

REPORT ARCHIVE COPY

**JOINT STOCK COMPANY
CENTRAL ASIA CEMENT**

Financial statements
for the year ended 31 December 2020
and Independent Auditor's Report

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

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JOINT STOCK COMPANY CENTRAL ASIA CEMENT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management of Joint Stock Company Central Asia Cement (the "Company") is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at 31 December 2020, 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:

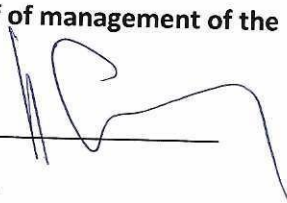
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient 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 the 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 2020 were approved by management of the Company and authorised for issue on 22 April 2021.

Signed on behalf of management of the Company:


Petr Durnev,
General Director




Zilya Hasanova,
Chief Accountant

22 April 2021
Aktau village, the Republic of Kazakhstan

INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of JSC Central Asia Cement:

Opinion

We have audited the financial statements of JSC Central Asia Cement (the "Company"), which comprise the statement of financial position as at 31 December 2020, 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 2020, 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

We draw attention to the Note 23 to the financial statements, which discloses the fact that 90% of the Company's purchases of raw materials for the year ended 31 December 2020 was from 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 scepticism 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.



Zhangir Zhilysbayev
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



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

22 April 2021
Almaty, the Republic of Kazakhstan

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

	Notes	2020	2019*
Revenue			
Cost of sales	5	30,903,792 (22,389,791)	30,593,622 (23,947,973)
Gross profit		8,514,001	6,645,649
Selling expenses	6	(5,525,377)	(5,267,943)
General and administrative expenses	7	(1,569,860)	(1,270,697)
Profit from operations		1,418,764	107,009
Finance income			
Finance costs		119,343	85,793
Foreign exchange loss	8	(570,273)	(768,325)
Other income		(98,995)	(21,622)
Other expenses	9	399,962	404,927
	9	(143,755)	(87,629)
Profit/(loss) before income tax		1,125,046	(279,847)
Income tax expense	10	(319,125)	(48,728)
Net profit/(loss) for the year		805,921	(328,575)
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property, plant and equipment	11	319,862	-
Change in estimate in the site restoration provision		(31,415)	-
Other comprehensive income for the year, net of income tax		288,447	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		1,094,368	(328,575)

*Reclassification of prior year presentation is disclosed in Note 2

Signed on behalf of management of the Company:

Petr Durnev,
General Director

22 April 2021
Aktau village, the Republic of Kazakhstan



Zilya Hasanova,
Chief Accountant

The notes on pages 10 to 41 form an integral part of these financial statements. The independent auditor's report is on pages 2-4.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(in thousands of Tenge, unless otherwise stated)

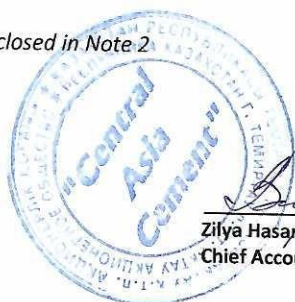
	Notes	31 December 2020	31 December 2019*
ASSETS			
Non-current assets			
Property, plant and equipment	11	6,854,077	6,231,179
Right-of-use assets	12	2,322,762	3,483,596
Intangible assets		592	4,155
Site restoration fund		59,121	50,048
Finance lease receivable	13	390,170	463,195
Advances paid for non-current assets	16	-	2,284
Taxes receivable, other than income tax	17	740,504	740,504
		10,367,226	10,974,961
Current assets			
Inventories	14	1,409,983	1,277,377
Trade accounts receivable	15	634,587	1,917,543
Receivables from a related party	23	466,908	141,258
Advances paid and prepaid expenses	16	651,525	551,959
Finance lease receivable	13	275,068	197,549
Other accounts receivable		302,649	200,736
Taxes receivable, other than income tax		114,874	12,289
Income tax prepaid		603,761	154,434
Cash and cash equivalents	18	1,945,129	2,301,432
Other current assets		128,294	-
		6,532,778	6,754,577
Total assets		16,900,004	17,729,538
EQUITY AND LIABILITIES			
Equity			
Share capital			
Revaluation reserve	19	80,000	80,000
Retained earnings		1,527,133	1,335,603
		1,290,439	4,873,643
Non-current liabilities			
Borrowings	20	876,220	555,211
Deferred income	21	597,210	489,724
Deferred tax liabilities	10	339,970	296,369
Site restoration provision		63,476	28,373
Lease liabilities	12	1,371,973	2,302,015
		3,248,849	3,671,692
Current liabilities			
Trade accounts payable	22	656,370	837,240
Payables to related parties	23	7,642,364	4,420,673
Other accounts payable and accrued liabilities		78,035	58,980
Other taxes payable		43,496	69,759
Advances received		358,224	296,109
Borrowings	20	744,540	703,114
Lease liabilities	12	1,230,554	1,382,725
		10,753,583	7,768,600
TOTAL EQUITY AND LIABILITIES		16,900,004	17,729,538

*Reclassification of prior year presentation is disclosed in Note 2

Signed on behalf of management of the Company:

Petr Durnev,
General Director

22 April 2021
Aktau village, the Republic of Kazakhstan



Zilya Hasanova,
Chief Accountant


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JOINT STOCK COMPANY CENTRAL ASIA CEMENT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

	Share capital	Revaluation reserve	Retained earnings	Total equity
As at 1 January 2019	80,000	1,420,388	8,283,660	9,784,048
Net loss for the year	-	-	(328,575)	(328,575)
Other comprehensive income for the year, net of income tax	-	-	-	-
Total comprehensive loss for the year	-	-	(328,575)	(328,575)
Amortisation of revaluation reserve on property, plant and equipment	-	(84,785)	84,785	-
Dividends (Note 19)	-	-	(3,166,227)	(3,166,227)
As at 31 December 2019	80,000	1,335,603	4,873,643	6,289,246
Net profit for the year	-	-	805,921	805,921
Other comprehensive income for the year, net of income tax	-	288,447	-	288,447
Total comprehensive income for the year	-	288,447	805,921	1,094,368
Amortisation of revaluation reserve on property, plant and equipment	-	(96,917)	96,917	-
Dividends (Note 19)	-	-	(4,486,042)	(4,486,042)
As at 31 December 2020	80,000	1,527,133	1,290,439	2,897,572

