

Company No. LL04433



**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019
(Unaudited)
(In United States Dollars)**

Company No. LL04433

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	Note	The Group 6 months ended		The Company 6 months ended	
		30 June 2019 USD'000	30 June 2018 USD'000	30 June 2019 USD'000	30 June 2018 USD'000
Revenue	7	37,122	32,838	629	50
Cost of sales		<u>(23,515)</u>	<u>(22,114)</u>	<u>-</u>	<u>-</u>
Gross profit		13,607	10,724	629	50
Selling expenses		(6,584)	(6,450)	-	-
General and administrative expenses		<u>(2,380)</u>	<u>(2,838)</u>	<u>(147)</u>	<u>(145)</u>
Operating profit/(loss)		4,643	1,436	482	(95)
Interest income		147	15	[^]	[^]
Finance costs	8	(554)	(942)	-	-
Net foreign exchange (loss)/gain		(36)	(500)	3	21
Other income, net		<u>148</u>	<u>396</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before income tax		4,348	405	485	(74)
Income tax expense	9	<u>(1,266)</u>	<u>(199)</u>	<u>-</u>	<u>(2)</u>
Profit/(Loss) for the period		<u>3,082</u>	<u>206</u>	<u>485</u>	<u>(76)</u>
Attributable to:					
Shareholders of the Company		3,082	206	485	(76)
Profit per share:					
Basic and diluted (cents)	10	<u>1.4</u>	<u>0.1</u>		

[^] - insignificant amount.

The accompanying notes form an integral part of the Condensed Financial Statements.

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019
(UNAUDITED)**

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	USD'000	USD'000	USD'000	USD'000
Profit/(Loss) for the period	3,082	206	485	(76)
Other comprehensive income/(loss):				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign subsidiary companies	<u>759</u>	<u>(1,756)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income/(loss) for the period	<u>759</u>	<u>(1,756)</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the period	<u><u>3,841</u></u>	<u><u>(1,550)</u></u>	<u><u>485</u></u>	<u><u>(76)</u></u>
Attributable to: Shareholders of the Company	<u><u>3,841</u></u>	<u><u>(1,550)</u></u>	<u><u>485</u></u>	<u><u>(76)</u></u>

The accompanying notes form an integral part of the Condensed Financial Statements.

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (UNAUDITED)**

	Note	The Group		The Company	
		Unaudited 30 June 2019 USD'000	Audited 31 Dec 2018 USD'000	Unaudited 30 June 2019 USD'000	Audited 31 Dec 2018 USD'000
Assets					
Non-Current Assets					
Property, plant and equipment	11	52,733	54,612	-	-
Investment in subsidiary companies		-	-	26,500	26,500
Loan to subsidiary company		-	-	30,160	30,170
Lease receivable		960	-	-	-
Advances and prepaid expenses		291	191	-	-
Other assets	12	2,247	2,203	-	-
Total Non-Current Assets		56,231	57,006	56,660	56,670
Current Assets					
Inventories	13	12,205	13,381	-	-
Trade and other receivables	14	4,393	3,500	9,308	8,884
Lease receivable		612	-	-	-
Income tax receivable		171	175	-	-
Loans and advances to subsidiary companies		-	-	9,671	9,634
Advances and prepaid expenses		2,860	2,313	13	7
Cash and cash equivalents	15	10,777	5,720	83	23
Total Current Assets		31,018	25,089	19,075	18,548
Total Assets		87,249	82,095	75,735	75,218

(Cont'd)

