's decision, among others, and held that the gazetted PU(A) 423 has no retrospective effect to the Group. The DGIR and MOF have then filed an appeal to the Court of Appeal against the High Court's decision.

The 2nd judicial review application is currently pending before the High Court to which the hearing date of the Group's application for judicial review on the merits has yet to be fixed as of the date of this report.

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.

9. EARNINGS PER SHARE

Basic and diluted

	The Group	
	2022	**2021**
	USD	**USD**
Profit attributable to ordinary shareholders	**17,883,370**	17,065,367
Number of ordinary shares in issue at beginning and at end of year	**219,000,000**	219,000,000
Weighted average number of ordinary shares in issue	**219,000,000**	219,000,000
Earnings per share, basic and diluted (cents)	**8.2**	7.8

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 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD	Railway wagons USD	Stand-by equipment and major spare parts USD	Construction in progress USD	Other assets USD	Total USD
Cost/Valuation								
At 1 January 2021	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/ (to) 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
Additions	-	5,182	88,680	-	432,585	5,977,802	1,264,446	7,768,695
Transfers	-	461,057	1,757,396	-	(1,093,050)	(275,877)	(849,526)	-
Disposals	-	-	(40,378)	-	-	-	(91,381)	(131,759)
Reclassification from/ (to) inventories	-	-	84,138	-	1,475,550	826,134	230,544	2,616,366
Exchange differences	(115,836)	(1,423,611)	(3,041,720)	(428,387)	(148,932)	(138,161)	(788,058)	(6,084,705)
At 31 December 2022	1,614,044	20,275,502	64,963,284	5,969,072	2,897,262	8,019,534	11,502,468	115,241,166

The Group	Freehold land and land improvement USD	Buildings USD	Machinery and equipment USD	Railway wagons USD	Stand-by equipment and major spare parts USD	Construction in progress USD	Other assets USD	Total USD
Accumulated depreciation and impairment losses								
At 1 January 2021	-	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
Charge for the year	-	924,351	4,124,405	300,966	-	-	785,514	6,135,236
Disposals	-	-	(23,550)	-	-	-	(50,335)	(73,885)
Exchange differences	-	(1,025,009)	(1,279,290)	(159,373)	-	-	(353,030)	(2,816,702)
At 31 December 2022	-	15,152,829	42,610,957	2,504,164	-	-	5,611,467	65,879,417
Net Book Value								
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
At 31 December 2022	1,614,044	5,122,673	22,352,327	3,464,908	2,897,262	8,019,534	5,891,001	49,361,749

There was no valuation carried out in 2022. 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 USD6,736,717 as of 31 December 2022 (2021: USD7,709,267). 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 financial 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 2022 and 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	
	2022	**2021**
	USD	**USD**
Land	**174,997**	187,556
Buildings	**168,924**	347,260

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 2022, property, plant and equipment of a subsidiary company with a cost and net book value of USD6,407,904 and USD3,671,853 (2021: USD6,696,409 and USD3,646,621) respectively are pledged as collateral for the government-subsidised loan (Note 20).

As of 31 December 2022, the cost of property, plant and equipment that is fully depreciated amounted to USD3,360,683 (2021: USD2,302,476).

As of 31 December 2022, there is capitalised interest expenses in the amount of USD98,844 (2021: Nil).

11. RIGHT-OF-USE ASSETS

	The Group		
	Railway wagons USD	Buildings USD	Total USD
Cost			
At 1 January 2021	7,611,370	31,813	7,643,183
Exchange differences	(193,250)	(808)	(194,058)
At 31 December 2021/1 January 2022	7,418,120	31,005	7,449,125
Exchange differences	(496,732)	(2,076)	(498,808)
At 31 December 2022	6,921,388	28,929	6,950,317
Accumulated depreciation			
At 1 January 2021	(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 2021/1 January 2022	(5,729,392)	(19,223)	(5,748,615)
Charge for the year	(1,580,905)	(6,388)	(1,587,293)
Exchange differences	389,803	1,313	391,116
At 31 December 2022	(6,920,494)	(24,298)	(6,944,792)
Carrying amount			
At 31 December 2021	1,688,728	11,782	1,700,510
At 31 December 2022	894	4,631	5,525

