

Company No. LL04433



**INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2010
(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)

CONTENTS	PAGE(S)
Condensed Consolidated Income Statement (Unaudited)	1
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	2
Condensed Consolidated Statement of Financial Position (Unaudited)	3 – 4
Condensed Consolidated Statement of Changes in Equity (Unaudited)	5 – 7
Condensed Consolidated Cash Flow Statement (Unaudited)	8 – 9
Notes to the Condensed Interim Financial Statements (Unaudited)	10 – 23

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 2010 (UNAUDITED)**

	Note	The Group 6 months ended		The Company 6 months ended	
		30.6.10 USD'000	30.6.09 USD'000	30.6.10 USD'000	30.6.09 USD'000
Revenue	5	31,556	24,844	50	50
Cost of sales		<u>(23,946)</u>	<u>(18,320)</u>	<u>-</u>	<u>-</u>
Gross profit		7,610	6,524	50	50
Selling expenses		(5,083)	(3,826)	-	-
General and administrative expenses		<u>(4,802)</u>	<u>(5,407)</u>	<u>(298)</u>	<u>(314)</u>
Operating loss		(2,275)	(2,709)	(248)	(264)
Investment income		^	59	^	1
Finance costs	6	(3,062)	(3,640)	-	-
Other income/(expense), net	7	<u>736</u>	<u>(13,204)</u>	<u>54</u>	<u>-</u>
Loss before tax		(4,601)	(19,494)	(194)	(263)
Income tax credit	8	<u>717</u>	<u>697</u>	<u>-</u>	<u>-</u>
Loss for the period		<u>(3,884)</u>	<u>(18,797)</u>	<u>(194)</u>	<u>(263)</u>
Attributable to:					
Shareholders of the company		<u>(3,884)</u>	<u>(18,797)</u>	<u>(194)</u>	<u>(263)</u>
Loss per share:					
Basic (cents)	9	<u>(2.5)</u>	<u>(15.0)</u>		

^ - Insignificant amount

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

Company No. LL04433

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)**

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
Loss for the period	(3,884)	(18,797)	(194)	(263)
Other comprehensive income/(loss):				
Exchange differences arising on translation of foreign subsidiary companies	<u>758</u>	<u>(27,370)</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the period	<u>(3,126)</u>	<u>(46,167)</u>	<u>(194)</u>	<u>(263)</u>
Attributable to:				
Shareholders of the company	<u>(3,126)</u>	<u>(46,167)</u>	<u>(194)</u>	<u>(263)</u>

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

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010 (UNAUDITED)**

	Note	The Group		The Company	
		Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000	Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000
Assets					
Non-Current Assets					
Property, plant and equipment	10	133,875	135,126	-	-
Investment in subsidiary companies		-	-	26,500	26,500
Advances paid	15	6,312	6,705	-	-
Other assets	11	28,152	28,182	-	-
Total Non-Current Assets		<u>168,339</u>	<u>170,013</u>	<u>26,500</u>	<u>26,500</u>
Current Assets					
Inventories, net	12	15,262	14,275	-	-
Trade receivable, net	13	1,359	826	-	-
Amount owing by subsidiary companies	14	-	-	14,488	10,889
Other receivables, advances and prepaid expenses	15	9,630	7,483	-	4
Cash and bank balances		<u>1,678</u>	<u>6,545</u>	<u>22</u>	<u>3,886</u>
Total Current Assets		<u>27,929</u>	<u>29,129</u>	<u>14,510</u>	<u>14,779</u>
Total Assets		<u>196,268</u>	<u>199,142</u>	<u>41,010</u>	<u>41,279</u>

