LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

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

LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

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LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

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 of Limited liability partnership Central Asia Services ("the Company") as of 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:

"Central Asia Services" (Централ Азия Сервисес)

Alexander Sedov
Director

19 April 2019
Aktau village, the Republic of Kazakhstan

Julia Tkachenko
Chief Accountant

19 April 2019
Aktau village, the Republic of Kazakhstan

INDEPENDENT AUDITOR'S REPORT

To the Participant and Board of Directors of Limited liability partnership Central Asia Services:

Opinion

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

In our opinion, the 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 14 to the financial statements, 93% of the Company's revenue for the year ended 31 December 2018 was received from a related party, which represents a significant concentration. The Company's operation performance and ability to maintain liquidity is highly dependent from its related parties. Our opinion is not modified 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

LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

(in thousands of Tenge)

	Notes	2018	2017
Revenue	5	49,042	49,291
Cost of sales	6	(86,324)	(77,591)
GROSS LOSS		**(37,282)**	**(28,300)**
General and administrative expenses		(7,045)	(5,974)
Finance costs	14	(41,542)	(42,937)
Foreign exchange loss, net		-	(125)
Other expense, net		(190)	(178)
LOSS BEFORE INCOME TAX		**(86,059)**	**(77,514)**
Income tax expense	7	-	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(86,059)**	**(77,514)**

Signed on behalf of Management of the Company:

Alexander Sedov
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 9 to 22 form an integral part of these financial statements. The Independent Auditor's report is on pages 2-4.

LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(in thousands of Tenge)

	Notes	31 December 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	370,408	405,646
Intangible assets		65	160
Value added tax receivable	9	54,167	54,167
		424,640	**459,973**
CURRENT ASSETS			
Receivable from related party	14	4,799	4,703
Taxes receivable	10	7,728	7,815
Trade accounts receivable		1,052	1,100
Advances paid to third parties		432	429
Other accounts receivable		27	26
Cash	11	882	1,038
		14,920	**15,111**
TOTAL ASSETS		**439,560**	**475,084**
EQUITY AND LIABILITIES			
EQUITY			
Charter capital		190,100	190,100
Accumulated deficit		(429,354)	(343,295)
		(239,254)	**(153,195)**
NON-CURRENT LIABILITIES			
Finance lease payable to a related party	12	484,889	504,791
		484,889	**504,791**
CURRENT LIABILITIES			
Trade accounts payable	13	9,883	14,226
Finance lease payable to a related party	12	153,865	92,421
Amounts due to related parties	14	29,749	16,465
Other payables and accrued liabilities		371	309
Other taxes payable		57	67
		193,925	**123,488**
TOTAL EQUITY AND LIABILITIES		**439,560**	**475,084**

Signed on behalf of Management of the Company:

Alexander Sedov
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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LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

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

	Charter capital	Accumulated deficit	Total equity
As at 1 January 2017	**190,100**	**(265,781)**	**(75,681)**
Net loss and other comprehensive loss for the year	-	(77,514)	(77,514)
Total comprehensive loss for the year	**-**	**(77,514)**	**(77,514)**
As at 31 December 2017	**190,100**	**(343,295)**	**(153,195)**
Net loss and other comprehensive loss for the year	-	(86,059)	(86,059)
Total comprehensive loss for the year	**-**	**(86,059)**	**(86,059)**
As at 31 December 2018	**190,100**	**(429,354)**	**(239,254)**

Signed on behalf of Management of the Company:

Alexander Sedov
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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LIMITED LIABILITY PARTNERSHIP CENTRAL ASIA SERVICES