	The Group	
	2022	2021
	USD	USD
Amount recognised in profit or loss:		
Interest expense on lease liabilities	194,232	376,590
Expense relating to short-term leases	158,683	141,528
Income from sub-leasing of right-of-use assets	-	543,687
Total cash outflow for leases	2,191,864	1,779,793

	The Company	
	2022	2021
	USD	USD
Amount recognised in profit or loss:		
Expense relating to short-term leases	3,600	3,600

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 are 5 years for buildings and 2 to 4 years for railway wagons respectively.

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2022	2021
	USD	USD
Unquoted shares, at cost	40,199,600	40,199,600
Less: Accumulated impairment loss	(4,000,001)	(4,000,001)
Net	36,199,599	36,199,599

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
		2022	2021	
		%	%	
Direct Subsidiary Companies				
Steppe Cement (M) Sdn. Bhd. ("SCM")	Malaysia	100	100	Investment holding
Mechanical & Electrical Consulting Services Ltd. ("MECS Ltd")	Malaysia	100	100	Provision of consultancy services
Indirect Subsidiary Companies				
Held through SCM:				
Steppe Cement Holdings B.V. ("SCH BV") *	Netherlands	100	100	Investment holding
Held through SCH BV:				
Central Asia Cement JSC ("CAC JSC")	Republic of Kazakhstan	100	100	Production and sale of cement
Karcement JSC ("KAC 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.

13. OTHER ASSETS

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
VAT recoverable	1,742,248	1,694,707	-	-
Site restoration fund	162,341	155,132	-	-
Others	708,046	563,794	-	-
	2,612,635	2,413,633	-	-
Less: Non-current portion of				
-Other assets	(162,341)	(155,132)	-	-
-VAT recoverable	(1,368,575)	-	-	-
	(1,530,916)	(155,132)	-	-
Current portion of other assets	1,081,719	2,258,501	-	-

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 (CAC 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.

14. INVENTORIES

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Finished goods	3,647,059	2,703,439	-	-
Work-in-progress	3,917,067	2,725,988	-	-
Spare parts	8,151,943	7,016,904	-	-
Raw materials	1,778,880	1,476,806	-	-
Packing materials	625,097	636,875	-	-
Construction materials	-	6,215	-	-
Goods held for resale	-	37,573	-	-
Others	4,573,470	3,434,377	-	-
Total	22,693,516	18,038,177	-	-
Less: Provision for obsolete inventories	(2,047,360)	(2,014,636)	-	-
Net	20,646,156	16,023,541	-	-

Included in others are mainly consist of fuel.

The cost of inventories of the Group recognised as an expense during the financial year was USD49,107,243 (2021: USD44,834,182).

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

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
At beginning of year	(2,014,636)	(1,921,024)	-	-
Exchange differences	134,904	48,775	-	-
Provision for obsolete inventories	(167,628)	(142,387)	-	-
At end of year	(2,047,360)	(2,014,636)	-	-

As of 31 December 2022, inventories of USD6,981,516 (2021: USD4,297,227) were pledged to secure the Halyk Bank JSC working capital facilities (Note 20).

15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Trade receivables	2,690,885	2,392,267	-	-
Less: Loss allowances	(1,166,679)	(1,233,713)	-	-
Net	1,524,206	1,158,554	-	-
Other receivables:				
Receivables from employees	165,888	172,078	-	-
Others	354,910	421,088	-	-
Interest receivable	-	-	2,372,114	1,724,364
Total	2,045,004	1,751,720	2,372,114	1,724,364

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.

Interest receivable represents amount owing from a subsidiary.