(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 2010 (UNAUDITED)**

	Note	The Group		The Company	
		Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000	Unaudited As at 30.6.10 USD'000	Audited As at 31.12.09 USD'000
Equity and Liabilities					
Capital and Reserves					
Share capital		1,540	1,540	1,540	1,540
Share premium		41,296	41,296	41,296	41,296
Revaluation reserve		3,024	3,024	-	-
Translation reserve		(20,106)	(20,864)	-	-
Retained earnings/(Accumulated losses)		73,120	77,004	(2,950)	(2,756)
Total Equity		<u>98,874</u>	<u>102,000</u>	<u>39,886</u>	<u>40,080</u>
Non-Current Liabilities					
Bonds	16	18,159	18,035	-	-
Loans	18	52,428	43,031	-	-
Deferred tax liabilities, net		6,224	6,420	-	-
Total Non-Current Liabilities		<u>76,811</u>	<u>67,486</u>	<u>-</u>	<u>-</u>
Current Liabilities					
Trade payable	17	5,825	6,446	-	-
Other payables and accrued liabilities		3,136	3,214	673	748
Loans	18	11,443	19,683	-	-
Amount owing to subsidiary companies		-	-	451	451
Taxes payable		179	313	-	-
Total Current Liabilities		<u>20,583</u>	<u>29,656</u>	<u>1,124</u>	<u>1,199</u>
Total Liabilities		<u>97,394</u>	<u>97,142</u>	<u>1,124</u>	<u>1,199</u>
Total Equity and Liabilities		<u>196,268</u>	<u>199,142</u>	<u>41,010</u>	<u>41,279</u>

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

Company No. LL04433

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)**

The Group	← Non-distributable →				Distributable	Total/Net USD'000
	Share Capital USD'000	Share Premium USD'000	Revaluation Reserve USD'000	Translation Reserve USD'000	Retained earnings USD'000	
Balance as at 1 January 2009	1,140	26,647	3,365	5,400	92,369	128,921
Loss for the period	-	-	-	-	(18,797)	(18,797)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	(27,370)	-	(27,370)
Total comprehensive loss for the period	-	-	-	(27,370)	(18,797)	(46,167)
Issue of shares	400	14,688	-	-	-	15,088
Share issue expenses	-	(39)	-	-	-	(39)
Balance as at 30 June 2009	<u>1,540</u>	<u>41,296</u>	<u>3,365</u>	<u>(21,970)</u>	<u>73,572</u>	<u>97,803</u>

(Cont'd)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)**

The Group	← Non-distributable →				Distributable	Total/Net USD'000
	Share Capital USD'000	Share Premium USD'000	Revaluation Reserve USD'000	Translation Reserve USD'000	Retained Earnings USD'000	
Balance as at 1 January 2010	1,540	41,296	3,024	(20,864)	77,004	102,000
Loss for the period	-	-	-	-	(3,884)	(3,884)
Exchange differences arising on translation of foreign subsidiary companies	-	-	-	758	-	758
Total comprehensive income/(loss) for the period	-	-	-	758	(3,884)	(3,126)
Balance as at 30 June 2010	<u>1,540</u>	<u>41,296</u>	<u>3,024</u>	<u>(20,106)</u>	<u>73,120</u>	<u>98,874</u>

(Cont'd)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)**

The Company	Non-distributable			Total/Net USD'000
	Share Capital USD'000	Share Premium USD'000	Accumulated Losses USD'000	
Balance as at 1 January 2009	1,140	26,647	(2,368)	25,419
Loss for the period	-	-	(263)	(263)
Total comprehensive loss for the period	-	-	(263)	(263)
Issue of shares	400	14,688	-	15,088
Share issue expenses	-	(39)	-	(39)
Balance as at 30 June 2009	<u>1,540</u>	<u>41,296</u>	<u>(2,631)</u>	<u>40,205</u>
Balance as at 1 January 2010	1,540	41,296	(2,756)	40,080
Total comprehensive loss for the period	-	-	(194)	(194)
Balance as at 30 June 2010	<u>1,540</u>	<u>41,296</u>	<u>(2,950)</u>	<u>39,886</u>

STEPPE CEMENT LTD

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AND ITS SUBSIDIARY COMPANIES

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)**

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
OPERATING ACTIVITIES				
Loss before tax	(4,601)	(19,494)	(194)	(263)
Adjustments for non-cash items	6,615	19,259	(38)	-
Operating Profit/(Loss) Before Working Capital Changes	2,014	(235)	(232)	(263)
(Increase)/ Decrease in:				
Inventories	(990)	6,222	-	-
Trade receivables	(533)	254	-	-
Other receivable and prepaid expenses	(1,653)	147	4	(6)
Amount owing by subsidiary companies	-	-	(3,599)	(5,317)
Increase/ (Decrease) in:				
Trade payables	(965)	(4,820)	-	-
Other payables and accrued liabilities	(161)	1,620	(37)	12
Amount owing to subsidiary companies	-	-	-	(849)
Cash (Used In)/Generated From Operations	(2,288)	3,188	(3,864)	(6,423)
Income tax paid	(303)	(1,090)	-	-
Interest paid	(2,938)	(3,617)	-	-
Net Cash Used In Operating Activities	(5,529)	(1,519)	(3,864)	(6,423)

