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Tau Capital PLC
30 March 2010

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Tau Capital plc

Preliminary 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 results for the year to 31 December 2009

Highlights:

- Net assets of \$161,290,300. Audited Net Asset Value per share as at 31 December 2009 of \$0.68, representing an increase of 25.9% for the year
- Mixed performance relative to relevant market indices - KASE index up 47% and MSCI Frontier index up by 11% for the year
- Approximately 80% of capital invested. Public equity exposure has increased from 52.0% to 69.4% of total investments
- Short positions exited by year end
- Majority of public equity positions added value, in particular holdings in Centerra Gold, Uranium One, Dragon Oil and Zhaikmunai
- Private equity investment, Alem Communications Holding LLP (Alem), undertook a refinancing to support two regional operators. The Company did not participate in the latest financing round resulting in a dilution in share holding from 27.1% to 18.5%. However representation on Alem's board remains unchanged
- Scrutinising various private equity investment opportunities with an aim to making further private equity investments in 2010

Further information, please contact:

IOMA Fund and Investment Management Ltd
Cynthia Edwards

Tel: +44 (0) 1624 681381

Numis Securities Ltd
Nominated Adviser: Nick Westlake/ Brent Nabbs
Corporate Broking: Alex Ham

Tel: +44 (0) 20 7260 1000

TAU CAPITAL PLC
(a company incorporated in the Isle of Man)

**ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

TAU CAPITAL PLC

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TAU CAPITAL PLC

Company Information

Directors (Non- executive)

Philip Lambert*
Richard Horlick
Almas Chukin (resigned 16 March 2009)
Robert Brown, III*
Philip Scales*
Michael Sauer (appointed 16 March 2009)

*Independent Director

Investment Manager

Spencer House Compass
Capital Ltd
PO Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Administrator and Registrar

IOMA Fund and Investment
Management Ltd
IOMA House
Hope Street
Douglas IM1 1AP
Isle of Man

UK Solicitors

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

CREST Service Provider and UK Transfer Agent

Computershare Investor Services (Channel Islands) Ltd
Ordnance House
31 Pier Road
St Helier JE4 8PN
Jersey

Registered Office

IOMA House
Hope Street
Douglas IM1 1AP
Isle of Man

Investment Advisers

Spencer House Capital
Management, LLP
32-33 St James's Place
London SW1A 1NR
United Kingdom

Compass Asset Management Ltd
Queensgate House
113 South Church Street
PO Box 1234
George Town
Grand Cayman
Cayman Islands

Sub-Administrator

PNC Global Investment Servicing
(Europe) Ltd
Riverside Two
Sir John Rogersons Quay
Grand Canal Dock
Dublin 2
Ireland

Isle of Man Advocates

Cains Advocates Ltd
15-19 Athol Street
Douglas IM1 1LB
Isle of Man

Nominated Adviser and Broker

Numis Securities Ltd
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom

Custodians

Subsidiary Bank HSBC Kazakhstan
Joint Stock Company
43 Dostyk Avenue
050010 Almaty
Kazakhstan

Morgan Stanley & Co International Plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Independent Auditor

Deloitte & Touche
PO Box 250
The Old Courthouse
Athol Street
Douglas IM99 1XJ
Isle of Man

Cayman Islands Counsel

Maples & Calder
PO Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

TAU CAPITAL PLC

Chairman's Statement

During 2009, Tau Capital plc ("the Fund") built on the capital protection measures taken in 2008, giving it a good starting point in comparison with other investment funds of a similar nature.

In public equity, the strategy of the Fund has been to invest at a pace aimed at being in sync with the recovery taking place in financial markets and the economy as a whole, while still mindful of the many uncertainties which are still present.

Continuing concerns such as the solvency of banks, the collapsed property markets and the consequences for consumer spending, and therefore economic recovery, are exacerbated in emerging economies like Kazakhstan and have a major negative impact on local equity and bond markets.

Over the year the Fund's audited Net Asset Value ("NAV") increased from \$0.54 per share at the beginning of the year to \$0.68 per share at the end of the year. This represents a rise of 26% compared to a 11% rise for the MSCI Frontier index, which includes Kazakhstan, and a 47% rise of the narrowly based and less liquid Kazakhstan Stock Exchange ("KASE") index, which due to these constraints makes it difficult to match.

During the year public equity exposure grew from 25% to 56% and cash was reduced from 40% to 20% of total assets. Short positions were brought back from 23% to 13% mid-year and subsequently completely exited resulting in nil exposure as at the year end.

The majority of our individual stock positions added value, in particular our holdings in Centerra Gold, Uranium One, Dragon Oil and Zhaikmunai. A further contribution to the performance of the Fund was made by its gold futures position, equalling an exposure of just below 25% of the Portfolio throughout the year.

In our private equity portfolio, our interest in Alem Communications Holding LLP ("Alem"), which was formed in conjunction with a Kazakh-based investment group, Midas Telecom LLP, through a de facto conversion of our interest in Digital TV ("DTV"), has been the focus of much attention of our Investment Manager. Alem's ambition is to become one of the leading cable TV and telecom operators in Kazakhstan and during the year it completed the acquisitions of two significant regional operators and undertook a further round of financing. As the Fund did not participate in the latest financing round, its economic share in Alem has declined to 18.5% (from 27.1%), however our representation on Alem's board remains unchanged.

Teniz Service LLP ("Teniz"), the oil and gas services company in which we have an interest, continued its business development strategy through building new infrastructure facilities and forming joint ventures. It managed to contract substantial additional business and generated more revenues.

Our Investment Manager is in the process of scrutinising various private equity investment opportunities with an aim of making further private equity investments in the course of 2010.

Philip Lambert
Chairman

March 2010

TAU CAPITAL PLC

Investment Manager's Report

Reported Monthly NAV

	NAV	1 Month performance
31 January 2009	\$0.55	0.86%
28 February 2009	\$0.54	(2.31%)
31 March 2009	\$0.54	(0.07%)
30 April 2009	\$0.57	5.02%
31 May 2009	\$0.58	2.33%
30 June 2009	\$0.57	(1.43%)
31 July 2009	\$0.57	0.17%
31 August 2009	\$0.57	(0.38%)
30 September 2009	\$0.59	3.38%
31 October 2009	\$0.62	4.39%
30 November 2009	\$0.68	10.21%
31 December 2009	\$0.68	(0.43%)

Public Equity

The Fund's performance in 2009 was mainly driven by the tactical shift away from the defensive structure that was necessary to protect its capital during the decline in global stock markets in 2008 to a more aggressive stance in the past twelve months. To this end, the cash balance was reduced from 40% at the beginning of 2009 to less than 20% by year end. Simultaneously, public equity exposure increased from approximately one quarter of the Portfolio to almost 60%. The previous defensive strategy, which enabled Tau to outperform the KASE index by 20% in 2008, included the implementation of short positions on indices and specific stocks. At the end of the March 2009, these shorts covered 23% of the portfolio. However, as our outlook for the broader markets improved, we steadily reduced these short positions to 13% at the end of June 2009 and eventually to nil by year end.

Performance was also supported by our gold futures position which we continued to roll forward, thereby maintaining the investment at just less than one quarter of the portfolio throughout the year. This proved to be one of our most consistent contributors to performance in 2009, delivering 4% to the overall result. In terms of sectors, the three sectors constituting the major pillars of Kazakhstan's corporate landscape, namely oil and gas, metals and mining, and financials, all had a strong year in terms of portfolio contributions.

By far the largest contributors within the oil and gas sector were Dragon Oil and Zhaikmunai. While both benefited from the 78% rise in WTI oil prices during 2009 (compared to the 54% fall during 2008), Dragon Oil's stock price appreciation was also supported by solid production growth that was in line with company guidance and a bid by its majority shareholder, Emirates National Oil Company (ENOC), to buy out the whole company. Zhaikmunai's drilling program showed higher than expected subterranean pressure/flow rates.

Of the metals and mining stocks, all sub-categories performed well and our material exposures enabled solid contributions to the Portfolio's overall performance. Uranium One, a high-conviction stock pick for us, delivered the lion's share of the increase to the Portfolio's NAV attributable to uranium stocks. Khan Resources, which owns part of the Dornod uranium deposit in Mongolia, also contributed positively. Kyrgyz and Mongolian gold producer, Centerra Gold, performed strongly which is not surprising given the gold price movements in 2009. These contributions were offset somewhat by short positions in diversified miners. While these shorts helped Tau to achieve a 32% outperformance versus the local KASE index from inception in May 2007 to February 2009 (by which time the KASE had lost 80% of its value), they did dampen performance in the metals and mining group after markets began to rally in March, until these positions were exited.

