Company No. LL04433

INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2014

(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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Company No. LL04433

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2014 (UNAUDITED)

		The Group 6 months ended		The Company 6 months ended	
	Note	30 June 2014 USD'000	30 June 2013 USD'000	30 June 2014 USD'000	30 June 2013 USD'000
Revenue	6	51,810	54,347	50	50
Cost of sales		(36,969)	(33,978)	-	-
Gross profit		14,841	20,369	50	50
Selling expenses		(8,463)	(9,101)	-	-
General and administrative expenses		(5,199)	(5,100)	(296)	(266)
Operating income/(loss)		1,179	6,168	(246)	(216)
Interest income		1	30	-	-
Finance costs	7	(2,143)	(1,598)	-	-
Other (expense)/income, net	8	(5,441)	(781)	(39)	63
(Loss)/Profit before income tax		(6,404)	3,819	(285)	(153)
Income tax credit/(expense)	9	2,285	(1,599)	-	-
(Loss)/Profit for the period		(4,120)	2,220	(285)	(153)
Attributable to: Shareholders of the Company		(4,120)	2,220	(285)	(153)
(Loss)/Profit per share:					
Basic (cent)	10	(1.9)	1.0		

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 COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014 (UNAUDITED)

	The Group 6 months ended		**The Company 6 months ended**	
	30 June 2014 USD'000	**30 June 2013 USD'000**	**30 June 2014 USD'000**	**30 June 2013 USD'000**
(Loss)/Profit for the period	(4,120)	2,220	(285)	(153)
Other comprehensive loss:				
Item that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign subsidiary companies	(25,426)	(1,160)	-	-
Total other comprehensive loss for the period	(29,546)	(1,160)	-	-
Total comprehensive (loss)/income for the period	(29,546)	1,060	(285)	(153)
Attributable to: Shareholders of the Company	(29,546)	1,060	(285)	(153)

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 FINANCIAL POSITION
AS AT 30 JUNE 2014 (UNAUDITED)

		The Group		The Company	
		Unaudited	Audited	Unaudited	Audited
		30 June 2014	31 Dec 2013	30 June 2014	31 Dec 2013
	Note	USD'000	USD'000	USD'000	USD'000
Assets					
Non-Current Assets					
Property, plant and equipment	11	156,167	167,165	-	-
Investment in subsidiary companies		-	-	30,500	30,500
Advances and prepaid expenses		1,146	678	-	-
Other assets	12	5,831	17,124	-	-
Total Non-Current Assets		163,144	184,967	30,500	30,500
Current Assets					
Inventories	13	20,016	20,466	-	-
Trade and other receivables	14	11,873	7,123	-	-
Amount owing by subsidiary companies		-	-	39,903	39,909
Advances and prepaid expenses		3,915	4,275	20	9
Cash and cash equivalents	15	3,121	4,299	4	238
Total Current Assets		38,925	36,164	39,927	40,156
Total Assets		202,069	221,131	70,427	70,656

(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 2014 (UNAUDITED)

		The Group		**The Company**	
		Unaudited	**Audited**	**Unaudited**	**Audited**
		30 June 2014	**31 Dec 2013**	**30 June 2014**	**31 Dec 2013**
	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		5,012	5,604	-	-
Translation reserve		(51,047)	(25,622)	-	-
Retained earnings/ (Accumulated losses)		97,355	100,883	(4,665)	(4,380)
Total Equity		125,081	154,626	69,096	69,381
Non-Current Liabilities					
Borrowings	16	34,515	27,065	-	-
Deferred tax liabilities		5,661	9,357	-	-
Total Non-Current Liabilities		40,176	36,422	-	-
Current liabilities					
Trade payables and other payables		8,688	9,052	-	-
Accrued and other liabilities		7,919	6,802	1,331	1,275
Borrowings	16	19,645	13,729	-	-
Taxes payable		560	500	-	-
Total Current Liabilities		36,812	30,083	1,331	1,275
Total Liabilities		76,988	66,505	1,331	1,275
Total Equity and Liabilities		202,069	221,131	70,427	70,656

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

Company No. LL04433

STEPPE CEMENT LTD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014 (UNAUDITED)

		Non-distributable		Distributable	
The Group	**Share capital USD'000**	**Revaluation reserve USD'000**	**Translation reserve USD'000**	**Retained earnings USD'000**	**Total/Net USD'000**
Balance as at 1 January 2014	73,761	5,604	(25,622)	100,883	154,626
Loss for the period	-	-	-	(4,120)	(4,120)
Exchange differences arising on translation of foreign subsidiary companies	-	-	(25,425)	-	(25,425)
Total comprehensive (loss)/income for the period	-	-	(25,425)	(4,120)	(29,545)
Transfer of revaluation reserve relating to depreciation of property, plant and equipment through use	-	(592)	-	592	-
Balance as at 30 June 2014	73,761	5,012	(51,047)	97,355	125,081

