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Tau Capital PLC  
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**Tau Capital plc**  
**Interim Results Announcement**

Tau Capital plc ("Tau" or the "Company"), an investment company investing in both public and private businesses that are established in, operating in or have exposure to Kazakhstan and the surrounding regions, today announces its interim results for the six months ended 30 June 2008.

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## **Chairman's Statement**

Tau Capital plc ("Tau" or the "Company") performed satisfactorily in spite of the continued turbulence in global markets during the first half of 2008. While the Company's Net Asset Value ("NAV") as at 30 June 2008 stood at US\$0.94, representing a fall of 2.3% during the first half of 2008, the public equity portfolio benefited from maintaining a relatively high cash exposure and a short exposure of over 30%. In contrast, over the six month period to the end of June 2008, the MSCI World index for developed markets declined by 10.2% and the MSCI Emerging Markets index dropped by 11.6%.

In addition, while the Investment Manager outlines numerous reasons to be cautious in the current volatile environment, it expects Central Asia, in particular, Kazakhstan, to provide opportunities to invest in attractively priced companies.

On the private equity side, the Company has reinforced its stake in DTV, the Almaty-based cable TV operator in Kazakhstan, and is further assisting DTV in positioning itself to benefit from strong growth expected in the cable TV and internet industries. Additionally, with access to credit financing for small and medium size enterprises in Kazakhstan continuing to remain limited, the Company expects to see an increased number of investment opportunities in the next twelve months.

We are also pleased to have strengthened the investment team with the arrival of Darius Daubaras who is responsible for identifying and executing private equity opportunities for the Company. Darius joined Spencer House Capital Management LLP, investment adviser to the Company in June 2008, bringing with him significant expertise from his previous roles advising clients on M&A, private equity, IPOs and private placement transactions across Europe and in particular, Russian, CIS (including Kazakhstan) and other emerging markets. Darius will be instrumental in pursuing the number of private equity investments currently in the pipeline.

On 19 June 2008, using the Company's existing share buyback authorities, the Company repurchased 5% of its then existing share capital at a price of 76.5 cents per share. This repurchase was at a discount of 25.8% to the last stated NAV of \$0.96 and was therefore NAV enhancing to the remaining shareholders of the Company.

**Philip Lambert**  
Chairman

## Investment Manager's Report

The markets experienced a rollercoaster ride in the first half of 2008. Higher oil prices fuelled inflationary concerns, and slower economic growth prospects in the US, combined with the continuing problems in the banking sector, depressed confidence in the markets.

Commodities were strong over the six month period to 30 June 2008 (the "Period"), rising by over 26%, as measured by the Reuters/Jefferies CRB index. Increasing soft commodity prices, partly as a result of the high oil price, caused much concern in the emerging economies, prompting street protests in many countries. In Kazakhstan, we saw a ban on wheat exports for a period to limit price increases. The rising oil price grabbed headlines, having climbed from just under \$100/barrel at the end of 2007 to \$140/barrel at the end of June 2008, though oil stocks did not correlate strongly with this rise in the raw commodity. Larger capitalisation stocks, as measured by the Dow Jones Oil and Gas index, were only up by 2% over the Period, while the FT AIM Oil and Gas index, which acts as a good proxy for the smaller oil and gas stocks, rose by 15.4%. We believe that there has been a preference in the market for the smaller producers that benefit today from higher prices rather than exploration stocks which suffer from continuously rising operating costs, causing funding problems for these companies.

Of the hard commodities, copper, which was trading below \$7,000/tonne on the London Metals Exchange earlier this year, was over \$8,500/tonne at the end of June 2008. Aluminium was also up strongly over the Period, from \$2,400/tonne to over \$3,100/tonne, while the same story applied to most other industrial metals. Large capitalisation mining companies have experienced a turbulent six months, but ended the Period rising by over 15%. Demand in China for steel and copper remains robust and supply side concerns have ensured tight markets for most metals. Ferrochrome supply has been affected by power shortages in South Africa. As the making of ferrochrome is an energy intensive process, power supply problems have limited the amount of ferrochrome production. As a result, prices for ferrochrome have dramatically increased, which was beneficial to ENRC, one of the world's leading producers of ferrochrome. We have benefited from this increase through our position in ENRC, of which the value rose by over 70% during the Period. Smaller capitalisation mining stocks largely struggled with the focus on producers benefiting from current high commodity prices. Over the Period, these companies rose by just over 3%, as measured by the FT AIM Basic Resources index.