Financials also delivered healthy returns to the Portfolio with the stock prices of both Halyk Bank (+204%) and Bank CentreCredit (+54%) rising substantially during the year on a US dollar basis.

The volatile and narrow KASE index rebounded strongly from its February 2009 nadir to return 47% for the year (in US dollar terms). Tau's NAV rose by 26%, while the MSCI Frontier Index, which includes Kazakhstan amongst the countries it tracks, increased by 11%.

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Investment Manager's Report (continued)

Public Equity (continued)

Since inception the fund has fallen by 29.2% (32% including launch costs) compared to a fall of nearly 46% (in USD) for the KASE with considerably lower volatility. In sterling, the Fund is down 12.5% compared to -17.4% for the FTSE.

Despite the Portfolio's stronger absolute performance in 2009, some of the same challenges remained in place, in that a number of stocks in our universe in general and our Portfolio in particular are characterised by low liquidity, with many not trading at all on some days.

Portfolio Activity and Structure – Public Equity

The main theme of the Portfolio's activity during 2009 was the shift from a defensive structure to a more aggressive one, which involved increasing our exposure to public equities, reducing the cash balance and exiting short positions. While the Portfolio's exposure to all three of the key Central Asian public equity sectors increased, it was in the natural resources sectors that the most dramatic changes were made.

In the metals and mining sector, the Portfolio's net exposure of less than 10% in the first half of 2009 rose to over 20% in the second half as our short positions were exited and our long exposure to high-beta stocks, ENRC and Kazakhmys, was increased to make them two of the largest public equity holdings in the Portfolio. Centerra Gold, the producer of Mongolian and Kyrgyz gold, performed strongly as it benefited from the rising gold prices as well as the divestiture of non-core assets, the inclusion in the S&P/TSX 300 Composite Index in Toronto, and favourable research reports that were well-received in the market. We took some profits on the stock at the end of November 2009 after the stock price had appreciated by over 200% and just before the subsequent correction in gold prices. We also added to our Uranium One position in the second half of the year. Fundamentally, we have a strong conviction for this name given its superior position on the industry cost curve, its substantial growth potential and our favourable view on the uranium sector in general over the mid-to-long term. In the short-term, we had also anticipated positive market reaction to news flow regarding the Karatau mine acquisition and new financing from a consortium of Japanese utilities, both of which have been successfully completed.

Tau's exposure to oil and gas stocks also increased significantly during 2009. The low net exposure early in the year was substantially raised to 17% of the Portfolio by the middle of the year as a result of exiting our Oil and Gas index short and the very strong performance by Dragon Oil. The Turkmenistan oil producer benefited from the 41% appreciation in oil prices and positive production results that were in line with company guidance, enabling its stock price to more than double during the second quarter. Dragon Oil continued to deliver positive returns in the second half of 2009 and finished the year as the second largest holding and 8.8% of the Portfolio. Kazakh oil and gas producer, Zhaikmunai, was another excellent contributor to the Portfolio's performance. In line with our structural shift toward greater public equity exposure throughout the year, we decided to participate in Zhaikmunai's issuance of new equity in the summer of 2009. This excellent performer grew from 6% to over 9% of the Portfolio by the end of the year, based solely on price performance due to double digit oil price appreciation and the positive drilling results noted above.

In contrast to 2008, when we deliberately reduced our exposure to the financial sector, in 2009 our exposure gradually increased due to positive performance returns from Halyk Bank and Bank CentreCredit. In the first quarter, exposure to financials was below 3% but by year end this had risen to over 7%, driven entirely by performance. We continued to assess the Kazakh banks throughout the year but did not add to our positions due to our concerns regarding deteriorating asset quality and uncertainty as to how the restructuring processes of the banks in default would impact the sector as a whole.

During different stages throughout the year we implemented options strategies to provide capital protection for some of our largest stock positions while still allowing for upside participation. At the year end we also implemented a similar strategy to protect our gold futures position, which, as noted above, has delivered excellent results throughout the year, notwithstanding the December correction.

Investment Manager's Report (continued)

Markets Background – Public Equity

The underlying theme of global market activity during 2009 was increased risk appetite. Although there were some exceptions, the correlations during 2009 can be generalised as follows:

- rising equity markets, falling bond prices as capital flowed out of the low-risk / lower-return bond markets,
- weakening US dollar – helped down by carry-trading activity,
- appreciation in the prices of US dollar-denominated commodities such as copper and oil.

The declining dollar also supported the higher gold price, which, in addition to being denominated in US dollars, is also a substitute store of value vis-à-vis the US dollar and a safe haven for those harbouring concerns of longer-term US dollar weakness due to the massive quantities of debt being issued by the US Treasury.

While the US dollar index only finished the year down 4% versus a basket of currencies of its major trading partners, it fell by 12% after the March turning point in the markets, and it was this trend that came to define the greenback. This material weakening was consistent with the overall increase in risk appetite as higher-yielding non-dollar denominated assets became more attractive on a risk-return basis as investors gained confidence that the global economy was gaining traction. Accelerating the decline was substantial carry-trade activity, whereby investors borrowed and sold US dollars to buy higher-yielding assets, thereby adding to the supply of dollars in foreign exchange markets.

Commodities across almost all categories performed well in 2009, as illustrated by the 23% rise in the Reuters/Jefferies broad commodity index. The weakness in the dollar was supportive of dollar-denominated commodities which include, importantly for Tau: copper, oil, and gold. London Metal Exchange copper spot prices, which we believe is a reasonably good indicator of overall market sentiment since 2003, appreciated 141% in 2009 to end the year at \$7,342/tonne. The drivers included the dollar, the improving overall investor sentiment regarding an economic recovery, Chinese demand, and speculative purchasing. The WTI oil price also had a strong year, rising 78% to close the year out at \$79/bbl, although still \$66/bbl from its peak in mid-2008. In addition to the dollar, oil rose on increased global demand as the economic recovery gained traction, especially in China, reduced OPEC supplies and below-average temperatures on the Eastern Seaboard of North America as winter set in later in the year. Finally, the 24% rise in gold prices was a result of the weaker dollar, which not only made gold cheaper for non-Americans, but also made it a more attractive substitute store of value.

The Kazakhstan economy began the process of recovery in 2009. As expected, positive GDP growth returned in the fourth quarter, and while the official full year GDP growth figure of 1.1% seems overly optimistic, it does suggest that the recovery is perhaps progressing more quickly than previously expected with the support of the Government's stimulus spending package and more accommodative interest rates from the Central Bank (refinancing rate is now 7.0% after being reduced seven times during 2009). Although GDP growth only returned to positive territory in the fourth quarter, positive signs had been building throughout the year. After contracting for seven consecutive months, industrial production returned to positive growth in June and did not look back. By year end, industrial production was running at double-digit year on year growth, albeit off a lower base from the previous year. While we believe that the official numbers understate inflation to some extent, the 7.3% annual rate in 2009 suggests that price stability is a positive aspect of the economy at the present time. Unemployment continued to trend down, reaching 6.3% in December 2009.

The Balance of Payments turned positive in the third quarter after three quarters of deficits with the support of rising export commodity prices. Along with the appreciation in the Russian ruble, this placed upward pressure on the Kazakhstan tenge, which strengthened by 1.5% during November 2009. Decisive action by the Central Bank successfully halted this trend, but the risks going forward have clearly shifted toward appreciation. This perspective is supported by the Central Bank's announcement that the new asymmetric band for the tenge will be 150T/\$ (+15/-22.5) from February 2010 to March 2011. Foreign reserves grew 19% during the year, finishing at \$47.6 billion at year end. The Government's projected deficit for 2010 (\$4.8 billion, after \$8 billion in planned transfers from the National Fund - the repository for the nation's public oil revenues) appears manageable, especially given that \$1.5 billion of financing from International Financial Institutions (WB; ADB) has already been arranged.