(Cont'd)

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 2014 (UNAUDITED)

		Non-distributable		Distributable	
The Group	**Share capital USD'000**	**Revaluation reserve USD'000**	**Translation reserve USD'000**	**Retained earnings USD'000**	**Total USD'000**
Balance as at 1 January 2013	73,761	8,034	(21,645)	89,024	149,174
Profit for the period	-	-	-	2,220	2,220
Exchange differences arising on translation of foreign subsidiary companies	-	-	(1,160)	-	(1,160)
Total comprehensive (loss)/income for the period	-	-	(1,160)	2,220	(1,060)
Transfer of revaluation reserve relating to depreciation of property, plant and equipment through use	-	(716)	-	716	-
Balance as at 30 June 2013	73,761	7,318	(22,805)	91,960	150,234

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014 (UNAUDITED)

The Company	**Share capital USD'000**	**Accumulated losses USD'000**	**Total USD'000**
Balance as at 1 January 2013	73,761	(3,940)	69,821
Total comprehensive loss for the period	-	(153)	(153)
Balance as at 30 June 2013	73,761	(4,093)	69,668
Balance as at 1 January 2014	73,761	(4,380)	69,381
Total comprehensive loss for the period	-	(285)	(285)
Balance as at 30 June 2014	73,761	(4,665)	69,096

Company No. LL04433

STEPPE CEMENT LTD
(Incorporated in Labuan FT, Malaysia under the Labuan Companies Act, 1990)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2014 (UNAUDITED)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2014 USD'000	30 June 2013 USD'000	30 June 2014 USD'000	30 June 2013 USD'000
OPERATING ACTIVITIES				
(Loss)/Profit before income tax	(6,404)	3,819	(285)	(153)
Adjustments for non-cash items	12,789	6,819	37	(62)
Operating Profit/(Loss) Before Working Capital Changes	6,385	10,638	(248)	(215)
(Increase)/ Decrease in:				
Inventories	(3,390)	(5,352)	-	-
Trade and other receivables, advances and prepaid expenses	(5,192)	1,229	(11)	(7)
Amount owing by subsidiary companies	-	-	6	(1,550)
Increase in:				
Trade and other payables, accrued and other liabilities	2,987	3,807	19	93
Cash (Used In)/Generated From Operations	790	10,322	(234)	(1,679)
Income tax paid	(1,135)	(687)	-	-
Interest paid	(2,058)	(2,267)	-	-
Net Cash (Used In)/Generated From Operating Activities	(2,403)	7,368	(234)	(1,679)

(Cont'd)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2014 USD'000	**30 June 2013 USD'000**	**30 June 2014 USD'000**	**30 June 2013 USD'000**
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(10,343)	(4,766)	-	-
Purchase of non-current assets	(2,225)	(9,690)	-	-
Proceeds from short-term investment	-	5,998	-	-
Interest received	1	30	-	-
Net Cash Used In Investing Activities	(12,567)	(8,428)	-	-
FINANCING ACTIVITIES				
Proceeds from borrowings	59,249	15,876	-	-
Repayment from borrowings	(44,853)	(23,600)	-	-
Net Cash Generated From/(Used In) Financing Activities	14,396	(7,724)	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(574)	(8,784)	(234)	(1,679)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	(604)	(97)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,299	14,016	238	2,923
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (NOTE 15)	3,121	5,135	4	1,244

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

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 2013.

The condensed interim financial statements of the Group and the Company were authorised for issue by the Board of Directors on 8 September 2014.

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 2013, except for the adoption of the following Standards and Interpretations:

Amendments to IAS 32	*Offsetting financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
IFRIC 21	*Levies*

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	1.7106
1 Ringgit Malaysia	0.31143
1 Euro Dollar	1.3692
1 Kazakhstan Tenge	0.0054
	KZT
1 US Dollar	183.51

3. REVIEW OF RESULTS FOR THE PERIOD

During the period, the Group’s revenue declined by 5% or USD2.5 million from USD54.3 million to USD51.8 million despite higher volumes mainly due to translation of the devalued KZT against USD. During the period, sale volume rose by 26% from 564,440 tonnes to 709,459 tonnes. In KZT terms, the Group’s revenue increased by 12% from KZT8,165 million to KZT9,125 million. The Group sold cement at an average sales price that was 24% lower at USD73 (KZT12,862) per tonne compared with USD96 (KZT14,465) per tonne in the corresponding period in 2013. Due to lower pricing, the Group’s gross margins declined to 29% compared with 37% in the same period last year.

