JOINT STOCK COMPANY KARCEMENT

Financial Statements
for the year ended 31 December 2018
and Independent Auditor's Report

JOINT STOCK COMPANY KARCEMENT

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Joint stock company Karcement ("the Company") as at 31 December 2018, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2018 were approved by management of the Company and authorised for issue on 19 April 2019.

Signed on behalf of Management of the Company:

George Rozario Ramesh **General Director**	**Julia Tkachenko** **Chief Accountant**
19 April 2019 Aktau village, the Republic of Kazakhstan	19 April 2019 Aktau village, the Republic of Kazakhstan

Deloitte LLP
36 Al Farabi Ave.,
Almaty, 050059,
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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of JSC Karcement:

Opinion

We have audited the financial statements of JSC Karcement ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in Note 18 to the financial statements, 100% of the Company's revenue for the year ended 31 December 2018 was to a related party. Our opinion is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Daulet Kuatbekov
Qualified auditor,
Republic of Kazakhstan
№0000523
dated 15 February 2002

Nurlan Bekenov
General Director
Deloitte, LLP
State license on auditing of the
Republic of Kazakhstan
№ 0000015, type MFU-2, issued by the
Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

Kelly Allin
Engagement Partner
Chartered Accountant,
Edmonton, Canada
Institute of Chartered Accountants of
Alberta
dated 16 November 1995

19 April 2019
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY KARCEMENT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Notes	2018	2017
Revenue	18	17,580,309	16,359,370
Cost of Sales	5	(12,244,128)	(14,698,136)
Gross Profit		**5,336,181**	**1,661,234**
General and administrative expenses		(428,782)	(383,434)
Profit from operations		**4,907,399**	**1,277,800**
Interest income		2,576	5,297
Finance costs	6	(636,900)	(391,191)
Foreign exchange (loss)/gain, net		(2,117,420)	56,625
Other income, net	7	255,700	270,383
Profit before income tax		**2,411,355**	**1,218,914**
Income tax expense	8	(589,273)	(251,317)
Profit for the year and other comprehensive income		**1,822,082**	**967,597**

Signed on behalf of Management of the Company:

George Rozario Ramesh
General Director

19 April 2019
Aktau village, the Republic of Kazakhstan

Julia Tkachenko
Chief Accountant

19 April 2019
Aktau village, the Republic of Kazakhstan

The notes on pages 10 to 33 form an integral part of these financial statements. The independent auditor's report is on pages 2-4.

JOINT STOCK COMPANY KARCEMENT

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Notes	31 December 2018	31 December 2017
ASSETS			
Non-current assets:			
Property, plant and equipment	9	16,594,191	18,455,324
Intangible assets		71,921	72,888
Advances paid for non-current assets	12	-	6,377
Deferred tax assets	8	-	161,139
		16,666,112	**18,695,728**
Current Assets:			
Inventories	10	4,006,822	3,693,176
Taxes receivable, other than income tax		27,344	11,882
Receivables from related parties	18	6,328,352	4,212,844
Other accounts receivable		4,466	9,157
Other current assets	12	379,221	487,513
Cash and cash equivalents	11	903,441	871,030
		11,649,646	**9,285,602**
TOTAL ASSETS		**28,315,758**	**27,981,330**
EQUITY AND LIABILITIES			
Equity:			
Share capital	13	2,552,150	2,552,150
Reserves		6,302,525	6,344,803
Accumulated deficit		(6,226,535)	(8,090,895)
		2,628,140	**806,058**
Non-current liabilities:			
Long-term borrowings	14	1,767,645	2,237,800
Loan from Parent company	18	11,591,314	-
Deferred tax liabilities	8	428,134	-
Deferred income	15	90,750	98,370
		13,877,843	**2,336,170**
Current liabilities:			
Payable to Parent company	18	205,441	10,043,013
Trade accounts payable	16	1,519,666	1,728,943
Payables to related parties	18	7,912,715	9,697,233
Current portion of long-term borrowings	14	800,910	1,986,447
Short-term borrowings	17	900,000	1,247,768
Taxes payable		388,030	52,011
Other payables and accrued liabilities		83,013	83,687
		11,809,775	**24,839,102**
TOTAL EQUITY AND LIABILITIES		**28,315,758**	**27,981,330**

Signed on behalf of Management of the Company:

George Rozario Ramesh
General Director

19 April 2019
Aktau village, the Republic of Kazakhstan

Julia Tkachenko
Chief Accountant

19 April 2019
Aktau village, the Republic of Kazakhstan

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JOINT STOCK COMPANY KARCEMENT

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Share capital	Revaluation reserve	Fair value reserve	Accumulated deficit	Total equity
As at 1 January 2017	**2,552,150**	**769,142**	**5,617,939**	**(9,100,770)**	**(161,539)**
Net profit and total comprehensive income for the year	-	-	-	967,597	967,597
Amortisation of revaluation reserve on property, plant and equipment	-	(42,278)	-	42,278	-
As at 31 December 2017	**2,552,150**	**726,864**	**5,617,939**	**(8,090,895)**	**806,058**
Net profit and total comprehensive income for the year	-	-	-	1,822,082	1,822,082
Amortisation of revaluation reserve on property, plant and equipment	-	(42,278)	-	42,278	-
As at 31 December 2018	**2,552,150**	**684,586**	**5,617,939**	**(6,226,535)**	**2,628,140**

Signed on behalf of Management of the Company:

George Rozario Ramesh
General Director

19 April 2019
Aktau village, the Republic of Kazakhstan

Julia Tkachenko
Chief Accountant

19 April 2019
Aktau village, the Republic of Kazakhstan

The notes on pages 10 to 33 form an integral part of these financial statements. The independent auditor's report is on pages 2-4.