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (UNAUDITED)**

		The Group		The Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
	Note	USD'000	USD'000	USD'000	USD'000
Equity and Liabilities					
Capital and Reserves					
Share capital		73,761	73,761	73,761	73,761
Revaluation reserve		2,182	2,349	-	-
Translation reserve		(115,507)	(116,266)	-	-
Retained earnings/ (Accumulated losses)	16	91,000	96,113	(7,478)	399
Total Equity		<u>51,436</u>	<u>55,957</u>	<u>66,283</u>	<u>74,160</u>
Non-Current Liabilities					
Borrowings	17	6,084	6,607	-	-
Deferred taxes		3,028	2,055	-	-
Deferred income		1,610	1,629	-	-
Provision for site restoration		224	65	-	-
Total Non-Current Liabilities		<u>10,946</u>	<u>10,356</u>	<u>-</u>	<u>-</u>
Current liabilities					
Trade and other payables	16	15,521	6,615	8,362	-
Accrued and other liabilities		3,484	2,682	1,090	1,058
Borrowings	17	4,569	5,217	-	-
Taxes payable		1,293	1,268	-	-
Total Current Liabilities		<u>24,867</u>	<u>15,782</u>	<u>9,452</u>	<u>1,058</u>
Total Liabilities		<u>35,813</u>	<u>26,138</u>	<u>9,452</u>	<u>1,058</u>
Total Equity and Liabilities		<u>87,249</u>	<u>82,095</u>	<u>75,735</u>	<u>75,218</u>

The accompanying notes form an integral part of the Condensed Financial Statements.

Company No. LL04433

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

The Group	Share capital USD'000	Non-distributable Revaluation reserve USD'000	Translation reserve USD'000	Distributable Retained earnings USD'000	Total USD'000
Balance as at 1 January 2019	73,761	2,349	(116,266)	96,113	55,957
Profit for the period	-	-	-	3,082	3,082
Other comprehensive income	-	-	759	-	759
Total comprehensive income for the period	-	-	759	3,082	3,841
Dividend payable (Note 16)	-	-	-	(8,362)	(8,362)
Transfer of revaluation reserve relating to depreciation of property, plant and equipment through use	-	(167)	-	167	-
Balance as at 30 June 2019	<u>73,761</u>	<u>2,182</u>	<u>(115,507)</u>	<u>91,000</u>	<u>51,436</u>

(Cont'd)

Company No. LL04433

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

The Group	Share capital	Non-distributable Revaluation reserve	Translation reserve	Distributable Retained earnings	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Balance as at 1 January 2018	73,761	2,680	(106,741)	89,817	59,517
Profit for the period	-	-	-	206	206
Other comprehensive loss	-	-	(1,756)	-	(1,756)
Total comprehensive (loss)/income for the period	-	-	(1,756)	206	(1,550)
Dividend payable	-	-	-	(2,891)	(2,891)
Transfer of revaluation reserve relating to depreciation of property, plant and equipment through use	-	(186)	-	186	-
Balance as at 30 June 2018	<u>73,761</u>	<u>2,494</u>	<u>(108,497)</u>	<u>87,318</u>	<u>55,076</u>

Company No. LL04433

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

The Company	Share capital USD'000	Accumulated losses USD'000	Total USD'000
Balance as at 1 January 2019	73,761	399	74,160
Total comprehensive income for the period	-	485	485
Dividend payable	-	(8,362)	(8,362)
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2019	<u>73,761</u>	<u>(7,478)</u>	<u>66,283</u>
Balance as at 1 January 2018	73,761	(5,275)	68,486
Total comprehensive loss for the period	-	(76)	(76)
Dividend payable	-	(2,891)	(2,891)
	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2018	<u>73,761</u>	<u>(8,242)</u>	<u>65,519</u>

STEPPE CEMENT LTD

(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2019 (UNAUDITED)**

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	USD'000	USD'000	USD'000	USD'000
OPERATING ACTIVITIES				
Profit/(Loss) before income tax	4,348	405	485	(73)
Adjustments for non-cash items	3,530	4,870	(631)	(21)
Operating Profit/(Loss) Before Working Capital Changes	7,878	5,275	(146)	(94)
(Increase)/Decrease in:				
Inventories	1,531	(1,309)	-	-
Trade and other receivables, advances and prepaid expenses	(3,401)	(2,169)	(430)	(12)
Loans and advances from subsidiary companies	-	-	(27)	-
Increase/(Decrease) in:				
Trade and other payables, accrued and other liabilities	1,517	4,038	34	45
Loans and advances to subsidiary companies	-	-	-	138
Cash Generated From/(Used In) Operations	7,525	5,835	(569)	77
Income tax paid	(85)	-	-	-
Interest paid	(420)	(947)	-	-
Net Cash Generated From/(Used In) Operating Activities	7,020	4,888	(569)	77

