

Company No. LL04433



STEPPE CEMENT LTD

**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006
(In United States Dollar)**

Company No. LL04433

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

INTERIM FINANCIAL STATEMENTS

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Steppe Cement Limited
Trading Results for the Half Year Ended 30 June
2006
and General Market Update

1. Interim Results

Steppe Cement Limited (“Steppe”) is pleased to announce a consolidated profit after tax for the six months ended 30 June 2006 of US\$8.0 million.

The restructure of Steppe in advance of its admission to AIM was completed on 29 July 2005 and therefore at a consolidated level there is no direct comparison with profitability for the first six months of 2005. The trading results of Steppe’s core operating subsidiary, Central Asia Cement JSC, for the six months ended have however shown a strong improvement over those experienced for the six months ended 30 June 2005. These operating results are summarized below:

	6 months ended 30-Jun- 06	6 months ended 30-Jun-05	
Sales (tonnes)	365,443	320,809	14%
Exchange rate (tenge to the US\$)	118.7	136.3	
Sales (thousand tenge)	3,330,461	2,639,744	26%
Sales (US\$’000)	28,605	19,690	45%
Profit before tax (US\$’000)	11,553	7,648	51%
Profit after tax (US\$’000)	8,087	5,354	51%

At the operational level, sales have increased by 26% in tenge with the average sales price achieved rising from US\$60/tonnes to US\$75/tonne compared with the corresponding period.

On the cost side of the business, Steppe has noted that oil price increases have led to an increase in utilities and transportation cost. Steppe is in the process of implementing cost containment measures to contain further increases.

A copy of Central Asia Cement's financial statements for the six months ended 30 June 2006 follows. These are also available at Steppe's web site:
www.steppecement.com

2. Update on the Kazakh Cement Market

The Kazakhstan cement market has grown by 30% over the first half of the year and Steppe's directors expect it to grow by 20% by year end, taking its size to 6 million tons. The main markets remain Almaty and Astana.

Kazakhstan cement producers continue to struggle with the increased demand and as a result imports have nearly doubled such that they currently represent approximately 35% of the market. Due to this increasing demand both in Kazakhstan and in Russia, the overall market price of cement in Kazakhstan has increased by approximately 20% in US\$ terms over the past year.

Steppe's main competition remains the factories located in Southern Siberia and other producers in northern Kazakhstan.

3. Personnel Appointments

Steppe is continuing to strengthen the Kazakh management team with the following appointments:

- Stuart Elliot as chief operating officer with emphasis on the line 6 start up. Until 2005, Stuart was chief operating officer of Cimenterie Nationale in Lebanon and he has held senior operation roles for Rugby Cement UK.
- Ho Weng Keong – Mechanical engineer and maintenance manager of YTL Cement (Malaysia)
- Francis Teoh Boon Tee, electrical engineer before with Blue Circle UK and Malaysia
- Lee Gee Seng – Civil engineer (C Eng UK).

Together, these new managerial staff bring over 100 years experience in the cement industry.

Steppe expects to add another three members to the senior management team in the second half of 2006.

4. Plant Development

Steppe is continuing to successfully implement the improvements to the wet process lines that should see production capacity from the wet process lines reach 800,000 tonnes of cement for the 2006 (full year) and 850,000 tonnes of cement for 2007.

Steppe has awarded approximately 60% of the contracts for the dry line refurbishments, with the main contractors so far being FL Smidth (Denmark), ABB (Switzerland), GE (Germany). It is estimated that the remaining contracts (apart from mechanical erection) will be awarded during the summer 2006.

Mace has been appointed as project manager for the construction part of the project and now has a team on site.

Re-commissioning of the dry process lines remains on schedule for completion during the summers of 2007 and 2008.

5. Financing

The council of the Kazakhstan Stock Exchange approved Steppe's 2.7 billion tenge (US\$21.6 million) bond listing and the first auction took place on the 18 August 2006.