The Kazakhstan Stock Exchange ("KASE") index posted a return of -0.9% over the Period. Volume on the KASE was very light over the Period. However, a total volume traded of \$1.8 billion is not representative of the actual traded volume as it includes large cross trades. The number of stocks where we see the most activity is limited to a handful of large banks, Kazakhtelecom, KazMunaiGas, and more recently, ENRC and Kazakhmys, which were added to the KASE index in April and May respectively.

### **Reported Monthly Net Asset Value (NAV)\***

	NAV	1 Month perf %
31 January 2008	\$0.99	3.12%
29 February 2008	\$1.02	2.37%
31 March 2008	\$0.98	(4.04%)
30 April 2008	\$0.94	(4.06%)
31 May 2008	\$0.96	2.55%
30 June 2008	\$0.94	(1.93%)

\* The NAV of the Company for financial reporting purposes as at 30 June 2008 was \$0.93. Please refer to Note 10 for further details.

### **Public Equity**

The overall reported NAV of the Company fell by 2.3% during the first half of 2008. The public equity portfolio (the "Portfolio") maintained a net long position during the period, with which it proved difficult to generate positive returns in falling markets. However, the Portfolio benefited from maintaining a relatively

high cash exposure of over 20% as well as a short exposure of over 30%. While all sectors and most stocks within the Portfolio posted negative returns over the period, a few significant positive contributions were achieved from individual positions.

Over the period, the Portfolio's exposure to financials was reduced from approximately 17% to around 12% as we believed that the banks would continue to struggle with the worsening credit quality of their loan portfolios and their credit growth would be limited by their liabilities to repay foreign loans in 2008.

We maintained a relatively high exposure in the mining and oil sectors. Within the oil sector, we closed our position in KazMunaiGas. The stock had performed strongly following significant declines after concerns of an additional tax duty being introduced on oil in Kazakhstan. A new Customs Tax duty on oil was subsequently introduced in May 2008 whereby for every \$1 increase in the price of oil above \$120/barrell, KazMunaiGas would only gain 20 cents. As a result, we exited the stock in June, having posted a small gain over the period we held the stock, as we felt that there was limited upside given that the new Customs Tax duty was progressive. We have continued to build positions in smaller capitalisation oil and gas exploration companies as prices dropped to very attractive levels.

The Portfolio maintained a significant exposure to gold, partly to reflect our overall cautious stance on markets and also as we have found attractively priced gold stocks. However, gold companies in the region generally have not performed well as a result of stock specific issues. Uranium stocks continue to languish as the uranium price has fallen to just under \$60/pound, compounded by supply side problems at individual sites affecting the future production capabilities of companies. We have maintained our uranium exposure in the belief that the long-term potential demand for nuclear energy will require increased uranium supplies. Kazakhstan, currently the third largest supplier of uranium for nuclear energy, is aiming to be the world's leading supplier in the next three years.

Given the turbulence in world markets we remain cautious. We do not expect events in the developed markets' banking sector to be resolved quickly and believe that rising credit costs will hamper future economic growth in the US and Europe. The flood of liquidity that has been a major driving force in these markets has subsided and therefore we see funding problems going forward for companies. Inflation remains a growing concern, especially in emerging economies.

Against this backdrop, however, we see increasingly attractive investment opportunities in Central Asia, and in Kazakhstan in particular. The banking crisis in Kazakhstan has been avoided but significant risks still remain. The banks are reluctant to write off bad loans and have been extending loan periods to customers having difficulty paying. As a result, credit quality is deteriorating and credit growth has all but stalled. The Kazakhstan Government has enough reserves to financially support all of the banks; at the end of June 2008 it had \$45bn in reserves, which includes the National Oil Fund. While Kazakh public finances are healthy due to oil revenues, we believe private enterprises will struggle. Many companies are debt financed and are now finding it extremely difficult to run their businesses as funding has dried up. Additionally, banks are raising loan rates, and small and medium enterprises will require capital to remain in business and expand. This will also provide our private equity team with an excellent opportunity in the coming months to select attractive investment targets. In the resources sector, we expect to see increased M&A activity in Central Asia as funding dries up for the smaller resource companies. Rising operating costs adds to the difficulty for all companies in the mining and oil sectors; however, the fundamentals remain strong for mining, and oil and gas companies in the region. We maintain that Kazakhstan remains one of the most attractive markets for foreign companies to invest.

