RNS Number:7376S
Steppe Cement Limited
21 April 2008

Steppe Cement Limited
Accounts for the year ended 31 December 2007

The accounts for Steppe Cement Limited ("Steppe" or the "Company") for the year ended 31 December 2007 follow. A pdf version is available from the Company's website (www.steppecement.com).

Steppe Cement's AIM nominated adviser is RFC Corporate Finance Ltd. Contact Stephen Allen on +61 8 9480 2500.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

CONTENTS

STEPPE CEMENT LTD
(Company No. LL04433)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
(In United States Dollar)

REPORT OF THE AUDITORS TO THE MEMBERS OF

STEPPE CEMENT LTD

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

We have audited the accompanying balance sheets of Steppe Cement Ltd as of 31 December 2007 and the related statements of income, cash flows and changes in equity for the financial year then ended. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 117 of the Offshore Companies Act, 1990 and for no other purpose. We do not assume responsibility towards any other person for the content of this report.

We conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give, in all material respects, a true and fair view of the financial position of the Group and of the Company as of 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended, in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to Note 12 to the Financial Statements. As of 31 December 2007, one of the subsidiary companies of the Company is in the development stage and the financial statement of the said subsidiary company is prepared on the going concern basis. The successful completion of the development program of the subsidiary company and, achieving profitability, will depend on future events, including sufficient financing for conducting development activities, obtaining permits from regulatory authorities and achieving a revenue level, sufficient to cover the expenses of the subsidiary company.

DELOITTE & TOUCHE
AAL 0011
Chartered Accountants

LOO CHEE CHOU
2783/09/08 (J)
Partner

16 April 2008

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	The Group		The Company	
		2007	2006	2007	2006
		USD	USD	USD	USD

	Note	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Revenue	4	100,824,297	55,624,649	100,000	-
Cost of sales		(31,821,857)	(22,545,312)	-	-
Gross profit		69,002,440	33,079,337	100,000	-
Selling expenses		(5,331,059)	(3,809,701)	-	-
General and administrative Expenses		(9,236,831)	(7,179,024)	(707,799)	(560,937)
Operating profit/(loss)	5	54,434,550	22,090,612	(607,799)	(560,937)
Investment income	6	197,120	613,855	5,085	52,497
Finance costs	7	(2,100,779)	(1,328,062)	-	-
Other income/ (expense), net	8	1,071,835	106,839	(2,651)	5,696
Profit/(Loss) before Income tax		53,602,726	21,483,244	(605,365)	(502,744)
Income tax expense	9	(16,377,433)	(7,108,297)	-	-
Profit/(Loss) for the Year		37,225,293	14,374,947	(605,365)	(502,744)
Attributable to: Shareholders of the Company		37,225,293	14,374,947	(605,365)	(502,744)
Earnings per share:					
Basic (cents)	10	33	13		

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

BALANCE SHEETS
AS OF 31 DECEMBER 2007

	Note	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Assets					

Non-Current Assets:					
Property, plant and equipment	11	123,064,383	55,937,237	-	-
Investment in subsidiary companies	12	-	-	26,500,001	26,500,001
Advances paid	16	19,958,584	10,046,319	-	-
Other assets	13	9,564,717	1,098,206	-	-
Total Non-Current Assets		152,587,684	67,081,762	26,500,001	26,500,001
Current Assets					
Inventories, net	14	9,605,742	8,537,726	-	-
Trade receivables, net	15	553,845	1,150,661	-	-
Amount owing by subsidiary companies	12	-	-	656,861	357,861
Other receivables, advances and prepaid expenses	16	13,711,356	2,198,246	1,320	1,320
Short-term investments	17	-	16,763,327	-	-
Cash and bank balances	18	5,573,108	8,863,934	169,271	630,102
Total Current Assets		29,444,051	37,513,894	827,452	989,283
Total Assets		182,031,735	104,595,656	27,327,453	27,489,284

(Forward)

		The Group		The Company	
	Note	2007 USD	2006 USD	2007 USD	2006 USD
Equity and Liabilities					
Capital and Reserves					
Share capital	19	1,140,000	1,140,000	1,140,000	1,140,000
Share premium	20	26,646,982	26,646,982	26,646,982	26,646,982
Revaluation reserve	20	4,601,668	6,491,683	-	-
Translation reserve	20	5,589,530	1,530,917	-	-
Retained earnings/	20	72,490,416	33,375,108	(1,879,007)	(1,273,642)

(Accumulated loss)		-----------	-----------	-----------	-----------
Total Equity		110,468,596	69,184,690	25,907,975	26,513,340
		-----------	-----------	-----------	-----------
Non-Current Liabilities					
Bonds	21	22,731,206	21,577,263	-	-
Loans	22	24,588,764	-	-	-
Deferred tax liabilities, net	23	11,671,362	10,782,413	-	-
		-----------	-----------	-----------	-----------
Total Non-Current Liabilities		58,991,332	32,359,676	-	-
		-----------	-----------	-----------	-----------
Current liabilities					
Trade payables	24	5,292,633	1,292,930	-	-
Other payables and accrued liabilities	25	4,803,803	1,514,022	678,572	362,613
Loans	22	276,168	-	-	-
Amount owing to subsidiary companies	12	-	-	740,906	613,331
Taxes payable	26	2,199,203	244,338	-	-
		-----------	-----------	-----------	-----------
Total Current Liabilities		12,571,807	3,051,290	1,419,478	975,944
		-----------	-----------	-----------	-----------
Total Liabilities		71,563,139	35,410,966	1,419,478	975,944
		-----------	-----------	-----------	-----------
Total Equity and Liabilities		182,031,735	104,595,656	27,327,453	27,489,284
		===========	===========	===========	===========

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

Non-distributable

Distributable

Retained

earnings/

	Share capital	Share Premium	Revaluation reserve	Translation	(Accumulated
The Group					

				reserve	loss)	Total/Net
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2006	1,000,000	6,300,000	-	(41,692)	16,663,231	23,921,539
Issue of shares (Note 19)	140,000	20,860,000	-	-	-	21,000,000
Share issuance expenses (Note 20)	-	(513,018)	-	-	-	(513,018)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	1,572,609	-	1,572,609
Profit for the year	-	-	-	-	14,374,947	14,374,947
Revaluation of property, plant and equipment	-	-	12,612,311	-	-	12,612,311
Deferred tax liabilities from revaluation of property, plant and equipment	-	-	(3,783,698)	-	-	(3,783,698)
Depreciation of revaluation reserve	-	-	(2,336,930)	-	2,336,930	-
	-----------	-----------	-----------	-----------	-----------	-----------
Balance as at 31 December 2006	1,140,000	26,646,982	6,491,683	1,530,917	33,375,108	69,184,690
	===========	===========	===========	===========	===========	===========

(Forward)

			Non-distributable		Distributable	
					Retained earnings/	
The Group	Share capital	Share Premium	Revaluation reserve	Translation reserve	(Accumulated loss)	Total/Net
	USD	USD	USD	USD	USD	USD
Balance as at 1 January 2007	1,140,000	26,646,982	6,491,683	1,530,917	33,375,108	69,184,690
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	4,058,613	-	4,058,613
Profit for the year	-	-	-	-	37,225,293	37,225,293
Depreciation of revaluation Reserve	-	-	(1,890,015)	-	1,890,015	-
	-----------	-----------	-----------	-----------	-----------	-----------
Balance as at 31 December 2007	1,140,000	26,646,982	4,601,668	5,589,530	72,490,416	110,468,596