(Cont'd)

	The Group		The Company	
	6 months ended		6 months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	USD'000	USD'000	USD'000	USD'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(844)	(2,437)	-	-
Purchase of other assets	(29)	(28)	-	-
Interest received	147	15	629	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Used In Investing Activities	<u>(726)</u>	<u>(2,450)</u>	<u>629</u>	<u>-</u>
FINANCING ACTIVITIES				
Proceeds from borrowings	4,515	7,253	-	-
Repayment from borrowings	(5,805)	(9,013)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Used In Financing Activities	<u>(1,290)</u>	<u>(1,760)</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,004	678	60	77
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	54	(69)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,719	3,045	23	13
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (NOTE 15)	<u>10,777</u>	<u>3,654</u>	<u>83</u>	<u>90</u>

The accompanying notes form an integral part of the Condensed Financial Statements.

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

1. GENERAL INFORMATION

Steppe Cement Ltd (“the Company”) is incorporated and domiciled in Malaysia. The Company’s and its subsidiaries’ (“the Group”) principal place of business is located at Aktau village, Karaganda region, Republic of Kazakhstan. The Company’s shares are listed on the AIM Market of the London Stock Exchange plc.

The registered office of the Company is located at Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan FT, Malaysia.

2. BASIS OF PREPARATION OF CONDENSED INTERIM FINANCIAL STATEMENTS

Basis of presentation

The condensed interim financial statements of the Group and the Company are unaudited and have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements for the year ended 31 December 2018.

The condensed interim financial statements of the Group and the Company were authorised for issue by the Board of Directors on 11 September 2019.

Use of estimates and assumptions

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention except the revaluation of land and building to fair values in accordance with IAS 16 “Property, Plant and Equipment” (Note 11).

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018, except for the adoption of the following Standards:

IFRS 16	Leases
IFRIC 23	Uncertainty Over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle1

The adoption of these Standards, Amendments and Interpretations did not result in significant impact on the Group’s condensed consolidated interim financial statements.

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

	USD
1 Pound Sterling	1.2769
1 Ringgit Malaysia	0.2418
1 Euro Dollar	1.1373
1 Kazakhstan Tenge (“KZT”)	0.0026
	<hr/>
	KZT
1 US Dollar	380.53
	<hr/> <hr/>

4. REVIEW OF RESULTS FOR THE PERIOD

During the period, the Group's revenue increased by 13% or USD4.3 million to USD37.1 million from USD32.8 million in first half of 2018. Revenue rose mainly due to increase in sales volume by 6% to 780,315 tonnes from 738,228 tonnes compared with the corresponding period in 2018. The Group sold cement at an average selling price of USD48 (KZT18,042) per tonne compared with USD43 (KZT14,276) per tonne in the same period in 2018. Ex-factory price for the current period was USD40 (KZT15,148) per tonne compared with USD35 (KZT11,560) per tonne in the corresponding period of 2018. The average rate of KZT weakened by approximately 10% from 344.90 as of 31 Dec 2018.

The Group achieved a higher gross profit margin at 37% compared with 33% in the first half of 2018. Cost of sales increased by 6% compared with 12% during the same period in 2018. Selling expenses rose by 2% to USD6.6 million while general & administration expenses reduced by 16% to USD2.4 million.

The Group posted a higher profit after tax of USD3.1 million or 1.4 cents profit per share compared with a USD0.2 million profit after tax or 0.1 cent profit per share in the corresponding period.

5. SEASONAL OR CYCLICAL FACTORS

The Group's revenue is closely linked to the construction sector which experiences seasonal, significant slow-down in construction activities due to extreme, cold temperature especially during the months of December, January and February in most parts of Kazakhstan. Each year, the Group's sales improve after winter and typically peak during the summer months.

6. SEGMENTAL REPORTING

No industry and geographical segmental reporting are presented as the Group's primary business is in the production and sale of cement which is located in Karaganda region, Republic of Kazakhstan.