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

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
At beginning of year	(1,233,713)	(1,340,469)	-	-
Exchange differences	82,612	34,034	-	-
Add: Impairment losses	(174,650)	(594,901)	-	-
Less: Write-offs	159,072	667,623	-	-
At end of year	(1,166,679)	(1,233,713)	-	-

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

The Group Days past due	Expected credit loss rate	Gross carrying amount at default USD	Lifetime ECL USD
2022			
Not past due	0%	208,142	-
1-90 days	8%	275,171	22,014
91-180 days	11%	641,087	70,520
181-270 days	23%	520,184	119,641
271-360 days	48%	69,606	33,410
1-2 years	65%	158,863	103,262
>2 years	100%	817,832	817,832
		2,690,885	1,166,679

Days past due	Expected credit loss rate	Gross carrying amount at default USD	Lifetime ECL USD
2021			
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
		2,392,267	1,233,713

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 USD25,512 (2021: USD28,082) included in other receivables.

16. ADVANCES AND PREPAID EXPENSES

		The Group		The Company
	2022	2021	2022	2021
	USD	USD	USD	USD
Advances paid to third parties	8,551,618	5,029,506	-	-
Less: Provision on advances paid to third parties	(263,486)	(127,706)	-	-
Net advances paid to third parties	8,288,132	4,901,800	-	-
Prepaid expenses	289,582	332,094	7,305	4,971
Total	8,577,714	5,233,894	7,305	4,971

Advances are mainly advances for materials and services.

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

		The Group		The Company
	2022	2021	2022	2021
	USD	USD	USD	USD
At beginning of year	(127,706)	(119,054)	-	-
Exchange differences	8,551	3,024	-	-
Add: Allowance for advances paid to third parties	(157,723)	(11,676)	-	-
Less: Write-offs	13,392	-	-	-
At end of year	(263,486)	(127,706)	-	-

17. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Cash in hand and at banks	4,059,613	1,142,923	1,239,827	614,225
Short-term deposits	84,340	8,993,099	-	-
Total	4,143,953	10,136,022	1,239,827	614,225

As of 31 December 2022, 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 (2021: 7% and 8% per annum) respectively.

18. SHARE CAPITAL

	The Group and the Company	
	2022	2021
	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

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.

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 2021, the Company declared a final dividend of GBP0.025 per ordinary share amounting to GBP5,475,000 (USD7,494,400) in respect of the financial year ended 31 December 2020. The payment was made on 20 July 2021.

In 2022, the Company declared an interim dividend of GBP0.050 per ordinary share amounting to GBP10,950,000 (USD12,555,270) in respect of financial year ended 31 December 2021. The payment was made on 24 November 2022.

20. BORROWINGS

	The Group	
	2022	2021
	USD	USD
Secured - at amortised cost		
Bank loans	6,728,214	5,556,184
Bank loans:		
Current	2,814,525	3,614,801
Non-current	3,913,689	1,941,383
	6,728,214	5,556,184

Details of bank loans are as follows:

	Currency	Maturity month	Interest rate	The Group 2022	2021
				USD	USD
Halyk Bank JSC for capital expenditure	KZT	August 2022	6% p.a.	-	145,296
	KZT	June 2025	6% p.a.	210,444	305,702
	KZT	September to November 2025	6% p.a.	424,377	747,024
	KZT	December 2027	6% p.a.	1,537,906	1,912,062
	KZT	December 2027	6% p.a.	101,956	127,850
	KZT	February to November 2029	6% p.a.	1,759,849	-
	KZT	January to December 2023	6% p.a.	1,418,171	-
Halyk Bank JSC for working capital	KZT	June 2022	6% p.a.	-	2,317,370
	KZT	June 2023	6% p.a.	1,274,689	-
Accrued interest				822	880
Total outstanding				6,728,214	5,556,184

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 a maturity period of 5 years and secured against property, plant and equipment with a net book value of USD3,646,621 (Note 10). No further amounts are available for drawdown from this facility. This loan has been fully repaid in year 2022.