### ***Private Equity***

Tau acquired a substantial minority stake in DTV, an Almaty-based cable TV operator, in October 2007 and funded the investment in two tranches, structured as a shareholder loan. Since the acquisition of an interest in DTV, we have funded a total amount of \$7.7 million to DTV to date in the form of shareholder loans (this particular structure was used due to certain legal requirements according to mass media law in Kazakhstan). We continue to believe that the cable TV and internet markets in Kazakhstan are poised for strong growth and consolidation as consumers migrate from analogue to digital service offerings and the take up of

broadband internet accelerates. The proceeds from our investments in DTV were used to pay down the company's existing debt, undertake an acquisition of an incumbent telecom operator in Western Kazakhstan, and to fund capital expenditures and operating expenses. Additionally, the Company, along with DTV's original founder and other current co-investors, are currently in the last stage of discussions to acquire an additional stake in DTV held by one of its minority shareholders. We are planning to make a c.\$5 million investment, which will provide us with a significant beneficial economic interest in DTV upon completion of the transaction. Simultaneously, we are engaged in negotiations to have DTV enter a new joint venture with an investor with significant expertise in the telecommunications business. A newly capitalised entity (with DTV as a core asset) will be well positioned to pursue potential growth and consolidation opportunities in the cable and internet markets in Kazakhstan.

Tau is in the advanced stage of the due diligence process for a potential investment in a pre-IPO private placement transaction in the building materials sector. The target company is a well diversified and leading regional player, with operations across four countries in the region and a very strong financial profile. A potential investment in this transaction entails a minority stake alongside several other investors.

The Company is also actively reviewing a number of private equity investment opportunities in the beverage, oil and gas infrastructure, agriculture, and real estate sectors.

Due to the lack of liquidity in the Kazakh banking sector and a decline of real estate asset prices in Kazakhstan, one of the key themes that emerged over the period is that a large number of small and medium size enterprises ("SMEs") in Kazakhstan currently have very limited (or no) access to credit financing in order to support expansion and growth of these businesses. While the country's general macroeconomic growth is still intact (GDP is estimated to grow at 6-7% in 2008 and 2009 according to a number of brokers), SMEs continue to look for ways to finance business growth and repay debt obligations in order to cut financing costs in the short-term. As a result, a large number of companies and their shareholders are willing to discuss investment/financing opportunities with, and accept potential equity investors.

We believe that the market environment for private equity and special situations has become more attractive, particularly in Kazakhstan, and the Company will be actively monitoring, identifying and pursuing a number of investment opportunities in the next twelve months.

**Spencer House Compass Capital Limited**

## Condensed Consolidated Income Statement for the six months ended 30 June 2008

	Note	Group 2008 US\$	Group 2007* US\$
<b>Investment income</b>			
Interest income		1,549,042	2,392,119
Dividend income		1,071,243	1,395,630
Less: withholding tax		(155,931)	(139,783)
Net trading expense		(7,686,891)	(42,699)
<b>Total operating (loss)/income</b>		<b>(5,222,537)</b>	<b>3,605,267</b>
<b>Expenses</b>			
Operating expenses		(3,050,133)	(4,021,397)
<b>Loss for the period</b>		<b>(8,272,670)</b>	<b>(416,130)</b>
Earnings per share	11	(\$0.03)	(\$0.00)

\*The comparative results relate to the period from 3 April 2007 (date of incorporation) to 31 December 2007.

## Condensed Consolidated Balance Sheet as at 30 June 2008

	Note	Group 2008 US\$	Group (restated) 2007* US\$
<b>Assets</b>			
Cash and cash equivalents		31,644,041	13,212,430
Amounts due from brokers		20,050,555	29,264,592
Financial assets at fair value through profit or loss		189,379,524	221,348,495
Interest receivable		259,276	325,665
Dividends receivable		758,173	7,124
Other receivables		652,847	99,427
<b>Total assets</b>		<b>242,744,416</b>	<b>264,257,733</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss		(20,770,429)	(24,042,603)
Accounts payable and accrued expenses		(254,984)	(622,707)
<b>Total liabilities</b>		<b>(21,025,413)</b>	<b>(24,665,310)</b>
<b>Total net assets</b>		<b>221,719,003</b>	<b>239,592,423</b>
<b>Shareholders' equity</b>			
Share capital	3	4,752,070	5,002,179
Share premium	3	-	235,006,374
Capital redemption reserve		250,109	-
Distributable reserves		216,716,824	(416,130)
<b>Total shareholders' equity</b>		<b>221,719,003</b>	<b>239,592,423</b>
<b>Net Asset Value per share</b>	10	<b>\$0.93</b>	<b>\$0.95</b>

\*The comparative balances are as at 31 December 2007.