TAU CAPITAL PLC

Investment Manager's Report (continued)

Outlook – Public Equity

We believe that the Kazakhstan economy will resume its recovery in 2010. Inflation is likely to creep upwards as economic activity picks up but is not expected to reach distorting levels. Foreign direct investments should continue to be robust, especially in the oil and gas sector, which continued to attract foreign capital at a healthy pace throughout the duration of the economic downturn. We would anticipate some strengthening of the tenge but at a measured rate. The impact of the customs union with Russia and Belarus, and more specifically who the winners and losers will be in terms of sectors, has yet to be fully determined. However, the impact on the current portfolio is likely to be modest. A greater impact is likely to be on our universe of potential private equity investments, as some Kazakh producers are faced with greater competition from Russian counterparts. On the other hand, easier access to the huge Russian market will benefit those producers that can seize upon the opportunity. Determining which companies are best positioned to take advantage of this new dynamic, especially in the context of anticipated further liberalisation over the coming years as the customs union evolves into a common economic space (which points to easier labour mobility, capital flows, and sharing of infrastructure, in addition to freer flows of goods and services) will be a continuing challenge in 2010.

In terms of global markets, the bull run in equity markets that began in March 2009 has led to substantial pricing-in of a successful economic recovery and solid earnings growth. Certain economic data such as the 5.7% fourth quarter US GDP growth figure (inventory accounting notwithstanding) and the set of strong manufacturing sector results across the globe released in January 2010, give hope that these rich valuations will be proven accurate. The fact that more than three-quarters of the companies that had reported fourth quarter earnings by the end of January 2010 surpassed expectations (including signs of top-line growth) further supports this possibility.

However, to be prudent, we recognise that the markets are not well supported as evidenced by the material, negative reactions in different quarters to negative news flow. By way of example, the recent significant declines in copper prices as the Chinese Government's policy of withdrawing liquidity was announced and implemented by banks. In addition, US policy regarding restrictions on the activities of American financial institutions was not well received by investors. Given the optimistic valuations, the demonstrated recent nervousness among investors and the incipient withdrawal of fiscal and monetary stimulus across the globe, equity markets worldwide may show some weakness in 2010. In light of this, a primary focus of ours is retaining gains made and protecting capital. Thus, we have implemented option strategies to protect the downside for some of our largest holdings, including our gold futures position. However, we have structured these options positions to enable upside participation in the event that asset values continue to appreciate despite the issues noted above.

Private Equity

Over the course of 2009, Tau actively focused on business development of its two portfolio companies, Alem Communications (formerly Digital TV) and Teniz Service, while actively screening and evaluating new investment opportunities in Kazakhstan and surrounding countries. Given the challenging macroeconomic and financial market environment in Kazakhstan, Tau focused on ensuring uninterrupted business operations of its portfolio of companies and managing economic challenges brought on by the economic slowdown and the devaluation of the Kazakh tenge.

Portfolio Activity - Private Equity

Alem Communications Holding LLP (“Alem”)

After forming Alem, a holding company with cable TV and wireless broadband (using Wimax technology) operations, along with a Kazakh-based investment group Midas Telecom LLP, Tau's direct economic benefit share in the company stood at 27.1%. As part of the original investor consortium in Digital TV (along with Compass Asset Management and Digital TV founder Erjan Tunguhsbaev), Tau and Compass Asset Management appointed two Directors on the Board of Alem.

TAU CAPITAL PLC

Investment Manager's Report (continued)

Portfolio Activity - Private Equity (continued)

Alem Communications Holding LLP ("Alem") (continued)

Since the formation of Alem, investors hired an experienced senior management team to lead the development of the company. During 2009, the company pursued both organic growth and an acquisition-driven strategy to continue its expansion plans with the medium-term aim of becoming leading cable TV and telecom operators in Kazakhstan. Alem closed two significant regional acquisitions, Astana-based Sekatel and Pavlodar-based G-Media cable TV operators, which increased its cable TV subscriber base to nearly 180,000 and propelled Alem to the number 2 cable TV operator in Kazakhstan. Alem is currently present in eleven cities and plans further organic and acquisition-driven expansion in the coming year. Additionally, the company's management is working on the integration of regional acquisitions, digital conversion of the cable TV platform as well as planning a launch of a wireless broadband offering to consumers and businesses during the coming year. Alem will also hire an independent auditor to perform the audit of consolidated financial accounts; the company does not report its financial results publicly.

At the end of December 2009, Alem's Board voted for an additional \$28.6 million capital injection to fund Wimax and cable TV development plans. Tau, due to its NAV holding threshold constraints, did not commit to participate in the capital raising. Capital injection was funded by Midas Telecom while Tau's economic benefit share declined to 18.5% post transaction. Tau and Compass Asset Management have retained the same participation on Alem's board.

During 2009, the shareholders of Alem engaged an independent financial adviser to perform a strategic and financial valuation of the company. Tau, alongside other shareholders, expects to receive a report from the appointed financial adviser at the end of the first quarter of 2010. Based on the report's findings and recommendations, the shareholders will assess its strategic options in regards to its investment in Alem.

Reflecting the tenge devaluation in February 2009, Tau's investment value in Alem, based on the book value of its formation transaction with Midas Telecom, has decreased from \$18.5 million to \$16.59 million.

Teniz Service LLP ("Teniz")

Teniz, the oil and gas services company in Kazakhstan, continued its business development strategy through building new infrastructure facilities at its ports on the Caspian Sea coast and forming joint ventures with specialised engineering and logistics services companies in order to service vessels and construction activity related to oil production on the Caspian Sea.

Teniz is owned by Waterford International Holdings Limited ("Waterford International") (51%) and KazMunaiGaz (49%). Tau's investment in the company is through a convertible loan agreement (through Contour Caspian Ventures Limited, one of the shareholders in Waterford International) with \$19.5 million principal scheduled to be repaid by October 2011. Visor Holdings LLP acts as the guarantor for this loan. Tau will also have an option to receive the accumulated interest payment, at an 18% annual coupon rate, in cash or to convert into equity shares of Waterford International at the same time.

During 2009, Teniz signed a commercial contract with Agip/Eni to provide vessel services, waste management and other services. The company also entered into a joint venture with McDermott International, a leading engineering and construction group, to develop a field and facilities to construct offshore drilling platforms to be used in the Kashagan oil field in the Caspian Sea. In addition, the company entered into a joint venture with M-I SWACO, a leading supplier of drilling fluid systems and tools, to build an industrial platform to service oil drilling muds. The joint venture with M-I SWACO signed a number of customers among major oil producers.

During the nine months to 30 September 2009, according to the company's reviewed financial accounts, Teniz generated \$12.3 million in revenues (\$4.2 million for the same period in 2008) and posted a \$2.7 million net income loss (\$1.3 million profit for the same period in 2008) due to a one-off payment of interest and bank loan charges. According to the financial accounts, Teniz had approximately \$19 million net debt and \$77.5 million of total assets as at 30 September 2009.

Investment Manager's Report (continued)

Outlook for Private Equity Investment Opportunities

Over the past year, Tau screened a number of investment opportunities and conducted extensive due diligence and assessment of several selected investment targets. We focused on businesses with a solid growth outlook, under-served and/or under-invested industries, companies that were well-positioned for further intra-industry consolidation, companies with potential balance sheet repair issues or those in need of growth capital. In screening and evaluating investment opportunities, Tau looks for attractive business targets with superior investment returns, attractive entry valuation, quality of management teams, promising industry growth outlook, aligned interests with existing shareholders or potential co-investors and simultaneously balances this criteria against risks such as political risks, gaps in financial reporting or other company data, business plan execution risks and other potential issues.

Tau is currently analysing a number of potential opportunities including a leading Liquefied Petroleum Gas distribution business in Kazakhstan, two potential investments in oil fields in Kazakhstan, an acquisition of an oil and gas services business in Kazakhstan, and several other investment opportunities, including other countries in Central Asia.

Spencer House Compass Capital Limited

March 2010

TAU CAPITAL PLC

Directors' Report

The Directors have pleasure in presenting their report and financial statements of the Group for the year ended 31 December 2009.

Principal activity and incorporation

The Company was incorporated in the Isle of Man on 3 April 2007 for the purpose of investing in public and private businesses that are established in, operating in or have exposure to Kazakhstan and neighbouring countries. It was admitted to the Alternative Investment Market of the London Stock Exchange on 3 May 2007.

Results and dividends

The Group's results for the financial year ending 31 December 2009 are set out on the Consolidated Statement of Comprehensive Income on page 13.

A review of the Group's activities are set out in the Chairman's report and the Investment Manager's report on pages 2 to 8.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2009, leaving a gain of US\$32,738,290 to be transferred to reserves.

The Group's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Investment Manager's Report on pages 3 to 8. Note 1 and note 11 to the financial statements include the Group's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and as a consequence the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and consolidated financial statements.