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

	Notes	2018	2017
OPERATING ACTIVITIES:			
Loss before income tax		(86,059)	(77,514)
Adjustments for:			
Depreciation and amortisation		35,333	35,336
Reversal of allowance for doubtful trade accounts receivable		-	(45)
Foreign exchange loss, net		-	125
Finance costs	14	41,542	42,937
Operating cash (outflow)/inflow before movements in working capital		**(9,184)**	**839**
Change in receivable from related party		(96)	(4,703)
Change in taxes receivable		87	1,446
Change in trade accounts receivable		48	(427)
Change in advances paid to third parties		(3)	-
Change in other accounts receivable		(1)	1
Change in trade accounts payable		(4,343)	12,992
Change in amounts due to related parties		13,284	(12,315)
Change in other payables and accrued liabilities		62	2
Change in other taxes payable		(10)	36
Net cash used in operating activities		**(156)**	**(2,129)**
INVESTING ACTIVITIES:			
Net cash used in investing activities		**-**	**-**
FINANCING ACTIVITIES:			
Net cash used in financing activities		**-**	**-**
NET CHANGE IN CASH		**(156)**	**(2,129)**
Cash, at the beginning of the year	11	1,038	3,292
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	(125)
Cash, at the end of the year	11	**882**	**1,038**

Signed on behalf of Management of the Company:

Alexander Sedov
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 9 to 22 form an integral part of these financial statements. The Independent Auditor's report is on pages 2-4.

1. GENERAL INFORMATION

LLP Central Asia Services ("the Company") was founded in the Republic of Kazakhstan and registered on 1 December 2011 with the Ministry of Justice of Temirtau, Karaganda region.

The sole participant of the Company as at 31 December 2018 is Steppe Cement Holding B.V., Netherlands. The ultimate shareholder is Steppe Cement Ltd, Malaysia.

The Company's primary business is transmission and distribution of electricity, primarily to support two related companies: JSC Karcement and JSC Central Asia Services. Department of the Republic of Kazakhstan Agency for Regulation of Natural Monopolies in Karaganda region has the power of fixing tariff for services provided by the Company.

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

Operating environment of the Company

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

These financial statements have been prepared on the historical cost. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Going concern

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

As at 31 December 2018, the Company's accumulated deficit was 429,354 thousand tenge (31 December 2017: 343,295 thousand tenge), and its current liabilities exceeded its current assets by 179,005 thousand tenge (31 December 2017: 108,377 thousand tenge). For the year ended 31 December 2018 the Company's operating loss amounted to 44,327 thousand tenge (2017: 34,274 thousand tenge).

Management believes that the Company will have sufficient financing from the Parent Company to realise its assets and settle its liabilities during its normal course of business on a going concern basis for the foreseeable future. The Company has received a letter of support from the Parent Company, Steppe Cement Ltd.

Management is able to manage the Company's cash flow to maintain liquidity by deferring payment to related parties. As at 31 December 2018, total amounts payable to related parties amounted to 638,754 thousand tenge (31 December 2017: 597,212 thousand tenge) (Note 14).

The Company's primary business is transmission and distribution of electricity, primarily to support two related companies: JSC Karcement and JSC Central Asia Services, and the Company is financial dependent on two related companies. Management believes that the Company is operationally integrated with these related parties and treated as a part of the operating group of the production and sale of cement.

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"). All amounts presented in tenge have been rounded to the nearest thousand, if otherwise is not provided.

Revenue recognition

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

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets. In that case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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.

Contingent liabilities and contingent assets

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

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

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.

The tax currently payable is based on a taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive loss 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 is recognised as an expense or income in profit or loss, except if related to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity). In that case, the tax is also recognised outside profit or loss, or when they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination, except when it relates to items that are recognised outside profit or loss or when arises from the initial accounting for a business combination. In the first case, tax is recognised outside profit or loss and in the second case tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including those acquired under finance leases, 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 cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets 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 depreciation policy for depreciable leased assets is consistent policy, and the depreciation recognised shall be calculated in accordance with IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

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

Buildings and structures	25 years
Machinery and equipment	14 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible 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.

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.

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.

The Company has the following financial assets: cash, trade and other receivables.

Cash

Cash comprises balances in bank account. When cash is restricted, it is appropriately disclosed in the notes to the financial statements.

Trade accounts receivable

Trade accounts receivable is recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

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, 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

Amendments to IFRS and the new Interpretation that are mandatorily effective for the current year

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 as follows.

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 on the financial position and financial performance of the Company.

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 impact of application of IFRS 9 in the financial position and financial performance of the Company was not material.