## Condensed Company Balance Sheet as at 30 June 2008

	Note	Company 2008 US\$	Company 2007* US\$
<b>Assets</b>			
Investment in subsidiaries		221,719,003	239,592,423
<b>Total assets</b>		<b>221,719,003</b>	<b>239,592,423</b>
<b>Total net assets</b>			
		<b>221,719,003</b>	<b>239,592,423</b>
<b>Shareholders' equity</b>			
Share capital		4,752,070	5,002,179
Share premium		-	235,006,374
Capital redemption reserve		250,109	-
Distributable reserves		216,716,824	(416,130)
<b>Total shareholders' equity</b>		<b>221,719,003</b>	<b>239,592,423</b>
<b>Net Asset Value per share</b>	10	<b>\$0.93</b>	<b>\$0.95</b>

\*The comparative balances are as at 31 December 2007.

**Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2008**

	2008	2008	Group 2008 Capital redemption reserve	2008 Distributable reserves	2008 Total
	Share capital	Share premium			
	US\$	US\$		US\$	US\$
Balance at 31 December 2007	5,002,179	235,006,374	-	(416,130)	239,592,423
Transfer to distributable reserves		(235,006,374)	-	235,006,374	-
Purchase of ordinary shares	(250,109)	-	-	(9,350,641)	(9,600,750)
Transfer to capital redemption reserve	-	-	250,109	(250,109)	-
Loss for the period	-	-	-	(8,272,670)	(8,272,670)
<b>Balance at 30 June 2008</b>	<b>4,752,070</b>	<b>-</b>	<b>250,109</b>	<b>216,716,824</b>	<b>221,719,003</b>

**Condensed Consolidated Statement of Changes in Equity for the period ended 31 December 2007\***

	2007 Share capital	2007 Share premium	Group 2007 Distributable reserves	2007 Total
	US\$	US\$	US\$	US\$
Balance at 3 April 2007	-	-	-	-
Issue of ordinary shares	5,002,179	245,997,821	-	251,000,000
Share issue costs	-	(10,991,447)	-	(10,991,447)
Loss for the period	-	-	(416,130)	(416,130)
<b>Balance at 31 December 2007</b>	<b>5,002,179</b>	<b>235,006,374</b>	<b>(416,130)</b>	<b>239,592,423</b>

\*The comparative results relate to the period from 3 April 2007 (date of incorporation) to 31 December 2007.

## Condensed Company Statement of Changes in Equity for the six months ended 30 June 2008

	2008	2008	Company	2008	2008
	Share capital	Share premium	Capital redemption reserve	Distributable reserves	Total
	US\$	US\$		US\$	US\$
Balance at 31 December 2007	5,002,179	235,006,374	-	(416,130)	239,592,423
Transfer to distributable reserves	-	(235,006,374)	-	235,006,374	-
Purchase of ordinary shares	(250,109)	-	-	(9,350,641)	(9,600,750)
Transfer to capital redemption reserve	-	-	250,109	(250,109)	-
Loss for the period	-	-	-	(8,272,670)	(8,272,670)
<b>Balance at 30 June 2008</b>	<b>4,752,070</b>	<b>-</b>	<b>250,109</b>	<b>216,716,824</b>	<b>221,719,003</b>

## Condensed Company Statement of Changes in Equity for the period ended 31 December 2007\*

	2007	2007	Company	2007	2007
	Share capital	Share premium	Distributable reserves	Distributable reserves	Total
	US\$	US\$		US\$	US\$
Balance at 3 April 2007	-	-	-	-	-
Issue of ordinary shares	5,002,179	245,997,821	-	251,000,000	
Share issue costs	-	(10,991,447)	-	(10,991,447)	
Loss for the period	-	-	(416,130)	(416,130)	
<b>Balance at 31 December 2007</b>	<b>5,002,179</b>	<b>235,006,374</b>	<b>(416,130)</b>	<b>239,592,423</b>	

\*The comparative results relate to the period from 3 April 2007 (date of incorporation) to 31 December 2007.