Directors

The Directors of the Company during the year and to the date of this report were as follows:

	Appointed	Resigned
Philip Scales	3 April 2007	
Philip Lambert	3 April 2007	
Richard Horlick	11 April 2007	
Almas Chukin	11 April 2007	16 March 2009
Robert Brown, III	11 April 2007	
Michael Sauer	16 March 2009	

Director's interests in the shares of the Company are detailed in note 10.

Company Secretary

The Secretary of the Company during the year ended 31 December 2009 and to the date of this report was Philip Scales.

Auditors

The auditors, Deloitte & Touche have expressed their willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

Approved on behalf of the Board of Directors

Director

Director

_____ 2010

TAU CAPITAL PLC

Statement of Directors' Responsibilities

As required by Isle of Man company law, the Directors have accepted responsibility for preparation of the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors accept responsibility for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that are reasonable and prudent; and
- preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors accept responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are prepared properly and in accordance with any relevant enactment for the time being in force. They also accept responsibility for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TAU CAPITAL PLC

Independent Auditor's Report to the Members of Tau Capital Plc

We have audited the Group and Company financial statements (the "financial statements") of Tau Capital Plc for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1931 to 2004. We also report to you if, in our opinion, the information given in the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, Investment Manager's Report and the Directors' Report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within this information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

TAU CAPITAL PLC

Independent Auditor's Report to the Members of Tau Capital Plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's and company's affairs as at 31 December 2009 and of the group's gain for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1931 to 2004.

Emphasis of matter – valuation of private equity investments

Without qualifying our opinion, we draw attention to the disclosures in note 2 (d) and 18 concerning the valuation of investments and interest receivable. The Directors of the Group have estimated the total fair value of the private equity investments as US\$36,094,055 as of 31 December 2009 in accordance with the Group's accounting policy, as disclosed in note 2(d). The value has been estimated by the Directors following the opinions and advice of the Investment Manager in the absence of readily ascertainable market values. However, because of the inherent uncertainty of the valuations, the estimated values may differ materially from the values that would have been realised had disposals of the investments been made between a willing buyer and seller. Uncertainty also exists in relation to the valuation of the interest receivable associated with the private equity investment in Teniz Service LLP of US\$5,131,523. The recovery of this interest is dependent on a number of factors which are further detailed in note 18. It is not possible to quantify such uncertainties.

Deloitte & Touche
Chartered Accountants
Douglas
Isle of Man

_____ 2010

TAU CAPITAL PLC

Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$
Investment income			
Interest income		4,379,436	3,922,395
Dividend income		293,007	968,898
Less: withholding tax		(37,523)	(27,218)
Net changes in fair value of financial assets and liabilities through profit or loss	3	33,409,785	(98,868,991)
Total operating income/(loss)		38,044,705	(94,004,916)
Expenses			
Operating expenses	8	(5,306,415)	(7,434,747)
Profit/(loss) for the year		32,738,290	(101,439,663)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		32,738,290	(101,439,663)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		32,738,290	(101,439,663)
Non-controlling interests		-	-
		32,738,290	(101,439,663)
Earnings/(loss) per share	17	\$0.14	(\$0.42)

Approved on behalf of the Board of Directors

Director

Director

_____ 2010

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

Consolidated Statement of Financial Position

	Note	As at 31 December 2009 US\$	As at 31 December 2008 US\$
Assets			
Cash and cash equivalents	7	54,267	3,500,033
Amounts due from brokers	6	28,838,722	48,715,121
Financial assets at fair value through profit or loss	3	130,923,814	83,571,717
Dividends receivable		-	8,303
Other receivables		60,367	68,349
Interest receivable	18	5,131,523	1,219,538
Total assets		165,008,693	137,083,061
Liabilities			
Financial liabilities at fair value through profit or loss	3	(3,539,660)	(8,322,018)
Accounts payable and accrued expenses	8	(178,733)	(209,033)
Total liabilities		(3,718,393)	(8,531,051)
Total net assets		161,290,300	128,552,010
Shareholders' equity			
Share capital		4,752,070	4,752,070
Capital redemption reserve		250,109	250,109
Distributable reserves		156,288,121	123,549,831
Total shareholders' equity		161,290,300	128,552,010
Net Asset Value per share	16	\$0.68	\$0.54

Approved on behalf of the Board of Directors

Director

Director

_____ 2010

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

Company Statement of Financial Position

	Note	As at 31 December 2009 US\$	As at 31 December 2008 US\$
Assets			
Investment in subsidiaries	19	161,290,300	128,552,010
Total assets		161,290,300	128,552,010
Total net assets		161,290,300	128,552,010
Shareholders' equity			
Share capital		4,752,070	4,752,070
Capital redemption reserve		250,109	250,109
Distributable reserves		156,288,121	123,549,831
Total shareholders' equity		161,290,300	128,552,010
Net Asset Value per share	16	\$0.68	\$0.54

Approved on behalf of the Board of Directors

Director

Director

_____ 2010

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

	Share capital US\$	Share premium US\$	Capital redemption reserve	Distributable reserves US\$	Total US\$
Balance at 31 December 2008	4,752,070	-	250,109	123,549,831	128,552,010
Total comprehensive income for the year	-	-	-	32,738,290	32,738,290
Balance at 31 December 2009	4,752,070	-	250,109	156,288,121	161,290,300

Consolidated Statement of Changes in Equity for the year ended 31 December 2008

	Share capital US\$	Share premium US\$	Capital redemption reserve	Distributable reserves US\$	Total 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)	-
Total comprehensive loss for the year	-	-	-	(101,439,663)	(101,439,663)
Balance at 31 December 2008	4,752,070	-	250,109	123,549,831	128,552,010

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

Company Statement of Changes in Equity for the year ended 31 December 2009

	Share capital	Share premium	Capital redemption reserve	Distributable reserves	Total
	US\$	US\$		US\$	US\$
Balance at 31 December 2008	4,752,070	-	250,109	123,549,831	128,552,010
Total comprehensive income for the year	-	-	-	32,738,290	32,738,290
Balance at 31 December 2009	4,752,070	-	250,109	156,288,121	161,290,300

Company Statement of Changes in Equity for the year ended 31 December 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)	-
Total comprehensive loss for the year	-	-	-	(101,439,663)	(101,439,663)
Balance at 31 December 2008	4,752,070	-	250,109	123,549,831	128,552,010

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

Consolidated Statement of Cash Flows

	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$
Cash flows from operating activities		
Profit/(loss) for the year	32,738,290	(101,439,663)
Adjustments to reconcile profit/(loss) for the year to net cash (used in) operating activities		
Purchase of financial assets and settlement of financial liabilities	(129,324,138)	(185,870,867)
Sale of financial assets and settlement of financial liabilities	111,286,929	180,705,393
Realised loss/(gain) on investments	41,406,881	(4,679,656)
Net change in unrealised (gain)/loss on investments	(75,290,643)	131,901,323
Net change in amortisation of debt instruments	(213,484)	-
Decrease/(increase) in amounts due from broker	19,876,399	(19,450,529)
(Increase) in interest receivable	(3,911,985)	(893,873)
Decrease/(increase) in dividends receivable	8,303	(1,179)
Decrease in prepaid insurance	-	99,427
Decrease/(increase) in other receivables	7,982	(68,349)
(Decrease) in accounts payable and accrued expenses	(30,300)	(413,674)
Net cash (used in) operating activities	(3,445,766)	(111,647)
Cash flows from financing activities		
Payments for purchase of ordinary shares	-	(9,600,750)
Net cash (used in) financing activities	-	(9,600,750)
Net (decrease) in cash and cash equivalents	(3,445,766)	(9,712,397)
Cash and cash equivalents at beginning of year	3,500,033	13,212,430
Cash and cash equivalents at end of year	54,267	3,500,033
Supplementary disclosure of cash flow information		
Dividends received	301,310	640,501
Interest received	467,451	3,028,522

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

Company Statement of Cash Flows

	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$
Cash flows from operating activities		
Profit/(loss) for the year	32,738,290	(101,439,663)
Adjustments to reconcile profit/(loss) for the year to net cash provided by operating activities		
Net change in unrealised (gain)/loss on investments	(32,738,290)	101,439,663
Net cash provided by operating activities	-	-
Cash flows from investing activities		
Redemption of shares in subsidiary undertakings	-	9,600,750
Net cash provided by investing activities	-	9,600,750
Cash flows from financing activities		
Payment for purchase of ordinary shares	-	(9,600,750)
Net cash (used in) financing activities	-	(9,600,750)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes on pages 20 to 42 are an integral part of these financial statements.