7. **REVENUE**

	The Group		The Company	
	6 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	USD'000	USD'000	USD'000	USD'000
Sales of manufactured goods	37,116	32,832	-	-
Transmission and distribution of electricity	6	6	-	-
Net interest income	-	-	629	-
Management fee receivable from subsidiary company	-	-	-	50
Total	37,122	32,838	629	50

8. **FINANCE COSTS**

	The Group	
	6 months ended	
	30 June	30 June
	2019	2018
	USD'000	USD'000
Interest expense on:		
- loans from financial institutions	550	937
Unwinding of discount	4	4
Other finance costs	-	1
Total	554	942

9. INCOME TAX EXPENSE

	The Group		The Company	
	6 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	USD'000	USD'000	USD'000	USD'000
Income tax expense	126	20	-	2
Withholding tax expense	183	-	-	-
Deferred tax expense	957	179	-	-
	<u>1,266</u>	<u>199</u>	<u>-</u>	<u>2</u>

Withholding tax of USD183 thousand is levied on interest accrued on inter-company loan. Interest paid by subsidiary company in Kazakhstan is subject to withholding tax. During the period, the average withholding tax rate is 15%.

10. PROFIT PER SHARE

	The Group	
	6 months ended	6 months ended
	30 June 2019	30 June 2018
	USD'000	USD'000
Profit attributable to ordinary shareholders	<u>3,082</u>	<u>206</u>
	6 months ended	6 months ended
	30 June 2019	30 June 2018
	'000	'000
Number of ordinary shares in issue at beginning and at end of period	<u>219,000</u>	<u>219,000</u>
Weighted average number of ordinary shares at beginning and at end of period	<u>219,000</u>	<u>219,000</u>
Profit per share, basic and diluted (cents)	<u>1.4</u>	<u>0.1</u>

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

There are no dilutive instruments in issue as at 30 June 2019 and 30 June 2018.

11. PROPERTY, PLANT AND EQUIPMENT, NET

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Railway Wagons	Other assets	Stand-by equipment and major spare parts	Construction in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cost								
At 1 January 2019	1,858	19,872	66,588	7,130	6,615	2,930	3,518	108,511
Additions	-	-	103	-	30	20	2,083	2,236
Transfers	-	14	1,245	-	1,483	(11)	(2,731)	-
Disposals	-	-	(315)	-	(1,453)	-	-	(1,768)
Reclassification from inventories	-	-	-	-	-	108	-	108
Exchange differences	18	192	700	69	64	27	36	1,106
At 30 June 2019	1,876	20,078	68,321	7,199	6,739	3,074	2,906	110,193
Accumulated depreciation and impairment losses								
At 1 January 2019	-	13,268	34,617	1,583	4,431	-	-	53,899
Charge for the period	-	544	2,409	180	221	-	-	3,354
Disposals	-	-	(230)	-	(81)	-	-	(311)
Exchange differences	-	126	335	15	42	-	-	518
At 30 June 2019	-	13,938	37,131	1,778	4,613	-	-	57,460
Net Book Value								
At 30 June 2019	1,876	6,140	31,190	5,421	2,126	3,074	2,906	52,733
At 31 December 2018	1,858	6,604	31,971	5,547	2,184	2,930	3,518	54,612

12. OTHER ASSETS

	The Group		The Company	
	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000
VAT recoverable	1,888	1,870	-	-
Quarry stripping costs	194	192	-	-
Site restoration costs	34	34	-	-
Site restoration fund	131	107	-	-
Total	2,247	2,203	-	-

13. INVENTORIES

	The Group		The Company	
	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000
Finished goods	5,271	5,679	-	-
Spare parts	5,902	6,958	-	-
Work in progress	374	404	-	-
Raw materials	2,522	1,436	-	-
Other materials	232	684	-	-
Packing materials	100	411	-	-
Fuel	22	22	-	-
Goods held for resale	66	49	-	-
Total	14,489	15,643	-	-
Less: Provision for obsolete inventories	(2,284)	(2,262)	-	-
Net	12,205	13,381	-	-

14. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000
Trade receivables	3,644	2,971	-	-
Less: Provision for doubtful receivables	(208)	(206)	-	-
Net	3,436	2,765	-	-
Other receivables:				
Taxes receivable	571	91	-	-
Receivable from employees	31	138	-	-
Others	355	506	-	-
Dividend receivable	-	-	8,389	8,389
Interest receivable	-	-	919	495
Total	<u>4,393</u>	<u>3,500</u>	<u>9,308</u>	<u>8,884</u>

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

The recoverability of trade accounts receivable depends to a large extent on the Group's customers' ability to meet their obligations and other factors which are beyond the Group's control. The recoverability of the Group's trade accounts receivable is determined based on conditions prevailing and information available as at reporting date. The directors have reviewed the trade receivables and considered no further provision for trade receivables is necessary based on conditions prevailing and available information as at 30 June 2019.

15. **CASH AND CASH EQUIVALENTS**

	The Group	
	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000
Cash in hand and at banks	10,777	2,837
Short-term deposit	-	2,882
	10,777	5,719

16. **RESERVES**

Dividend payable

On 12 June 2019, the shareholders of the Company approved the proposed dividends of GBP0.03 per ordinary share of no par value each amounting to GBP6,570,000 in respect of the financial year ended 31 December 2018 at the Annual General Meeting. Upon approval, the dividend payable is accounted for in the Statement of Equity with a corresponding current liability in Statement of Financial Position. As of 30 June 2019, USD8.36 million in dividend is payable to shareholders on 12 July 2019.

17. **BORROWINGS**

	The Group	
	As at 30 June 2019 USD'000	As at 31 Dec 2018 USD'000
Current portion:		
Bank loans	4,569	5,217
Non-current portion:		
Bank loans	6,084	6,607
Total borrowings	10,653	11,824

Undrawn loan amounts

As at 30 June 2019, the Group has USD6.3 million available for working capital requirements drawdown under the Altyn Bank JSC and Halyk Bank JSC short-term loan facilities.

18. **RELATED PARTIES**

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

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

Balances and transactions between the Company and its subsidiary companies, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

The following transactions with related parties are included in the condensed consolidated income statement as of 30 June 2019 and 2018:

	Purchase of services	
	30 June 2019	30 June 2018
	USD'000	USD'000
Other related party		
Opera Holding LLP	4	3
	<u> </u>	<u> </u>

The following balance with related parties is included in the condensed consolidated statement of financial position as of 30 June 2019 and 31 December 2018:

	(Payable to)/Receivable from related parties	
	30 June 2019	31 Dec 2018
	USD'000	USD'000
Other related party		
Opera Holding LLP	(6)	(5)
	<u> </u>	<u> </u>

Compensation of key management personnel

Included in the staff costs are remuneration of directors and other members of key management during the financial period as follows:

	The Group		The Company	
	30 June 2019 USD'000	30 June 2018 USD'000	30 June 2019 USD'000	30 June 2018 USD'000
Remuneration	342	419	50	50
Short-term benefits	47	39	-	-
Total	364	458	50	50

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

19. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to various financial risks which include foreign currency risk, credit risk and liquidity risk.

The condensed interim financial statements of the Group do not include all financial risk management information and disclosures required in the annual financial statements. There has been no change in the financial risk management objectives and policies since the previous financial year ended 31 December 2018. The Group continuously manages its exposures to risks and/or costs associated with the financing, investing and operating activities of the Group.

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique. As no readily available market exists for a large part of the Group's financial instruments, judgement is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The fair value of the instruments presented herein is not necessarily indicative of the amounts the Group could realise in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions were used by the Group to estimate the fair value of financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Trade and other receivables and payables and accrued and other liabilities

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

Borrowings

The fair values of the borrowings are estimated by discounting expected future cash flows at market interest rates prevailing at the end of the relevant period with similar maturities adjusted by credit risk.

As at 30 June 2019 and 2018, the fair values of financial assets and short-term financial liabilities approximate their carrying values.

20. **CONTINGENCIES**

There are no significant changes in the contingencies since the financial year ended 31 December 2018.