(Cont'd)

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AND ITS SUBSIDIARY COMPANIES**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2010 (UNAUDITED)**

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	7	3	-	-
Purchase of property, plant and equipment	(442)	(505)	-	-
Proceeds from short-term investments	-	289	-	-
Interest received	^	59	-	-
Net Cash Used In Investing Activities	(435)	(154)	-	-
FINANCING ACTIVITIES				
Proceeds from issue of shares	-	15,088	-	15,088
Share issue expenses	-	(39)	-	(39)
Net Proceeds/(Repayment) from borrowings	1,091	(3,216)	-	-
Net Cash From by Financing Activities	1,091	11,833	-	15,049
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,873)	10,160	(3,864)	8,626
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES				
	6	(66)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD				
	6,545	730	3,886	136
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD				
	1,678	10,824	22	8,762

^ - Insignificant amount

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

STEPPE CEMENT LTD

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

AND ITS SUBSIDIARY COMPANIES

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

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 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 2009. The condensed interim financial statements were authorised for issue by the Board of Directors on 3 September 2010.

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 2009, except for the adoption of the following Standards and Interpretations:

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” additional exemptions for first-time adoption relating to oil and gas assets and arrangements containing leases (effective for reporting periods beginning on or after 1 January 2010);

- Amendments to IFRS 2 “Share-based Payment” relating to group cash-settled share-based payment transactions (effective for reporting periods beginning on or after 1 January 2010);
- Amendments to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (effective for reporting periods beginning on or after 1 January 2010);
- Amendments to IAS 7 “Statement of Cash Flows” (effective for reporting periods beginning on or after 1 January 2010);
- IAS 27 (as revised in 2008) “Consolidated and Separate Financial Statements” as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- IAS 28 (as revised in 2008) “Investments in Associates” as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- IAS 31 “Interests in Joint Ventures” as a result of revision of IFRS 3 (effective for reporting periods beginning on or after 1 July 2009);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement – Eligible Hedged Items” (effective for reporting periods beginning on or after 1 July 2009);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement – Amendments for embedded derivatives when reclassifying financial instruments” (effective for reporting periods beginning on or after 30 June 2009);
- IFRIC 17 “Distributions of Non-cash Assets to Owners” (effective for reporting periods beginning on or after 1 July 2009);
- IFRIC 18 “Transfers of Assets from Customers” (effective for reporting periods beginning on or after 1 July 2009);

The adoption of the revised Standard and Interpretations did not have any significant impact on the reported results or financial position of the Group.

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

	USD
1 Pound Sterling	1.4945
1 Ringgit Malaysia	0.3090
1 Euro Dollar	1.2238
1 Kazakhstan Tenge	<u>0.0066</u>
	KZT
1 US Dollar	<u>147.37</u>

3. REVIEW OF RESULTS FOR THE PERIOD

During the 6 months period ended 30 June 2010, Group's revenue rose by 27% from USD24.8 million to USD31.5 million. The increase in revenue is mainly attributable to the increase in sales volume from 442,227 tonnes in the corresponding period in 2009 to 523,156 tonnes, an increase of 18%. During the period, higher average sales price of USD61 per tonne was achieved compared with USD54 per tonne in the previous corresponding period.

The Group's loss for the period declined by 79% to USD3.9 million compared to USD 18.8 million loss in the previous corresponding period. The Group booked foreign exchange losses of USD13.1 million in the corresponding period in 2009 arising on the USD denominated loans as a result of the devaluation of the KZT in February 2009.

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 the Republic of Kazakhstan.

5. REVENUE

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
Sales of manufactured goods	31,556	24,844	-	-
Others	-	-	50	50
Total	31,556	24,844	50	50

6. FINANCE COSTS

	The Group	
	6 months ended	
	30.6.10	30.6.09
	USD'000	USD'000
Interest expense on:		
- loans from financial institutions	2,237	2,803
- debt securities	825	837
Total	3,062	3,640

7. OTHER INCOME/(EXPENSE), NET

In the previous financial period ended 30 June 2009, included in other income/(expense), net are foreign exchange losses of USD13.1 million which were attributable to the translation of Karcement's USD loans to KZT in the books of the subsidiary. The significant foreign exchange losses were incurred due to the devaluation of the KZT against USD by approximately 25% in February 2009.