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
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The Company	Share capital	Non-distributable Share premium	Accumulated loss	Total/Net
	USD	USD	USD	USD
Balance as at 1 January 2006	1,000,000	6,300,000	(770,898)	6,529,102
Issue of shares (Note 19)	140,000	20,860,000	-	21,000,000
Share issuance expenses (Note 20)	-	(513,018)	-	(513,018)
Loss for the year	-	-	(502,744)	(502,744)
Balance as at 31 December 2006	1,140,000	26,646,982	(1,273,642)	26,513,340
Balance as at 1 January 2007	1,140,000	26,646,982	(1,273,642)	26,513,340
Loss for the year	-	-	(605,365)	(605,365)
Balance as at 31 December 2007	1,140,000	26,646,982	(1,879,007)	25,907,975

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

	The Group		The Company	
	2007	2006	2007	2006

	USD	USD	USD	USD
OPERATING ACTIVITIES				
Profit/(Loss) before income tax	53,602,726	21,483,244	(605,365)	(502,744)
Adjustments for:				
Depreciation of property, plant and equipment	3,222,110	3,169,977	-	-
Finance costs	2,100,779	1,328,062	-	-
Provision/(recovery) of obsolete inventories	271,194	(226,991)	-	-
Interest income	(197,120)	(613,855)	(5,085)	(52,497)
Unrealised foreign exchange loss/(gain)	128,834	(32,226)	-	-
(Gain)/loss on disposal of property, plant and equipment	(155,748)	118,735	-	-
Provision for doubtful receivables and advances paid no longer required	(74,768)	(136,270)	-	-
Write-off of payables	(816)	(1,318)	-	-
Impairment of property, plant and equipment	-	168,390	-	-
Provision for doubtful receivables and advances paid	-	103,564	-	-
	----------	----------	----------	----------
Operating Profit/ (Loss) Before Movement in Working Capital	58,897,191	25,361,312	(610,450)	(555,241)

(Forward)

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Increase/ (Decrease) in:				
Inventories	(1,350,583)	(1,781,512)	-	-
Trade receivables	591,177	(328,220)	-	-
Amount owing by subsidiary companies	-	-	(299,000)	(105,612)
Other receivable and prepaid expenses	(11,364,622)	(691,019)	-	-
Increase/ (Decrease) in:				
Trade payables	4,000,520	526,779	-	-
Other payables and accrued liabilities	2,356,685	489,901	315,959	252,886
Amount owing to a corporate shareholder	-	(174,319)	-	(174,319)

Amount owing to subsidiary companies	-	-	127,575	158,508
Cash Generated From/ (Used In) Operations	53,130,368	23,402,922	(465,916)	(423,778)
Income tax paid	(14,649,772)	(7,659,492)	-	-
Interest paid	(2,805,635)	(807,346)	-	-
Net Cash From/ (Used In) by Operating Activities	35,674,961	14,936,084	(465,916)	(423,778)
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	254,066	3,824,189	-	-
Purchase of property, plant and equipment	(66,279,803)	(18,878,632)	-	-
Proceeds from short-term investments	16,763,327	-	-	-
Purchase of short-term investments	-	(16,310,588)	-	-
Advance for non-current assets	(9,912,265)	(9,799,937)	-	-
Additions to non-current assets	(9,596,329)	(1,353,728)	-	-

(Forward)

	Note	The Group		The Company	
		2007	2006	2007	2006
		USD	USD	USD	USD
Cash outflows from subscription of additional shares in a subsidiary company		-	-	-	(19,500,000)
Interest received		197,120	613,855	5,085	52,497
Net Cash (Used In)/ From Investing Activities		(68,573,884)	(41,904,841)	5,085	(19,447,503)
FINANCING ACTIVITIES					
Proceeds from issuance of shares		-	21,000,000	-	21,000,000
Share issue expenses		-	(513,018)	-	(513,018)
Withdrawal of deposits pledged with financial institutions		55,862			

			552,027	-	-
Proceeds from issue of bonds		-	20,787,318	-	-
Proceeds from borrowings		41,798,752	3,114,934	-	-
Repayment of loans		(12,586,278)	(10,093,955)	-	-
Net Cash From by Financing Activities		29,268,336	34,847,306	-	20,486,982
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,630,587)	7,878,549	(460,831)	615,701
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		395,623	26,066	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		8,808,072	903,457	630,102	14,401
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	5,573,108	8,808,072	169,271	630,102

The accompanying Notes form an integral part of the Financial Statements.

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company's principal activity is investment holding. The principal activity of the subsidiary companies is disclosed in Note 12.

The total number of employees of the Group as at 31 December 2007 is 1,420 (2006: 1,382). The Company does not have any employees other than its directors.

The registered office of the Company is located at Brumby House, Jalan Bahasa, 87011 Labuan FT, Malaysia.

The Group's principal place of business is located at Aktau village, Karaganda region, Republic of Kazakhstan.

The financial statements of the Group and the Company have been approved by the Board of Directors and were authorised for issuance on 16 April 2008.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Adoption of new and revised Standards

In the current year, the Group has adopted the following Standards:

- IFRS 7 "Financial Instruments: Disclosures" - effective for annual periods beginning on or after 1 January 2007; and
- Amendment to IAS 1 "Capital Disclosures" - effective for annual periods beginning on or after 1 January 2007.

The adoption of IFRS 7 and the amendment to IAS 1 has extended the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (Note 32).

The following interpretations issued by the International Accounting Standards Board are effective for the current year:

- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies";
- IFRIC 8 "Scope of IFRS 2";
- IFRIC 9 "Reassessment of Embedded Derivatives"; and
- IFRIC 10 "Interim Financial Reporting and Impairment".

The adoption of these Interpretations did not have a material effect on the Group's accounting policy.

Standards and Interpretations in issue not yet adopted

As at date of authorisation of these financial statements, the following Standards and Interpretations were issued, but not adopted:

- IFRS 8 "Operating Segments" (effective for accounting periods beginning on or after 1 January 2009);
- IFRS 3 "Business Combination" (effective for accounting periods beginning on or after 1 July 2009);
- amendments to IFRS 2 "Share-based Payment" (effective for accounting periods beginning on or after 1 January 2009);
- further amendments to IAS 23 "Borrowing costs" (effective for annual periods beginning on or after 1 January 2009);
- further amendments to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009);
- further amendments to IAS 27 "Consolidated and separate financial statements" (effective for periods beginning on or after 1 July 2009);
- further amendments to IAS 31 "Interests in Joint Ventures" (effective from accounting periods beginning on or after 1 January 2009);

- IFRIC 11 "IFRS 2 - Company and Treasury Share Transactions" (effective for accounting periods beginning on or after 1 March 2007);
- IFRIC 12 "Service Concession Agreements" (effective for accounting periods beginning on or after 1 January 2008);
- IFRIC 13 "Customer Loyalty Programmes" (effective for accounting periods beginning on or after 1 July 2008); and
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for accounting periods beginning on or after 1 January 2008).

The Group will adopt all applicable new, revised and changed standards and new interpretations from the effective dates. Management expects that adoption of these standards and interpretations will have no significant effect on the financial statements in the period of initial application.

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.

Estimated useful life

In accordance with Subsurface Use Contracts KO-03 N016 dated 4 August 1999 and Licenses for Subsurface Use K0-03 N016 dated 18 June 1999, Central Asia Cement JSC ("CAC JSC"), a subsidiary company of the Company is engaged in limestone and loam extraction at Astakhovskoye deposit in Bukhar- Zhyrauskyi region, Karaganda . CAC JSC's license expires in 2018. In accordance with the accounting policy presented in Note 3, the Group depreciates its building over 25 years and as of the expiration of the license, those buildings would have a net carrying value of USD11,877,013. Management has estimated the useful life of its property, plant and equipment based on the assumption that the license would be renewed before its expiration.