Signed on behalf of management of the Company:


Petr Durnev,
General Director




Zilya Hasanova,
Chief Accountant

22 April 2021
Aktau village, the Republic of Kazakhstan

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JOINT STOCK COMPANY CENTRAL ASIA CEMENT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

	Notes	2020	2019
Cash flow from operating activities:			
Profit/(loss) before income tax		1,125,046	(279,847)
Adjustments for:			
Depreciation and amortization		2,117,315	1,922,602
Loss on disposal of property, plant and equipment	9	3,932	38,822
Accrual of allowance for doubtful trade accounts receivable and for impairment of advances paid	7	371,129	199,376
(Recovery)/accrual of allowance for impairment of inventories	14	(70,380)	13,778
Accrual of provision for unused vacation		26,893	19,945
Foreign exchange loss		98,995	21,622
Government grant income	9	(37,118)	(86,643)
Finance income		(119,343)	(85,793)
Finance costs	8	570,273	768,325
Operating cash flows before movements in working capital		4,086,742	2,532,187
Changes in working capital and other balances:			
Increase in inventories		(244,042)	(362,073)
Decrease/(increase) in trade accounts receivable		944,120	(1,023,416)
Increase in receivables from a related party		(2,961,830)	(2,505,196)
Increase in other taxes receivable		(46,433)	(88,530)
(Increase)/decrease in other accounts receivable		(101,913)	48,965
Increase in other current assets		(128,294)	-
Decrease in trade accounts payable		(303,189)	(214,096)
Increase in payables to related parties		5,424,251	8,376,889
Increase/(decrease) in advances received, other accounts payable and accrued liabilities		7,341	(150,270)
Decrease in other taxes payable		(26,263)	(28,645)
Cash generated by operations		6,650,490	6,585,815
Income tax paid		(804,816)	(189,036)
Interest paid		(492,890)	(628,586)
Net cash from operating activities		5,352,784	5,768,193

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

	Notes	2020	2019
Investing activities:			
Purchases of property, plant and equipment		(1,046,617)	(680,869)
Proceeds from disposal of property, plant and equipment		49,000	-
Purchases of intangible assets		(489)	(3,851)
Contributions to site restoration fund		(9,073)	(9,000)
Interest received		101,894	45,763
Net cash used in investing activities		(905,285)	(647,957)
Financing activities:			
Proceeds from borrowings	20	1,756,525	1,132,860
Principal payment of borrowings	20	(1,323,077)	(1,032,648)
Principal payment of lease liabilities	12	(648,593)	(959,690)
Dividends paid	19	(4,486,042)	(3,166,227)
Net cash used in financing activities		(4,701,187)	(4,025,705)
Net increase in cash and cash equivalents		(253,688)	1,094,531
Cash and cash equivalents at beginning of year	18	2,301,432	1,242,859
Effect of foreign exchange rate changes		(102,615)	(35,958)
Cash and cash equivalents at end of year	18	1,945,129	2,301,432


Non-cash transactions:

During 2020, the Company offset its accounts payable to its related party, JSC Karcement, with accounts receivable and payable of 2,202,560 thousand tenge (2019: 10,276,100 thousand tenge) (Note 23).

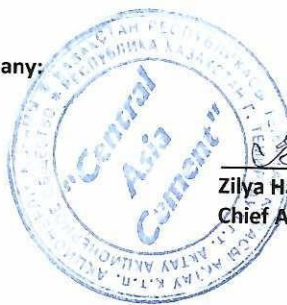
During 2020, the Company offset its trade accounts payable to the third parties with accounts receivable and advances received of 63,213 thousand tenge (2019: 30,042 thousand tenge).

During 2020, the Company offset its lease liabilities with receivables from a related party of 433,620 thousand tenge (2019: nil) (Note 12).

Signed on behalf of management of the Company:


Petr Durnev,
General Director


Zilya Hasanova,
Chief Accountant



22 April 2021
Aktau village, the Republic of Kazakhstan

The notes on pages 10 to 41 form an integral part of these financial statements. The independent auditor's report is on pages 2-4.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Tenge, unless otherwise stated)

1. GENERAL INFORMATION

Closed Joint Stock Company Central Asia Cement (the "Company") was founded in the Republic of Kazakhstan and was registered in September 1998. The Company was registered in April 2006 as Joint Stock Company Central Asia Cement.

The Company's primary business is the production and sale of cement.

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

The sole shareholder of the Company as at 31 December 2020 and 2019 is Steppe Cement Ltd., Malaysia.

In accordance with Subsurface Use Contracts KO-03 #016 dated 4 August 1999 and Licenses for Subsurface Use KO-03 #016 dated 18 June 1999, the Company is engaged in limestone and loam extraction at Astakhovskoye deposit in Bukhar-Zhyrauskyi region, Karaganda region. In line with the Decree of Karaganda region mayor #25/07, dated 9 September 2008, the term of Subsurface Use Contracts was extended for 25 years until 24 June 2043. In accordance with Subsurface Use Contract #22-74/06 dated 5 December 2017 the Company is engaged in loam extraction at Astakhovskoye deposit in Bukhar-Zhyrauskyi region, Karaganda region. In line with the Decree of Karaganda region mayor #74/06, dated 27 November 2017, the term of Subsurface Use Contract is for 25 years until 24 June 2043.

Operating environment of the Company

Emerging markets such as the Republic of 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 the Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic 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 the Republic of 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. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Kazakhstani Tenge against major currencies.

Management of the Company is monitoring developments in the current environment and taking measures it considered 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 might be significant.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Tenge, unless otherwise stated)

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organisation in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the world economy and economy of the Republic of Kazakhstan.

For the year ended 31 December 2020, the total volume of produced cement decreased slightly by 4% in comparison with the previous year, however sales of cement exceeds budgeted sales by 28%. It is not possible to conduct a credible assessment of the potential impact of COVID-19, but the Company does not see any negative impact of COVID-19 on the Company's operating activities and financial results.