As of the 29 August 2006 Steppe had accepted bids for 710 million tenge (US\$5.7 million) at an average APR of 9.8% and as of the 4th September 2006, Halik Bank has agreed to subscribe the balance 1,990 million tenge at the same rate in three equal tranches to be disbursed at the end of September, October and November 2006.

Kazcommertz Bank has granted a credit line of US\$46 million to open letters of credit.

GENERAL INFORMATION

1. Steppe Cement Ltd completed its restructuring exercise involving the acquisition of Central Asia Cement JSC, the main operating subsidiary on 29 July 2005.
2. For purposes of interim reporting for the 6 months ended 30 June 2006, the following condensed consolidated statements and notes (page 1-17) were provided in accordance with the requirement of IFRS:

	Period Ended	Comparative Period Ended
Income Statement	30 June 2006	30 June 2005
Balance Sheet	As at 30 June 2006	As at 31 December 2005
Cash Flow Statement	30 June 2006	30 June 2005
Statement of Changes in Equity	30 June 2006	30 June 2005

3. To achieve a better understanding of the above Interim Financial Statements, the following financial statements of the main operating subsidiary, Central Asia Cement JSC are provided in the Appendix (page 18-20):

	Period Ended	Comparative Period Ended
Income Statement	30 June 2006	30 June 2005
Balance Sheet	As at 30 June 2006	As at 30 June 2005

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006**

	Note	The Group 6 months ended		The Company 6 months ended	
		30.6.06 USD'000	30.6.05 USD'000	30.6.06 USD'000	30.6.05 USD'000
Revenue	5	28,605	-	-	-
Cost of sales		<u>(12,401)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross profit		16,204	-	-	-
Selling expenses		(1,694)	-	-	-
General and administrative expenses		<u>(3,588)</u>	<u>(3)</u>	<u>(221)</u>	<u>(2)</u>
Operating profit/(loss)		10,922	(3)	(221)	(2)
Investment income		46	-	-	-
Finance costs		(293)	-	-	-
Other income, net		<u>830</u>	<u>-</u>	<u>45</u>	<u>-</u>
Profit/(loss) before tax		11,505	(3)	(176)	(2)
Income tax expense	6	<u>(3,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) for the period		<u>8,032</u>	<u>(3)</u>	<u>(176)</u>	<u>(2)</u>
Attributable to:					
Shareholders of the Company		<u>8,032</u>	<u>(3)</u>	<u>(176)</u>	<u>(2)</u>
Earnings/(loss) per share:					
Basic (cents)	7	<u>0.07</u>	<u>(0.03)</u>		

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

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006

	Note	The Group		The Company	
		As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Assets					
Non-current assets:					
Property, plant and equipment	8	42,129	29,955	-	-
Investment in subsidiary companies	9	-	-	26,188	7,000
Advances paid	12	-	131	-	-
		<u>42,129</u>	<u>30,086</u>	<u>26,188</u>	<u>7,000</u>
Current Assets					
Inventories, net	10	7,491	6,529	-	-
Trade receivable, net	11	32	731	-	-
Amount owing by subsidiary companies		-	-	-	252
Other receivables, advances and prepaid expenses	12	4,189	1,566	81	1
Cash and bank balances		<u>13,775</u>	<u>1,511</u>	<u>781</u>	<u>15</u>
		<u>25,487</u>	<u>10,337</u>	<u>862</u>	<u>268</u>
Total assets		<u><u>67,616</u></u>	<u><u>40,423</u></u>	<u><u>27,050</u></u>	<u><u>7,268</u></u>

(Cont'd)