## Condensed Consolidated Cash Flow Statement for the six months ended 30 June 2008

	Group 2008 US\$	Group (restated) 2007* US\$
<b>Cash flows from operating activities</b>		
Loss for the period	(8,272,670)	(416,130)
<b>Adjustments to reconcile decrease in net assets to net cash used in operating activities</b>		
Purchase of financial assets and settlement of financial liabilities	(114,584,063)	(510,378,900)
Sale of financial assets and settlement of financial liabilities	136,084,679	314,937,337
Realised gain on investments	(4,610,958)	(8,400,459)
Net change in unrealised loss on investments	11,807,139	6,536,130
(Decrease)/increase in amounts due from broker	9,214,037	(29,264,592)
(Decrease)/increase in interest receivable	66,389	(325,665)
Increase in dividends receivable	(751,049)	(7,124)
(Decrease)/increase in prepaid insurance	99,427	(99,427)
Increase in other receivables	(652,847)	-
(Decrease)/increase in accounts payable and accrued expenses	(367,723)	622,707
<b>Net cash provided by/(used in) operating activities</b>	<u>28,032,361</u>	<u>(226,796,123)</u>
<b>Cash flows from financing activities</b>		
Gross proceeds from issue of ordinary shares	-	250,000,000
Share issue costs	-	(9,991,447)
Payments for purchase of ordinary shares	(9,600,750)	-
<b>Net cash (used in)/provided by financing activities</b>	<u>(9,600,750)</u>	<u>240,008,553</u>
<b>Net increase in cash and cash equivalents</b>	18,431,611	13,212,430
Cash and cash equivalents at beginning of period	13,212,430	-
<b>Cash and cash equivalents at end of period</b>	<u>31,644,041</u>	<u>13,212,430</u>
<b>Supplementary disclosure of cash flow information</b>		
Dividends received	320,194	1,248,723
Interest received	1,615,431	2,066,454

*Due to a change in accounting policies adopted by the Group, there has been a reclassification between cash and cash equivalents and amounts due from broker. This reclassification has increased cash and cash equivalents as disclosed on the Consolidated Cash Flow Statement and Consolidated Balance Sheet as at 31 December 2007 to US\$13,212,430 where they were previously stated as US\$257,890. (Please see note 2 to the condensed financial statements for further details).*

\*The comparative results relate to the period from 3 April 2007 (date of incorporation) to 31 December 2007.

## Condensed Company Cash Flow Statement for the six months ended 30 June 2008

	Company 2008 US\$	Company 2007* US\$
<b>Cash flows from operating activities</b>		
Loss for the period	(8,272,670)	(416,130)
<b>Adjustments to reconcile decrease in net assets to net cash used in operating activities</b>		
Net change in unrealised loss on investments	8,272,670	416,130
<b>Net cash used in operating activities</b>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities</b>		
Subscription for shares in subsidiary undertakings	-	(240,008,553)
Redemption of shares in subsidiary undertakings	9,600,750	-
<b>Net cash provided by/(used in) investing activities</b>	<u>9,600,750</u>	<u>(240,008,553)</u>
<b>Cash flows from financing activities</b>		
Gross proceeds from issue of ordinary shares	-	250,000,000
Share issue costs	-	(9,991,447)
Payment for purchase of ordinary shares	(9,600,750)	-
<b>Net cash (used in)/provided by financing activities</b>	<u>(9,600,750)</u>	<u>240,008,553</u>
<b>Net change in cash and cash equivalents</b>	-	-
Cash and cash equivalents at beginning of period	-	-
<b>Cash and cash equivalents at end of period</b>	<u>-</u>	<u>-</u>

\*The comparative results relate to the period from 3 April 2007 (date of incorporation) to 31 December 2007.