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 11).

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 measurement 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 IFRS 16, 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.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Tenge, unless otherwise stated)

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.

The Company's net profit and other comprehensive income for the year ended 31 December 2020 amounted to 805,921 thousand tenge and 1,094,368 thousand tenge, respectively (2019: net loss and other comprehensive loss of 328,575 thousand tenge). As at 31 December 2020, the total amount of payables to related parties is 7,642,364 thousand tenge and total amount of receivables from related parties is 1,280,970 thousand tenge (Note 23). As at 31 December 2020, current liabilities exceed current assets by 4,220,805 thousand tenge (2019: current liabilities exceed current assets by 1,014,023). Management is able to manage the Company's cash flows to maintain liquidity by deferring payment to related parties or off-setting payables with receivables.

Management has considered the Company's future plans, and in light of these plans and positive cash flows from operations and available financing, management believes that the Company will continue to operate as a going concern for the foreseeable future.

Management also believes that the Steppe Cement Ltd., the sole shareholder, is ready to provide a financial support to the Company for at least one year period from the reporting date.

Reclassification of prior year presentation

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. Mining assets with the carrying value of 86,551 thousand tenge have been reclassified to the property, plant and equipment and the depreciation expense of rented property, plant and equipment amounted to 116,878 thousand tenge has been reclassified to the cost of sales. These reclassifications had no impact on the net profit/(loss), statement of changes in equity and statement of cash flows as previously reported.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

Effect on the statement of financial position.

<i>In thousands of Tenge</i>	<u>As previously reported</u>	<u>Reclassifications</u>	<u>As restated</u>
Property, plant and equipment	6,144,628	86,551	6,231,179
Mining assets	86,551	(86,551)	-
Total non-current assets	10,974,961	-	10,974,961
Total assets	17,729,538	-	17,729,538

Effect on the statement of profit or loss and other comprehensive income.

<i>In thousands of Tenge</i>	<u>As previously reported</u>	<u>Reclassifications</u>	<u>As restated</u>
Cost of sales	(23,831,095)	(116,878)	(23,947,973)
Gross profit	6,762,527	(116,878)	6,645,649
Profit from operations	223,887	(116,878)	107,009
Other expenses	(204,507)	116,878	(87,629)
Profit/(loss) before income tax	(279,847)	-	(279,847)
Net profit/(loss) for the year	(328,575)	-	(328,575)

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 not stated otherwise.

As at 31 December 2020, the principal rate of exchange was US Dollar ("USD") 1 = tenge 420.71 (31 December 2019: USD 1 = tenge 381.18), and for the year ended 31 December 2020 average rate of exchange USD 1 = tenge 413.36 (2019: USD 1 = tenge 382.87).

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 assessed at the rates prevailing on the date of the statement of financial position. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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.

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 value-added tax ("VAT").

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

Sale of cement

Cement is mostly sold on pre-paid basis. Prepayments are not recognised as revenue until the related goods have been transferred to the customers. Revenue from sale of cement is recognised at a point in time of transfer of control for promised goods to the customer.

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 revenue 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.

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.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Tenge, unless otherwise stated)

Contingent liabilities and contingent assets

Contingent liabilities are not recognised in these financial statements, except for liabilities on which there are probable outflows of resources, needed for settlement of the liabilities, and which can be measured reliably. 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

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.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

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

Property, plant and equipment comprise of land, buildings, machinery and equipment, other assets and construction in progress.

Land and buildings

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 on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense 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 retained earnings.

When an item of land and building is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the asset.

Machinery and equipment, other assets and construction in progress

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. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Tenge, unless otherwise stated)

Capitalised cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repair and maintenance expenditures that do not meet the foregoing criteria for capitalisation are charged to the statement of profit and loss and other comprehensive income 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.

Any 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.

Leases

The company as a lessor

The Company enters into lease agreements as a lessor with respect to some of its wagons, premises in the factory, equipment base and laboratory building.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 9).

The company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

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 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 higher of fair value less costs 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 the 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.

When 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. When 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.

Equity

Share capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. All non-cash contributions to share capital are assessed at fair value as at the date of the contribution by an independent appraiser. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared. Dividends liability is derecognised when, and only when, the Company pays out the dividends.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of Tenge, unless otherwise stated)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs also include exchange differences arising from foreign currency loans to the extent they are considered to be an interest expense adjustment. An exchange difference amount capitalised as an interest expense adjustment should not exceed the interest expense amount the Company would capitalise if the loan had been received in the local currency. Any exchange difference is recognised in profit or loss.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The substantial period of time determined by the management is one year period. Management anticipates that no qualifying assets and borrowings costs for the year ended 31 December 2020 are recognised in finance costs (Note 8).

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.

Trade accounts receivable

Trade accounts receivable 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.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

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. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

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.

3. ADOPTION OF NEW AND REVISED STANDARDS

(i) *New and amended International Financial Reporting Standards that are effective for the current year*

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

- Impact of the initial application of *Interest Rate Benchmark Reform* amendments to IFRS 9 and IFRS 7;
- Impact of the initial application of *COVID-19-Related Rent Concessions* Amendment to IFRS 16;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IAS 1 and IAS 8 *Definition of material*.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(ii) *New and revised IFRS in issue but not yet effective*

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*;
- IFRS 10 and IAS 28 (Amendments) *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*;
- Amendments to IFRS 3 *Reference to the Conceptual Framework*;
- Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*;
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*;
- Annual Improvements to IFRS Standards 2018-2020 Cycle (*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*).

Management of the Company does not expect that the adoption of the standards listed above will have material impact on the financial statements.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Company's accounting policies, which are described in Note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

Revaluation of land, buildings and constructions

The Company's land, buildings and constructions are carried at a revalued amount that is the fair value at the time of revaluation, less accumulated depreciation and accumulated impairment losses subsequently accrued.

The valuation of the Company's land, buildings and constructions was performed by an independent appraiser as at 31 August 2020. The valuation, which conforms to International Valuation Standards, was determined by reference to (a) the cost approach and (b) the market for similar or comparable assets, adjusted for differences with the asset under valuation. Discounted cash flow (DCF) method to check for the economic depreciation of the Company's assets as a Cash Generating Unit was performed. The description of the methods are disclosed in Note 11.