The Group posted a net loss for the period of USD4.1 million compared with a USD2.2 million profit after tax in the same period in 2013. This is mainly attributable to a USD5 million foreign exchange loss realised from the refinancing of the EBRD and HSBC loans.

Line 5 has steadily increased its output and its current cash cost is 35% lower than the wet lines and 13% lower than Line 6. As production from the dry lines will be able to cover the market demand, we will able to stop the wet lines in the fourth quarter of 2014.

4. 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.

5. 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.

6. REVENUE

	The Group 6 months ended		The Company 6 months ended	
	30 June 2014 USD'000	30 June 2013 USD'000	30 June 2014 USD'000	30 June 2013 USD'000
Sales of manufactured goods	51,780	54,303	-	-
Transmission and distribution of electricity	30	44	-	-
Management fee receivable from subsidiary company	-	-	50	50
Total	51,810	54,347	50	50

7. FINANCE COSTS

	The Group 6 months ended	
	30 June 2014 USD'000	30 June 2013 USD'000
Interest expense on:		
- loans from financial institutions	1,580	1,037
- debt securities	452	529
Other finance costs	111	32
Total	2,143	1,598

The Group's interest expense increased mainly due to recognition of interest expense in the income statement with effect from 1 January 2014 as the Group ceased capitalisation of interest expense due to commissioning of Line 5.

8. OTHER (EXPENSE)/INCOME, NET

During the period, the Group incurred a realised foreign exchange loss of USD5.1 million on the European Bank for Reconstruction and Development ("EBRD") and SB HSBC Bank Kazakhstan JSC loans which were refinanced.

9. INCOME TAX CREDIT/(EXPENSE)

	The Group 6 months ended		The Company 6 months ended	
	30 June 2014 USD'000	30 June 2013 USD'000	30 June 2014 USD'000	30 June 2013 USD'000
Income tax credit/(expense):				
- current income tax expense	-	(7)	-	-
- deferred income tax benefit/(expense)	2,285	(1,592)	-	-
	2,285	(1,599)	-	-

There have been no changes in the major elements of temporary differences that give rise to the deferred tax liabilities and assets, mainly comprising property, plant and equipment and unutilized tax losses. No income tax is estimated for the parent company and the subsidiary company incorporated in Labuan FT, Malaysia.

10. (LOSS)/PROFIT PER SHARE

	The Group	
	6 months ended 30 June 2014 USD'000	**6 months ended 30 June 2013 USD'000**
(Loss)/Profit attributable to ordinary shareholders	(4,120)	2,220

	6 months ended 30 June 2014 '000	**6 months ended 30 June 2013 '000**
Number of ordinary shares in issue at beginning and at end of period	219,000	219,000
Weighted average number of ordinary shares at beginning and at end of period	219,000	219,000
Basic (loss)/profit per share (cent)	(1.9)	1.0

The basic (loss)/profit per share is calculated by dividing the consolidated (loss)/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 2014 and 30 June 2013.

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 (unless otherwise indicated)								
At 1 January 2014	4,027	48,599	78,169	-	15,662	-	82,645	229,102
Additions	6	8	-	7,458	138	7,801	5,250	20,661
Transfers	-	31	75,441	-	286	-	(75,758)	-
Disposals	-	-	(110)	-	(33)	-	-	(143)
Exchange differences	(642)	(7,743)	(18,783)	-	(2,496)	-	(7,849)	(37,513)
At 30 June 2014	3,391	40,895	134,717	7,458	13,557	7,801	4,288	212,107
Accumulated depreciation								
At 1 January 2014	-	23,173	30,437	-	8,327	-	-	61,937
Charge for the period	-	954	2,608	-	536	-	-	4,098
Transfers	-	-	-	-	-	-		-
Disposals	-	-	(48)	-	(16)	-	-	(64)
Exchange differences	-	(3,730)	(4,953)	-	(1,348)	-	-	(10,031)
At 30 June 2014	-	20,397	28,044	-	7,499	-	-	55,940
Net Book Value								
At 30 June 2014	3,391	20,498	106,673	7,458	6,058	7,801	4,288	156,167
At 31 December 2013	4,027	25,426	47,732	-	7,335	-	82,645	167,165

During the financial period, the Group purchased wagons amounting to USD7.4 million. Construction materials and spare parts of USD7.6 million and USD2.6 million were transferred from other assets to standby equipment and major spare parts and construction in progress respectively. USD75.8 million were reclassified from construction in progress to machinery and equipment, other assets and buildings.

12. OTHER ASSETS

	The Group		The Company	
	As at 30 June 2014 USD'000	As at 31 Dec 2013 USD'000	As at 30 June 2014 USD'000	As at 31 Dec 2013 USD'000
Construction materials	-	7,605	-	-
VAT (recoverable)	5,454	6,473	-	-
Spare parts	-	2,628	-	-
Quarry stripping costs	295	370	-	-
Others	81	48	-	-
	5,830	17,124	-	-

During the financial period, the Group transferred USD7.6m of construction materials to standby equipment and major spare parts.