	Note	The Group		The Company	
		As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Equity and Liabilities					
Capital and reserves					
Share capital	13	1,140	1,000	1,140	1,000
Share premium	14	26,657	6,300	26,657	6,300
Translation reserve	14	3,110	(41)	-	-
Unappropriated profit/(Accumulated loss)	14	24,695	16,663	(947)	(771)
Total equity		<u>55,602</u>	<u>23,922</u>	<u>26,850</u>	<u>6,529</u>
Non-Current Liabilities					
Deferred tax liabilities, net		<u>7,521</u>	<u>6,814</u>	<u>-</u>	<u>-</u>
		<u>7,521</u>	<u>6,814</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade payable		1,275	765	-	-
Other payables and accrued liabilities		1,848	928	200	110
Amount owing to a corporate shareholder		-	174	-	174
Amount owing to subsidiary companies		-	-	-	455
Taxes payable	15	1,370	738	-	-
Loans	16	-	7,082	-	-
		<u>4,493</u>	<u>9,687</u>	<u>200</u>	<u>739</u>
Total Equity and Liabilities		<u>67,616</u>	<u>40,423</u>	<u>27,050</u>	<u>7,268</u>

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

Company No. LL04433

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006**

The Group	Share capital USD'000	Non-distributable reserve Share premium USD'000	Translation reserve USD'000	Unappropriated profit/ (Accumulated loss) USD'000	Total/ Net USD'000
Balance as at 1 January 2005	1	-	-	(5)	(4)
Net loss for the period	-	-	-	(3)	(3)
Balance as at 30 June 2005	<u>1</u>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(7)</u>
Balance as at 1 January 2006	1,000	6,300	(41)	16,663	23,922
Issue of shares (Note 13)	140	20,860	-	-	21,000
Utilisation of share premium	-	(503)	-	-	(503)
Exchange differences arising on translation of foreign subsidiary companies	-	-	3,151	-	3,151
Net profit for the period	-	-	-	8,032	8,032
Balance as of 30 June 2006	<u>1,140</u>	<u>26,657</u>	<u>3,110</u>	<u>24,695</u>	<u>55,602</u>

(Cont'd)

Company No. LL04433

The Company	Share Capital USD'000	Share Premium USD'000	Accumulated Loss USD'000	Total/ Net USD'000
Balance as at 1 January 2005	1	-	(2)	(1)
Net loss for the period	-	-	(2)	(2)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 30 June 2005	<u>1</u>	<u>-</u>	<u>(4)</u>	<u>(3)</u>
Balance as at 1 January 2006	1,000	6,300	(771)	6,529
Issue of shares (Note 13)	140	20,860	-	21,000
Utilisation of share premium (Note 14)	-	(503)	-	(503)
Net loss for the period	-	-	(176)	(176)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as of 30 June 2006	<u>1,140</u>	<u>26,657</u>	<u>(947)</u>	<u>26,850</u>

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

STEPPE CEMENT LTD

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006**

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.06	30.6.05	30.6.06	30.6.05
	USD'000	USD'000	USD'000	USD'000
OPERATING ACTIVITIES				
Profit/(loss) before tax	11,505	(3)	(176)	(2)
Adjustments for:				
Depreciation of property, plant and equipment	945	-	-	-
Finance costs	293	-	-	-
Loss on disposal of property, plant and equipment	20	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Profit/ (Loss) Before Movement in Working Capital	12,763	(3)	(176)	(2)
(Increase)/ Decrease in:				
Inventories	(137)	-	-	-
Trade receivables	1,654	-	-	-
Amount owing by subsidiary companies	-	-	(25)	(23)
Other receivable and prepaid expenses	(932)	-	(79)	-
Increase/ (Decrease) in:				
Trade payables	1,387	-	-	-
Other payables and accrued liabilities	149	2	89	2
Amount owing to a corporate shareholder	(174)	23	(174)	23
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Generated From/ (Used In) Operations	14,710	22	(365)	-

(Cont'd)