Revaluation of property, plant and equipment

In accordance with the accounting policy presented in Note 3, the Group's land and buildings are revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Management has made an assessment of its fair value of land and buildings as at 31 December 2007 and determined that the carrying value of those assets as at that date is not materially different from their fair value.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 9% discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. During the financial year, the Group did not recognise impairment losses (2006: USD168,390).

The determination of impairment of property, plant and equipment involves the use of estimates that include, but not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in the restructuring process, expectations of growth in the industry, +changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate an impairment exists. The recoverable amount and the fair values are typically determined using a discounted cash flow method which incorporates reasonable market participant assumptions. The identification of impairment indicators, the estimation of future cash flows and the determination of fair values for assets (or group of assets) requires management to make significant judgements concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods. These estimates, including the methodologies used, can have a material impact on the fair value and ultimately the amount of any property, plant and equipment impairment.

Allowances

The Group accrues allowance for doubtful receivable accounts. Significant judgement is used to estimate doubtful accounts. In estimating doubtful accounts, historical and anticipated customer performances are considered. Changes in the economy or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the financial statements. As of 31 December 2007, allowance for doubtful accounts of USD75,580 (2006: USD144,185) have been provided for in the financial statements (Notes 15 and 16).

The Group accrues allowance for obsolete and slow-moving inventories based on data of annual stock count as well as on the results of inventory turnover analysis. As of 31 December 2007, allowance for obsolete and slow-moving inventories of USD425,191 (2006: USD142,624) have been provided for in the financial statements (Note 14).

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 for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary companies).

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Business combinations

The acquisition of subsidiary companies is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill (if any), arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of business combinations over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combinations, the excess is recognised immediately in the income statement.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the entity; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Management fee is recognised on accrual basis in accordance with the substance of the relevant agreement. Management fee is determined on time basis are recognised on a straight-line basis over the period of the agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Retirement benefit costs

In accordance with the requirements of the legislation of the countries in which the Group operates, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Group does not have any pension arrangements separate from the State pension system of the countries where its subsidiary companies operate. In addition, the Group has no post-retirement benefits or other significant compensation benefits requiring accrual.

Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event, and it is probable that the Group and the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Contingent liabilities

Contingent liabilities are not recognised but are disclosed, except for liabilities on which there are possible outflows of resources, needed for settlement of the liabilities, and can be measures reliably. Contingent assets are not recognised in the financial statements, but information about it is disclosed if having likelihood of inflows of resources, related with obtaining economic benefits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 balance sheet 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

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 consolidated financial statements, the results and financial position of each entity are expressed in United States Dollar, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operation (including comparatives) are expressed in United States Dollar using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average rates at the dates of the transactions. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the foreign operations 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:

	2007	2006
	USD	USD
1 Sterling Pound	1.9840	1.9589
1 Euro	1.4590	1.3199
1 Ringgit Malaysia	0.3024	0.2834
1 RUB	0.0408	0.0382
	========	========
	KZT	KZT
1 USD	120.680	126.795
	========	========

Impairment of Tangible Assets

At each balance sheet date, 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 to which the asset belongs.

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 reflect current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, 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.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any, except for buildings which are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses, if any. Revaluation is performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at balance sheet date.

Any revaluation increase arising on revaluation is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case, the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying amount arising on revaluation is charged to the income statement to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previously revalued asset.

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the income statement as incurred.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Depreciation is charged so as to write off the cost of assets, other than land and construction in progress, over their estimated useful lives, using the straight-line method as follows:

Buildings	25 years
Machinery and equipment	14 years
Other assets	5 - 10 years
Computer software	1 - 10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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 costs to be incurred in marketing, selling and distribution.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

The Group has the following financial assets: cash and cash equivalents; short-term investments; trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Short-term investments

Short-term investments represent current assets, limited in use, with term more than three months since the date of acquisition.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in income statement.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Financial Liabilities and Equity Instruments Issued By The Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Debt securities issued

Debts securities issued initially are measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Loans

Loans, on which interests are accrued, are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost, using effective interest rate 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.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of Financial Assets and Liabilities

Financial assets

Recognition of financial asset (or, if applicable, portion of financial asset or group of similar financial assets) ceases in case when:

- rights for receivable of cash flows from asset are expired;

- the Group retains rights for receivable of cash flows from asset, but accepted obligation to repay them fully without significant delay to third party in accordance with transfer agreement, and transferred, mostly, all risks and benefits for the asset; or

- Group has transferred it's rights for receivable of cash flows from asset or (a) transferred, mostly, all risks and benefits from asset, or (b) has not transferred, and has not retained any risks and benefits from the asset, but transferred control over the asset.

If the Group has transferred it's rights for receivable of cash flows from the asset or has not transferred, and has not retained any risks and benefits from the asset, or has not transferred control over the asset, then the asset is recognised to the extent, the Group participates in asset. Continuance in participation, which undertakes form of guarantee on transferable asset, is measured at the lower of:

- initial cost ; or
- maximum recoverable amount, which the Group will be required for settlement.

Financial liabilities

Recognition of financial liability ceases, when it is accomplished, cancelled or expired.

If existing financial liability is substituted by other obligation from the same creditor on significantly different condition, or the conditions of existing liability is significantly changed, then the substitution or change is considered as cessation of initial obligation and recognition of new obligation, and the difference between carrying amounts is recognised in the income statement.

Cash Flow Statement

The Group and the Company adopt the indirect method in the preparation of the cash flow statement.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, which are described above, the Group has made the following judgments that have a significant effect on the amounts recognised in the consolidated financial statements.

Borrowing costs

As described above, in accordance with the accounting policy, borrowing costs directly attributable to acquisition, construction or production of qualifying asset are capitalised. Capitalisation of borrowing costs, related to equipment ceases at the moment of shipment to warehouse and when the equipment is ready for installation at construction in process. Capitalisation of borrowing costs recommences when the equipment is installed and, accordingly, becomes part of qualifying asset. In the period, when capitalisation of borrowing costs ceases and recommences, borrowing costs are recognised in income statement, except when the period is very short.

4. REVENUE

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Sales-manufactured goods	100,824,297	55,624,649	-	-
Management fee receivable from subsidiary company	-	-	100,000	-
Total	100,824,297	55,624,649	100,000	-

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) for the year have been arrived at after charging/(crediting):

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Cost of inventories recognised as expenses	14,498,209	12,077,558	-	-
Staff costs	8,770,205	5,421,457	-	-
Depreciation of property, plant and equipment (Note 11)	3,222,110	3,169,977	-	-
Auditors' remuneration for audit services	196,110	111,774	8,000	8,000
Provision/(recovery) of obsolete inventories	271,194	(226,991)	-	-
Provision for doubtful receivables and advances paid no longer required	(74,768)	(136,270)	-	-
Provision for doubtful receivables and advances paid	-	103,564	-	-
	==========	==========	==========	==========

Staff costs include salaries, pension contributions and all other staff related expenses.

6. INVESTMENT INCOME

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Interest income from short term deposit	197,120	613,855	5,085	52,497
	==========	==========	==========	==========

7. FINANCE COSTS

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Interest expense on loan from financial institution	28,125	275,748	-	-
Interest on debt securities	2,072,654	795,118	-	-
Discount on VAT (Note 13)	-			

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
		255,523	-	-
Other finance costs	-	1,673	-	-
	----------	----------	----------	----------
Total	2,100,779	1,328,062	-	-
	==========	==========	==========	==========

8. OTHER INCOME, NET

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Impairment charge (Note 11)	-	(168,390)	-	-
Foreign exchange gain/(loss):				
Realised	(3,510)	(16,171)	(2,651)	5,696
Unrealised	(128,834)	32,226	-	-
Gain/(loss) on disposal of property, plant and equipment	155,748	(118,735)	-	-
Payables write-off	816	1,318	-	-
Other gain, net	1,047,615	376,591	-	-
	----------	----------	----------	----------
Total	1,071,835	106,839	(2,651)	5,696
	==========	==========	==========	==========

Included in other gains are income from the sale of purchased goods, transportation services, sale of electricity and other inventory of USD473,438 (2006: USD819,759).