## Schedule of Investments as at 30 June 2008

Shares	Investment name	Fair value	% of net assets
<b>Financial assets at fair value through profit or loss</b>		T	
<b>Equities - public</b>			
	<b>Canada</b>		
	Gold mining	9,306,435	4.20%
	Metals diversified	16,711,611	7.54%
	Oil exploration	2,371,653	1.07%
		28,389,699	12.81%
	<b>Kazakhstan</b>		
1,007,196	Commercial banks (non-US)		
	Bank CenterCredit	11,764,492	5.31%
	Other	14,362,462	6.48%
	Gold mining	9,867,648	4.45%
	Oil exploration	8,632,765	3.89%
	Paper and related products	5,200,000	2.35%
	Telecom services	6,424,242	2.90%
		56,251,609	25.38%
	<b>Ireland</b>		
2,083,673	Oil exploration		
	Dragon Oil Plc	18,868,219	8.51%
		18,868,219	8.51%
	<b>Jersey</b>		
	Gold mining	3,280,605	1.48%
		3,280,605	1.48%
	<b>United Kingdom</b>		
	Investment companies	9,743,708	4.39%
393,170	Metals diversified		
	Kazakhmys PLC	12,456,997	5.62%
	Other	10,645,334	4.80%
	Oil exploration	12,779,434	5.76%
		45,625,473	20.57%
	<b>United States of America</b>		
3,191,872	Oil exploration		
	BMB Munai Inc.	18,959,720	8.55%
		18,959,720	8.55%
<b>Equities - private</b>			
	<b>Kazakhstan</b>		
	Telecom services	7,701,027	3.47%
		7,701,027	3.47%
<b>Total equities</b>		<b>179,076,352</b>	<b>80.77%</b>
<b>Debt instrument</b>			
	<b>Uzbekistan</b>		
	Gold mining	2,500,000	1.13%
		2,500,000	1.13%

<b>Total debt instrument</b>		<b>2,500,000</b>	<b>1.13%</b>
<b>Money market instrument</b>			
	<b>Kazakhstan</b>		
	Commercial banks (non-US)	4,239,660	1.91%
		4,239,660	1.91%
<b>Total money market instrument</b>		<b>4,239,660</b>	<b>1.91%</b>
<b>Contracts for difference</b>			
	<b>United Kingdom</b>		
	Financials	2,211,012	1.00%
		2,211,012	1.00%
<b>Total contracts for difference</b>		<b>2,211,012</b>	<b>1.00%</b>
<b>Options</b>			
	<b>Ireland</b>		
	Oil exploration	836,014	0.38%
		836,014	0.38%
	<b>Kazakhstan</b>		
	Commercial banks (non-US)	192,591	0.09%
		192,591	0.09%
	<b>United Kingdom</b>		
	Metals diversified	323,895	0.15%
		323,895	0.15%
<b>Total options</b>		<b>1,352,500</b>	<b>0.62%</b>
<b>Total financial assets at fair value through profit or loss</b>		<b>189,379,524</b>	<b>85.43%</b>
<b>Financial liabilities at fair value through profit or loss</b>			
<b>Equities - public</b>			
	<b>Malaysia</b>		
	Building products	(2,595,180)	(1.17%)
		(2,595,180)	(1.17%)
	<b>United States of America</b>		
	Financials	(9,579,303)	(4.32%)
		(9,579,303)	(4.32%)
<b>Total equities</b>		<b>(12,174,483)</b>	<b>(5.49%)</b>
<b>Contracts for difference</b>			
	<b>Europe</b>		
	Financials	(5,694,279)	(2.57%)
		(5,694,279)	(2.57%)
	<b>Russia</b>		
	Financials	(2,446,009)	(1.10%)
		(2,446,009)	(1.10%)
<b>Total contracts for difference</b>		<b>(8,140,288)</b>	<b>(3.67%)</b>

**Options**

<b>Ireland</b>		
Oil exploration	(101,000)	(0.05%)
	<u>(101,000)</u>	<u>(0.05%)</u>

<b>Kazakhstan</b>		
Commercial banks (non-US)	(139,252)	(0.06%)
	<u>(139,252)</u>	<u>(0.06%)</u>

<b>United Kingdom</b>		
Metals diversified	(215,406)	(0.10%)
	<u>(215,406)</u>	<u>(0.10%)</u>

<b>Total options</b>	<b>(455,658)</b>	<b>(0.21%)</b>
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<b>Total financial liabilities at fair value through profit or loss</b>	<b>(20,770,429)</b>	<b>(9.37%)</b>
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Total financial assets and liabilities at fair value through profit or loss	168,609,095	76.06%
Cash and cash equivalents	31,644,041	14.27%
Other assets in excess of liabilities	21,465,867	9.67%
<b>Total net assets</b>	<b>221,719,003</b>	<b>100.00%</b>

(The countries as shown above relate to the country of domicile of the underlying companies in which the Group has invested).