To estimate the fair value of properties, their current use was recognised as the best and most beneficial form of use. As a result of the revaluation, the Company recognised gain on revaluation of 399,827 thousand tenge, net of deferred tax of 79,965 thousand tenge.

Useful lives of property, plant and equipment

As described in Note 2, the Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Estimation of the asset's useful life depends on factors such as economic exploitation, repair and maintenance programs, technological improvements and other business conditions. Management's estimation of the useful lives of property, plant and equipment reflects the relevant information available at the date of the financial statements.

Taxes receivable, other than income tax

Non-current taxes receivable, other than income tax represents Value Added Tax ("VAT") receivable. Using the management estimate the Company determines whether VAT receivable is recoverable at least on an annual basis.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of Tenge, unless otherwise stated)*

On the basis of the model for determining future revenues and expenses expected to be received and accrued by the Company in the following five years, which are subject to VAT, the Company determined that the VAT will be fully offset against VAT charges to be paid during 2022-2025, excluding VAT for import and non-residents, by decreasing the cost of raw materials purchased from a related party JSC Karcement and maintaining the same level of sales and production. As at 31 December 2020 and 31 December 2019 long-term VAT receivable amounted to 740,504 thousand tenge (Note 17).

Allowances for doubtful debts

The Company accrues allowances for doubtful trade accounts receivable. 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. As at 31 December 2020 and 2019, the Company accrued allowance for trade accounts receivable from third parties of 560,933 thousand tenge and 238,639 thousand tenge, respectively (Note 15).

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 2020 and 2019, the Company accrued allowances for obsolete and slow-moving inventories of 217,822 thousand tenge and 288,202 thousand tenge, respectively (Note 14).

Lease term in contracts with an option to extend

The Company defines a lease term as a non-cancellable lease period, together with periods for which there is an option to extend if the lessee is reasonably certain to exercise that option, or periods for which there is an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Under certain lease agreements, the Company has an option to extend the lease for an additional period. The Company uses judgment to determine whether there it is reasonable certain that it will exercise this option to extend or not. At the same time, it takes into account all relevant factors that give rise to an economic incentive or cost to exercise the option to extend the lease.

The Company has taken into account the periods for which an extension option is available when determining the lease term for machinery and buildings in view of the significance of these assets for operating activities. These leases are short term, subject to early termination (from one to six months), and the ability to easily replace these assets will not have a significant impact on the production process.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)**

5. COST OF SALES

Cost of sales for the years ended 31 December included the following:

	2020	2019*
Materials	19,762,509	21,508,165
Electricity	1,040,704	916,139
Depreciation	707,623	627,605
Maintenance and current repair	554,829	483,159
Payroll and related taxes	269,179	228,163
(Recovery)/accrual of allowance for impairment of inventories (Note 14)	(70,380)	13,778
Other expenses	29,531	19,287
	22,293,995	23,796,296
Opening stock – cement (Note 14)	430,401	582,078
Closing stock – cement (Note 14)	334,605	430,401
Change in finished goods	95,796	151,677
Total	22,389,791	23,947,973

*Reclassification of prior year presentation is disclosed in Note 2

6. SELLING EXPENSES

Selling expenses for the years ended 31 December consisted of the following:

	2020	2019
Railway transportation	4,205,585	3,967,451
Depreciation	1,216,432	1,180,960
Payroll and related taxes	60,353	54,444
Other expenses	43,007	65,088
Total	5,525,377	5,267,943

7. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December consisted of the following:

	2020	2019
Payroll and related taxes	493,657	431,609
Accrual of allowance for doubtful receivables and advances paid (Notes 15 and 16)	371,129	199,376
Security	99,581	97,556
Depreciation and amortization	88,451	82,342
Current repair expenses	87,459	74,377
Materials	36,809	46,947
Audit expenses	29,968	39,126
Transport expenses	29,833	27,527
Bank Commission	29,491	31,872
Legal Services	27,242	24,203
Sponsorship and representation expenses	24,349	29,603
Utilities	17,412	21,081
Tax and customs duties	12,684	14,613
Insurance	10,727	10,860
Communication costs	7,842	8,354
Other expenses	203,226	131,251
Total	1,569,860	1,270,697

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)

8. FINANCE COSTS

Finance costs for the years ended 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest on discounted lease liabilities (Note 12)	398,792	520,824
Interest on loans from banks	94,316	160,450
Other finance costs	77,165	87,051
Total	<u>570,273</u>	<u>768,325</u>

9. OTHER INCOME

Other income for the years, ended 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Income from rent	286,001	166,326
Government grant	37,118	86,643
Income from sales of scrap metal	22,644	32,747
Income from transportation services	10,684	30,786
Income from penalties on accounts receivable	-	30,169
Sale of materials, other than cement	-	5,024
Other	43,515	53,232
Total	<u>399,962</u>	<u>404,927</u>

OTHER EXPENSES

Other expenses for the years, ended 31 December consisted of the following:

	<u>2020</u>	<u>2019*</u>
Depreciation of property, plant and equipment rented	(104,809)	(31,695)
Loss on disposal of property, plant and equipment	(3,932)	(38,822)
Sale of materials, other than cement	(1,003)	-
Other	(34,011)	(17,112)
Total	<u>(143,755)</u>	<u>(87,629)</u>

**Reclassification of prior year presentation is disclosed in Note 2*

10. INCOME TAX EXPENSE

The Company's income tax expense for the years ended 31 December is as follows:

	<u>2020</u>	<u>2019</u>
Current income tax expense	355,489	101,966
Deferred tax benefit	(36,364)	(53,238)
Total income tax expense	<u>319,125</u>	<u>48,728</u>

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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(in thousands of Tenge, unless otherwise stated)

The income tax rate in the Republic of Kazakhstan, where the Company operates, was 20% in 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Profit/(loss) before income tax	1,125,046	(279,847)
Theoretical income tax at statutory rate of 20%	225,009	(55,969)
Adjustments due to:		
Tax effect of non-deductible expenses	94,116	104,697
Income tax expense	<u>319,125</u>	<u>48,728</u>