9. INCOME TAX EXPENSE

The income tax expense is as follows:

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Estimated current tax payable:				
- the Company	-	-	-	-

- subsidiary companies	16,040,000	7,294,857	-	-
Deferred tax charge/(credit)(Note 23):				
- the Company	-	-	-	-
- subsidiary companies	337,433	(186,560)	-	-
	----------	----------	----------	----------
	16,377,433	7,108,297	-	-
	==========	==========	==========	==========

Under the Labuan Offshore Business Activity Tax Act, 1990, the Company has to elect annually whether to be charged tax at the rate of RM20,000 (USD5,263) or at a tax rate of 3% on the chargeable profits of an offshore company carrying on offshore trading activities for the basis period for that year assessment. No tax is charged on offshore non-trading activities. The Company elected to be charged tax at 3% on the chargeable profits for the current and previous financial year.

The profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to a statutory tax rate of 30%.

One of the subsidiary companies had on 23 December 2005 entered into an Investment Contract with the Investment Committee under the Ministry of Industry and Trade of Republic of Kazakhstan, whereby the subsidiary company has committed to invest KZT 3,186 million (equivalent to USD26,400,398) in construction of cement production plant over a period of five years (2006 - 2010) (Note 29).

Under the Investment Contract, the subsidiary company is provided with the following investment tax concessions:

- For Corporate Income Tax - 5 years exemption is provided for payment of corporate income tax, starting from the date of commissioning of cement production plant; and

- For Property Tax - 5 years exemption is provided for payment of property tax on newly built properties of the cement production plant starting from the date of commissioning of cement production plant.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the applicable statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Profit/ (Loss) before income tax	53,602,726	21,483,244	(605,365)	(502,744)
	==========	==========	==========	==========

Tax at statutory tax rate of 3%	1,608,082	644,497	(18,161)	(15,082)
Effect of different tax rate of subsidiary companies operating in other jurisdictions	14,452,175	5,866,896	-	-
Tax effects of:				
Expenses not deductible for tax purposes	230,353	539,549	-	-
Deferred tax assets not allowed to be carried forward/not recognised	86,823	57,355	18,161	15,082
Income tax expense	16,377,433	7,108,297	-	-

10. EARNINGS PER SHARE

Basic

	The Group	
	2007	2006
	USD	USD
Profit attributable to ordinary shareholders	37,225,293	14,374,947

	2007	2006
Number of shares in issue at beginning of year	114,000,000	100,000,000
Issuance of shares during the year	-	14,000,000
Number of shares in issue at end of year	114,000,000	114,000,000
Weighted average number of ordinary shares in issue	114,000,000	112,849,315

	2007	2006
	USD	USD
Basic earnings per share (cents)	33	13

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The basic earnings 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 year.

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2007 and 31 December 2006 consisted of the following:

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Other assets	Computer software	Construction in progress	Total
	USD	USD	USD	USD	USD	USD	USD
Cost (unless otherwise indicated)							
At 1 January 2006	3,239,760	24,309,085	3,683,905	1,637,127	3,321	1,935,605	34,808,803
Additions	623,006	1,584,077	1,615,521	114,926	1,980	14,939,122	18,878,632
Transfers	-	238,661	4,816,034	410,726	-	(5,465,421)	-
Disposals	(574,376)	(84,940)	(45,223)	(81,628)	(5,947)	(1,189,763)	(1,981,877)
Revaluation (Note 20)	-	17,401,120	-	-	-	-	17,401,120
Impairment charge	-	(168,390)	-	-	-	-	(168,390)
Exchange differences	175,793	219,966	199,892	88,832	2,626	(838,961)	(151,852)
	----------	----------	---------	---------	---------	----------	----------
At 31 December 2006	3,464,183	43,499,579	10,270,129	2,169,983	1,980	9,380,582	68,786,436
Additions	1,185	355,411	555,138	92,716	21,528	66,636,540	67,662,518
Transfers	-	(560,035)	4,754,400	1,150,224	-	(5,344,589)	-
Disposals	-	(12,330)	(129,939)	(18,860)	(563)	-	(161,692)
Exchange differences	175,535	2,175,926	520,400	109,956	100	475,325	3,457,242
	----------	----------	---------	---------	---------	----------	----------
At 31 December 2007	3,640,903	45,458,551	15,970,128	3,504,019	23,045	71,147,858	139,744,504
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(Forward)

The Group	Freehold land and land improvement	Buildings	Machinery and equipment	Other assets	Computer software	Construction in progress	Total
	USD	USD	USD	USD	USD	USD	USD
Accumulated depreciation							
At 1 January 2006	-	3,850,061	549,437	453,256	1,511	-	4,854,265
Charge for the year	-	2,575,073	344,145	248,377	2,382	-	3,169,977
Revaluation (Note 20)	4,788,809	-	-	-	-	-	4,788,809
Disposals	-	(12,524)	(22,998)	(7,989)	(5,947)	-	(49,458)
Exchange differences	-	32,543	27,574	22,977	2,512	-	85,606
At 31 December 2006	-	11,233,962	898,158	716,621	458	-	12,849,199
Charge for the year	-	1,962,375	920,784	327,721	11,230	-	3,222,110
Transfer	-	(195,028)	179,002	16,026	-	-	-
Disposals	-	(12,928)	(43,230)	(6,613)	(555)	-	(63,326)
Exchange differences	-	571,031	59,589	41,323	195	-	672,138
At 31 December 2007	-	13,559,412	2,014,303	1,095,078	11,328	-	16,680,121
Net Book Value							
At 31 December 2007	3,640,903	31,899,139	13,955,825	2,408,941	11,717	71,147,858	123,064,383
At 31 December 2006	3,464,183	32,265,617	9,371,971	1,453,362	1,522	9,380,582	55,937,237

The buildings were revalued at 31 December 2005 by independent appraiser not related with the Group, by reference to market evidence of recent transactions for similar properties. The valuation conforms to International Valuation Standards.

During 2007 the Group's subsidiary, Karcement JSC capitalised borrowing costs of USD1,382,715 (2006: USD962,380) which includes interest charged on European Bank for Reconstruction and Development ("EBRD") loan of USD764,617 (2006: USDNil), interest charged on loan from Kazkommertsbank JSC of USD336,046 (2006:

USD265,736) and EBRD arrangement fees of USD282,052 (2006: USD696,644). In 2006, the capitalised borrowing costs include reimbursement for the issue of uncovered letter of credit and EBRD arrangement fees incurred by Central Asia Cement JSC of USD250,254 and USD176,986, respectively.

As at 31 December 2007, property, plant and equipment with net book value of USD 26,639,982 were pledged under the security sharing agreements signed with European Bank for Reconstruction and Development and Kazkommertsbank JSC.

The cost of fully depreciated property, plant and equipment in 2007 amounted to USD 14,750 (2006: USD 5,079).