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.06	30.6.05	30.6.06	30.6.05
	USD'000	USD'000	USD'000	USD'000
Income tax paid	(3,402)	-	-	-
Interest paid	(293)	-	-	-
Net Cash From/ (Used In) by Operating Activities	11,015	22	(365)	-
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	2,836	-	-	-
Purchase of property, plant and equipment	(14,207)	-	-	-
Net Cash Used In Investing Activities	(11,371)	-	-	-
FINANCING ACTIVITIES				
Proceeds from issuance of shares	21,000	-	21,000	-
Cost of issuance of shares	(503)	-	(369)	-
Interest received	-	-	-	-
Deposits pledged with financial institutions	(7,700)	-	-	-
Repayment of loans	(7,976)	-	-	-
Cash outflow from acquisition of subsidiary company (Note 9)	-	-	(19,500)	-
Net Cash From by Financing Activities	4,821	-	1,131	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,465	22	766	-
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES	100	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	903	-	15	-
CASH AND CASH EQUIVALENTS AT END PERIOD	5,468	22	781	-

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

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. 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 should be read in conjunction with the audited financial statements for the year ended 31 December 2005. The condensed interim financial statements were authorised for issue by the Board of Directors on 23 August 2006.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention.

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 2005.

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

	USD
1 Ringgit Malaysia	0.27215
1 Euro Dollar	1.27900
1 Kazakhstan Tenge	<u>0.00842</u>

3. REVIEW ON RESULTS FOR THE PERIOD

The Kazakhstan market has grown by 30% and CAC JSC's revenue have increased by 26% over the first half of the year. The main markets remain Almaty and Astana with high growth expected in the West as well.

4. 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.

5. REVENUE

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.06	30.6.05	30.6.06	30.6.05
	USD'000	USD'000	USD'000	USD'000
Sales-manufactured goods	28,060	-	-	-
Other sales	545	-	-	-
	<u>28,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>28,605</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. INCOME TAX EXPENSE

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.06	30.6.05	30.6.06	30.6.05
	USD'000	USD'000	USD'000	USD'000
Estimated current tax payable:				
- the Company	-	-	-	-
- subsidiary companies	3,473	-	-	-
	<u>3,473</u>	<u>-</u>	<u>-</u>	<u>-</u>

The income tax expense is accrued based on the estimated annual effective tax rate of 3% and 30% for the subsidiary companies, incorporated in Labuan FT, Malaysia and the Republic of Kazakhstan, respectively.

7. **EARNINGS/(LOSS) PER SHARE**

Basic

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

	The Group	
	6 months ended 30.6.06 USD'000	6 months ended 30.6.05 USD'000
Net profit/ (loss) attributable to ordinary shareholders	<u>8,032</u>	<u>(3)</u>
	6 months ended 30.6.06 '000	6 months ended 30.6.05 '000
Number of shares in issue at beginning of period	100,000	100
Issuance of shares during the period	<u>14,000</u>	<u>-</u>
Number of shares in issue at end of period	<u>114,000</u>	<u>100</u>
Weighted average number of ordinary shares in issue	<u>111,615</u>	<u>100</u>
	6 months ended 30.6.06 USD	6 months ended 30.6.05 USD
Basic earnings/(loss) per share (cents)	<u>0.07</u>	<u>(0.03)</u>

8. PROPERTY, PLANT AND EQUIPMENT, NET

The Group	Freehold land and land improvement USD'000	Buildings USD'000	Machinery and equipment USD'000	Other assets USD'000	Computer software USD'000	Construction in progress USD'000	Total USD'000
Cost (unless otherwise indicated)							
At 1 January 2006	3,240	24,309	3,684	1,637	3	1,935	34,808
Additions	650	350	1,421	1,453	-	10,333	14,207
Disposals/Transfers	(614)	(146)	(8)	(127)	-	(2,124)	(3,019)
Exchange differences	409	1,894	465	206	-	(765)	2,209
At 30 June 2006	3,685	26,407	5,562	3,169	3	9,379	48,205
Accumulated depreciation							
At 1 January 2006	-	3,850	549	453	2	-	4,854
Additions	-	597	107	240	-	-	944
Disposals/Transfers	-	(42)	(3)	(119)	-	-	(164)
Exchange differences	-	315	70	57	-	-	442
At 30 June 2006	-	4,720	723	631	2	-	6,076
Net Book Value							
At 30 June 2006	3,685	21,687	4,839	2,538	1	9,379	42,129

9. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Unquoted shares, at cost	<u>26,188</u>	<u>7,000</u>

- i) During the period, the Company subscribed for an additional 73,748 ordinary shares of RM1 each in Steppe Cement (M) Sdn Bhd at an issue price of RM1,000 per ordinary share for a total cash consideration of RM73,748,000 (equivalent to USD19.5 Million).
- ii) During the period, its subsidiary company, Steppe Cement (M) Sdn Bhd (“SCM”) acquired an additional 16,386,554 ordinary shares of EUR 1 each in Steppe Cement Holdings B.V. for a total cash consideration of EUR 16,386,554 (equivalent of USD19.5 Million).
- iii) During the period, Steppe Cement Holdings B.V. acquired an additional 51,043 ordinary shares of KZT 50,000 each in Karcement JSC for a total cash consideration of KZT 2,552,150,000 (equivalent of USD19.5 Million).

10. INVENTORIES

	The Group		The Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Work in progress	1,085	1494	-	-
Finished goods	750	961	-	-
Raw materials	296	413	-	-
Spare parts	340	281	-	-
Construction materials	-	69	-	-
Other material	5,020	3,660	-	-
	7,491	6,878		
Less: Provision for obsolete inventories	-	(349)	-	-
Net	<u>7,491</u>	<u>6,529</u>	<u>-</u>	<u>-</u>

11. **TRADE RECEIVABLE, NET**

	The Group		The Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Trade receivables from third parties	32	751	-	-
Accounts receivables from related parties	-	73	-	-
	32	824	-	-
Less: Provision for doubtful receivables	-	(93)	-	-
Net	<u>32</u>	<u>731</u>	<u>-</u>	<u>-</u>

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

12. **OTHER RECEIVABLES, ADVANCES AND PREPAID EXPENSES**

	The Group		The Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Receivable from employees	86	97	-	-
Other receivables	1,266	268	81	-
Prepaid expenses	32	176	-	1
	1,384	541	81	1
Advances paid to third parties – current portion	<u>2,805</u>	<u>1,025</u>	<u>-</u>	<u>-</u>
	4,189	1,566	81	1
Advances paid to third parties – non-current portion	-	131	-	-
	<u>4,189</u>	<u>1,697</u>	<u>81</u>	<u>1</u>

13. **SHARE CAPITAL**

	The Group and the Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Authorised:		
Ordinary shares of USD0.01 each		
At beginning of period	5,000	10
Created during the period	-	4,990
	<u>5,000</u>	<u>5,000</u>
At end of period	<u>5,000</u>	<u>5,000</u>
Issued and fully paid:		
Ordinary shares of USD0.01 each		
At beginning of period	1,000	1
Issued during the period	140	999
	<u>1,140</u>	<u>1,000</u>
At end of period	<u>1,140</u>	<u>1,000</u>

On January 30, 2006, the Company issued 14,000,000 new ordinary shares of USD 0.01 each at a placement price of USD1.50 per share via private placement.

14. **RESERVES**

	The Group and the Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Non-distributable reserves:		
Share premium		
Balance at beginning of the period	6,300	-
Shares issued at a premium	20,860	6,300
	<u>27,160</u>	<u>6,300</u>
Less: Utilisation of share premium	(503)	-
Balance at end of the period	<u>26,657</u>	<u>6,300</u>

(Cont'd)

	The Group and the Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Translation adjustment account		
Balance at beginning of the period	(41)	-
Exchange differences on translation of foreign subsidiary companies	<u>3,151</u>	<u>(41)</u>
Balance at end of the period	<u>3,110</u>	<u>(41)</u>

Share premium

Share premium arose from the issuance of 14,000,000 ordinary shares of USD0.01 at an issue price of USD1.50 per share via private placement during the financial period.