Deferred taxes reflect 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:

	<u>1 January 2020</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>31 December 2020</u>
Temporary differences				
Difference in carrying value of property, plant and equipment	(414,835)	22,137	(79,965)	(472,663)
Accrued interest and accrued receivables	510	(29,721)	-	(29,211)
Allowance for doubtful receivables	47,728	60,969	-	108,697
Allowance for impairment of inventories	57,640	(14,076)	-	43,564
Provision for unused vacation	3,164	2,215	-	5,379
Taxes payable	9,424	(5,160)	-	4,264
Total	<u>(296,369)</u>	<u>36,364</u>	<u>(79,965)</u>	<u>(339,970)</u>

	<u>1 January 2019</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>31 December 2019</u>
Temporary differences				
Difference in carrying value of property, plant and equipment	(445,243)	30,408	-	(414,835)
Allowance for impairment of inventories	54,885	2,755	-	57,640
Taxes payable	17,508	(8,084)	-	9,424
Allowance for doubtful receivables	15,854	31,874	-	47,728
Provision for unused vacation	4,107	(943)	-	3,164
Accrued interest and accrued receivables	3,282	(2,772)	-	510
Total	<u>(349,607)</u>	<u>53,238</u>	<u>-</u>	<u>(296,369)</u>

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Tenge, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Land and land improve- ments	Buildings and constructions	Machinery and equipment	Other assets	Construction in progress	Total
As at 1 January 2019	569,479	6,273,611	5,608,146	1,325,479	1,372,528	15,149,243
Additions	-	48,672	139,201	14,729	750,752	953,354
Transfers	-	177,140	696,387	54,798	(928,325)	-
Disposals	-	(78)	(123,489)	(35,147)	-	(158,714)
As at 31 December 2019	569,479	6,499,345	6,320,245	1,359,859	1,194,955	15,943,883
Additions	-	-	50,072	31,621	1,146,637	1,228,330
Revaluation increase	31,061	368,766	-	-	-	399,827
Transfers	-	102,618	213,722	841,936	(1,158,276)	-
Elimination of accumulated depreciation	-	(5,524,031)	-	-	-	(5,524,031)
Disposals	-	(48,672)	(7,435)	(56,417)	-	(112,524)
As at 31 December 2020	600,540	1,398,026	6,576,604	2,176,999	1,183,316	11,935,485
Accumulated depreciation and impairment						
As at 1 January 2019	-	(4,940,291)	(3,288,198)	(849,582)	-	(9,078,071)
Charge for the year	-	(348,337)	(336,308)	(66,052)	-	(750,697)
Disposals	-	65	88,786	27,213	-	116,064
As at 31 December 2019	-	(5,288,563)	(3,535,720)	(888,421)	-	(9,712,704)
Charge for the year	-	(460,076)	(370,124)	(122,229)	-	(952,429)
Elimination of accumulated depreciation	-	5,524,031	-	-	-	5,524,031
Disposals	-	-	4,673	55,021	-	59,694
As at 31 December 2020	-	(224,608)	(3,901,171)	(955,629)	-	(5,081,408)
Net Book Value						
As at 31 December 2019	569,479	1,210,782	2,784,525	471,438	1,194,955	6,231,179
As at 31 December 2020	600,540	1,173,418	2,675,433	1,221,370	1,183,316	6,854,077

Land and buildings were revalued as of 31 August 2020 by an independent appraiser, by reference to depreciated replacement cost and market approach, according to hierarchy analysis method, which is a level 3 measurement of the fair value (Note 4). To estimate the fair value of properties, their current use was recognised as the best and most beneficial form of use. As a result of the revaluation, the Company recognised gain on revaluation of 399,827 thousand tenge, net of deferred tax of 79,965 thousand tenge.

The carrying value of the revalued assets, which would have been recognised in the financial statements, if they had been recorded at cost less accumulated depreciation amounts to 1,495,703 thousand tenge as at 31 December 2020 (569,479 thousand tenge for land and land improvements and 926,224 thousand tenge for buildings and constructions).

As at 31 December 2020, the cost of fully depreciated property, plant and equipment was 803,671 thousand tenge (31 December 2019: 775,307 thousand tenge).

As at 31 December 2020, the cost of pledged property, plant and equipment was 2,200,719 thousand tenge (31 December 2019: 1,280,000 thousand tenge).

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As at 31 December 2020, the cost of rented property, plant and equipment was 1,823,351 thousand tenge (31 December 2019: 1,082,231 thousand tenge) and the net book value was 850,866 thousand tenge (31 December 2019: 133,795 thousand tenge).

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Cost	Machinery	Buildings	Total
As at 1 January 2019	4,631,046	13,384	4,644,430
Additions and modifications	-	-	-
As at 31 December 2019	4,631,046	13,384	4,644,430
Additions and modifications	-	-	-
As at 31 December 2020	4,631,046	13,384	4,644,430
Accumulated depreciation			
As at 1 January 2019	-	-	-
Charge for the year	(1,158,157)	(2,677)	(1,160,834)
As at 31 December 2019	(1,158,157)	(2,677)	(1,160,834)
Charge for the year	(1,158,157)	(2,677)	(1,160,834)
As at 31 December 2020	(2,316,314)	(5,354)	(2,321,668)
Carrying amount			
As at 31 December 2019	3,472,889	10,707	3,483,596
As at 31 December 2020	2,314,732	8,030	2,322,762

Company leases offices and wagons. The lease terms are 5 years for offices and 2-4 years for wagons respectively.

As a result of the application of IFRS 16 Leases for the year ended 31 December 2020, finance cost and related depreciation were 398,792 thousand tenge (Note 8) and 1,160,834 thousand tenge respectively and included in the statement of profit or loss and other comprehensive income.