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 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.

During 2022, the subsidiary (CAC JSC) concluded long-term agreements under the government programs with Halyk Bank JSC of Kazakhstan for KZT1,999 million (USD4,320,540) at 6% per annum for mill modernization. The loan is used for capital expenditure with maturity period of 7 years and secured against property, plant and equipment with a net book value of USD3,671,853 (Note 10). No further amounts are available for drawdown from this facility.

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

Halyk Bank JSC working capital facilities

In year 2021, 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 were repayable in June 2022 and are secured against inventories of USD4,297,227 (Note 14). These short-term facilities had fully repaid in year 2022.

In year 2022, the subsidiaries (CAC JSC and Karcement JSC) entered into short-term facility agreements with Halyk Bank JSC for working capital requirements of KZT494 million (USD1.1 million) and KZT 96 million (USD0.2 million) respectively under the government programs bearing an interest rate of 6% per annum. The short-term borrowings are repayable in June 2023 and are secured against inventories of USD6,981,516 (Note 14).

As of 31 December 2022, all working capital facilities of KZT2.4 billion (2021: KZT2 billion) with Halyk Bank JSC are available for drawdown which is equivalent to USD5,103,000 (2021: USD4.6 million).

21. LEASE LIABILITIES

	The Group	
	2022	2021
	USD	USD
Operating leases analysed as:		
Non-current	-	8,571
Current	58,960	2,017,879
Balance as of 31 December	58,960	2,026,450

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 2022:

	The Group	
	2022	2021
	USD	USD
Maturity analysis:		
Year 1	66,212	2,156,391
Year 2	-	9,174
Year 3	-	-
	66,212	2,165,565
Less: Future finance charges	(7,252)	(139,115)
	58,960	2,026,450

	The Group	
	2022	2021
	USD	USD
Balance as of 1 January	2,026,450	3,907,423
Payment of lease liabilities	(2,033,181)	(2,181,952)
Finance costs (Note 5)	194,232	376,590
Exchange differences	(128,541)	(75,611)
Balance as of 31 December	58,960	2,026,450

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

22. DEFERRED TAXES

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
At beginning of year	(4,318,652)	(4,559,927)	-	-
Exchange differences	238,063	163,408	-	-
Recognised in profit or loss (Note 8)	813,814	77,867	-	-
At end of year	(3,266,775)	(4,318,652)	-	-

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

2022	Opening balance USD	Exchange rate differences USD	Recognised in profit or loss USD	Closing balance USD
Temporary differences:				
Property, plant and equipment	(5,013,360)	332,869	728,929	(3,951,562)
Inventories	402,986	(27,115)	33,603	409,474
Trade receivables	245,347	(16,556)	32,785	261,576
Accrued unused leaves	27,794	(1,892)	8,068	33,970
Payables	8,757	11,162	(1,616)	18,303
Others	9,824	(60,405)	12,045	(38,536)
Total	(4,318,652)	238,063	813,814	(3,266,775)
2021				
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)

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	
	2022	2021	2022	2021
	USD	USD	USD	USD
Tax losses for which no deferred tax assets have been recognised	1,398,350	1,398,350	-	-

The unutilised tax losses of USD1,398,350 (2021: USD1,398,350) has been imposed with a time limit of utilisation, which will be disregarded in the year of assessment 2026 to 2031 (2021: 2026 to 2031).

23. DEFERRED INCOME

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Deferred income	2,712,811	1,691,818	-	-
Less: Amount due within 12 months	(140,259)	(103,720)	-	-
Non-current	2,572,552	1,588,098	-	-

Movement of deferred income are as follows:

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
At beginning of year	1,691,818	1,598,852	-	-
Exchange differences	(133,630)	(40,594)	-	-
Additions	1,294,882	239,507	-	-
Recognised in profit or loss	(140,259)	(105,947)	-	-
At end of year	2,712,811	1,691,818	-	-

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 2022 and 2021, 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 to USD1,294,882 (2021: USD239,507) was recognised as deferred income in the statement of financial position.