13. INVENTORIES, NET

	The Group		The Company	
	As at 30 June 2014 USD'000	As at 31 Dec 2013 USD'000	As at 30 June 2014 USD'000	As at 31 Dec 2013 USD'000
Spare parts	12,751	10,035	-	-
Work in progress	6,574	5,072	-	-
Raw materials	2,124	4,971	-	-
Finished goods	457	2,209	-	-
Other material	652	696	-	-
Packing materials	158	264	-	-
Fuel	532	297	-	-
Goods held for resale	65	73	-	-
Construction materials	-	80	-	-
	23,313	23,699		
Less: Provision for obsolete inventories	(3,297)	(3,233)	-	-
	20,616	20,466	-	-

During the financial period, the Group made a provision for obsolete inventories of USD0.5million.

14. TRADE RECEIVABLE AND OTHER RECEIVABLES

	The Group		The Company	
	As at 30 June 2014 USD'000	**As at 31 Dec 2013 USD'000**	**As at 30 June 2014 USD'000**	**As at 31 Dec 2013 USD'000**
Trade receivables	6,682	2,555	-	-
Less: Allowance for doubtful receivables	(376)	(447)	-	-
	6,306	2,108	-	-
Other receivables:				
VAT recoverable	4,097	4,522	-	-
Income tax	1,144	8	-	-
Receivable from related party	-	50	-	-
Receivable from employees	20	32	-	-
Others	306	402	-	-
	11,873	7,123	-	-

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

In determining the recoverability of trade receivables, the directors consider any change in the credit quality of the trade receivables from the date the credit was initially granted up to the end of the financial period. The directors have reviewed the trade receivables and considered no further provision for trade receivables is necessary based on prevailing conditions and available information as at 30 June 2014.

15. CASH AND CASH EQUIVALENTS

	The Group	
	As at 30 June 2014 USD'000	As at 31 Dec 2013 USD'000
Cash in hand and at banks	3,121	4,259
Short-term deposits	-	40
	3,121	4,299

16. BORROWINGS

	The Group	
	As at 30 June 2014 USD'000	As at 31 Dec 2013 USD'000
Current portion:		
Bonds	87	105
Bank loans	19,558	13,624
	19,645	13,729
Non-current portion:		
Bonds	7,862	9,316
Bank loans	26,653	17,749
	34,515	27,065
Total borrowings	54,160	40,794

Central Asia Cement JSC

As at 30 June 2014, CAC JSC has a total undrawn loan of USD9.6 million under the loan facility from Halyk Bank JSC.

Karcement JSC

During the period, Karcement JSC signed a USD60 million credit facility agreement with VTB Bank. The purpose of the loan is to refinance the outstanding loans due to EBRD and SB HSBC Bank Kazakhstan JSC and to purchase railcars.

As at 30 June 2014, Karcement JSC has undrawn loan facilities of USD23 million and USD1.6 million from VTB Bank and SB HSBC Bank Kazakhstan respectively.

17. 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.

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 2014 and 2013:

	Purchase of services	
	30 June 2014 USD'000	**30 June 2013 USD'000**
Maxam Kazakhstan	711	738
Opera Holdings LLP	10	10

The following balance with related parties is included in the condensed consolidated statement of financial position as of 30 June 2014 and 31 December 2013:

	Receivable/(Payable) to related parties	
	30 June 2014 USD'000	**31 Dec 2013 USD'000**
Maxam Kazakhstan	(43)	(151)
Others	-	7

Services rendered by Maxam Kazakhstan and Opera Holdings LLP represent drilling and blasting services, and rental expenses respectively.

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 2014 USD'000	30 June 2013 USD'000	30 June 2014 USD'000	30 June 2013 USD'000
Remunerations	411	412	121	107
Short-term benefits	64	36	-	-
Total	475	448	121	107

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.

18. FINANCIAL INSTRUMENTS

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a various financial risks which include foreign currency risk, credit risk, liquidity risk and interest rate 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 have been no change in the financial risk management objectives and policies since the previous financial year ended 31 December 2013. 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 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.

Short-term investments, 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 nature of 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 year with similar maturities adjusted by credit risk.

As at 30 June 2014 and 2013, the fair values of financial assets and financial liabilities approximate their carrying values.

19. CONTIGENCIES

There are no significant changes in the contingencies since the financial year ended 31 December 2013.

20. SUBSEQUENT EVENT

On 5 September 2014, Central Asia Cement JSC declared dividends of KZT830 million or equivalent to USD4.5 million to its parent company, Steppe Cement Holdings B.V.