## Condensed Notes to the Financial Statements

### 1. General

Tau Capital plc (the "Company") is a closed-end investment fund incorporated and domiciled in the Isle of Man on 3 April 2007 and registered with number 119384C. The Company was established to allow investors the opportunity to realise returns through investing in both public and private businesses that are established in, operating in, or have exposure to Kazakhstan. Although Kazakhstan focused, the Company seeks investment opportunities in the Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan and Russia (the "Investment Countries").

The Company is listed on the Alternative Investment Market of the London Stock Exchange. The Company has no employees.

The Company's investments are held by an intermediate investment holding company, Tau Cayman LP. Hereinafter, Tau Cayman LP and Tau Capital plc will be referred to as the "Group".

The Group invests in public companies with substantial operating assets in Kazakhstan or in the Investment Countries who have securities listed on the KASE or other stock exchanges or over-the-counter-markets. These investments may be in combination with additional debt or equity-related financings, and potentially in collaboration with other financial and/or strategic investors.

In addition, the Group provides equity and equity-related investment capital to private companies operating in, or with business exposure to Kazakhstan and further in the Investment Countries who are seeking capital for growth and development, consolidation or acquisition, or as a pre-initial public offering round of financing. Investments may also be made in special situations if Spencer House Compass Capital Ltd (the "Investment Manager") considers the investment to be of a type in keeping with the aims of the Group.

### 2. Accounting Policies

The significant accounting policies and estimation techniques adopted by the Group for the six months ended 30 June 2008 are consistent with those adopted by the Group for the annual financial statements for the period ended 31 December 2007 except for:

#### Functional currency

Items included in the Group's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the US dollar, which reflects the Group's primary activity of investing in US dollar securities and derivatives.

*The above accounting policy has been updated to reflect the US dollar as the Group's functional currency as the Kazakhstan Tenge was erroneously included as the functional currency in the annual financial statements. This change in accounting policy has had no impact on the financial statements as the Group's trading has been conducted in US dollars since inception.*

#### Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

*The above accounting policy has been updated as a proportion of the amount due from brokers as disclosed in the annual financial statements for the period ended 31 December 2007 met the definition of cash under International Accounting Standards, as they could be withdrawn from the broker without penalty or notice. This reclassification increased the cash and cash equivalents as disclosed on the Consolidated Balance Sheet as at 31 December 2007 to US\$13,212,430 where they were previously stated as US\$257,890.*

These changes in accounting policies do not have any impact on the valuation of the Group's net asset value as disclosed in the audited financial statements for the period ended 31 December 2007.

### Statement of compliance

The annual financial statements of Tau Capital plc are prepared in accordance with IFRS's as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting", as adopted by the European Union.

### Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The investment strategy of the Group is focused on entities that operate in or have an exposure to Kazakhstan. Accordingly, the Directors are of the opinion that the Group is engaged in a single segment of business being investment business in one geographical area being Kazakhstan.

### 3. Share Capital

The authorised share capital of the Group is £3,502,000 comprising 350,199,998 ordinary shares of £0.01 each and 2 founder shares of £0.01 each. The founder shares carry identical rights and privileges to the ordinary shares of the Group. The share capital of the Group has been allotted, called up and fully paid. The shares issued during the period were as follows:

	For the period ended 30 June 2008 Shares	-	For the period ended 31 December 2007 Shares
Balance at the beginning of the period	251,000,002	-	
Issue of ordinary shares during the period	-		251,000,002
Purchase of ordinary shares during the period	(12,550,000)	-	
<b>Balance at the end of the period</b>	<u>238,450,002</u>		<u>251,000,002</u>

During the period ended 30 June 2008, the share premium which arose on the placing of shares in 2007 was cancelled and reclassified as a distributable reserve with permission from the High Court on 26 March 2008.

### 4. Related Party Transactions

Richard Horlick, a Director of the Group as listed on page 1, is the CEO and founding partner of Spencer House Capital Management, LLP.

Almas Chukin, a Director of the Group as listed on page 1, is the chairman of Compass Asset Management Ltd.

Philip Scales, a Director of the Group as listed on page 1, is the managing director of IOMA Fund and Investment Management Ltd.

Details of Directors' remuneration can be found in Note 5.

As at 30 June 2008 and 31 December 2007 Philip Lambert and Robert Brown, III each held 500,000 ordinary shares. These shares were granted in consideration for the provision of services pursuant to their letters of appointment as Non-executive Directors.

As at 30 June 2008 and 31 December 2007, Richard Horlick held 5,000,000 ordinary shares.