As of 31 December 2022, the related assets amounted to USD912,398 (2021: USD796,391) were put into use. During financial year, the Group recognised USD140,259 (2021: USD105,947) in profit or loss as other income on a straight-line basis over the useful lives of these related assets.

24. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Trade payables	4,027,000	3,911,856	-	-
Other payables	3,307,237	1,139,167	-	-
Amount due to related parties	-	765	-	-
Others	14,350	9,917	-	-
Total	7,348,587	5,061,705	-	-

The credit period granted by creditors ranges from 1 to 30 days (2021: 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
	2022	2021	2022	2021
	USD	USD	USD	USD
Accrued directors' fees	97,104	178,472	97,104	178,472
Advances from customers	1,434,123	783,990	-	-
Accrued salaries	409,824	336,199	-	-
Accrued unused leave	132,601	96,576	-	-
Others	177,037	157,541	46,704	49,425
Total	2,250,689	1,552,778	143,808	227,897

26. TAXES PAYABLE

		The Group		The Company
	2022	2021	2022	2021
	USD	USD	USD	USD
Corporate income tax	142,329	276,473	-	-
Other taxes:				
VAT payable	23,540	213,571	-	-
Royalties	48,412	195	-	-
Emission taxes	58,723	67,026	-	-
Pension fund	40,560	32,606	-	-
Personal income tax	37,054	32,279	-	-
Social tax	13,524	13,522	-	-
Withholding tax	1,476	115	-	-
Others	5,136	3,549	-	-
Total	370,754	639,336	-	-

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.

Advances to subsidiary companies of the Company amounted to USD30,352 (2021: USD19,536) are unsecured, interest-free and are repayable on demand.

Loan to a subsidiary company of USD30,050,000 (2021: USD30,080,000) is repayable by year 2033, while another amount of USD30,000 (2021: USD30,000) is repayable in the subsequent year. This loan bears interest at 8% per annum (2021: 8% per annum).

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:

	The Group	
	Purchase of services	
	2022	2021
	USD	USD
Other related party		
Office rental	8,593	9,295

	Payable to related party	
	2022	2021
	USD	USD
Other related party		
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:

Subsidiary companies	Nature of transactions	2022 USD	2021 USD
Steppe Cement (M) Sdn. Bhd.	Dividend income	13,309,140	-
Karcement JSC	Interest income	1,332,302	1,469,264
MECS Ltd.	Interest income assigned	(865,000)	(740,000)

Subsidiary companies	Nature of transactions	Receivable from/(payable to) subsidiary companies	
		2022 USD	2021 USD
Karcement JSC	Intercompany loans	30,080,000	30,110,000
Karcement JSC	Interest income	2,372,114	1,724,364
MECS Ltd.	Advances	30,352	19,536
Steppe Cement (M) Sdn. Bhd.	Advances	(244,656)	(289,750)
Total		32,237,810	31,564,150

Compensation of key management personnel

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

	The Group		The Company	
	2022	2021	2022	2021
	USD	USD	USD	USD
Short-term benefits	840,660	789,942	134,137	100,000

Short-term benefits include contributions paid by the Group and by the Company to defined contribution plans amounting to USD36,784 (2021: USD22,848) and Nil (2021: Nil) respectively.