8. INCOME TAX CREDIT

	The Group		The Company	
	6 months ended		6 months ended	
	30.6.10	30.6.09	30.6.10	30.6.09
	USD'000	USD'000	USD'000	USD'000
Income tax credit:				
- the Company	-	-	-	-
- subsidiary companies	717	697	-	-
	<u>717</u>	<u>697</u>	<u>-</u>	<u>-</u>

From 1 January to 31 December 2010, any profits earned by the subsidiary companies incorporated in the Republic of Kazakhstan are subject to a statutory tax rate of 20%.

During the period, income tax credit is recognised based on the tax loss position in the Group's subsidiaries, Central Asia Cement JSC and Karcement JSC. In the previous financial period 2009, the income tax credit was not recognised for Karcement JSC as it was not practicable to estimate the tax benefits with sufficient reliability.

No income tax is accrued for the parent company and the subsidiary company incorporated in Labuan FT, Malaysia carrying on Labuan non-trading and trading activities respectively.

9. **LOSS PER SHARE**

The basic loss per share is calculated by dividing the consolidated 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 30.6.10 USD'000	6 months ended 30.6.09 USD'000
Loss attributable to ordinary shareholders	<u>(3,884)</u>	<u>(18,797)</u>
	6 months ended 30.6.10 '000	6 months ended 30.6.09 '000
Number of shares in issue at beginning of period	154,000	114,000
Issue of shares during the period	<u>-</u>	<u>40,000</u>
Number of shares in issue at end of period	<u>154,000</u>	<u>154,000</u>
Weighted average number of ordinary shares in issue	<u>154,000</u>	<u>125,271</u>
	6 months ended 30.6.10 USD	6 months ended 30.6.09 USD
Basic loss per share (cents)	<u>(2.5)</u>	<u>(15.0)</u>

10. 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 2010	2,980	40,027	71,878	16,308	70	27,907	159,170
Additions	-	6	319	74	5	1,555	1,959
Transfers	-	(64)	3,823	(3,039)	-	(720)	-
Disposals	-	-	-	(7)	-	-	(7)
Exchange differences	21	276	495	112	1	235	1,140
At 30 June 2010	3,001	40,245	76,515	13,448	76	28,977	162,262
Accumulated depreciation							
At 1 January 2010	-	14,314	6,883	2,819	27	-	24,043
Charge for the period	-	792	2,860	527	4	-	4,183
Transfers	-	(105)	89	16	-	-	-
Disposals	-	-	-	(1)	-	-	(1)
Exchange differences	-	98	45	19	-	-	162
At 30 June 2010	-	15,099	9,877	3,380	31	-	28,387
Net Book Value							
At 30 June 2010	3,001	25,146	66,638	10,068	45	28,977	133,875

11. OTHER ASSETS

	The Group		The Company	
	As at 30.6.10 USD'000	As at 31.12.09 USD'000	As at 30.6.10 USD'000	As at 31.12.09 USD'000
VAT (recoverable)	11,274	11,197	-	-
Construction materials	15,513	13,498	-	-
Spare parts	1,327	3,449	-	-
Quarry stripping costs	38	38	-	-
	<u>28,152</u>	<u>28,182</u>	<u>-</u>	<u>-</u>

12. INVENTORIES, NET

	The Group		The Company	
	As at 30.6.10 USD'000	As at 31.12.09 USD'000	As at 30.6.10 USD'000	As at 31.12.09 USD'000
Work in progress	4,697	4,615	-	-
Finished goods	1,553	1,356	-	-
Raw materials	2,535	2,153	-	-
Spare parts	5,851	5,510	-	-
Fuel	805	833	-	-
Construction materials	-	55	-	-
Other material	396	324	-	-
	15,837	14,846		
Less: Provision for obsolete inventories	<u>(575)</u>	<u>(571)</u>	<u>-</u>	<u>-</u>
Net	<u>15,262</u>	<u>14,275</u>	<u>-</u>	<u>-</u>

13. TRADE RECEIVABLE, NET

	The Group		The Company	
	As at 30.6.10 USD'000	As at 31.12.09 USD'000	As at 30.6.10 USD'000	As at 31.12.09 USD'000
Trade receivables from third parties	1,452	918	-	-
Less: Provision for doubtful receivables	<u>(93)</u>	<u>(92)</u>	<u>-</u>	<u>-</u>
Net	<u>1,359</u>	<u>826</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.