TAU CAPITAL PLC

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 will also seek 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 public investments are held by a subsidiary, Tau Cayman LP. The Company’s private equity investments are held by two subsidiary companies Tau SPV 1 Cooperatief and Tau SPV 3 Cooperatief. Hereinafter, Tau Cayman LP, Tau SPV 1 Cooperatief, Tau SPV 3 Cooperatief, Tau Cayman Limited and Tau Capital plc will be referred to as the “Group” (see note 19).

The Group intends to invest 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 aims to provide 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

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), issued by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Committee of the IASB and applicable legal and regulatory requirements of Isle of Man law and the AIM Rules of the London Stock Exchange.

b) Adoption of new and revised standards

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 8 Operating Segments

IFRS 8 is a disclosure Standard that has had no impact on the Group’s reportable segments or on the reported results or financial position of the Group.

IAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

As of the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

First-time adoption of IFRSs (IFRS 1): amendments to IFRS 1. Amendments issued in July 2009 and January 2010. These amendments are effective for annual periods beginning on or after 1 January 2010 and July 2010, respectively, with earlier application permitted.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

b) Adoption of new and revised standards (continued)

Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement was issued in November 2009. The amendment is effective for annual periods, beginning on or after 1 January 2011, with earlier application permitted.

IFRIC 19 Extinguishing Financial Liabilities with Equity was issued in November 2009. The interpretation is effective for annual periods, beginning on or after 1 July 2010, with earlier application permitted.

IFRS 9 Financial Instruments was issued in November 2009. The standard is effective for annual periods, beginning on or after 1 January 2013, with earlier application permitted.

Related Party Disclosures Revised IAS 24 Related Party Disclosures was issued in November 2009. The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted.

Classification of rights issues Classification of Rights Issues (Amendment to IAS 32) issued in October 2009. Entities are required to apply the amendment for annual periods beginning on or after 1 February 2010, but earlier application is permitted. IFRS for SMEs. IFRS issued in July 2009.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with transitional reliefs offered in these amendments.

The financial statements have been prepared on the historical cost basis, modified by the revaluation of investments. The principal accounting policies adopted are set out below.

c) Basis of presentation

The financial statements are presented in US dollars. The functional currency is also the US dollar.

In accordance with Section 3(5)(b)(iii) of the Isle of Man Companies Act 1982, no separate Statement of Comprehensive Income has been presented for the Company. The amount of the Company's gain for the year recognised in the Consolidated Statement of Comprehensive Income is US\$32,738,290 (2008: (US\$101,439,663)).

The Group's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Investment Managers Report on pages 3 to 8. Note 1 and note 11 to the financial statements include the Group's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and as a consequence the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and consolidated financial statements.

The Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Group's assets and liabilities are held for the purpose of being traded or are expected to be realised within one year with the exception of private equity investments. All references to net assets throughout this document refer to net assets attributable to holders of ordinary shares unless otherwise stated.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

d) Significant accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the Board of Directors to exercise its judgement in the process of applying the Group's accounting policies. Key estimates, assumptions and judgements that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques. Where applicable, investments are valued according to the International Private Equity and Venture Capital Valuation Guidelines based on the opinions and advice of the Investment Manager. Valuation techniques may include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Further details concerning the uncertainties surrounding the valuation of private equity investments can be found in note 5 and note 18.

e) Financial instruments

i) Classification

The Group designates its assets and liabilities into the category below in accordance with IAS 39 "Financial instruments: Recognition and Measurement".

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is further sub-divided into:

Financial assets and liabilities held for trading: These include equities, contracts for difference, money market instruments, OTC options, bonds, futures and liabilities from short sales of financial instruments. These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price. Derivatives are categorised as held for trading, as the Group does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39.

Financial assets and liabilities designated at fair value through profit or loss at inception: which include private equity investments. These are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy.

ii) Recognition

All regular way purchases and sales of financial instruments are recognised on the trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the period generally established by regulation or convention in the market place. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out ("FIFO") method.

iii) Initial measurement

Financial instruments categorised at fair value through profit or loss, are recognised initially at fair value, with transaction costs for such instruments being recognised directly in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

e) Financial instruments (continued)

iv) Subsequent measurement

After initial measurement, the Group measures financial instruments which are classified as at fair value through profit or loss at their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty in the case of non-exchange traded instruments at the date of the Statement of Financial Position without any deduction for estimated future selling costs. Financial assets are priced at their current bid prices, while financial liabilities are priced at their current offer prices.

If a quoted market price is not available on a recognised stock exchange or from a reputable broker/counterparty, the fair value of the financial instruments may be estimated by the Directors using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Unlisted investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 and guidelines issued by the International Private Equity and Venture Capital Association. In estimating fair value for an investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations. An appropriate methodology will incorporate available information about all factors that are likely to materially affect the fair value of the investment. Valuation methodologies will be applied consistently from year to year, except where a change would result in a more accurate estimate of the fair value of the investment, which may be up or down.

v) De-recognition

The Group de-recognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for de-recognition in accordance with IAS 39.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

An analysis of the fair value of financial instruments is set out in note 5.

f) Investments in subsidiaries

In accordance with IAS 27 "Consolidated and Separate Financial Statements", investments in subsidiaries are accounted for under IAS 39 "Financial Instruments: Recognition and Measurement" as investments designated at fair value through profit and loss.

g) Interest income and expense

Interest income and interest expense are recognised on an accruals basis, using the effective interest method, in line with contractual terms. Interest is accrued on a daily basis.

h) Dividend income and expense

Dividend income and expense are recognised in the Statement of Comprehensive Income on the dates on which the relevant securities are listed as "ex-dividend". Dividend income is shown gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of Comprehensive Income, and net of any tax credits.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

i) Expenses

All expenses, including performance fees and management fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Foreign currency translation

i) Functional and presentation 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.

ii) Foreign currency transactions

Monetary assets and liabilities and financial instruments categorised as at fair value through profit or loss, denominated in currencies other than the US dollar are translated into US dollars at the closing rates of exchange at the date of the Statement of Financial Position. Transactions during the year, including purchases and sales of securities and income and expenses are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses are included in realised and unrealised gains and losses on financial assets and liabilities designated at fair value through profit or loss.

l) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances with a maturity date of up to three months. They are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

m) Amounts due from brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the Statement of Financial Position.

n) Taxation

The Company is resident for tax purposes in the Isle of Man and will be subject to Isle of Man corporate income tax at the current rate of 0%.

The Group is exempt from all forms of taxation in the Cayman Islands, including income, capital gains and withholding taxes.

Provided the relevant investments meet the criteria of the participation exemption, the Group will not incur any taxes in the Netherlands. To date, the Group has not incurred a liability to Dutch tax.

o) Share capital

The Company's founder shares are classified as equity in accordance with the Company's Articles of Association.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

p) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries made up to 31 December 2009). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

q) Segment reporting

The Group has adopted IFRS 8, Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance.

There has been no change to the identification of the Group's reportable segments as a result of the adoption of IFRS 8. The investment strategy of the Group is focused on entities that operate in or have an exposure to Kazakhstan and the Investment Countries, which represent one geographical segment. 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 and the Investment Countries and as such, no additional disclosures are required in accordance with IFRS 8.

r) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, from the date that they are issued. The equity-settled transactions were fully vested on the date of their issue.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the fair value of the liability determined at each date of the Statement of Financial Position with any changes in fair value recognised in profit or loss for the year.

3. Financials Instruments at Fair Value through Profit or Loss

	As at 31 December 2009 US\$	As at 31 December 2008 US\$
Held for trading:		
Public equities	90,849,702	43,529,814
Private equity	36,094,055	37,952,693
Debt instruments	2,567,826	2,089,210
Derivatives: options	1,412,231	-
Total financial assets at fair value through profit or loss	130,923,814	83,571,717
Held for trading:		
Public equities	-	(6,698,327)
Derivatives: contracts for difference	-	(1,623,691)
Derivatives: futures	(2,968,100)	-
Derivatives: options	(571,560)	-
Total financial liabilities at fair value through profit or loss	(3,539,660)	(8,322,018)
Net changes in fair value of financial assets and liabilities through profit or loss		
Net realised (loss)/gain on investments and foreign exchange	(42,907,521)	32,924,449
Net unrealised gain/(loss) on investments and foreign exchange	76,317,306	(131,793,440)
Total gains/(losses)	33,409,785	(98,868,991)

Notes to the Financial Statements (continued)

4. Derivative Contracts

Typically, derivative contracts serve as components of the Group's investment strategy and are utilised primarily to structure and hedge investments to enhance performance and reduce risk to the Group (the Group does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39). The derivative contracts that the Group holds or issues are over-the-counter ("OTC") options and contracts for differences ("CFDs").