The table below shows the operating lease payments and discounted operating lease payments as at 31 December:

Operating lease payments	2020	2019
Up to 1 year	1,318,011	1,480,515
1-5 years	1,709,133	3,026,064
Over 5 years	-	-
Total operating lease payments	3,027,144	4,506,579
Effect of discounting at incremental borrowing rate as at 31 December 2020 (weighted average rate 12.3% per annum)	(424,617)	(821,839)
Discounted operating lease payments as at 31 December 2020	2,602,527	3,684,740
Less current-portion of lease liabilities	(1,230,554)	(1,382,725)
Non-current lease liabilities as at 31 December 2020	1,371,973	2,302,015

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Movement in lease liabilities for 2020 was as follows:

	<u>2020</u>	<u>2019</u>
Balance as at 1 January	3,684,740	4,644,430
Principal payments of lease liabilities	(648,593)	(959,690)
Offset of lease liabilities	(433,620)	-
Finance cost (Note 8)	398,792	520,824
Interest paid	(398,792)	(520,824)
Balance as at 31 December	<u>2,602,527</u>	<u>3,684,740</u>

13. FINANCE LEASE RECEIVABLE

Finance lease receivable as at 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Gross investment:		
Within 1 year	299,145	223,524
More than one year but less than 5 years	231,070	244,921
More than 5 years	449,895	546,875
Total	<u>980,110</u>	<u>1,015,320</u>
Less: Unearned finance income	(314,872)	(354,576)
	<u>665,238</u>	<u>660,744</u>
Current finance lease receivable	275,068	197,549
Non-current finance lease receivable	390,170	463,195

The Company has a finance lease agreement to lease to the related party, Central Asia Services LLP property, plant and equipment, which were used by the latter for its business of transmission of electricity. The term of finance lease is 10-25 years till 2039 years with the interest rate implicit in the lease from 14% to 9% per annum.

14. INVENTORIES

Inventories as at 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Materials	568,223	440,394
Finished goods	334,605	430,401
Spare parts	272,674	385,436
Packing materials	238,608	223,350
Other materials	213,695	85,998
	<u>1,627,805</u>	<u>1,565,579</u>
Less: Allowance for impairment of inventories	(217,822)	(288,202)
Total	<u>1,409,983</u>	<u>1,277,377</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The movement in the allowance for impairment of inventories was as follows for the years ended 31 December:

	<u>2020</u>	<u>2019</u>
As at 1 January	(288,202)	(274,424)
Recovery/(accrual) of allowance for impairment of inventories (Note 5)	70,380	(13,778)
As at 31 December	<u>(217,822)</u>	<u>(288,202)</u>

As at 31 December 2020 and 31 December 2019, no inventories were pledged.

15. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable as at 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Trade accounts receivable from third parties	1,195,520	2,156,182
Less: Allowance for doubtful trade accounts receivable	(560,933)	(238,639)
Total	<u>634,587</u>	<u>1,917,543</u>

The movement in the allowance for doubtful trade accounts receivable was as follows for the years ended 31 December:

	<u>2020</u>	<u>2019</u>
As at 1 January	(238,639)	(79,272)
Accrual of allowance for doubtful trade accounts receivable (Note 7)	(341,993)	(165,208)
Write-off of previously created allowance	19,699	5,841
As at 31 December	<u>(560,933)</u>	<u>(238,639)</u>

As at 31 December 2020 and 2019, trade accounts receivable were denominated in tenge.

The recoverability of trade accounts receivable depends to a large extent on the Company's customers' ability to meet their obligations, and other factors, which are beyond the Company's control. The recoverability of the Company's trade accounts receivable is determined based on conditions prevailing and information available as at reporting date.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

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16. ADVANCES PAID AND PREPAID EXPENSES

Advances paid and prepaid expenses as at 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Advances paid to third parties for services	321,553	501,354
Advances paid to third parties for materials	263,784	76,090
Prepaid expenses	55,792	48,802
Prepaid custom duties	27,141	22,100
	<u>668,270</u>	<u>648,346</u>
Less: Allowance for impairment of advances paid	(16,745)	(94,103)
Total	<u>651,525</u>	<u>554,243</u>
Current advances paid and prepaid expenses	651,525	551,959
Advances paid for non-current assets	-	2,284

The movement in the allowance for impairment of advances paid was as follows for the years ended 31 December:

	<u>2020</u>	<u>2019</u>
As at 1 January	(94,103)	(63,718)
Accrual of allowance for impairment of advances paid (Note 7)	(29,136)	(34,168)
Write-off of previously created allowance	106,494	3,783
As at 31 December	<u>(16,745)</u>	<u>(94,103)</u>

17. TAXES RECEIVABLE, OTHER THAN INCOME TAX

Taxes receivable other than income tax as at 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Value added tax	740,504	740,504
Total	<u>740,504</u>	<u>740,504</u>

Based on the recoverability analysis the management of the Company determined that the VAT will be fully offset against VAT charges to be paid during 2022-2025, excluding VAT for import and non-residents, by decreasing the cost of raw materials purchased from a related party JSC Karcement and maintaining the same level of sales and production.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash in banks, in foreign currency	970,565	509,192
Cash on deposit account	938,000	1,695,000
Cash in banks, in Tenge	31,266	93,687
Petty cash	5,298	3,553
Total	<u>1,945,129</u>	<u>2,301,432</u>

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As at 31 December 2020, the Company had short-term deposits on demand in Halyk Bank JSC and Alтын Bank JSC denominated in tenge at the interest rate of 7% and 8% per annum respectively.

As at 31 December cash and cash equivalents were denominated in the following currencies:

	2020	2019
Tenge		
Russian Ruble	974,564	1,792,240
US Dollar	801,456	-
Total	1,945,129	2,301,432

19. SHARE CAPITAL

As at 31 December 2020 and 2019, the Company had 1,000 ordinary shares authorised, issued and fully paid with a par value of 80,000 tenge each.

During 2020 the Company declared and paid dividends in the amount of 4,486,042 thousand tenge to its shareholder (2019: 3,166,227 thousand tenge).

20. BORROWINGS

Borrowings as at 31 December consisted of the following:

	Currency	Maturity	Interest rate, % per annum	2020	2019
JSC Halyk Bank of Kazakhstan	Tenge	December 2027	6%	664,215	-
JSC Halyk Bank of Kazakhstan	Tenge	September- November 2025	6%	441,206	553,965
JSC Halyk Bank of Kazakhstan	Tenge	April 2021	6%	326,629	-
JSC Halyk Bank of Kazakhstan	Tenge	August 2022	6%	188,710	307,257
JSC Halyk Bank of Kazakhstan	Tenge	February 2020	6%	-	283,162
JSC Halyk Bank of Kazakhstan	Tenge	March 2020	6%	-	113,941
Total				1,620,760	1,258,325
Short-term borrowings				744,540	703,114
Long-term borrowings				876,220	555,211

On 19 June 2015, the Company and JSC Karcement 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 on a non-renewable basis for capital expenditure and maturity of 10 years.