JOINT STOCK COMPANY KARCEMENT

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Notes	2018	2017
Cash flow from operating activities:			
Profit before income tax		2,411,355	1,218,914
Adjustments for:			
Depreciation and amortisation		1,914,911	1,928,264
Loss on disposal of property, plant and equipment, net	7	8,350	8,141
Accrual of allowance for impairment of advances paid		17,606	1,811
Accrual of allowance for impairment of inventories	5	8,125	1,852
Accrual of provision for unused vacation		1,555	99
Foreign exchange loss/(gain), net		2,117,420	(56,625)
Government grant gain		(7,620)	(6,969)
Interest income		(2,576)	(5,297)
Finance costs	6	636,900	391,191
Operating cash flow before movements in working capital		7,106,026	3,481,381
Changes in working capital:			
Inventories		(369,169)	658,289
Taxes receivable, other than income tax		(15,462)	772,238
Receivables from related parties		(5,115,508)	(5,998,276)
Other accounts receivable		4,691	1,660
Trade accounts payable		(208,350)	(115,445)
Payables to related parties		1,215,482	1,901,927
Taxes payable		302,156	151,366
Other payables and accrued liabilities		(2,229)	5,251
Cash generated from operations		2,917,637	858,391
Interest paid		(411,024)	(376,730)
Net cash generated by operating activities		**2,506,613**	**481,661**
Cash flows from investing activities:			
Purchase of property, plant and equipment and long-term construction materials		(1,803)	(16,315)
Proceeds from disposal of property, plant and equipment		-	155,438
Purchase of intangible assets		(11,960)	(233)
Interest received		2,576	5,297
Net cash (used in)/generated by investing activities		**(11,187)**	**144,187**

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018
(in thousands of Tenge, unless otherwise stated)

	Notes	2018	2017
Cash flows from financing activities:			
Payments to Parent company		(3,	-
Proceeds from short-term borrowings	17	1,339,348	3,470,739
Principal payment of short-term borrowings	17	(1,684,333)	(2,173,404)
Principal payment of long-term borrowings	14	(2,125,033)	(1,070,813)
Net cash (used in)/generated by financing activities		**(2,473,693)**	**226,522**
Net change in cash and cash equivalents		**21,733**	**852,370**
Cash and cash equivalents, at the beginning of the year	**11**	**871,030**	**17,380**
Effects of exchange rate changes on the balance of cash held in foreign currencies		10,678	1,280
Cash and cash equivalents, at the end of the year	**11**	**903,441**	**871,030**

Non-cash transactions:

During 2018, the Company offset 3,000,000 thousand tenge of its accounts payable to JSC Central Asia Cement with its accounts receivable from JSC Central Asia Cement (2017: 4,000,000 thousand tenge).

In 2018, the Company transferred 10,043,013 thousand tenge of its payable to Parent company to loan from Parent company based on addendum with Steppe Cement Ltd (2017: nil).

Signed on behalf of Management of the Company:

Карцемент

George Rozario Ramesh
General Director

19 April 2019
Aktau village, the Republic of Kazakhstan

Julia Tkachenko
Chief Accountant

19 April 2019
Aktau village, the Republic of Kazakhstan

The notes on pages 10 to 33 form an integral part of these financial statements. The independent auditor's report is on pages 2-4.

1. GENERAL INFORMATION

JSC Karcement ("the Company") was founded in the Republic of Kazakhstan and registered on 15 November 2005 with the Ministry of Justice of Temirtau, Karaganda region.

The sole shareholder of the Company as at 31 December 2018 and 2017 is Steppe Cement Holdings B.V, Netherlands.

JSC Karcement operates in cement production industry. The Company produced cement under dry production method until October 2017. Starting from October 2017, the Company produces and sells clinker that is used as the main raw material in cement production.

The address of its registered office is Aktau village, Karaganda region, the Republic of Kazakhstan.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2016, the oil price decreased significantly, which led to a significant decrease in national export revenue. In August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free floating Tenge exchange rate, and cancelled the currency corridor. In 2015 and in the first quarter of 2016, the Tenge depreciated significantly against major foreign currencies.

Management of the Company is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Company is at this stage difficult to determine.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on the historical cost basis except for the following:

- Revaluation to fair value of land and buildings in accordance with IAS 16 *Plant, property and equipment* (Note 9);

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realisation of assets and settlement of liabilities in the normal course of business within the foreseeable future.

As at 31 December 2018, the Company's accumulated deficit was 6,226,535 thousand tenge (31 December 2017: 8,090,895 thousand tenge), and its current liabilities exceeded its current assets by 160,129 thousand tenge (31 December 2017: 15,553,500 thousand tenge).

Management is able to manage the Company's cash flow to maintain liquidity by deferring payment to related parties or off-setting payables with receivables. As at 31 December 2018, total amounts payables to related parties is 7,912,715 thousand tenge (31 December 2017: 9,697,233 thousand tenge) and total amounts of receivables from related parties is 6,328,352 thousand tenge (31 December 2017: 4,212,844 thousand tenge).

Management also believes that it will be able to meet all its obligations in the foreseeable future through internally generated cash flows and external financing. In addition, management has a contingency plan established with the detailed actions to cover any uncertainty.

These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and classifications used in the statement of financial position that might result from the outcome of this uncertainty and such adjustments may be material.

Functional and presentation currency

The functional and presentation currency of these financial statements is Kazakhstani tenge (the "tenge" or "KZT"). All amounts presented in tenge have been rounded to the (nearest) thousand, if otherwise is not provided.

As at 31 December 2018, the principal rate of exchange was US Dollar ("USD") 1 = tenge 384.20 (31 December 2017: USD 1 = tenge 332.33), and for the year ended 31 December 2018 average rate of exchange USD 1 = tenge 344.90 (2017: USD 1 = tenge 326.08).

Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of statement of financial position. 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.

Segment reporting

The Company is operating within one operating segment, which is production and sale of clinker.

Revenue recognition

The Company recognises revenue from the sale of goods at the moment when the Company transfers promised goods to the customer, specifically when (or as) the customer obtains control over the goods, net of discount and VAT.