The Group records its derivative activities on a mark-to-market basis. Fair values are determined by using quoted market prices. For OTC contracts, the Group enters into master netting agreements with its counterparties, therefore, assets represent the Group's unrealised gains less unrealised losses for OTC contracts in which the Group has a master netting agreement. Similarly, liabilities represent net amounts owed to counterparties on OTC contracts.

A breakdown of the fair value of the derivatives held as at 31 December 2009 and 31 December 2008 can be found in note 3 to the financial statements above.

The primary difference in the risk associated with OTC contracts and exchange-traded contracts is credit risk. The Group has credit risk from OTC contracts when two conditions are present (i) the OTC contracts have unrealised gains, net of any collateral and (ii) the counterparty to the contract defaults. The credit risk related to exchange-traded contracts is minimal because the exchange ensures that their contracts are always honoured.

The Group purchases or sells put and call options through the OTC markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser of the option the opportunity to purchase from or sell to the Group the underlying asset at an agreed-upon value either on or before the expiration of the option.

Premiums received from writing options are marked to market in accordance with note 2 and the resulting gains or losses are recorded in the Statement of Comprehensive Income.

CFDs represent agreements that obligate two parties to exchange cash flows at specified intervals based upon or calculated by reference to changes in specified prices or rates for a specified amount of an underlying asset or otherwise deemed notional amount. The payment flows are usually netted against each other, with the difference being paid by one party to the other. Therefore amounts required for the future satisfaction of the CFD may be greater or less than the amount recorded. The ultimate gain or loss depends upon the prices at which the underlying financial instruments of the CFD are valued at the CFD's settlement date and is included in the Statement of Comprehensive Income.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

5. Fair Value of Financial Instruments

The Group values its investments in accordance with IFRS 7 - Financial Instruments: Disclosures (“IFRS 7”). IFRS 7 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair values and is applicable for annual periods beginning on or after 1 January 2009, with early application permitted. The fair value of financial assets and liabilities are calculated in accordance with the accounting policies disclosed in note 2 to the financial statements.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

As at 31 December 2009, the breakdown was as follows:

	Quoted market price (Level 1) US\$	Market observable inputs (Level 2) US\$	Non-market observable Inputs (Level 3) US\$	Total US\$
Financial assets				
- Held for trading	91,290,702	3,539,057	36,094,055	130,923,814
Financial liabilities				
- Held for trading	(2,968,100)	(571,560)	-	(3,539,660)
	88,322,602	2,967,497	36,094,055	127,384,154

As at 31 December 2008, the breakdown was as follows:

	Quoted market price (Level 1) US\$	Market observable inputs (Level 2) US\$	Non-market observable Inputs (Level 3) US\$	Total US\$
Financial assets				
- Held for trading	43,529,814	2,089,210	37,952,693	83,571,717
Financial liabilities				
- Held for trading	(8,322,018)	-	-	(8,322,018)
	35,207,796	2,089,210	37,952,693	75,249,699

Financial instruments included in each category are as follows:

Level 1 - Quoted market price:	Public equities, money market instruments, debt instruments and contracts for difference
Level 2 - Market observable inputs:	Debt instruments and options
Level 3 - Non-market observable inputs:	Private equities

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

5. Fair Value of Financial Instruments (continued)

The following is a reconciliation of the movement in financial assets for which non-market observable inputs were used to determine fair value as at 31 December 2009:

	US\$
Opening balance at 1 January 2009	37,952,693
Purchases	20,061,564
Sales	(20,352,079)
Net realised and unrealised (loss) on investments	(1,568,123)
Closing balance at 31 December 2009	<u>36,094,055</u>

(No comparative reconciliation for 31 December 2008 has been presented as in accordance with IFRS 7 comparative information is not required in the first year of application.)

As stated in note 2(d), where the valuation is dependent on non-market observable inputs, a degree of judgement is required in establishing fair values. Accordingly, the valuation of the private equity financial assets is subject to inherent uncertainty. Further details can be found in note 18.

6. Amounts Due from Brokers

	As at 31 December 2009 US\$	As at 31 December 2008 US\$
Cash held with broker	28,838,722	48,715,121
	<u>28,838,722</u>	<u>48,715,121</u>

7. Cash and cash equivalents

	As at 31 December 2009 US\$	As at 31 December 2008 US\$
Cash	54,267	3,500,033
	<u>54,267</u>	<u>3,500,033</u>

8. Fees and Expenses

Management Fees

The Investment Manager is entitled to receive from the Group a management fee equal to 2% per annum of the net asset value of the Group. The Group will pay the management fee semi-annually in advance.

In addition to the above, the Group bears the third party and other out-of-pocket expenses reasonably incurred in the performance of the duties of the Investment Manager, provided that, the amount of the expenses shall not exceed the annual cap of US\$500,000.

The investment management fee for the year was US\$2,672,811 (2008: US\$4,675,895) of which US\$Nil (2008: US\$Nil) was outstanding as at 31 December 2009.

Performance Fees

The Investment Manager is also entitled to receive a performance fee if the net asset value of the Group as at 31 December in the relevant year is greater than or equal to the Group's high water mark.

No performance fees were earned for the year ended 31 December 2009 or 31 December 2008.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

8. Fees and Expenses (continued)

Administrator and Sub-Administrator fees

The Administrator is entitled to receive a fixed fee of £6,250 each calendar quarter.

The Sub-Administrator is entitled to receive a monthly fee for the provision of administration and accounting services of US\$3,000 plus an additional fee at the following rates:

- (a) 0.08% of the first US\$100 million of average net assets;
- (b) 0.06% of the next US\$100 million of average net assets;
- (c) 0.04% of the next US\$100 million of average net assets; and
- (d) 0.03% of the average net assets in excess of US\$300 million.

The Sub-Administrator is also entitled to receive a monthly fee for its trade support and middle office services at the following rates:

- (a) 0.06% of the first US\$100 million of average net assets;
- (b) 0.04% of the next US\$100 million of average net assets; and
- (c) 0.03% of the average net assets in excess of US\$200 million.

Fees paid to the Administrator and Sub-Administrator for the year ended 31 December 2009 were US\$44,784 (2008: US\$59,711) and US\$193,152 (2008: US\$272,383), respectively.

Directors' remuneration

The Directors are entitled to receive by way of fees for their services as Directors, such sum as the Board may determine (not exceeding £400,000 per annum or such other sum as the Group in General Meeting shall determine). Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a Director.

The Director's remuneration expense for the year amounted to US\$158,282 (2008: US\$272,423).

Operating expenses

The Group meets all its own costs and expenses including the costs and expenses of advisors, consultants and other agents engaged on its behalf, commissions, banking fees, legal expenses, audit fees, listing costs and the costs of distribution of reports and accounts and similar documentation to shareholders. Costs incurred by the Group in connection with the placing were met by the Group.

The following table shows the breakdown of accounts payable and accrued expenses as at 31 December 2009 and 31 December 2008:

	As at 31 December 2009 US\$	As at 31 December 2008 US\$
Audit fees payable	(55,866)	(67,754)
Administration fees payable	(23,211)	(27,981)
Dividends payable	-	(53,843)
Other accounts payable and accrued expenses	(99,656)	(59,455)
	(178,733)	(209,033)

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

8. Fees and Expenses (continued)

The following table shows the breakdown of operating expenses incurred for the year ended 31 December 2009 and 31 December 2008:

	For the year ended 31 December 2009 US\$	For the year ended 31 December 2008 US\$
Management fees	(2,672,811)	(4,675,895)
Administration fees	(237,936)	(332,094)
Directors' remuneration expense	(158,282)	(272,423)
Audit fees	(70,665)	(134,309)
Other operating expenses	(2,166,721)	(2,020,026)
	<u>(5,306,415)</u>	<u>(7,434,747)</u>

9. Share Capital and Share Premium

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 allocated, called up and fully paid. The shares issued during the year were as follows:

	For the year ended 31 December 2009 Shares	For the year ended 31 December 2008 Shares
Balance at the beginning of the year	238,450,002	251,000,002
Issue of ordinary shares during the year	-	-
Purchase of ordinary shares during the year	-	(12,550,000)
Balance at the end of the year	<u>238,450,002</u>	<u>238,450,002</u>

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.