During 2020, the Company signed short-term agreements with JSC Halyk Bank of Kazakhstan for replenishment of working capital of 333,139 thousand tenge under the government programs bearing an interest rate of 6% per annum. The short-term borrowings are maturing in April 2021.

On 29 December 2020, the Company concluded long-term agreement under the existing credit line with JSC Halyk Bank of Kazakhstan in the amount of 808,549 thousand tenge at 6% per annum to purchase 70 wagons with a maturity date on 28 December 2027.

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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 2020	Proceeds (i)	Principal payments (ii)	Other changes (ii)	31 December 2020
Long-term borrowings	555,436	694,374	(303,466)	(70,124)	876,220
Short-term borrowings	702,889	1,062,151	(1,019,611)	(889)	744,540
	1,258,325	1,756,525	(1,323,077)	(71,013)	1,620,760
	1 January 2019	Proceeds (i)	Principal payments (ii)	Other changes (ii)	31 December 2019
Long-term borrowings	770,730	-	(296,890)	81,596	555,436
Short-term borrowings	303,466	1,132,860	(735,758)	2,321	702,889
	1,074,196	1,132,860	(1,032,648)	83,917	1,258,325

(i) Financing cash flows.

(ii) Other changes include government subsidy, interest accrued and paid.

21. DEFERRED INCOME

Deferred income as at 31 December consisted of the following:

	2020	2019
Arising from government grant	597,210	489,724
Total	597,210	489,724

The movement in the deferred income was as follows for the years ended 31 December:

	2020	2019
As at 1 January		
Subsidised loan to acquire non-current assets	489,724	535,307
Government grant amortisation	144,604	-
	(37,118)	(45,583)
As at 31 December	597,210	489,724

Deferred income represents government grant in the form of below-market interest on 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 14% interest per annum and the proceeds received, and is amortised to profit or loss account as income over the useful lives of the related assets.

On 29 December 2020, the Company concluded long-term agreement under the existing credit line with JSC Halyk Bank of Kazakhstan to purchase 70 wagons (Note 20). The difference at fair value using 14% amounted to 144,604 thousand tenge was recognised as deferred income in the statement of financial position as at 31 December 2020.

As at 31 December 2020, there were no related assets put into use (31 December 2019: 264,355 thousand tenge).

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22. TRADE ACCOUNTS PAYABLE

Trade accounts payable as at 31 December consisted of the following:

	2020	2019
Trade accounts payable for services	448,441	529,350
Trade accounts payable for spare parts	168,832	251,041
Trade accounts payable for raw materials	29,728	37,002
Other trade accounts payable	9,369	19,847
	<u>656,370</u>	<u>837,240</u>

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

	2020	2019
Tenge	581,317	813,033
US Dollar	50,183	4,383
Euro	19,015	18,063
Russian Ruble	5,855	1,761
Total	<u>656,370</u>	<u>837,240</u>

23. RELATED PARTY TRANSACTIONS

The immediate parent and the ultimate controlling party of the Company are Steppe Cement Holding B.V. (incorporated in Netherlands) and Steppe Cement Ltd. (incorporated in Malaysia).

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 sale of raw materials, rent of workshops and wagons, purchase of raw materials and property, plant and equipment. The following transactions with related parties are included in the statement of profit or loss and other comprehensive loss for the years ended as at 31 December 2020 and 2019:

Company	Nature	Sales to related parties	
		2020	2019
JSC Karcement	Other income	2,620,341	2,452,665
Central Asia Services LLP	Finance income	39,507	40,030
Central Asia Services LLP	Other income	-	3,128
		<u>2,659,848</u>	<u>2,495,823</u>

Company	Nature	Purchases from related parties	
		2020	2019
JSC Karcement	Cost of sales	17,740,472	19,071,469
JSC Karcement	Lease expenses	387,161	387,161
JSC Karcement	Other purchases	389,064	607,837
Other related parties	Other purchases	15,623	22,609
		<u>18,532,320</u>	<u>20,089,076</u>

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Company	Nature	Amounts owed to related parties	
		31 December 2020	31 December 2019
JSC Karcement	Payables to related parties	7,642,364	4,416,910
Other related parties	Payables to related parties	-	3,763
		7,642,364	4,420,673

Company	Nature	Amounts owed by related parties	
		31 December 2020	31 December 2019
JSC Karcement	Receivable from related parties	466,908	141,258
JSC Karcement	Other receivable from related parties	148,824	-
Central Asia Services LLP	Finance lease receivable from a related party (Note 13)	665,238	660,744
		1,280,970	802,002

Receivable from related parties are neither past due nor impaired, except for finance lease receivable from a related party which is past due, but not impaired because the Company is operationally integrated with the related party that supplies electricity used in production of cement and treated as a one operational group. The Company's management believes that amounts due from related parties will be repaid in cash, or by offsetting between agreements within one year.

Non-cash transactions

During 2020, the Company offset its accounts payable to its related party, JSC Karcement, with accounts receivable and payable of 2,202,560 thousand tenge (2019: 10,276,100 thousand tenge).

During 2020, the Company offset its lease liabilities with receivables from a related party of 433,620 thousand tenge (2019: nil) (Note 12).

Compensation to key management personnel

During 2020, compensation to key management personnel amounted to 78,164 thousand tenge which is a short-term benefit paid to General Director and Chairman of the Board of Directors (2019: 76,887 thousand tenge).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

24. FINANCIAL RISKS MANAGEMENT

The main financial instruments of the Company include borrowings, cash and cash equivalents, lease liabilities, 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.

Foreign exchange risk

The Company's financial assets denominated in US Dollars consist of cash and cash equivalents which are easily convertible to other currencies. Hence, the major concentration of foreign exchange risk arises from the movement of the US Dollar against the tenge.