As at 30 June 2010, the Group has trade receivables of USD1,358,662 (2009: USD826,764). The recoverability of these trade accounts receivable depends to a large extent on the Group's customers' ability to meet timely their obligations, and other factors, which are beyond the Group's control. The recoverability of the Group's trade receivables is determined based on conditions prevailing and information available as at balance sheet date. The directors have reviewed the trade receivables and considered no further provision for trade receivables is necessary based on prevailing conditions and available information.

14. AMOUNT OWING BY SUBSIDIARY COMPANIES

On 4 May 2009, Steppe Cement Ltd has entered into a loan agreement to provide up to USD12 million loan to Karcement JSC.

During the period, Steppe Cement Ltd has entered into a supplementary loan agreement with Karcement JSC to increase the existing loan limit from USD12 million to USD22 million. As at 30 June 2010, USD13 million has been extended to Karcement JSC and the loan is interest-free with no fixed terms of repayment.

15. OTHER RECEIVABLES, ADVANCES AND PREPAID EXPENSES

	The Group		The Company	
	As at 30.6.10 USD'000	As at 31.12.09 USD'000	As at 30.6.10 USD'000	As at 31.12.09 USD'000
Receivable from employees	42	52	-	-
Income tax receivable	1,248	408	-	-
Other receivables				
- VAT (recoverable)	4,445	5,147	-	-
- Others	66	146		9
	4,511	5,293	-	9
Prepaid expenses	457	508	-	-
	6,258	6,261	-	9
Advances paid to third parties	9,684	7,926	-	-
	15,942	14,187	-	9
Advances paid to third parties – non-current portion	(6,312)	(6,704)	-	-
	9,630	7,483	-	9

Other receivables comprise mainly of recoverable VAT. VAT recoverable are value added tax credits arising from purchase of materials, property, plant and equipment and repair and maintenance services by Karcement JSC in relation to its line 6 refurbishment project. Others include custom duties levied on the import of property, plant and equipment for the refurbishment project.

Advances paid are mainly those advances incurred by subsidiary companies for the purchase of machinery, equipment and construction work for the refurbishment project.

16. **BONDS**

	The Group	
	As at	As at
	30.6.10	31.12.09
	USD'000	USD'000
Bonds issued at price of:		
97.1895%	5,601	5,601
98.3230%	5,231	5,231
99.0574%	2,366	2,366
99.0574%	2,865	2,865
100.0096%	5,231	5,231
	<u>21,294</u>	<u>21,294</u>
Exchange differences	(2,973)	(3,098)
Discount on bonds issued	<u>(162)</u>	<u>(161)</u>
Total	<u><u>18,159</u></u>	<u><u>18,035</u></u>

The 5-year KZT2.7 billion bonds were issued by Central Asia Cement JSC in 2006. The bonds carry a coupon rate of 9% per annum and will mature on 7 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.

In February 2010, Central Asia Cement JSC settled the coupon of KZT121.5 million (USD825,000) and subsequent to the financial period ended 30 June 2010, Central Asia Cement JSC made the second coupon payment of the same amount in August 2010.

17. **TRADE PAYABLES**

	The Group		The Company	
	As at	As at	As at	As at
	30.6.10	31.12.09	30.6.10	31.12.09
	USD'000	USD'000	USD'000	USD'000
Services	2,776	1,957	-	-
Raw materials	1,194	1,076	-	-
Spare parts	632	628	-	-
Finished goods	-	345	-	-
Property, plant & equipment	1,223	2,397	-	-
Others	-	43	-	-
	<u>5,825</u>	<u>6,446</u>	<u>-</u>	<u>-</u>

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

18. **LOANS**

	The Group	
	A at 30.6.10 USD'000	As at 31.12.09 USD'000
Total outstanding	63,871	62,714
Current portion	<u>(11,443)</u>	<u>(19,683)</u>
Non-current portion	<u>52,428</u>	<u>43,031</u>

Central Asia Cement

As at 30 June 2010, Central Asia Cement JSC's undrawn commitment of the loan facilities amounted to USD3.9 million.

Karcement JSC

Debt Restructuring

Subsequent to the financial period ended 30 June 2010, Karcement JSC has agreed with European Bank for Reconstruction and Development ("EBRD") and HSBC Bank Kazakhstan JSC ("HSBC") to restructure the EBRD's Tranche A and C loan facility of USD32 million and USD10 million respectively and HSBC's loan facility of USD23.2 million ("Debt Restructuring"). The principal terms of the Debt Restructuring are disclosed in Note 21. The original maturity on these loans will be extended by two years. As at 30 June 2010, the principal amounts of USD12.2 million due in 2010 have been reclassified from current to non-current to reflect the impact of the Debt Restructuring.