On 19 June 2008, Tau Capital plc acquired 12,550,000 of its own ordinary shares of 1p each at a price of US\$0.765 per share, representing 5% of its issued share capital. Following the purchase 238,450,002 ordinary shares were in issue.

10. Related Party Transactions

Richard Horlick, a Director of the Group as listed on page 1, is a Fund Manager at Spencer House Capital Management, LLP.

Michael Sauer, a Director of the Group as listed on page 1, is the Chairman of Compass Asset Management Ltd and CEO of Visor Holding LLP.

Almas Chukin resigned as a Director of the Group on 16 March 2009.

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

Fee arrangements with related parties and details of Director's remuneration can be found in note 8.

Notes to the Financial Statements (continued)

10. Related Party Transactions (continued)

As at 31 December 2009 and 31 December 2008 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 31 December 2009 and 31 December 2008, Richard Horlick held 5,000,000 ordinary shares.

As at 31 December 2009 and 31 December 2008, both Spencer House Capital Management, LLP and Compass Asset Management Ltd held one founder share each.

11. Financial Instruments and Associated Risks

Introduction

In accordance with the Company's accounting policy for investments in subsidiaries, these are designated at fair value through the profit and loss account. Since the Group's underlying net assets are owned by its subsidiaries and are carried at fair value, the disclosures in this note relating to financial instruments and associated risks are the same for both the Company and the Group.

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability. The Group is exposed to market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, it is the Investment Manager who manages and monitors risks on an ongoing basis.

Risk measurement and reporting system

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The model makes use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily performed based on limits established by the Board. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk mitigation

The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and have established processes to monitor and control economic hedging transactions in a timely and accurate manner. The Group uses derivatives and other instruments for trading purposes and in connection with its risk management activities.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentration of credit risks are controlled and managed accordingly.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and “other price risks”, such as equity and commodity risk.

The Group’s strategy on the management of investment risk is driven by its investment objective as outlined in note 1 to the financial statements. Details of the Group’s financial instruments outstanding at the date of the Statement of Financial Position can be seen in the Schedule of Investments on pages 43 to 45.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The trading equity price risk exposure arises from the Group’s investment portfolio. The Group manages this risk by investing on different stock exchanges.

Price movements are influenced by, among other things, changing supply and demand relationships, monetary and exchange control programs, policies of governments, political and economic events, and policies and emotions of the marketplace.

The Investment Manager considers the asset allocation of the portfolio in order to minimise the risks associated whilst achieving the Group’s investment objectives. The Group maintains a diversified portfolio both in terms of the number of positions, their geographic location (as detailed in the Schedule of Investments on pages 43 to 45) and industry sector.

The following table shows the breakdown by industry sector as at 31 December 2009:

	Financial assets at fair value through profit or loss US\$	Financial liabilities at fair value through profit or loss US\$
Commercial banks (non US)	11,307,702	-
Financial	2,334,437	(3,288,200)
Gold mining	10,942,138	-
Metals diversified	23,483,995	(113,650)
Oil exploration	40,948,883	(137,810)
Oil services & infrastructure	19,500,000	-
Paper & related products	430,400	-
Pharmaceuticals	2,660,725	-
Telecom services	19,315,534	-
	130,923,814	(3,539,660)

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market Risk (continued)

Equity price risk (continued)

The following table shows the breakdown by industry sector as at 31 December 2008:

	Financial assets at fair value through profit or loss US\$	Financial liabilities at fair value through profit or loss US\$
Commercial banks (non US)	5,254,544	-
Financial	2,119,306	(8,322,018)
Gold mining	8,403,507	-
Metals diversified	12,207,929	-
Oil exploration	14,630,494	-
Oil services & infrastructure	19,500,000	-
Paper & related products	352,000	-
Telecom services	21,103,937	-
	83,571,717	(8,322,018)

The Investment Manager manages market positions on a daily basis and seeks to mitigate this risk by applying the following restrictions to the portfolio of investments:

- (i) the Group acquires only minority stakes in public investments;
- (ii) where the Group secures a substantial minority stake or a controlling stake in a private company, it obtains appropriate board representation;
- (iii) the Group will not invest more than 15% of the net asset value of the Group in a single company or single affiliated group of companies; and
- (iv) the Group will not invest more than 40% of the net asset value of the Group in any one sector.

The Group's overall market positions are monitored on a quarterly basis by the Board of Directors during Board meetings.

Given the market volatility since the end of the year, the Group was well insulated to the overall market gyrations. With 20% of the portfolio in cash and another 20% in short exposures we believe this helped reduce the impact of market volatility on the Group's financial assets since the end of the year.

Management's best estimate of the effect on net assets and profit due to a reasonably possible change in significant equity indices, with all other variables held constant as at 31 December 2009 is as follows:

Market indices	Change in equity price	Effect on profit & net assets US\$
FTSE 100 Index	25% increase	4,299,544
Toronto (SPTSX)	25% increase	4,166,158
KZKAK	25% increase	9,302,433

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market Risk (continued)

Equity price risk (continued)

Management's best estimate of the effect on net assets and profit due to a reasonably possible change in significant equity indices, with all other variables held constant as at 31 December 2008 is as follows:

Market indices	Change in equity price	Effect on profit & net assets US\$
FT-AIM (AXX)	10% decrease	(817,756)
Toronto (SPTSX)	10% decrease	(1,377,641)
KZKAK	50% decrease	(5,779,782)

Management's best estimate of the effect on net assets and profit due to a reasonably possible change in private equities of 10%, with all other variables held constant as at 31 December 2009 is US\$3,609,406 (2008: US\$3,795,269)

(In practice the actual trading results may differ from this change and the difference could be material).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group invests in assets denominated in currencies other than its presentation currency, the US dollar. Consequently, the Group is exposed to risks that the exchange rate of the US dollar, relative to other currencies, may change in a manner which has an adverse effect on the reported value of that portion of the Group's assets which is denominated in currencies other than the US dollar.

The Group's currency risk is managed on a daily basis by the Investment Manager through a review of the portfolio. The Group's overall currency risk is monitored on a quarterly basis by the Board of Directors during Board meetings.

At 31 December 2009 the Group's exposure to foreign currency was as follows:

	Financial assets US\$	Financial liabilities US\$	Cash & cash equivalents US\$	Other assets & liabilities US\$	Total US\$
Australian dollar	1,422,591	-	-	-	1,422,591
Canadian dollar	17,302,447	-	4,806,078	-	22,108,525
Euro	-	-	2,590	62,077	64,667
Kazakhstan tenge	10,411,511	-	5,703	7,683	10,424,897
Pound sterling	31,326,707	(184,551)	770,074	48,378	31,960,608
US dollar	70,460,558	(3,355,109)	(5,530,178)	33,733,741	95,309,012
	<u>130,923,814</u>	<u>(3,539,660)</u>	<u>54,267</u>	<u>33,851,879</u>	<u>161,290,300</u>

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market Risk (continued)

Currency risk (continued)

At 31 December 2008 the Group's exposure to foreign currency was as follows:

	Financial assets US\$	Financial liabilities US\$	Cash & cash equivalents US\$	Other assets & liabilities US\$	Total US\$
Canadian dollar	11,803,874	-	36,762	76,652	11,917,288
Euro	-	-	633	-	633
Kazakhstan tenge	6,086,444	-	10,197	1,381	6,098,022
Pound sterling	12,269,362	-	1,420,612	-	13,689,974
US dollar	53,412,037	(8,322,018)	2,031,829	49,724,245	96,846,093
	<u>83,571,717</u>	<u>(8,322,018)</u>	<u>3,500,033</u>	<u>49,802,278</u>	<u>128,552,010</u>

The analysis below discloses management's best estimate of the effect of a reasonably possible movement in currency rates against the US dollar, with all other variables held constant on the Statement of Comprehensive Income (due to the fair value of currency sensitive trading monetary assets and liabilities) and net assets (due to the change in fair value of currency swaps and forward foreign exchange contracts). A negative amount in the table reflects a potential net reduction in Statement of Comprehensive Income or net assets, while a positive amount reflects a net potential increase as at 31 December 2009.