Revenue of the Company is categorised as sale of produced goods – clinker. In 2018, 100% of the Company's revenue is generated from sale of clinker to its related party (Note 18).

Under its sale of goods agreement, the Company fulfils its performance obligations and recognises revenue at a point in time of transfer of control for promised goods to the related party. Each good is treated as a separate performance obligation.

Expense recognition

Expenses are accounted for at the time the actual flow of the related goods or services occur, regardless of when cash or its equivalent is paid, and are reported in the financial statements in the period to which they relate.

Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

In accordance with the requirements of the legislation of the Republic of Kazakhstan the Company withholds amounts of pension contributions equivalent to 10% of each employee's wage, but not to exceed 212,130 tenge per month in 2018 (2017: 183,443 tenge per month) and pays them to the pension fund. Such expense is charged in the period the related salaries are earned. Upon retirement, all retirement benefit payments are made by pension fund. The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan. In addition, the Company has no post-retirement benefits or other significant compensated benefits requiring accrual.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in these financial statements. Contingent liabilities are disclosed in the financial statement, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in these financial statements. Contingent assets are disclosed where an inflow of economic benefits is probable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax and calculated in accordance with requirements of tax legislation of the Republic of Kazakhstan and based on operation results for the year after adjustments of accounts, which are non-taxable or non-deductible for tax purposes.

Current tax

The tax currently payable is based on a taxable profit for the year. Taxable profit differs from profit as reported in the statement of operations because it excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on temporary 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. 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity) or when they arise from the initial accounting for a business combination. In the first case, the tax is recognised outside profit or loss, in the case of a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with a sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising from the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the retained earnings.

Machinery and equipment and other assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional expenditures and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 profit or loss as incurred.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The Company used the following useful lives during reporting and comparative periods:

Buildings and constructions	25 years
Machinery and equipment	14 years
Railway wagons	20 years
Other assets	5-10 years

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Any item of property, plant and equipment is derecognised on its disposal or when the Company does not expect to receive any future economic benefits from its use or disposal. Any income or expenses arising from derecognition of such asset (calculated as the difference between the net proceeds from disposal and the carrying value of the asset) are recorded in the statement of operations in the reporting period when such asset was derecognised.

Impairment of property, plant and equipment

At the end of each reporting period, the Company 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). If the carrying amount exceeds the recoverable amount, an impairment loss is recorded.

The recoverable amount is the greater of fair value less cost to sell and 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 management believes reflects current market assessment of the time value of money and the risks specific to the assets. A change in the estimated recoverable amount could result in an impairment, or reversal of an impairment, in future periods.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises 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 necessary to make sale, selling and distribution.

At each reporting date, the Company evaluates its inventory balance for excess quantities and obsolescence and, if necessary, records an allowance for impairment to reduce inventory for obsolete, slow-moving raw materials and spare parts.

Financial instruments

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with original maturity of less than 3 months easily convertible to cash.

Receivables from related parties

Receivables from related parties is recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for impairment of receivables is established based on an expected credit loss model. The Company accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. The primary factors that the Company considers whether a receivable is impaired is its overdue status, collection history and forward looking macro-economic factors.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which approximates the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Borrowings

Borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gain and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Reclassifications

The Company's management determined that certain changes in disclosure should be made in the notes to the financial statements in order to provide more clarity for the users of the Company's financial statements. The Company has made changes in presentation of accrual of allowance for impairment of inventories from general and administrative expenses to cost of sales (Note 5) and changed comparative information accordingly.

3. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRS and the new Interpretations that are mandatory effective for the current period

In the current year, the following new and revised Standards and Interpretations have been adopted in these financial statements:

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9 Financial Instruments;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts; and
- Annual Improvements to IFRSs 2014-2016 Cycle.

The adoption of the above mentioned Standards and Interpretations has not led to any changes in the Company's accounting policies and did not materially affect the financial statements of the Company, with the exception of IFRS 9 Financial Instruments & IFRS 15 Revenue from Contracts with Customers as follows.

Application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments on a modified retrospective basis that is mandatorily effective for an accounting period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives and the Company has elected not to restate comparatives. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. In the current year, the Company changed incurred credit loss model to expected credit loss model, although the effect was not material.

Application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers that is mandatorily effective for an accounting period begins on 1 January 2018. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

At the date of initial application of IFRS 15, 1 January 2018, the management of the Company has adopted the option of retaining prior period figures as reported under the previous standards, but has not recognised the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of equity as at that date, as the application of IFRS 15 has had no material impact, although the effect was not material on the financial position and financial performance of the Company.

New and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 16 Leases[1];
- IFRS 17 Insurance Contracts [2];
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3];
- Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures [1];
- Amendments to IFRS 9 – Prepayment Features With Negative Compensation and modifications of financial liabilities[1];
- IFRIC 23 Uncertainty Over Income Tax Treatments[1];
- Annual Improvements to IFRSs 2015-2017 Cycle[1].

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The management of the Company anticipates that the application of this standard may have an impact on the Company's financial statements. The Company assessed an impact of the new standard on the financial results. The Company has reviewed agreements that may contain lease and evaluated the disclosure requirements of the new guidance, and will design and implement any identified necessary controls. The preliminary assessment indicates that the Company will recognise the right of use asset of 149,130 thousand tenge and the corresponding lease liability of 126,983 thousand tenge. The impact on profit or loss for the year ended 31 December 2018 is to decrease expenses by 41,640 thousand tenge, to increase depreciation by 29,826 thousand tenge and to increase interest expense by 19,493 thousand tenge.

Management anticipates that the adoption of other standards will not have a material impact on the financial statements of the Company in the period of initial application.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revaluation of land, buildings and constructions

The Company involves an independent appraiser for measurement of the fair value of land, buildings and constructions. Independent valuations of these assets are performed on a regular basis but at least every 5 years. The last independent valuation of land, buildings and constructions of the Company was performed as at 31 August 2015.