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]; and
- 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.

Management anticipates that the adoption of new and revised 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:

Impairment assessment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. Management treats the Company as one group with its two related parties, the primary customers of the Company, in assessing the impairment indicators as the Company is operationally integrated with these related parties in production and sale of cement. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

5. REVENUE

For the years ended 31 December 2018 and 2017, revenue was represented by revenue from electricity transmission and amounted to 49,042 thousand tenge and 49,291 thousand tenge, respectively. The Company used the tariff of 0.17 tenge per kWh throughout 2018 (January-June) and 2017, 0.16 tenge per kWh throughout 2018 (July - December). The tariff was approved by Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan.

6. COST OF SALES

	2018	2017
Inherent transmission loss	42,602	33,384
Depreciation	35,249	35,274
Repair and maintenance	2,904	2,041
Property tax	2,576	2,789
Payroll and payroll-related expenses	2,293	2,019
Consulting fees	666	2,052
Other expenses	34	32
Total	**86,324**	**77,591**

Inherent transmission loss represented the loss that inherently occurred during the process of power transmission along the electricity lines owned by the Company. The loss was billed against the Company by companies that provided electricity supply and services through the electricity lines owned by the Company such as electricity power provider, balancing and transmission service company and authorised regulatory agency.

7. INCOME TAX

Entities based in Kazakhstan are subject to income tax on taxable profit as determined under 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 year ended 31 December 2018 and 2017 is as follows:

	2018	2017
Loss before income tax	**(86,059)**	**(77,514)**
Theoretical income tax at statutory rate of 20%	(17,212)	(15,503)
Adjustments due to:		
Tax effect of non-deductible expenses	549	85
Change in unrecognised deferred tax assets	16,663	15,418
Income tax expense	**-**	**-**

Components of deferred tax assets and liabilities are as follows:

	31 December 2018	31 December 2017
Deferred tax assets		
Unutilised tax losses	111,732	94,475
Provisions	257	257
Taxes payable	11	10
	112,000	**94,742**
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(35,623)	(35,028)
	(35,623)	**(35,028)**
Net deferred tax asset	**76,377**	**59,714**
Unrecognised deferred tax assets	(76,377)	(59,714)
Recognised deferred tax assets/(liabilities)	**-**	**-**

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

As at 31 December 2018 unrecognised deferred tax asset arising mainly from tax losses carried forward amounted to 558,662 thousand tenge (31 December 2017: 472,375 thousand tenge). Per tax legislation of the Republic of Kazakhstan, tax losses expire 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 2020-2026.

8. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvement	Buildings and structures	Machinery and equipment	Total
Cost				
As at 1 January 2017	3,981	34,669	473,858	512,508
Disposals	(193)	(168)	-	(361)
As at 31 December 2017	3,788	34,501	473,858	512,147
Disposals	-	-	-	-
As at 31 December 2018	3,788	34,501	473,858	512,147
Accumulated depreciation				
As at 1 January 2017	-	(13,318)	(57,977)	(71,295)
Charge for the year	-	(1,979)	(33,261)	(35,240)
Disposals	-	34	-	34
As at 31 December 2017	-	(15,263)	(91,238)	(106,501)
Charge for the year	-	(1,380)	(33,858)	(35,238)
As at 31 December 2018	-	(16,643)	(125,096)	(141,739)
Net Book Value				
As at 31 December 2018	**3,788**	**17,858**	**348,762**	**370,408**
As at 31 December 2017	**3,788**	**19,238**	**382,620**	**405,646**

9. VALUE ADDED TAX RECEIVABLE

As at 31 December 2018 and 2017, value added tax receivable under non-current assets relates to amount of value added tax that will become available after 12 months as input tax in value added tax calculation.