The directors' remuneration in the Company is as follows:

	The Company	
	2022	2021
	USD	USD
Directors' fees		
Executive director:		
Javier del Ser Perez	30,000	30,000
Non-executive directors:		
Xavier Blutel	50,000	40,000
Rupert Wood	40,000	30,000
Wan Affan Azam Bin Wan Azmi	14,137	-
Total	134,137	100,000
Alternate directors' allowance		
Alternate directors:		
Gan Chee Leong (Alternate to Javier del Ser Perez)	-	500
Charlie Tingey (Alternate to Rupert Wood)	-	500
Total	-	1,000

In prior financial year, the alternate directors were paid for their attendance in board meetings to represent Javier del Ser Perez and Rupert Wood respectively.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group	
	2022	2021
	USD	USD
Financial assets		
At amortised cost:		
Trade and other receivables	2,045,004	1,751,720
Cash and cash equivalents	4,143,953	10,136,022
Financial liabilities		
At amortised cost:		
Trade and other payables	7,348,587	5,061,705
Accrued and other liabilities	816,566	768,788
Borrowings	6,728,214	5,556,184
Lease liabilities	58,960	2,026,450

	The Company	
	2022	2021
	USD	USD
Financial assets		
At amortised cost:		
Interest receivable	2,372,114	1,724,364
Loans and advances to subsidiary companies	30,110,352	30,129,536
Cash and cash equivalents	1,239,827	614,225
Financial liability		
At amortised cost:		
Accrued and other liabilities	143,808	227,897
Advance from a subsidiary company	244,656	289,750

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.

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					
2022	**GBP**	**EUR**	**MYR**	**RUB**	**Total**
Financial Asset					
Cash and cash equivalents	503,597	14,602	8,572	-	526,771
Financial Liabilities					
Trade and other payables	-	677,808	-	222,585	900,393
Accrued and other liabilities	39,923	-	54,857	-	94,780
2021					
Financial Asset					
Cash and cash equivalents	1,747	67	9,084	-	10,898
Financial Liabilities					
Trade and other payables	-	515,477	-	58,800	574,277
Accrued and other liabilities	42,992	-	66,602	-	109,594

The Company

2022	GBP	EUR	MYR	Total
Financial Asset				
Cash and cash equivalents	428,932	55	8,378	437,365
Financial Liability				
Accrued and other liabilities	39,923	-	50,859	90,782
2021				
Financial Asset				
Cash and cash equivalents	-	67	6,322	6,389
Financial Liability				
Accrued and other liabilities	42,992	-	47,343	90,335

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.

	Impact on profit or loss and equity	
The Group	**2022**	**2021**
GBP	(92,735)	8,249
EUR	132,641	103,082
MYR	9,257	11,504
RUB	44,517	11,760
The Company		
GBP	(77,802)	8,598
EUR	(11)	(13)
MYR	8,496	8,204

(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 2022, the Group's trade receivables from third parties are mostly represented by ten large customers, representing 52% of trade accounts receivable for cement sales (2021: 53%). 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 2022, the subsidiaries (CAC JSC and Karcement JSC) working capital facilities of USD5.1 million (2021: USD6.9 million) with Halyk Bank JSC is 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.

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	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
2022							
Interest bearing							
Borrowings	6,728,214	6.00	9,719,810	2,821,878	5,901,308	996,624	9,719,810
Lease liabilities	58,960	12.34	66,212	66,212	-	-	66,212
Non-interest bearing							
Trade and other payables	7,348,587	-	7,348,587	7,348,587	-	-	7,348,587
Accrued and other liabilities	816,566	-	816,566	816,566	-	-	816,566
	14,952,327		17,951,175	11,053,243	5,901,308	996,624	17,951,175

2021							
Interest bearing							
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
Non-interest bearing							
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

The Company	Carrying amount USD	Effective interest rate per annum %	Contractual cash flows USD	Less than 1 year USD	Greater than 1 year USD	Total USD
2022						
Non-interest bearing						
Accrued and other liabilities	143,808	-	143,808	143,808	-	143,808
Amount owing to a subsidiary company	244,656	-	244,656	244,656	-	244,656
2021						
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

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.

(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 2022 and 2021, 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, advances to subsidiary companies, trade and other payables and accrued and other liabilities and amount owing to a subsidiary company

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.