As at 30 June 2010, Karcement JSC has fully utilised all of its loan facilities with EBRD and HSBC Bank Kazakhstan.

19. **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.

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 2010 and 2009:

	Purchase of services	
	30.6.10	30.06.09
	USD'000	USD'000
Rental expenses	17	19
Services rendered by related parties	412	242
	<u>412</u>	<u>242</u>

The following balances with related parties are included in the condensed consolidated balance sheet as of 30 June 2010 and 31 December 2009:

	Receivable from related party	
	30.6.10	31.12.09
	USD'000	USD'000
Advance paid to related party	23	-
	<u>23</u>	<u>-</u>

The advance paid to related party arise from advance rental paid to a related party of USD23,193.

	Payable to related parties	
	30.6.10	31.12.09
	USD'000	USD'000
Services rendered by related parties	249	214
	<u>249</u>	<u>214</u>

Included in services rendered by related parties are drilling and blasting services performed by Maxam Kazakhstan of USD 249,352 (2009: USD195,241). The contract is negotiated yearly on an arms length basis. Maxam Kazakhstan is a subsidiary company of Maxam SA. Company director, Javier Del Ser Perez, indirectly holds 20% equity interest indirectly in Maxam Kazakhstan.

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	
	30.6.10	30.06.09	30.6.10	30.06.09
	USD'000	USD'000	USD'000	USD'000
Remunerations	321	470	116	129
Short-term benefits	-	47	-	-
Total	321	517	116	129

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.

20. COMMITMENTS AND CONTINGENCIES

There are no significant changes in commitments and contingencies since the financial year ended 31 December 2009.

21. SUBSEQUENT EVENTS

In September 2010, the Group's subsidiary, Karcement JSC, EBRD and HSBC ("Parties") have agreed to the Debt Restructuring which involves the EBRD's Tranche A and C loan facility of USD32 million and USD10 million respectively and HSBC's loan facility of USD23.2 million. As a result of the negotiations, Karcement JSC successfully obtained two years relief on principal repayment. The original maturity on these loans will be extended by two years. Principal repayments will resume in May 2012 and September 2012 for EBRD and HSBC respectively. As at 30 June 2010, the principal amounts of USD12.2 million due in 2010 have been reclassified from current to non-current to reflect the impact of the Debt Restructuring (Note 18).

The principal terms of the Debt Restructuring are summarised as follows:

- (i) Revision to the loan margins as follows:

Lender	Principal Outstanding (USD'million)	Current Margin (%)	Revised Margin (%)
EBRD – Loan A	22.4	3.75%	5.00%
EBRD – Loan B	10	5.00%	6.50%
HSBC	20.3	5.50%	6.50%
Total	52.7		

(ii) Rescheduling of the principal repayment

	Original Principal Repayment Schedule (USD' Million)				Revised Principal Repayment Schedule(USD' Million)			
	EBRD A Loan	EBRD C Loan	HSBC Loan	Total	EBRD A Loan	EBRD C Loan	HSBC Loan	Total
May-10	3.2			3.200	--			--
Sep-10			2.904	2.904			--	--
Nov-10	3.2			3.200	--			--
Mar-11			2.904	2.904			--	--
May-11	3.2			3.200	--			--
Sep-11			2.904	2.904			--	--
Nov-11	3.2			3.200	--			--
Mar-12			2.904	2.904				
May-12	3.2			3.200	1.163			1.163
Sep-12			2.904	2.904			6.976	6.976
Nov-12	3.2			3.200	1.163			1.163
Mar-13			2.904	2.904			3.052	3.052
May-13	3.2	10.0		13.200	3.052			3.052
Sep-13			2.904	2.904			3.052	3.052
Nov-13					3.052			3.052
Mar-14							2.097	2.097
May-14					4.578			4.578
Sep-14							2.097	2.097
Nov-14					4.578			4.578
Mar-15							1.526	1.526
May-15					4.814	10.000		14.814
Sep-15							1.526	1.526
Total	22.4	10.0	20.326	52.726	22.400	10.000	20.326	52.726

Note: HSBC's original loan principal repayment has been rounded to the nearest 3 decimals.