12. INVESTMENT IN SUBSIDIARY COMPANIES

	The Group	
	2007	2006
	USD	USD
Unquoted shares, at cost	26,500,001	26,500,001
	==========	==========

The details of subsidiary companies, are as follows:

Principal Activity	Place of incorporation (or registration) and operation	Proportion of ownership interest and vesting power held 2007 %	2006 %
Direct Subsidiary Companies			
Steppe Cement (M) Sdn. Bhd. Investment holding company	Malaysia	100	100
Mechanical & Electrical Provision of consultancy services Consulting Services Ltd	Malaysia	100	100

(Forward)

Principal Activity	Place of incorporation (or registration) and operation	Proportion of ownership interest and vesting power held 2007 %	2006 %
Indirect Subsidiary Companies			
(Held through Steppe Cement (M) Sdn. Bhd.)			
Steppe Cement Holdings B.V. *	Netherlands	100	100

Investment holding company			
(Held through Steppe Cement (M) Sdn. Bhd.)			
Central Asia Cement Investment holding company Holding B.V. * ("CAC BV")	Netherlands	100	100
(Held through Central Asia Cement Holding B.V.)			
Central Asia Cement JSC* Production and sale of cement ("CAC JSC")	Republic of Kazakhstan	100	100
(Held through Central Asia Cement JSC)			
Stroy Invest LLP ** Dormant	Republic of Kazakhstan	100	100
(Held through Steppe Cement Holdings B.V.)			
Karcement JSC * Production and sale of cement	Republic of Kazakhstan	100	100
(Development stage and currently undergoing plant refurbishment)			

* audited by member firm of Deloitte Touche Tohmatsu

** not audited by a member firm of Deloitte Touche Tohmatsu and liquidated subsequent to the financial year end.

The Group's subsidiary company, Stroy Invest LLP has been liquidated after the financial year end.

The financial statements of Karcement JSC ("Karcement") are prepared on a going concern basis, and there is no evidence that Karcement intends to discontinue, has to discontinue or significantly reduce the volume of its operations in the foreseeable future. Currently, Karcement's operations are concentrated on refurbishment of cement production plant. Hence, Karcement is currently in the development stage. The successful completion of the development program of Karcement and, reaching the profitable stage, will depend on future events, including sufficient financing for conducting development activities, obtaining permits from regulating authorities and achieving revenue level, sufficient to cover the expenses of Karcement. The financial statements of Karcement do not include possible adjustments, which would result if Karcement is not able to operate as a going concern. Management believes that Karcement will be able to complete its plant refurbishment work, produce and sell cement to meet its obligations in the normal course of business, as the Group has concluded loan agreements with European Bank for Reconstruction and Development and Kazkommertsbank JSC to finance Karcement's operations in the near future (Note 22).

The amount owing by/(to) subsidiary companies arose mainly from unsecured inter-company payments made on behalf, which are interest-free with no fixed terms of repayment.

The foreign currency profile of balances owing by subsidiary companies is as follows:

	The Group	
	2007	2006
	USD	USD
Ringgit Malaysia	283,947	281,855
Euro	372,914	76,006
	656,861	357,861

13. OTHER ASSETS

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
VAT (reimbursable)	8,750,249	1,121,630	-	-
Spare parts	1,962,338	157,743	-	-
Prepaid insurance	237,471	74,356	-	-
	10,950,058	1,353,729	-	-
Less: Discount on VAT (reimbursable)	(1,385,341)	(255,523)	-	-
	9,564,717	1,098,206	-	-

As of 31 December 2007, the Group classified construction materials of USD1,962,338 (2006: USD Nil) and certain spare parts of USD237,471 (2006: USD158,776)) as non-current assets. Management expects to use the construction materials and spare parts during the period exceeding one year.

Karcement JSC's management re-assessed recoverability of VAT (reimbursable), which resulted from capital expenditure and reclassified it as non-current asset since the recoverability is expected in 2009-2010. The VAT (reimbursable) was discounted at the rate of 9% and the discount was capitalised to property, plant and equipment in the amount of USD1,129,818 as the management considers that these expenses relate to construction works.

The directors consider that the carrying amount of other non-current assets approximates its fair value.

14. INVENTORIES, NET

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Work in progress	1,164,849	1,832,588	-	-
Finished goods	1,845,650	1,753,492	-	-
Raw materials	2,556,613	2,140,715	-	-
Spare parts	3,449,370	2,167,420	-	-
Construction materials	78,099	74,995	-	-
Other material	936,352	711,140	-	-
	10,030,933	8,680,350	-	-
Less: Provision for obsolete inventories	(425,191)	(142,624)	-	-
Net	9,605,742	8,537,726	-	-

15. TRADE RECEIVABLES, NET

Trade accounts receivable, net as at 31 December 2007 and 2006 consisted of the following:

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Trade receivables from third parties	566,432	1,157,609	-	-

	The Group 2007	The Group 2006	The Company 2007	The Company 2006
Less: Provision for doubtful Receivables	(12,587)	(6,948)	-	-
Net	553,845	1,150,661	-	-

The standard credit period granted to trade receivables ranges from 1 to 30 days. The receivables are denominated in Kazakhstan Tenge.

An allowance of USD12,587 (2006: USD6,948) has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default experience.

16. OTHER RECEIVABLES, ADVANCES AND PREPAID EXPENSES

Other receivables as at 31 December 2007 and 2006 consisted of the following:

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Receivable from employees	141,175	91,384	-	-
Other receivables				
- VAT reimbursable	3,582,897	-	-	-
- Others	1,290,014	711,393	-	-
	4,872,911	711,393	-	-
Prepaid expenses	450,865	422,757	1,320	1,320
	5,464,951	1,225,534	1,320	1,320
Advances paid to third parties, net of provision of USD62,993 (2006: USD137,237)	28,204,989	11,019,031	-	-

	33,669,940	12,244,565	1,320	1,320
Advances paid to third parties - non-current portion	(19,958,584)	(10,046,319)	-	-
	13,711,356	2,198,246	1,320	1,320

Advances paid are mainly those advances incurred by subsidiaries for the purchase of machinery, equipment and construction work for the cement plant. Short-term advances are those incurred for the purchase of materials and other services by subsidiaries for cement production.

The advances paid to third parties are expected to be utilised for the purchase of property, plant and equipment, materials and other services after the next twelve months.

An allowance of USD62,993 (2006: USD137,237) has been made for estimated irrecoverable amounts of advances paid for the purchase of goods.

The directors consider that the carrying amount of other receivables, advances and prepaid expenses approximates their fair value.

17. SHORT-TERM INVESTMENTS

In 2006, the short-term investments of USD16,763,327, include USD10,832,761 deposits denominated in Tenge in Kazkommertsbank JSC with maturity from 3 to 12 months and interest rates ranging from 8 to 8.25% per annum and deposit denominated in USD of USD5,765,717 and interest receivable of USD164,849 placed with Kazkommertsbank JSC with maturity of more than 3 months and at an interest rate of 6% per annum.

During the year, the Group uplifted the short-term investments to finance the cost of refurbishment of the cement plant of its subsidiary companies.