Loans to subsidiary company

The fair values of the loans to subsidiary company are estimated by discounting expected future cash flows at market interest rates prevailing at the end of the relevant year with similar maturities adjusted by credit risk.

As of 31 December 2022 and 2021, the fair values of loans to subsidiary company was not significantly different from their carrying value.

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 2022 and 2021, the fair values of borrowings were not significantly different from their carrying value.

Fair value measurements recognised in the statement of financial position

Fair value measurement disclosure of property, plant and equipment that are recognised or measured at fair value, can be found in Note 10.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
2022				
Property, plant and equipment	-	1,614,044	5,122,673	6,736,717
2021				
Property, plant and equipment	-	1,729,880	5,979,387	7,709,267

There were no transfers between Level 1 to Level 3 during the year.

29. CAPITAL COMMITMENTS

The Group has outstanding amount of contractual commitments for the acquisition of property, plant and equipment of USD6,432,413 as of 31 December 2022 (2021: USD7,599,836).

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. CONTINGENT LIABILITIES

(a) Tax Audit

Laws and regulations affecting business in the Republic of Kazakhstan continue to change rapidly. The Group subsidiaries's interpretation of such legislation as applied to their operating activities may be challenged by the relevant authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for five calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods. The subsidiaries believe that they have provided adequately for tax liabilities based on their interpretations of tax legislation.

During 2022, one of the subsidiaries had a tax audit for the period of from 1 January to 31 December 2016. Besides, the subsidiary had tax inspection for 2017-2020. Another subsidiary had a tax audit for the period from 1 October 2017 to 30 September 2022.

The subsidiaries believe that they are not expecting significant impact on the financial statements. As of the date of the financial statements the subsidiaries did not receive the tax inspection report or claim.

(b) Environmental obligations

On 1 July 2021, the new Environmental Code of the Republic of Kazakhstan (the "Code") came into force. This Code contains a number of principles aimed at minimizing the consequences of environmental damage to the activities of enterprises and / or the complete restoration of the environment to its original state. Depending on the level and risk of negative impact on the environment, companies are classified into four categories, where subsidiaries that have a significant negative impact on the environment belong to the first category. The subsidiaries have been assigned to the first category by the Ministry of Ecology, in accordance with Article 43-9 of the Law of the Republic of Kazakhstan dated 2 January 2021 "On amendments and additions to the Code of the Republic of Kazakhstan" on the basis that the subsidiaries belongs to the cement and lime industry. The subsidiaries have analysed effect of implementation of the new Code and effect was not material.

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 2022 and of their financial performance and cash flows for the year ended on that date.

Signed in accordance with a
resolution of the Directors,

JAVIER DEL SER PEREZ

Labuan

Date: 26 May 2023

NOTICE IS HEREBY GIVEN that the 2023 ANNUAL GENERAL MEETING of the Company will be held at the office of Steppe Cement Ltd, Suite 10.1, 10th Floor, West Wing, Rohas Perkasa, 8, Jalan Tun Perak, Kuala Lumpur, Malaysia on Wednesday, 12th July 2023 at 4.00p.m. for the purpose of considering and if thought fit, passing the following Resolutions:

ORDINARY RESOLUTIONS

1. **ADOPTION OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022** **RESOLUTION 1**
   To receive and adopt the audited financial statements for year ended 31 December 2022.

2. **RE-ELECTION OF DIRECTORS** **RESOLUTION 2**
   To re-elect the following Directors who offered themselves for re-election:

   2.1 Javier Del Ser Perez
   2.2 Rupert Wood
   2.3 Xavier Blutel
   2.4 Wan Affan Azam Bin Wan Azmi

3. To transact any other business of which due notice shall have been given in accordance with the Labuan Companies Act, 1990.

BY ORDER OF THE BOARD

XAVIER BLUTEL
Chairman

Notes:

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

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

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

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

STEPPE CEMENT

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