10. TAXES RECEIVABLE

	31 December 2018	31 December 2017
Value added tax receivable	7,724	7,770
Other	4	45
Total	**7,728**	**7,815**

11. CASH

	31 December 2018	31 December 2017
Cash at banks in tenge	882	1,038
Total	**882**	**1,038**

12. FINANCE LEASE PAYABLE TO A RELATED PARTY

	31 December 2018	31 December 2017
Minimum payments:		
Within 1 year	180,908	120,441
More than one year but less than 5 years	243,964	243,086
More than 5 years	608,489	669,834
	1,033,361	**1,033,361**
Less: Future finance charges	(394,607)	(436,149)
	638,754	**597,212**
Current finance lease payable	153,865	92,421
Non-current finance lease payable	484,889	504,791

The finance lease agreement with JSC Central Asia Cement has interest rate implicit in the lease of 9% per annum.

13. TRADE ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Trade accounts payable for transmission loss	6,589	11,932
Trade accounts payable for current repair	3,291	2,288
Others	3	6
Total	**9,883**	**14,226**

14. 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 a significant influence.

The Company's primary transactions with related parties are transmission and distribution of electricity, 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 Karcement	Revenue	25,241	25,846
JSC Central Asia Cement	Revenue	20,181	19,987
Total		**45,422**	**45,833**

		Purchases from related party	
Company	**Nature**	**2018**	**2017**
JSC Central Asia Cement	Cost of sales	10,976	8,488
JSC Central Asia Cement	Other	1,124	660
Total		**12,100**	**9,148**

For the year ended 31 December 2018 and 2017 finance lease interest due on finance lease to a related party was 41,542 thousand tenge and 42,937 thousand tenge, accordingly.

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 party	
Company	**Nature**	**31 December 2018**	**31 December 2017**
JSC Central Asia Cement	Receivable from related party	4,799	4,703
Total		**4,799**	**4,703**

		Amounts due to related parties	
Company	**Nature**	**2018**	**2017**
JSC Central Asia Cement	Amounts due to related parties	29,268	15,715
JSC Karcement	Amounts due to related parties	481	750
Total		**29,749**	**16,465**

		Finance lease payable to a related party (Note 12)	
Company	**Nature**	**31 December 2018**	**31 December 2017**
JSC Central Asia Cement	Non-current finance lease payable	484,889	504,791
JSC Central Asia Cement	Current finance lease payable	153,865	92,421
Total		**638,754**	**597,212**

Compensation of key management personnel

During 2018, compensation to key management personnel amounted to 840 thousand tenge, which is a short-term benefit to Director (2017: 730 thousand tenge).

15. FINANCIAL INSTRUMENTS, OBJECTIVES AND POLICY OF MANAGEMENT OF FINANCIAL RISKS

The main financial instruments of the Company include finance lease payable to a related party, cash and accounts receivable and payable. The main risk on financial instruments of the Company is credit risk. The Company also monitors market risk and liquidity risk arising on all the financial instruments.

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.

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.

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

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

JSC Halyk Bank	Ba1/stable/NP

Liquidity risk

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

	Weighted effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	Total
31 December 2018							
Interest bearing							
Finance lease payable to a related party	9%	-	-	180,908	243,964	608,489	1,033,361
Non-interest bearing							
Trade accounts payable	-	9,883	-	-	-	-	9,883
Amounts due to related parties	-	29,749	-	-	-	-	29,749
Other payables and accrued liabilities	-	371	-	-	-	-	371
		40,003	**-**	**180,908**	**243,964**	**608,489**	**1,073,364**

	Weighted effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	Total
31 December 2017							
Interest bearing							
Finance lease payable to a related party	9%	-	-	120,441	243,086	669,834	1,033,361
Non-interest bearing							
Trade accounts payable	-	14,226	-	-	-	-	14,226
Amounts due to related parties	-	16,465	-	-	-	-	16,465
Other payables and accrued liabilities	-	309	-	-	-	-	309
		31,000		**120,441**	**243,086**	**669,834**	**1,064,361**

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:

Cash

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

Trade and other accounts receivable and payable

For 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.

16. 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 preceding 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.

Concentration of business risks

As at 31 December 2018 a significant portion of the Company's accounts receivable was represented by trade receivable from related parties, JSC Central Asia Cement (82%), and a significant portion of the Company's revenue was received from transactions with these related parties (93%), which indicates concentration of credit risk (Note 15).

17. APPROVAL OF FINANCIAL STATEMENTS

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.