The management of the Company made assessment as at 31 December 2018 and concluded that there were no significant changes in the fair value of land, buildings and constructions as at 31 December 2018 from the date of last revaluation on 31 August 2015.

(in thousands of Tenge, unless otherwise stated)

Allowances for impairment of inventories

The Company accrues allowance for impairment of inventories based on data of annual stock count as well as on the result of inventory turnover analysis. As at 31 December 2018 and 2017, the Company accrued allowances for obsolete and slow-moving inventories of 593,382 thousand tenge and 585,257 thousand tenge, respectively (Note 10).

Assessment of deferred income tax

At each reporting date, management of the Company determines the future effect of deferred income tax by reconciliation of the carrying amounts of assets and liabilities recorded in the financial statements against the respective tax base. Deferred tax assets and liabilities are assessed at the tax rates applicable to the period in which such assets are realised or liabilities are expected to be discharged. Deferred tax assets are recognised to such extent it is probable that sufficient taxable profits will be available to allow realisation of the respective deductible temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to such extent in which it is no longer probable that the respective tax benefits will be realised.

5. COST OF SALES

	2018	2017
Materials	6,642,482	7,520,564
Depreciation and amortisation	1,766,564	1,778,667
Electricity	1,569,438	1,411,782
Payroll and related taxes	702,396	759,483
Maintenance and current repair	586,392	964,499
Emission taxes, royalties	215,204	203,700
Rental of cement mills and other assets	85,772	1,090,276
Accrual of allowance for impairment of inventories (Note 10)	8,125	1,852
Technical consultancy cost	-	234,109
Other expenses	531,311	468,087
	12,107,684	**14,433,019**
Work-in-progress at the beginning of the year (Note 10)	133,568	2,088,495
Work-in-progress at the end of the year (Note 10)	168,122	133,568
Change in work-in-progress	**(34,554)**	**1,954,927**
Opening stock-clinker (Note 10)	1,799,169	109,359
Closing stock-clinker (Note 10)	1,628,171	1,799,169
Change in finished products	**170,998**	**(1,689,810)**
Total	**12,244,128**	**14,698,136**

The Company has made changes in presentation of accrual of allowance for impairment of inventories from general and administrative expenses to cost of sales and changed comparative information accordingly.

6. FINANCE COSTS

	2018	2017
Interest expenses on loan from Parent company	331,650	-
Interest expenses on borrowings	289,264	391,191
Other finance costs	15,986	-
Total	**636,900**	**391,191**

(in thousands of Tenge, unless otherwise stated)

7. OTHER INCOME, NET

	2018	2017
Income on rental of railway wagon (Note 18)	387,357	388,337
Income from government grant (Note 15)	7,620	6,969
Loss on disposal of other inventories	(1,635)	(889)
Loss on disposal of property, plant and equipment, net	(8,350)	(8,141)
Depreciation related to rented property, plant and equipment	(137,050)	(137,420)
Other income	7,758	21,527
Total	**255,700**	**270,383**

8. TAXATION

	2018	2017
Deferred income tax expense	589,273	251,317
Total income tax expense	**589,273**	**251,317**

Entities based in Kazakhstan are subject to income tax on taxable profit as determined according to the laws of the Republic of Kazakhstan. The income tax rate was 20% in both 2018 and 2017.

The reconciliation between the corporate income tax expense at 20% on accounting profit before taxes and the income tax expense for the year ended 31 December is as follows:

	2018	2017
Profit before income tax	**2,411,355**	**1,218,914**
Theoretical income tax at statutory rate	482,271	243,783
Adjustments due to:		
Tax effect of non-deductible expenses	84,329	7,534
Effect of previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	22,673	-
Income tax expense	**589,273**	**251,317**

The deferred income tax benefit reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December is presented below:

	2018	2017
Deferred tax assets:		
Unused tax losses	1,447,305	2,102,824
Allowance for impairment of inventories	118,676	117,051
Provision for unused vacation	3,206	2,895
Taxes payable	3,126	2,506
Total	**1,572,313**	**2,225,276**
Deferred tax liabilities:		
Difference in depreciable value of property, plant and equipment	(2,000,447)	(2,064,137)
Total	**(2,000,447)**	**(2,064,137)**
Net deferred tax (liabilities)/assets	**(428,134)**	**161,139**

(in thousands of Tenge, unless otherwise stated)

The movement of net deferred income tax (liabilities)/assets was as follows for the years ended 31 December:

	2018	2017
At the beginning of the year	161,139	412,456
Recorded in profit or loss	(589,273)	(251,317)
At the end of the year	**(428,134)**	**161,139**

Temporary differences	1 January 2018	Recognised in profit or loss	31 December 2018
Property, plant and equipment	(2,064,137)	63,690	(2,000,447)
Unused tax losses	2,102,824	(655,519)	1,447,305
Allowance for impairment of inventories	117,051	1,625	118,676
Provision for unused vacation	2,895	311	3,206
Taxes payable	2,506	620	3,126
Total	**161,139**	**(589,273)**	**(428,134)**

Temporary differences	1 January 2017	Recognised in profit or loss	31 December 2017
Property, plant and equipment	(2,035,300)	(28,837)	(2,064,137)
Unused tax losses	2,324,783	(221,959)	2,102,824
Allowance for impairment of inventories	116,681	370	117,051
Provision for unused vacation	2,875	20	2,895
Taxes payable	3,417	(911)	2,506
Total	**412,456**	**(251,317)**	**161,139**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Per tax legislation of the Republic of Kazakhstan, tax loss expires after ten years from the date they are incurred. Consequently, the majority of the tax losses carried forward by the Company at 31 December 2018 expires for tax purposes in 2024.