18. CASH AND BANK BALANCES

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Cash in hand and at bank	1,930,004	4,137,718	169,271	59,307
Short term deposits	3,643,104	4,726,216	-	570,795
	5,573,108	8,863,934		

		169,271	630,102
		=========	=========

The analysis of cash and bank balances in foreign currencies is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Kazakhstan Tenge	4,002,875	7,709,791	-	-
United States Dollars	1,340,558	808,000	36,633	330,102
Euro	227,094	343,636	132,638	300,000
Ringgit Malaysia	2,581	2,507	-	-
	---------	---------	---------	---------
	5,573,108	8,863,934	169,271	630,102
	=========	=========	=========	=========

19. SHARE CAPITAL

	The Group and The Company	
	2007	2006
	USD	USD
Authorised:		
At beginning and end of year	5,000,000	5,000,000
	=========	=========
Issued and fully paid:		
Ordinary shares of USD0.01 each		
At beginning of year	1,140,000	1,000,000
Issued during the year	-	140,000
	---------	---------
At end of year	1,140,000	1,140,000
	=========	=========

20. RESERVES

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD

Non-distributable reserves:

Share premium				
Balance at beginning of the year	26,646,982	6,300,000	26,646,982	6,300,000
Shares issued at a premium	-	20,860,000	-	20,860,000
Less: Share issuance expenses	-	(513,018)	-	(513,018)
Balance at end of the year	26,646,982	26,646,982	26,646,982	26,646,982
Revaluation reserve				
Balance at beginning of the year	6,491,683	-	-	-
Revaluation of property, plant and equipment, net (Note 11)	-	12,612,311	-	-
Deferred tax liabilities on revaluation (Note 23)	-	(3,783,698)	-	-
Depreciation transfer of revaluation reserve	(1,890,015)	(2,336,930)	-	-
Balance at end of the year	4,601,668	6,491,683	-	-
Translation reserve account				
Balance at beginning of the year	1,530,917	(41,692)	-	-
Exchange differences on translation of foreign subsidiary companies	4,058,613	1,572,609	-	-
Balance at end of the year	5,589,530	1,530,917	-	-

Share premium

Share premium arose from the issuance of ordinary shares at prices above the par value of USD0.01 each.

Revaluation reserve

Revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold or retired, the realised portion of the revaluation reserve is transferred directly to unappropriated profits. The revaluation reserve is not available for distribution to the Company's shareholders.

Translation reserve account

Exchange differences arising from the translation of assets and liabilities of foreign subsidiary companies, are taken to the translation reserve account.

Retained earnings

Any dividend distributions to be made by Central Asia Cement JSC to Central Asia Cement Holding BV are in principle subject to Kazakhstan dividend withholding tax rate of 15%. However, under the tax treaty concluded between the Netherlands and Kazakhstan, this percentage can be reduced to 5% of the gross amounts of the dividends. Any dividend distributions by Central Asia Cement Holding BV to Steppe Cement (M) Sdn Bhd in Malaysia would normally be subject to 25% Dutch dividend withholding tax. However, under the tax treaty concluded between the Netherlands and Malaysia this percentage can be reduced to nil, assuming that Steppe Cement (M) Sdn Bhd is entitled to treaty protection under the Netherlands /Malaysia tax treaty.

Under Malaysian tax law any dividend income received by Steppe Cement (M) Sdn Bhd from Cement Asia Cement Holding BV and Steppe Cement Holdings BV will be credited into an exempt income account from which tax-exempt dividends can be distributed to the Company. There is no withholding tax on dividends distributed by Steppe Cement (M) Sdn Bhd to the Company.

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

21. BONDS

	The Group	
	2007	2006
	USD	USD
Bonds issued at price of:		
97.1895%	5,601,483	5,601,483
98.3230%	5,230,908	5,230,908
99.0574%	2,366,024	2,366,024
99.0574%	2,864,884	2,864,884
100.0096%	5,230,916	5,230,916
	21,294,215	21,294,215
Exchange differences	1,079,003	-
Discount on bonds issued	(411,783)	(478,220)
Amounts of accrued interest on bonds issued	769,771	761,268
Total	22,731,206	21,577,263

In 2006, Central Asia Cement JSC issued 5-year KZT2.7 billion (USD 21,294,915) bonds at a coupon rate of 9% per annum maturing in August 2011. The interest is payable semi-annually and the repayment of principal is in one bullet payment. The bonds are listed on the Kazakhstan Stock Exchange.

The directors consider that the carrying amount of the bonds issued approximates their fair value.

22. LOANS

	Interest Rate	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Total outstanding	12.44%	24,864,932	-	-	-
Current portion		(276,168)	-	-	-
		----------	----------	----------	----------
Non-current portion		24,588,764	-	-	-
		==========	==========	==========	==========

In accordance with the Loan Agreement ("Agreement") dated 13 December 2005 and amended and restated Loan Agreement dated 28 June 2007, the Group's subsidiary, Karcement JSC was granted a syndicated loan which comprises of the A loan of up to USD 32 million and the C loan of USD10 million from European Bank for Reconstruction and Development ("EBRD") and B loan of up to USD 23.2 million from Kazkommertsbank JSC. The rehabilitation of production lines number 5 and 6 shall be partially financed by the syndicated loan.

On 2 September 2007, the Group's subsidiary received the first tranche of the A loan amounting to USD 25 million. Under the Agreement, the Group's subsidiary shall repay the A loan in ten equal semi-annual instalments commencing on 11 November 2008 and ending on 11 May 2013. The A loan bears interest at LIBOR plus 3.75% per annum, payable semi-annually from the date of the initial draw down.

According to the terms of the loan agreement, all movable and immovable assets as well as any types of bank accounts are pledged to secure the syndicated loan. The EBRD and Kazkommertsbank JSC have signed the security sharing agreements for the pledged assets of the Group's subsidiaries.

As at year end, the Group's subsidiary, Karcement JSC has undrawn loan commitments of USD 17 million and USD 23 million from the loan granted by EBRD and Kazkommertsbank JSC, respectively.

23. DEFERRED TAX LIABILITIES

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Balance at beginning of the year	10,782,413	6,814,311	-	-
Exchange differences	551,516	370,964	-	-
Deferred tax on revaluation (Note 20)	-	3,783,698	-	-

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Charged/(Credited) to income statement (Note 9)	337,433	(186,560)	-	-
	----------	----------	----------	----------
At end of the year	11,671,362	10,782,413	-	-
	==========	==========	==========	==========

Deferred Tax Assets/ (Liabilities)

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Tax effects of temporary differences in respect of:				
Property, plant and equipment	(11,511,303)	(10,849,656)	-	-
Inventories	127,560	42,786	-	-
Taxes	10,176	32,825	-	-
Trade receivables	3,779	2,082	-	-
Others	(301,574)	(10,450)	-	-
	----------	----------	----------	----------
Net deferred tax liabilities	(11,671,362)	(10,782,413)	-	-
	==========	==========	==========	==========

24. TRADE PAYABLES

The standard credit period granted by creditors ranges from 1 to 30 days. The trade payables are denominated in Kazakhstan Tenge.

25. OTHER PAYABLES AND ACCRUED LIABILITIES

	The Group		The Company	
	2007	2006	2007	2006
	USD	USD	USD	USD
Liquidation fund accruals	41,647	28,889	-	-
Accruals	1,507,499	1,006,289	678,572	362,613
Payable to employees	346,362	-	-	-
Advances received	2,908,295	478,844	-	-

	4,803,803	1,514,022	678,572	362,613

In accordance with the Subsurface Use Contracts requirements, the subsidiary company, Central Asia Cement JSC, shall contribute on an annual basis; 0.5% from the amount of actual expenditures for limestone and loam extraction to the liquidation fund, which shall be used for site restoration and abandonment of the Group mining operations.

26. TAXES PAYABLE

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Corporate income tax	1,510,912	5,669	-	-
Property tax	128,861	48,377	-	-
Personal income tax	80,643	58,236	-	-
Other taxes	478,787	132,056	-	-
	2,199,203	244,338	-	-

27. CASH AND CASH EQUIVALENTS

	The Group 2007 USD	The Group 2006 USD	The Company 2007 USD	The Company 2006 USD
Cash in hand and at banks	1,930,004	4,137,718	169,271	59,307
Short term deposits	3,643,104	4,726,216	-	570,795
	5,573,108	8,863,934	169,271	630,102
Less: Restricted cash	-	(55,862)	-	-
	5,573,108			

8,808,072	169,271	630,102	
			==========
==========	==========	==========	

Restricted cash represents deposits required to be held under Letters of credit.