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

	Assets		Liabilities	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
US Dollar	169,109	509,192	50,183	4,383
Russian Ruble	801,456	-	5,855	1,761
Euro	-	-	19,015	18,063

The following table reflects the Company's sensitivity to 20% (2019: 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) trade accounts payable and b) cash and cash equivalents of the Company, when the trade accounts payable or cash and cash equivalents are denominated in the currency differing from the currency of the creditor or bank. 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	
	2020	2019
Effect on profit or loss	23,785	100,962
	Effect of Russian Ruble	
	2020	2019
Effect on profit or loss	159,120	(352)
	Effect of Euro	
	2020	2019
Effect on profit or loss	(3,803)	(3,613)

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Credit risk

The credit risk, arising from counterparties' failure to meet the terms of the agreements on financial instruments of the Company, is usually limited to the amounts, if any, by which the amount of liabilities of counterparties exceeds the liabilities of the Company to these counterparties. The Company's policy provides for conducting operations with financial instruments with a number of solvent counterparties. The maximum exposure to the credit risk equals the value of each financial asset. The Company believes that the maximum amount of its risk equals the amount of trade accounts receivable, finance lease receivables, liquid funds and other current assets less impairment allowances recorded at the reporting date.

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.

Company has receivables from a related party and management expects that the Company should be able to obtain payment for this debt provided the related party has sufficient funds to repay.

As at 31 December 2020, 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:

JSC Halyk Bank of Kazakhstan	Ba1/stable/NP
JSC Altyn Bank	Ba2/stable/NP
JSC VTB Bank	Ba1/stable/NP
JSC Bank CenterCredit	B2/stable/NP

As at 31 December 2020, trade receivables from third parties are mostly represented by ten large customers, represented 72% of trade accounts receivable for cement sales. The Company believes that credit risk is limited as both counterparties are reliable partners.

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 optimising the balance of debt and equity.

The Company's capital structure includes share capital, revaluation reserve and retained earnings.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

Liquidity risk management

The shareholder of the Company bears the ultimate responsibility for management of the liquidity risk by developing the necessary liquidity risk management system for the Company's management on requirements on liquidity management and short-, mid- 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.

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

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 both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
31 December 2020							
Liabilities							
<i>Interest bearing</i>							
Long-term borrowings	6%	-	-	-	1,302,208	245,658	1,547,866
Short-term borrowings	6%	33,668	102,472	718,881	-	-	855,021
Lease liabilities	12%	109,834	219,669	988,508	1,709,133	-	3,027,144
<i>Non-interest bearing</i>							
Payables to related parties							
Trade accounts payable	-	779,700	1,262,330	5,600,334	-	-	7,642,364
Other accounts payable	-	229,331	414,583	12,456	-	-	656,370
		63,007	15,028	-	-	-	78,035
		1,215,540	2,014,082	7,320,179	3,011,341	245,658	13,806,800
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	Greater than 5 years	Total
31 December 2019							
Liabilities							
<i>Interest bearing</i>							
Long-term borrowings	6%	-	-	-	1,023,837	310,170	1,334,007
Short-term borrowings	6%	19,613	110,896	386,509	-	-	517,018
Lease liabilities	12%	123,376	246,753	1,110,386	3,026,064	-	4,506,579
<i>Non-interest bearing</i>							
Payables to related parties							
Trade accounts payable	-	615,000	1,833,966	1,971,707	-	-	4,420,673
Other accounts payable	-	221,339	615,901	-	-	-	837,240
		59,098	-	-	-	-	59,098
		1,038,426	2,807,516	3,468,602	4,049,901	310,170	11,674,615

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(in thousands of Tenge, unless otherwise stated)

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 regular 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.
- 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. The methods and assumptions used in estimating the fair value of such financial instruments are disclosed in Notes 2, 4.

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

	2020 <u>(% per annum)</u>	2019 <u>(% per annum)</u>
Tenge with maturity from 1 to 5 years	12%	12%

As at 31 December 2020 and 2019, the fair value of financial assets and financial liabilities were not significantly different from their carrying value.

25. COMMITMENTS AND CONTINGENCIES

Legal issues

The Company has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in aggregate, a material adverse impact on the Company. Management believes that the resolution of all such matters will not have a material impact on the Company's financial position or operating results.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (in thousands of Tenge, unless otherwise stated)

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.

Environment protection matters

The Company believes it is currently in compliance with all existing environmental laws and regulations of the Republic of Kazakhstan. However, these 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.

Obligations under site restoration fund

In accordance with the Subsurface Use Contracts requirements, the Company should contribute on annual basis 0.5% from the amount of actual expenditures for limestone and loam extraction to the site restoration fund, which shall be used for site restoration and abandonment of the Company mining operations. Not later than 6 months before the Subsurface Use Contract expiration, the Company shall submit the liquidation program to competent body.

On 12 March 2013, amendment contracts to the Subsurface Use Contracts were signed by the Company, which increases the annual Contribution rate from 0.5% to 1%, effective 1 January 2013.

In accordance with the Law on Land of the Republic of Kazakhstan and resource usage and Environmental rehabilitations, the Company will be obliged to provide additional resources to the state in the case the site restoration fund will be insufficient to cover actual site restoration and abandonment costs in the future.

Contingent liabilities

In 2015, the Company acted as a joint debtor for the related party JSC Karcement within the credit line agreement with JSC Halyk Bank of Kazakhstan on terms subsidised under government programs bearing an interest rate of 14% per annum. As at 31 December 2020 the debt of JSC Karcement on these loans was 1,194,409 thousand tenge (2019: 1,828,931 thousand tenge).

Management has conducted an analysis and determined that the probability of an outflow of resources embodying benefits to settle the obligation is remote.

JOINT STOCK COMPANY CENTRAL ASIA CEMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(in thousands of Tenge, unless otherwise stated)*

Capital commitment

Committed capital expenditure as at 31 December is as follows:

	<u>2020</u>	<u>2019</u>
Capital purchase commitments	422,740	247,861
Total	<u>422,740</u>	<u>247,861</u>

26. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

27. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2020 were approved by management of the Company and authorised for issue on 22 April 2021.