(in thousands of Tenge, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvement	Buildings and constructions	Machinery and equipment	Railway wagons	Other assets	Construction in progress	Major spare parts and standby equipment	Total
Cost/Revalued amount								
As at 1 January 2017	**142,878**	**1,795,514**	**21,824,802**	**2,748,607**	**1,171,500**	**90,088**	**977,255**	**28,750,644**
Additions	-	-	169	-	3,190	61,469	-	64,828
Transfer from Inventory	-	-	14,830	-	40,605	11,158	215,701	282,294
Transfers	-	-	183,789	-	(697)	(162,715)	(20,377)	-
Disposals	-	-	(151,266)	-	(102,213)	-	(17,835)	(271,314)
As at 31 December 2017	**142,878**	**1,795,514**	**21,872,324**	**2,748,607**	**1,112,385**	**-**	**1,154,744**	**28,826,452**
Additions	-	-	-	-	-	1,725	78	1,803
Transfer from Inventory	-	-	5,026	-	39,165	47,592	(44,385)	47,398
Transfers	-	-	55,039	-	-	(49,317)	(5,722)	-
Disposals	-	-	(52)	(9,134)	(2,309)	-	-	(11,495)
As at 31 December 2018	**142,878**	**1,795,514**	**21,932,337**	**2,739,473**	**1,149,241**	**-**	**1,104,715**	**28,864,158**
Accumulated depreciation								
As at 1 January 2017	**-**	**(534,963)**	**(7,124,349)**	**(335,606)**	**(568,208)**	**-**	**-**	**(8,563,126)**
Charge for the year	-	(71,857)	(1,576,649)	(137,430)	(129,801)	-	-	(1,915,737)
Disposals	-	-	70,987	-	36,748	-	-	107,735
As at 31 December 2017	**-**	**(606,820)**	**(8,630,011)**	**(473,036)**	**(661,261)**	**-**	**-**	**(10,371,128)**
Charge for the year	-	(71,857)	(1,570,754)	(137,050)	(122,323)	-	-	(1,901,984)
Disposals	-	-	34	1,675	1,436		-	3,145
As at 31 December 2018	**-**	**(678,677)**	**(10,200,731)**	**(608,411)**	**(782,148)**	**-**	**-**	**(12,269,967)**
Net Book Value								
As at 31 December 2018	**142,878**	**1,116,837**	**11,731,606**	**2,131,062**	**367,093**	**-**	**1,104,715**	**16,594,191**
As at 31 December 2017	**142,878**	**1,188,694**	**13,242,313**	**2,275,571**	**451,124**	**-**	**1,154,744**	**18,455,324**

(in thousands of Tenge, unless otherwise stated)

Land and buildings were revalued on 31 August 2015 by an independent appraiser, by reference to depreciated replacement cost approach.

Valuation of buildings was arrived at by reference to the discounted cash flows method, as the property is a production facility, which is a level 3 measurement in the fair value hierarchy. Valuation of land was arrived at reference to market evidence of transaction prices for similar properties, which is a level 2 measurement in the fair value hierarchy.

As at 31 December 2018, property, plant and equipment at cost of 9,492,943 thousand tenge (31 December 2017: 9,491,029 thousand tenge) and net book value of 4,705,635 thousand tenge (31 December 2017: 5,353,247 thousand tenge) were pledged under the loan of JSC Halyk Bank of Kazakhstan.

As at 31 December 2018, property, plant and equipment at cost of 2,549,920 thousand tenge (31 December 2017: 2,515,400 thousand tenge) and net book value of 1,679,117 thousand tenge (31 December 2017: 1,853,406 thousand tenge) were pledged under the government-subsidised loan for capital expenditure from JSC Halyk Bank of Kazakhstan, with the borrowers being both the Company and JSC Central Asia Cement.

10. INVENTORIES

	31 December 2018	31 December 2017
Spare parts	2,480,179	1,918,534
Finished products	1,628,171	1,799,169
Work-in-progress	168,122	133,568
Raw materials	108,047	147,745
Other materials	215,685	279,417
	4,600,204	**4,278,433**
Less: Allowance for impairment of inventories	(593,382)	(585,257)
Total	**4,006,822**	**3,693,176**

As at 31 December 2018, inventories at cost of 2,036,802 thousand tenge (31 December 2017: 2,535,016 thousand tenge) were pledged under the working capital credit line from JSC Halyk Bank of Kazakhstan, with the borrowers being both the Company and JSC Central Asia Cement.

Movement of allowance for impairment of inventories for the years ended 31 December is presented as follows:

	2018	2017
As at 1 January	(585,257)	(583,405)
Accrual of allowance for impairment of inventories during the year (Note 5)	(8,125)	(1,852)
As at 31 December	**(593,382)**	**(585,257)**

11. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Deposit in tenge	900,000	870,000
Cash at banks	2,899	1,026
Petty cash in tenge	542	4
Total	**903,441**	**871,030**

(in thousands of Tenge, unless otherwise stated)

As at 31 December the Company's cash and cash equivalents were denominated in currencies as follows:

	31 December 2018	31 December 2017
Tenge	903,373	871,030
Russian ruble	68	-
Total	**903,441**	**871,030**

12. OTHER CURRENT ASSETS AND ADVANCES PAID FOR NON-CURRENT ASSETS

	31 December 2018	31 December 2017
Advances paid to third parties	354,252	230,585
Prepaid and deferred expenses	42,095	266,977
Advances paid to related parties	480	-
	396,827	**497,562**
Less: Allowance for impairment of advances paid	(17,606)	(3,672)
Total	**379,221**	**493,890**
Other current assets	379,221	487,513
Advances paid for non-current assets	-	6,377

13. SHARE CAPITAL

As at 31 December 2018 and 2017, share capital of the Company consisted of 51,043 ordinary shares authorised and issued with a par value of 50,000 tenge each. Share capital of the Company has been fully paid.