As at 31 December 2007, in accordance with the Law on Labor of Kazakhstan, a non-interest bearing deposits in the amount of KZT470,000 (equivalent to USD3,836) (2006: KZT485,000 equivalent to USD3,825) was placed with banks in Kazakhstan as a part of work permit requirements for non-resident employees of its subsidiary companies. The deposit is subject to annual renewal.

28. RELATED PARTIES

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

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 consolidated income statement for the financial year ended 31 December 2007 and 2006:

	Purchase of services	
	2007	2006
	USD	USD
Rental expenses	81,265	35,762
Services rendered by related parties	616,712	217,715
	=========	=========

The following balances with related parties are included under trade payables in the consolidated balance sheet as of 31 December 2007 and 2006:

	Payable to related parties	
	2007	2006
	USD	USD
Services rendered by related parties	37,695	40,270
	=========	=========

Included in services rendered by related parties are drilling and blasting services performed by Maxam Kazakhstan of USD521,437 (2006: USD136,000). Maxam Kazakhstan is a subsidiary company of Maxam SA which the Company director, Javier Del Ser Perez, indirectly holds 20% equity interest via Portola Group Ltd.

Compensation of key management personnel

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

			The Group
The Company			
			2007
2006	2007	2006	

	USD	USD	USD	USD
Remunerations	1,039,856	798,667	310,336	243,368
Short-term benefit	124,260	96,729	-	-
	----------	----------	----------	----------
Total	1,164,116	895,396	310,336	243,368
	==========	==========	==========	==========

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.

29. COMMITMENTS AND CONTINGENCIES

Contingent liabilities - On 13 December 2005, a Loan Agreement between European Bank for Reconstruction and Development ("EBRD") and Karcement JSC (the "Borrower") was signed. On and subject to the terms and conditions of this Agreement, EBRD agrees to lend to the Borrower an amount not exceeding USD 65 million. On 28 June 2007, the Loan Agreement was amended and restated. On and subject to the terms and conditions of this Agreement, EBRD agrees to lend to the Borrower an amount not exceeding USD 42 Million. Under the Guarantee and Support Agreement signed between the Company, Steppe Cement (M) Sdn Bhd, CAC JSC, CAC BV, SCH BV and other parties ("Guarantors"), EBRD and the Borrower, the Guarantors irrevocably and unconditionally guarantees to EBRD the due and punctual payment by the Borrower of all sums payable under or in connection with the Loan Agreement and agrees that it will pay to EBRD each and every sum of money which the Borrower is at any time liable to pay to EBRD under or pursuant to the Loan Agreement which is due but unpaid.

Obligations under Liquidation Fund - In accordance with the Subsurface Use Contracts requirements, the subsidiary company, Central Asia Cement JSC shall contribute on annual basis 0.5% from the amount of actual expenditures for limestone and loam extraction to the liquidation fund, which shall be used for site restoration and abandonment of the subsidiary company mining operations. Not later than 6 months before the Subsurface Use Contract expiration the subsidiary company shall submit the liquidation program to competent body. As at 31 December 2007, the undiscounted contractual liability on future contributions to the liquidation fund obligation is KZT 17,785,000 (equivalent to USD147,373) (2006: KZT 16,617,000 (equivalent to USD131,054). Management estimated this liability, if discounted, will not have a material effect on these consolidated financial statements and therefore the Group recorded only current period contributions as liability in the consolidated balance sheet. Also, in accordance with the Law on Land and resource usage and Environmental rehabilitations, the Group will be obliged to provide additional resources to the state in the case the liquidation fund will be insufficient to cover actual site restoration and abandonment costs in the future. As at 31 December 2007 management believes that the amount of obligatory liquidation fund exceeds future site restoration and abandonment costs.

Social commitments - Certain Group entities have entered into collective agreements with its employees. Under terms of such agreements the Group has a commitment to make certain social payments to the employees, the amount of which can vary from year to year. No provision for such commitments is recorded in the consolidated financial statements as the Group's management is unable to reasonably estimate the amount of the future social expense.

Legal issues - The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all such matters will not have a material impact on the Group's financial position or operating results.

Implementation of Investment Contract - In accordance with the Investment Contract entered into by a subsidiary company, the subsidiary company is obliged to follow and execute working program and report to the state authorities of Karaganda region on the status of work performed quarterly. The total amount of investment to be made by the subsidiary company in accordance with the working program is KZT 3,186 million (equivalent to USD26,400,398) over the period of five years (2006 - 2010).

Purchase commitments - The Group has outstanding commitments for the purchases of equipment, materials and services from various suppliers for rehabilitation of its production lines. The Group's purchase commitments as at 31 December 2007 is KZT 2,339,241,000 (equivalent to USD19,383,833) (2006: KZT5,661,459,000 (equivalent to USD44,650,490)). Subsequent to the financial year end, the Group has contracted additional capital commitments of approximately USD40 Million.

30. 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.

31. OPERATING ENVIRONMENT

The Group's business activities are within the Republic of Kazakhstan. Laws and regulations affecting businesses operating in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

The Group believes it is currently in compliance with all existing environmental laws and regulations within the Company and its foreign subsidiary companies' jurisdiction. However, it is noted that the laws and regulation of its main subsidiary company may change in the future. The Group is unable to predict the timing or extent to which these environmental laws and regulations may change. Such change, if it occurs, may require the Group to modernise technology to meet more stringent standards.

The government of the Republic of Kazakhstan continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create risks for the Group.

32. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group's capital risk management objectives are to maximise value to shareholders and to ensure that the Group's subsidiaries will continue to operate as a going concern via optimisation of equity and debt structure.

The Group's capital structure consists of equity attributable to the shareholders of the holding company and debt. Equity attributable to the shareholders includes share capital, share premium, reserves and retained earnings and debt comprises bonds and loans.

During the financial year, the Group's subsidiary, Karcement JSC has complied with the debt covenants stated in the Loan Agreement dated 13 December 2005 and the amended and restated Loan Agreement dated 28 June 2007.

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, including foreign currency risk, interest rate risk, credit risk, liquidity risk and cash flow risk.

The Group continuously manage 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.

The Group monitors the fluctuations in exchange rate of foreign currencies to limit currency risk.

Foreign currency sensitivity analysis

The Group's financial assets and liabilities are mainly exposed to risk of change in KZT.

Balance sheet value of financial assets and financial liabilities in foreign currencies as of 31 December are presented below:

2007	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	3,977,519	-	227,124	2,581	-	1,365,884	5,573,108
Trade receivables	553,845	-	-	-	-	-	553,845
Other receivables, advances and prepaid expenses	13,645,045	-	-	1,083	-	65,228	13,711,356
Financial Liabilities							
Trade payables	3,115,835	780,834	172,166	-	14,849	1,208,949	5,292,633
Other payables	3,840,048	608,674	71,713	8,111	-	275,257	4,803,803
Bonds	22,731,206	-	-	-	-	-	22,731,206

2006	KZT	GBP	EUR	MYR	RUB	USD	Total
Financial Assets							
Cash and cash equivalents	7,652,187	-	346,202	2,507	55,862	807,176	8,863,934
Trade receivables	1,150,661	-	-	-	-	-	1,150,661
Other receivables, advances and prepaid expenses	2,196,025	-	-	-	-	2,221	2,198,246
Short-term investments	-	-	-	-	-	16,763,327	16,763,327
Financial Liabilities							
Trade payables	1,227,573	-	65,357	-	-	-	1,292,930
Other payables	506,053	328,321	83,668	-	-	595,980	1,514,022
Bonds	21,577,263	-	-	-	-	-	21,577,263

The following table displays the Group's sensitivity to a 10% increase and decrease in the value of USD against the relevant foreign currencies. A benchmark sensitivity rate of 10% is used to report foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and these items are translated at financial year end for a 10% change in foreign currency rates. The sensitivity analysis includes payables, loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. The sensitivity analysis below indicates the changes in financial assets and liabilities of the effect of a 10% increase in value of USD against the relevant foreign currency. A positive/(negative) effect will increase/(decrease) the Group's profits. In the case of 10% decrease in value of USD against the relevant foreign currency, there would be an equal and opposite impact on the Group's profits.