Translation adjustment account

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

15. **TAXES PAYABLE**

	The Group		The Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Corporate income tax	166	396	-	-
Property tax	-	163	-	-
Personal income tax	-	37	-	-
Other taxes	1,204	142	-	-
Total	1,370	738	-	-

16. **LOANS**

	The Group		The Company	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
JSC Kazkommertsbank	-	7,005	-	-
Interest payable	-	77	-	-
Total	-	7,082	-	-

The loan provided by JSC Kazkommertsbank was fully paid in March 2006.

17. **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.

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	
	As at 30.6.06 USD'000	As at 31.12.05 USD'000	As at 30.6.06 USD'000	As at 31.12.05 USD'000
Remunerations	165	96	116	95
Short-term benefit	-	92	-	-
Post-employment benefit	-	8	-	-
Total	165	196	116	95

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. **SIGNIFICANT EVENTS**

The liquidation of Stroy Invest, a subsidiary company of CAC JSC is in the final stages. The liquidation was approved by the Board of Directors on 27 February 2006.

On 1 August 2006, the Kazakhstan Stock Exchange (“KASE”) Council approved the issuance and listing of 5 year 9% KZT 2.7 billion bonds on the KASE due on 1 August 2011. The interest is payable semi-annually and the repayment of principal is one bullet payment.

APPENDIX

CENTRAL ASIA CEMENT JSC AND ITS SUBSIDIARY

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD
ENDED 30 JUNE 2006 (UNAUDITED)

	6 months ended	
	30.6.06 USD'000	30.6.05 USD'000
Revenue	28,605	19,690
Cost of sales	<u>(12,689)</u>	<u>(8,200)</u>
Gross profit	15,916	11,490
Selling expenses	(1,694)	(1,029)
General and administrative expenses	<u>(3,162)</u>	<u>(1,938)</u>
Operating profit	11,060	8,523
Investment income	-	0
Finance costs	(293)	(692)
Other income, net	<u>786</u>	<u>(183)</u>
Profit before tax	11,553	7,648
Income tax expense	<u>(3,466)</u>	<u>(2,294)</u>
Profit for the period	<u><u>8,087</u></u>	<u><u>5,354</u></u>

APPENDIX

CENTRAL ASIA CEMENT JSC AND ITS SUBSIDIARY

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006 (UNAUDITED)**

	As at 30.6.06 USD'000	As at 30.6.05 USD'000
Assets		
Non-current assets		
Property, plant and equipment	<u>33,839</u>	<u>15,624</u>
	<u>33,839</u>	<u>15,624</u>
Current Assets		
Inventories, net	7,491	5,576
Trade receivable, net	487	189
Other receivables, advances and prepaid expenses	3,121	1,114
Cash and bank balances	<u>4,745</u>	<u>6,222</u>
	<u>15,844</u>	<u>13,101</u>
Total assets	<u><u>49,683</u></u>	<u><u>28,725</u></u>

(Cont'd)

	As at 30.6.06 USD'000	As at 30.6.05 USD'000
Equity and Liabilities		
Capital and reserves		
Share capital	587	587
Revaluation Reserve	15,081	11,737
Foreign Exchange Reserve	2,900	-
Unappropriated profit	<u>17,142</u>	<u>3,644</u>
Total equity	<u>35,710</u>	<u>15,968</u>
Non-Current Liabilities		
Deferred tax liabilities, net	7,521	-
Loans	<u>-</u>	<u>6,000</u>
	<u>7,521</u>	<u>6,000</u>
Current Liabilities		
Trade payable	1,275	397
Other payables and accrued liabilities	1,543	1,379
Taxes payable	1,361	981
Amount due to related company	2,273	-
Loans	<u>-</u>	<u>4,000</u>
	<u>6,452</u>	<u>6,757</u>
Total Equity and Liabilities	<u><u>49,683</u></u>	<u><u>28,725</u></u>