14. LONG-TERM BORROWINGS

	Currency	Maturity Date	Interest rate, % per annum	31 December 2018	31 December 2017
JSC Halyk Bank of Kazakhstan	US Dollar	12 November 2021	6.5 %	2,340,888	2,641,856
JSC Halyk Bank of Kazakhstan	Tenge	June 2025	6 %	224,393	246,136
JSC Halyk Bank of Kazakhstan	US Dollar	15 November 2018	6 %	-	1,329,320
Interest accrued				3,274	6,935
				2,568,555	**4,224,247**
Current portion				800,910	1,986,447
Long-term portion				1,767,645	2,237,800

On 19 June 2015, the Company and JSC Central Asia Cement signed a credit line agreement with JSC Halyk Bank of Kazakhstan on terms subsidised under government programs bearing an interest rate of 6% per annum. The credit line agreement has a total limit of 2,188,000 thousand tenge. As at 31 December 2018, the Company has credit limit for 500,000 thousand tenge on a renewable basis for working capital financing under this agreement. The credit limit has a maturity of 5 years, interest payable monthly and principal payable at maturity.

(in thousands of Tenge, unless otherwise stated)

On 11 November 2016, the Company and JSC Central Asia Cement signed a credit line agreement with JSC Halyk Bank of Kazakhstan. The credit line agreement has a total limit of 10.5 million US Dollars with a maturity of 5 years at annual interest rate of 6.5%.

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities:

	1 January 2018	Financing cash flows (i)	Other changes (ii)	31 December 2018
Long-term borrowings, principal amount	4,217,312	(2,125,033)	473,002	2,565,281
	4,217,312	**(2,125,033)**	**2,040,346**	**2,565,281**

(i) The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.
(ii) Other changes include foreign exchange loss.

15. DEFERRED INCOME

Deferred income represents a government grant in the form of below-market interest on a government-subsidised loan for capital investment from JSC Halyk Bank of Kazakhstan. It represents the difference between the initial carrying amount of the loan measured at fair value using interest rate of 14% per annum and the proceeds received, and is amortised to the statement of profit or loss as an income over the useful lives of the related assets.

As at 31 December 2018, the deferred income amount was 90,750 thousand tenge (2017: 98,370 thousand tenge).

As at 31 December 2018, the related assets for amount of 343,778 thousand tenge were put into use (2017: 338,056 thousand tenge). During 2018, the Company recognised 7,620 thousand tenge (2017: 6,969 thousand tenge) in profit on a basis over the useful lives of the related assets (Note 7).

16. TRADE ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Accounts payable for equipment and inventory	909,061	1,027,820
Accounts payable for consulting and other services	603,026	690,757
Others	7,579	10,366
Total	**1,519,666**	**1,728,943**

(in thousands of Tenge, unless otherwise stated)

As at 31 December the Company's trade accounts payable were denominated in the following currencies:

	2018	2017
Tenge	1,037,542	1,261,636
US Dollar	328,579	279,698
Euro	139,030	111,012
Russian ruble	14,515	76,597
Total	**1,519,666**	**1,728,943**

17. SHORT-TERM BORROWINGS

Short-term borrowings as at 31 December consisted of the followings:

	Effective interest rate	Currency	2018	2017
JSC Altyn Bank	11.0%	Tenge	900,000	901,000
JSC Halyk Bank of Kazakhstan	6.0%	Tenge	-	346,768
Total			**900,000**	**1,247,768**

On 28 December 2018, the Company signed a credit line agreement for working capital financing, maturing on 17 June 2019, with JSC Altyn Bank with a limit of 900,000 thousand tenge and interest rate of 11% per annum.

The table below details changes in the Company's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	1 January 2018	Financing cash flows (i)	31 December 2018
Short term borrowings	1,244,985	(344,985)	900,000
	1,244,985	**(344,985)**	**900,000**

(i) The cash flows from borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

18. RELATED PARTY TRANSACTIONS

The immediate Parent and the ultimate controlling party of the Company are Steppe Cement Holdings B.V. (incorporated in Netherlands) and Steppe Cement Ltd (incorporated in Malaysia), respectively.

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

(in thousands of Tenge, unless otherwise stated)

The Company's primary transactions with related parties are sale of clinker, purchase of raw materials, lease out of railway wagons and other services. The following transactions with related parties are included in the statement of profit or loss and other comprehensive income for the years ended as at 31 December 2018 and 2017:

		Sales to related parties	
Company	**Nature**	**2018**	**2017**
JSC Central Asia Cement	Revenue	17,580,309	16,330,192
JSC Central Asia Cement	Income on rental of railway wagon (Note 7)	387,357	388,337
JSC Central Asia Cement	Other income	774,066	915,824
Total		**18,741,732**	**17,634,353**

		Purchases from related parties	
Company	**Nature**	**2018**	**2017**
JSC Central Asia Cement	Cost of sales	1,617,637	2,396,621
Steppe Cement Ltd	Finance cost	331,650	-
LLP Central Asia Services	Cost of sales	25,241	25,846
Mechanical & Electrical Consulting Services Ltd	Cost of sales	-	234,070
Total		**1,974,528**	**2,656,537**

As at 31 December 2018 and 2017, the following amounts owed by/owed to related parties are included in the statement of financial position:

		Amounts owed by related parties	
Company	**Nature**	**31 December 2018**	**31 December 2017**
JSC Central Asia Cement	Receivables from related parties	6,308,556	4,198,138
Other related parties	Receivables from related parties	19,796	14,706
Total		**6,328,352**	**4,212,844**

Amounts owed by related parties are neither past due nor impaired. These entities do not have credit ratings assigned but their reliability is determined by the Company on the basis of long-term cooperation and which have a good credit history. The Company's management believes that amounts due from related parties will be fully repaid within one year.

Information regarding the Company's exposure to credit and currency risks is disclosed in Note 19.