	Effect of KZT	
	2007	2006
Financial assets	(1,652,401)	(800,259)
Financial liabilities	2,698,826	2,119,172

	Effect of GBP	
	2007	2006
Financial assets	-	-
Financial liabilities	79,571	32,832

	Effect of EUR	
	2007	2006
Financial assets	(22,712)	(33,857)
Financial liabilities	10,203	9,461

	Effect of MYR 2007	2006
Financial assets	(333)	(228)
Financial liabilities	737	-
	=========	=========

	Effect of RUB 2007	2006
Financial assets	-	(24,577)
Financial liabilities	6,649	-
	=========	=========

The Group's sensitivity to foreign currency has increased during the current year mainly due to the increased in other receivables, advances and prepaid expenses.

(ii) Credit Risk

Financial instruments, which affect the Group in respect of credit risk, include cash and cash equivalents, bank deposits, accounts receivable and advances. In spite of the fact that Group can incur losses on unpaid financial instruments in case of breach of contract by other parties, it does not expect occurrence of such losses.

Concentration of credit risk on accounts receivable and payable is limited due to large customer profile and use of prepayment terms for major sales. The Group invests its cash in financial institutions with high credit level.

(iii) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built 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, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group's subsidiary, Karcement JSC has USD40 million undrawn loan commitments to meet its funding requirement and to further reduce liquidation risk (Note 22).

Tables on Liquidity and Interest Risk

The following tables reflect contractual terms of the Group for its non-derivative financial liabilities. The table was prepared based on the undiscounted cash flows on financial liabilities on the basis of the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows.

Weighted
average
Greater
effective Less than 3 months
than

2007	interest rate	1 months	1-3 months	- 1 year	1-5 years	5 years	Total
Interest bearing							
Bonds	9.00%	-	-	2,043,744	28,504,450	-	30,548,194
Loans	12.44%	-	-	4,772,564	25,311,344	3,044,498	33,128,406
Non-interest bearing							
Trade accounts payable	-	5,292,633	-	-	-	-	5,292,633
Other payables	-	390,404	969,798	-	-	-	1,360,202
		5,683,037	969,798	6,816,308	53,815,794	3,044,498	70,329,435
2006							
Interest bearing							
Bonds	9.00%	-	-	2,043,744	30,548,194	-	32,591,938
Non-interest bearing							
Trade accounts payable	-	783,949	-	574,495	-	-	1,358,444
Other payables	-	302,312	529,125	-	-	-	831,437
		1,086,261	529,125	2,618,239	30,548,194	-	34,781,819

The following table reflects expected maturities of non-derivative financial assets of the Group. The table was prepared based on undiscounted contractual terms of financial assets, including interest received on these assets, except when the Group expects the cash flow in a different period.

2007	Weighted average effective interest rate	Less than 1 months	1-3 months	3 months - 1 year	1-5 years	Greater than 5 years	Total
Interest bearing							
Cash and cash equivalents	3.25 - 4.68%	3,613,853	-	-	-	-	3,613,853
Non-interest bearing							
Cash and cash equivalents		1,959,255	-	-			

					-	-	1,959,255
Trade receivables		553,845			553,845		
Other receivables, advances and prepaid expenses		171,064	-	3,318	8,750,249	-	8,924,631
		6,298,017	-	3,318	8,750,249	-	15,051,584
2006							
Interest bearing							
Cash and cash equivalents	3.15% - 4.00%	4,720,649	-	-	-	-	4,720,649
Short-term investments	6.00% - 8.20%	5,939,887	-	11,020,560	-	-	16,960,447
Non-interest bearing							
Cash and cash equivalents		4,143,285	-	-	-	-	4,143,285
Trade receivables		1,150,661	-	-	-	-	1,150,661
Other receivables, advances and prepaid expenses		115,667	-	2,220	1,121,629	-	1,239,516
		16,070,149	-	11,022,780	1,121,629	-	28,214,558

(iv) Cash Flow Risk

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

(v) Interest rate risk

The only potential risk of the Group connected with change in interest rates is related to loans of the Group. The Group does not use any derivative financial instruments to manage its interest rate exposure.

The sensitivity analysis below shows the Group's sensitivity to the increase/ decrease of floating rate by 1%. The analysis was applied to floating rate loans based on the assumptions that amount of liability outstanding as at the balance sheet date was outstanding for the whole year.

	2007 USD	2006 USD
Increase/Decrease in finance costs capitalised	83,071	-

========= =========

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the 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 nature of maturity of these financial instruments.

Trade and other receivables and payable

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

For following table shows the carrying and fair value of monetary assets and liabilities as of 31 December:

	The Group		The Company	
	Carrying value	Fair value	Carrying value	Fair value
	RM	RM	RM	RM
2007				
Financial Assets				
Trade receivables, net	553,845	553,845	-	-
Amount owing by subsidiary companies	-	-	656,861	656,861
Other receivables, advances and prepaid expenses	13,711,356	13,711,356	1,320	1,320
Short-term investments	-	-	-	-
Cash and bank balances	5,573,108	5,573,108	169,271	169,271
	==========	==========	==========	==========
Financial Liabilities				
Bonds	22,731,206	22,731,206	-	-
Loans	24,864,932	24,864,932	-	-
Trade payables	5,292,633	5,292,633	-	-
Other payables and accrued liabilities	4,803,803	4,803,803		

	The Group Carrying value	The Group Fair value	The Company Carrying value	The Company Fair value
			678,572	678,572
Amount owing to subsidiary companies	-	-	740,906	740,906
	==========	==========	==========	==========

	The Group		The Company	
	Carrying value	Fair value	Carrying value	Fair value
	RM	RM	RM	RM
2006				
Financial Assets				
Trade receivables, net	1,150,661	1,150,661	-	-
Amount owing by subsidiary companies	-	-	357,861	357,861
Other receivables, advances and prepaid expenses	2,198,246	2,198,246	1,320	1,320
Short-term investments	16,763,327	16,763,327	-	-
Cash and bank balances	8,863,934	8,863,934	630,102	630,102
	==========	==========	==========	==========
Financial Liabilities				
Bonds	21,577,263	21,577,263	-	-
Loans	-	-	-	-
Trade payables	1,292,930	1,292,930	-	-
Other payables and accrued liabilities	1,514,022	1,514,022	362,613	362,613
Amount owing to subsidiary companies	-	-	613,331	613,331
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STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Offshore Companies Act, 1990)
AND ITS SUBSIDIARY COMPANIES

STATEMENT BY A DIRECTOR

I, JAVIER DEL SER PEREZ, on behalf of the directors of STEPPE CEMENT LTD state that, in opinion of the Directors, the accompanying balance sheets and the related statements of income, cash flows and changes in equity 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 2007 and of the results and the cash flows of the Group and of the Company for the year ended on that date.

Signed in accordance with a resolution of the Directors,

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JAVIER DEL SER PEREZ

Labuan
16 April 2008