As at 30 June 2008 and 31 December 2007, both Spencer House Capital Management, LLP and Compass Asset Management Ltd held one founder share each.

## 5. Fees & Expenses

Directors remuneration for the period amounted to US\$113,730 (2007: US\$65,206) of which US\$Nil (2007: US\$Nil) was outstanding as at 30 June 2008.

The investment management fee for the period was US\$2,415,069 (2007: US\$3,120,798) of which US\$Nil (2007: US\$Nil) was outstanding as at 30 June 2008.

No performance fees were earned for the period ended 30 June 2008 (2007: US\$Nil).

## 6. Exchange Rates

The following exchange rates were used to translate assets and liabilities into US Dollars at 30 June 2008 and 31 December 2007:

	As at 30 June 2008	As at 31 December 2007
Canadian dollar	1.014550	1.013223
euro	1.575548	1.462052
Kazakhstan tenge	0.008284	0.008284
Pound sterling	1.990169	1.990604

## 7. Distributions

Subject to the provisions of the Articles, the Group may by ordinary resolution, declare that out of profits available for distribution, in accordance with Isle of Man law, dividends be paid to members according to their respective rights and interests in the profits of the Group. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

No dividends were paid during the period ended 30 June 2008 (2007: US\$Nil).

## 8. Soft Commissions

During the period, the Investment Manager and connected persons have not entered into soft commission arrangements with brokers in respect of which certain goods and services used to support investment decision making were received.

## 9. Commitments and Contingent Liabilities

As at 30 June 2008 and 31 December 2007, the Group did not have any significant commitments or contingent liabilities.

## 10. Valuation of the Group

The Net Asset Value of the Group as at 30 June 2008 and 31 December 2007, as reported at the time, differs from the financial statements. In accordance with IAS 39, long positions in the financial statements are valued at bid prices and short positions at offer prices.

	As at 30 June 2008 US\$	As at 31 December 2007 US\$
Net Asset Value for reporting purposes	224,740,197	241,720,127
Adjustment to last traded prices	(3,021,194)	(2,127,704)
Net Asset Value per financial statements	221,719,003	239,592,423
Reported Net Asset Value per share	\$0.94	\$0.96
Adjusted Net Asset Value per share	\$0.93	\$0.95

## 11. Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss attributable to shareholders by the weighted average number of ordinary share outstanding during the period.

	For the period ended 30 June 2008	For the period ended 31 December 2007
Net loss attributable to shareholders	US\$(8,272,670)	US\$(416,130)
Weighted average number of ordinary shares in issue	248,908,335	251,000,002
Basic Earnings per Share	(\$0.03)	(\$0.00)

There is no difference between the fully diluted earnings per share and basic earnings per share.

## 12. Investments in Subsidiaries

The subsidiaries of Tau Capital plc are recorded at cost less any diminution in value in the accounts of the Company.

Name	Country of incorporation	Principal investment activity	Proportion of ownership interest
Tau Cayman Limited	Cayman Islands	Business administration	100%
Tau Capital (Public Investments) Limited	Cayman Islands	Investment holding	100%
Tau Cayman LP	Cayman Islands	Investment holding	100%
Tau SPV 1 Cooperatief	The Netherlands	Investment holding	100%
Tau SPV 3 Cooperatief	The Netherlands	Investment holding	100%

## 13. Share-Based Payments

The following share-based payment arrangement was in existence with Numis Securities Limited, the Company's Nominated Adviser and Broker, at 30 June 2008 and 31 December 2007. This arrangement was conditional upon admission of the ordinary share capital of the Company to the Alternative Investment Market operated by the London Stock Exchange

Options	Number	Grant date	Expiry date	Exercise price US\$
Issued 3 May 2007	2,510,000	3 May 2007	3 May 2012	1.00

The Directors have determined that the fair value of the options granted (which were fully vested at the date of grant) could not be reliably measured at the measurement date (the date of grant). Therefore in accordance with IFRS 2: Share Based Payments, the intrinsic value method has been used to determine the value of the share-based payment transaction. As at the measurement date and the current financial period-end, the intrinsic value is nil as the exercise price was greater than the market price.

#### **14. Significant Events during the Period**

During the period ended 30 June 2008, Ernst & Young resigned and Deloitte & Touche were appointed as independent auditors to the Group.

#### **15. Events After the Balance Sheet Date**

There were no material events after the Balance Sheet date, which have a material bearing on the understanding of these financial statements.