		Amounts owed to related parties	
Company	**Nature**	**31 December 2018**	**31 December 2017**
Steppe Cement Ltd	Long-term borrowing	11,591,314	-
JSC Central Asia Cement	Payables to related parties	7,907,720	9,408,770
Mechanical & Electrical Consulting Services Ltd	Payables to related parties	4,995	288,463
Steppe Cement Ltd	Payable to Parent company and interest accrued	205,441	10,043,013
Total		**19,709,470**	**19,740,246**

(in thousands of Tenge, unless otherwise stated)

In 2018, the Company signed addendum to the existing agreement with Steppe Cement Ltd, based on which the outstanding amount of payable to Parent company of 10,043,013 thousand tenge became an interest-bearing borrowing at 8% per annum, that is denominated in US dollar with maturity on 30 June 2033. As at 31 December 2018, the total loan from Parent company was 11,796,755 thousand tenge, accrued interest included.

Compensation of key management personnel

During 2018, compensation to key management personnel amounted to 79,064 thousand tenge which is a short-term benefit to General Director and Chairman of the Board of Directors (2017: 31,988 thousand tenge).

19. FINANCIAL RISK MANAGEMENT

The main financial instruments of the Company include borrowings, cash and cash equivalents and accounts receivable and payable. The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), liquidity risk, commodity price risk and credit risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

Interest rate risk management

Interest rate risk is the risk that changes in floating interest rates will adversely impact the financial results of the Company. The Company does not use derivative instruments for the purpose of interest rate risk management. The Company limits its interest rate risk by monitoring changes in interest rates applicable to currencies in which loans are denominated.

Foreign exchange risk

The majority of the Company's borrowings are denominated in US Dollars. Hence, the major concentration of foreign exchange risk arises from the movement of the US Dollar against the tenge. Due to the undeveloped market for financial instruments in Kazakhstan, the management does not hedge the Group's foreign exchange risk. The Company also has advances paid denominated in US Dollars and Euro, which do not cause currency risk, as those advances are non-monetary assets.

The carrying amount of the Company's monetary assets and liabilities in foreign currencies as at 31 December is presented below:

2018	Tenge	US Dollar	Euro	Russian ruble	Total
Financial assets					
Receivables from related parties (Note 18)	6,328,352	-	-	-	6,328,352
Cash and cash equivalents (Note 11)	903,373	-	-	68	903,441
	7,231,725	**-**	**-**	**68**	**7,231,793**
Financial liabilities					
Long-term borrowings (Note 14)	224,393	2,340,888	-	-	2,565,281
Loan from Parent company (Note 18)	-	11,591,314	-	-	11,591,314
Short-term borrowings (Note 17)	900,000	-	-	-	900,000
Payables to related parties (Note 18)	7,907,720	4,995	-	-	7,912,715
Trade accounts payable (Note 16)	1,037,543	328,578	139,030	14,515	1,519,666
Payable to Parent company	-	205,441	-	-	205,441
Other accounts payable	83,025	-	-	-	83,013
	10,152,669	**14,471,216**	**139,030**	**14,515**	**24,777,430**

(in thousands of Tenge, unless otherwise stated)

2017	Tenge	US Dollar	Euro	Russian ruble	Total
Financial assets					
Receivables from related parties (Note 18)	4,212,844	-	-	-	4,212,844
Cash and cash equivalents (Note 11)	871,030	-	-	-	871,030
	5,083,874	-	-	-	**5,083,874**
Financial liabilities					
Long-term borrowings (Note 14)	246,920	3,977,327	-	-	4,224,247
Short-term borrowings (Note 17)	1,247,768	-	-	-	1,247,768
Payables to related parties (Note 18)	9,408,770	288,463	-	-	9,697,233
Payable to Parent company (Note 18)	-	10,043,013	-	-	10,043,013
Trade accounts payable (Note 16)	1,261,636	279,698	111,012	76,597	1,728,943
Other accounts payable	83,687	-	-	-	83,687
	12,248,781	**14,588,501**	**111,012**	**76,597**	**27,024,891**

The following tables reflect the Company's sensitivity to 20% (2017: 20%) increase and decrease in the value of tenge with respect to relevant foreign currencies. 20% is sensitivity share used in preparation of internal reports on currency risk for key management and represents management's evaluation of justifiably possible changes in exchange rates. The sensitivity analysis includes only non-regulated monetary positions in foreign currency and adjusts their translation at the end of the period taking into account a 20% change in exchange rates. The sensitivity analysis includes a) external loans and accounts payable and b) accounts receivable of the Company, when the loan or accounts payable/receivable are denominated in the currency differing from the currency of the creditor or debtor. The following table indicates changes in financial assets and liabilities, in case of strengthening of tenge by 20% with respect to the relevant currency.

The positive figure indicates an increase in profits and other equity for the reporting period and negative indicates a decrease in profits and other equity. In case of weakening of tenge by 20% with respect to the relevant currency, there will be an equal and opposite effect on profits.

	Effect of US Dollar	
	2018	**2017**
Effect on profit or loss/Other equity	2,894,243	2,917,700

	Effect of Euro	
	2018	**2017**
Effect on profit or loss/Other equity	27,806	22,202

	Effect of Russian ruble	
	2018	**2017**
Effect on profit or loss/Other equity	2,889	15,319

Credit risk

Credit risk arising as a result of counterparties' failure to meet the terms of contracts with financial instruments of the Company is normally limited to the amounts, if any, by which the amount of liabilities of the counterparties exceeds the Company's liabilities before these counterparties. The Company's policy provides for conducting operations with financial instruments with a number of creditworthy counterparties. The maximum exposure to credit risk equals the carrying amount of each financial asset.

The Company's maximum exposure to credit risk by class of assets is as follows:

(in thousands of Tenge, unless otherwise stated)

	Note	31 December 2018	31 December 2017
Receivables from related parties	18	6,328,352	4,212,844
Cash and cash equivalents	11	903,441	871,030
Total maximum exposure to credit risk		**7,231,793**	**5,083,874**

Concentration of credit risk can arise when several debts are due from one borrower or group of borrowers with similar borrowing terms for which there is a basis to expect that changes in economic terms or other circumstances can equally affect their capacity to meet their obligations.

Credit quality of financial assets, including cash and cash equivalents and receivables from related parties falls within neither past due not impaired. In addition, the Company is exposed to credit risk in relation to borrowings from related parties and payables to related parties.

There is a concentration of credit risk as the receivables are mainly presented from a related party, JSC Central Asia Cement. Management believes that the Company is able to obtain payment for this balance on request.

The credit risk on liquid funds is limited because cash and cash equivalents are held in several banks with high credit-ratings in the Republic of Kazakhstan.

As at 31 December 2018, cash and cash equivalents are held in the bank with the following international credit-ratings established by Moody's and disclosed in the Kazakhstan Stock Exchange:

Halyk Bank JSC	Ba1/stable/NP
Altyn Bank JSC	Ba2/stable/NP
VTB Bank JSC	Ba2/stable/NP

Capital risk

The Company manages capital risk to ensure that the Company can continue as a going concern with maximum increase in profits for the shareholder by optimizing the balance of debt and equity.

The Company's capital structure includes share capital, fair value reserve and accumulated deficit.

Commodity price risk management

Commodity price risk is the risk of possible fluctuations in the price of input materials needed in the clinker production. The Company manages commodity price risk by making inventory purchases from reliable and approved suppliers in order to minimise the risks of negative price changes in the market.

Liquidity risk management

The shareholder of the Company bears the ultimate responsibility for management of the liquidity risk by creating the necessary liquidity risk management system for the Company's management on liquidity management requirements and short-term, mid-term and long-term financing. The Company manages the liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines by constant monitoring of the projected and actual cash flows and comparison of maturities of financial assets and liabilities.

Tables on liquidity risk and interest rate risk

The following tables detail the Company's contractual maturities on its financial liabilities and assets.

(in thousands of Tenge, unless otherwise stated)

The table below was compiled on the basis of the undiscounted cash flows of financial liabilities based on the earliest date the payment may be demanded from the Company. The table includes cash flows both on interest and on principal.

	Weighted effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
31 December 2018							
Interest bearing:							
Long-term borrowings with fixed interest rates (in USD)	6.5%	73,591	147,181	662,316	1,692,627	-	2,575,715
Long-term borrowings with fixed interest rates (in tenge)	6.00%	5,196	10,094	45,103	214,760	69,442	344,595
Borrowing from Parent company (in USD)	8.00%	308,177	152,153	643,029	4,753,175	19,227,079	25,083,613
Short-term borrowings (in tenge)	-	8,525	16,225	919,525	-	-	944,275
Non-interest bearing:							
Payable to related parties	-	-	-	7,912,715	-	-	7,912,715
Payable to Parent company	-	3,842	-	11,526	-	-	15,368
Trade accounts payable	-	121,573	243,147	1,154,946	-	-	1,519,666
Other accounts payable	-	79,692	3,321	-	-	-	83,013
		600,596	**572,121**	**11,349,160**	**6,660,562**	**19,296,521**	**38,478,960**

	Weighted effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
31 December 2017							
Interest bearing:							
Long-term borrowings with fixed interest rates (in USD)	6.33%	68,283	140,222	1,945,169	2,233,420	-	4,387,094
Long-term borrowings with fixed interest rates (in tenge)	6.00%	4,498	8,648	43,326	225,504	119,091	401,067
Non-interest bearing:							
Payable to related parties	-	-	-	9,697,232	-	-	9,697,232
Payable to Parent company (Note 18)	-	-	62,600	563,400	3,004,800	6,412,213	10,043,013
Trade accounts payable	-	138,315	276,631	1,313,997	-	-	1,728,943
Other accounts payable	-	80,340	3,347	-	-	-	83,687
		302,943	**509,340**	**14,834,559**	**5,463,724**	**6,531,304**	**27,641,870**

Fair value of financial instruments

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

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

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

(in thousands of Tenge, unless otherwise stated)

- For financial assets and liabilities with maturity less than twelve months the carrying value approximates fair value due to the short-term nature of these financial instruments.
- For financial assets and financial liabilities with maturities of more than twelve months, the fair value represents a present value of discounted estimated future cash flows with the use of market rates effective at the end of the reporting period.

Average year-end market borrowing rates were as follows as at 31 December 2018 and 2017:

	31 December 2018 (% per annum)	31 December 2017 (% per annum)
Foreign currencies with maturity from 1 to 5 years	5.5%	6.1%

As at 31 December 2018 and 2017, the fair value of financial assets and financial liabilities were not significantly different from their carrying value, except for the following:

	Carrying amount as at 31 December		Fair value as at 31 December	
	2018	2017	2018	2017
Long-term borrowings:	2,631,228	4,302,906	2,568,554	4,224,247

The fair values of the long-term financial liabilities were included in the level 2 category above, as fair value have been determined in accordance with generally accepted pricing models, based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

20. COMMITMENTS AND CONTINGENCIES

Tax and regulatory environment

Laws and regulations affecting business in the Republic of Kazakhstan continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Company may be challenged by the relevant authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for five calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation.

Contingent liabilities

In 2015, JSC Central Asia Cement, a related party, obtained a borrowing from JSC Halyk Bank in the amount of 1,904,321 thousand tenge at 14% interest rate per annum. According to the Agreement between JSC Central Asia Cement and JSC Halyk Bank, the JSC Karcement acts as guarantor.

Management believes that the outstanding amount as of 31 December will be paid by JSC Central Asia Cement and therefore does not consider any contingent liabilities arise from the abovementioned fact, and they assess the likelihood of guarantee obligations becoming effective as remote

(in thousands of Tenge, unless otherwise stated)

Capital commitments

Committed capital expenditure as at 31 December is as follows:

	2018	2017
Capital purchase commitments	100,225	84,975
Total	**100,225**	**84,975**

Environment protection matters

The Company believes it is currently in compliance with all existing environmental laws and regulations of the Republic of Kazakhstan. However, Kazakhstani environmental laws and regulations may change in the future. The Company 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 Company to modernise technology to meet more stringent standards.

21. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2018 were approved by the Management of the Company and authorised for issue on 19 April 2019.