	% change	Financial assets & liabilities US\$	Cash & cash equivalents US\$	Other assets & liabilities US\$	Effect on profit & net assets US\$
Canadian dollar	18% decrease	(3,114,440)	(865,094)	-	(3,979,534)
Euro	3% decrease	-	(78)	(1,862)	(1,940)
Kazakhstan tenge	19% increase	1,978,187	1,084	1,460	1,980,731
Pound sterling	12% decrease	(3,737,059)	(92,409)	(5,805)	(3,835,273)
		<u>(4,873,312)</u>	<u>(956,497)</u>	<u>(6,207)</u>	<u>(5,836,016)</u>

(In practice the actual trading results may differ from this change and the difference could be material.)

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market Risk (continued)

Currency risk (continued)

The analysis below discloses management's best estimate of the effect of a reasonably possible movement in currency rates against the US dollar, with all other variables held constant on the Statement of Comprehensive Income (due to the fair value of currency sensitive trading monetary assets and liabilities) and net assets (due to the change in fair value of currency swaps and forward foreign exchange contracts). A negative amount in the table reflects a potential net reduction in Statement of Comprehensive Income or net assets, while a positive amount reflects a net potential increase as at 31 December 2008.

	% change	Financial assets US\$	Cash & cash equivalents US\$	Other assets & liabilities US\$	Effect on profit & net assets US\$
Canadian dollar	10% increase	(1,180,387)	(3,676)	(7,665)	(1,191,728)
Euro	10% increase	-	(63)	-	(63)
Kazakhstan tenge	25% increase	(1,521,611)	(2,549)	(345)	(1,524,505)
Pound sterling	10% increase	(1,226,936)	(142,061)	-	(1,368,997)
		<u>(3,928,934)</u>	<u>(148,349)</u>	<u>(8,010)</u>	<u>(4,085,293)</u>

(In practice the actual trading results may differ from this change and the difference could be material.)

Interest rate risk

The majority of the Group's financial assets and liabilities are non-interest bearing. As a result, the Group is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The Group's interest rate risk is managed on a daily basis by the Investment Manager and is monitored on a quarterly basis by the Board of Directors during board meetings.

Liquidity Risk

Kazakhstan and the Investment Countries have less liquid and developed securities markets than the United States of America and Western Europe. The public equities which are listed on KASE or a stock market in the Investment Countries may be less liquid and may carry a higher risk than an investment in shares listed on markets in the United States of America and Western Europe.

Given that organised securities markets in Kazakhstan and the Investment Countries have been established relatively recently, the procedures for settlement, clearing and registration of securities transactions may be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan and the Investment Countries. In particular, legal protections against market manipulation and insider trading are less well developed in Kazakhstan and the Investment Countries, and less strictly enforced, than in the United States of America and Western European countries, and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement. In addition, less information relating to the proposed target entities and certain of the investments may be publicly available to investors in securities issued or guaranteed by such entities than is available to investors in entities organised in the United States of America or Western European countries.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Liquidity Risk (continued)

The Group's liquidity is managed on a daily basis by the Investment Manager. The objective of the Group is to establish portfolio positions on the merits of the investment case for the stock. The Investment Manager takes care to note the liquidity of a company before investing. The Investment Manager builds significant positions where it sees significant upside potential, sometimes in cases where there is limited liquidity, believing that the liquidity will improve as the market perceives better value in the company. The portfolio has a spread of investments in both semi-liquid and very liquid companies which diversifies its exposure across sectors and markets.

As at 31 December 2009, the Group held private equity investments with an estimated total fair value of US\$36,094,055 (2008: US\$37,952,693) which represents 22.38% (2008: 29.52%) of the Group's net assets. These investments are considered to be illiquid as there is no active market for the purchase and sale of these investments.

The table below analyses the Group's financial liabilities as at 31 December 2009 into relevant maturity groupings based on the remaining period at the date of the Statement of Financial Position to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month US\$	1-6 months US\$	Payable on demand US\$
Financial liabilities at fair value through profit or loss	-	(3,539,660)	-
Accounts payable and other expenses	(122,867)	(55,866)	-
	<u>(122,867)</u>	<u>(3,595,526)</u>	<u>-</u>

The table below analyses the Group's financial liabilities as at 31 December 2008 into relevant maturity groupings based on the remaining period at the date of the Statement of Financial Position to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month US\$	1-6 months US\$	Payable on demand US\$
Financial liabilities at fair value through profit or loss	-	-	(8,322,018)
Accounts payable and other expenses	(141,279)	(67,754)	-
	<u>(141,279)</u>	<u>(67,754)</u>	<u>(8,322,018)</u>

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. It is the Group's policy to enter into financial instruments with a range of reputable counterparties. Therefore, the Group does not expect to incur material credit losses on its financial instruments.

Financial assets, which potentially expose the Group to credit risk, consists principally of cash due from brokers. The Group's cash balances are primarily with high credit quality, well-established financial institutions. The extent of the Group's exposure to credit risk in respect of these financial assets approximates their carrying value as recorded in the Group's Statement of Financial Position.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Credit Risk (continued)

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Group invests in financial assets which are principally equity in nature and listed. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Transactions are only concluded with counterparties which have an investment grade as rated by a well known rating agency. All publicly held assets are held under a Prime Brokerage relationship with either Morgan Stanley & Co International plc, operating as a subsidiary of Morgan Stanley Plc, or Subsidiary Bank HSBC Kazakhstan Joint Stock Company operating as a subsidiary of HSBC Plc.

At 31 December 2009 the brokers had the following ratings:

	Standard & Poors	Moody's	Fitch
Morgan Stanley Plc	A	A2	A
HSBC Plc	AA	AA2	not rated

The following table shows the value of net assets held with each Prime Broker as at 31 December 2009:

	Financial assets US\$	Financial liabilities US\$	Amounts due from brokers US\$
Morgan Stanley International Plc	120,512,303	(3,539,660)	28,838,722
Subsidiary Bank HSBC Kazakhstan Joint Stock Company	10,411,511	-	-
	130,923,814	(3,539,660)	28,838,722

The following table shows the value of net assets held with each Prime Broker as at 31 December 2008:

	Financial assets US\$	Financial liabilities US\$	Amounts due from brokers US\$
Morgan Stanley International Plc	77,485,273	(8,322,018)	48,715,121
Subsidiary Bank HSBC Kazakhstan Joint Stock Company	6,086,444	-	-
	83,571,717	(8,322,018)	48,715,121

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Credit Risk (continued)

The Group may be adversely impacted by an increase in its credit exposure related to investing, financing and other activities. The Group is exposed to the potential for credit-related losses that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships, commitments, derivatives and other transactions. These exposures may arise, for example, from a decline in the financial condition of a counterparty, from entering into derivative contracts under which counterparties have obligations to make payments to us, from a decrease in the value of securities of third parties that the Group holds as collateral, or from extending credit through guarantees or other arrangements. As the Group's credit exposure increases, it could have an adverse effect on the Group's business and profitability if material unexpected credit losses occur.

The Investment Manager manages the Group's credit risk through regular monitoring of the counterparty's creditworthiness, with particular reference to ratings checks, third party research and the counterparty's reputation in the market. The Group's credit risk is monitored on a quarterly basis by the Board of Directors.

12. Exchange Rates

The following exchange rates were used to translate assets and liabilities into US Dollars at 31 December 2009 and 31 December 2008:

	31 December 2009	31 December 2008
Australian dollar	0.899353	-
Canadian dollar	0.953880	0.810045
Euro	1.434741	1.390047
Kazakhstan tenge	0.006733	0.008273
Pound sterling	1.614857	1.437753

13. 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 year ended 31 December 2009 and 31 December 2008.

14. Soft Commissions

During the year, 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.

TAU CAPITAL PLC

Notes to the Financial Statements (continued)

15. Commitments and Contingent Liabilities

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

On 30 December 2009, TAU SPV 1 Cooperatief entered into a loan agreement with DTV Investment Holding (“DTV”) to make available to DTV a loan in the amount of US\$18,162,008. The loan is to be drawn down in two separate tranches and is due to be repaid on or before 180 days following receipt of the first tranche in DTV’s bank account. Interest on the loan is calculated at a rate of 5% per annum on the drawn down amount. DTV will bear all costs related to the provision and repayment of the loan, including the costs of transfer.

16. Valuation of the Group

The Net Asset Value of the Group as at 31 December 2009 and 31 December 2008, as reported at the time (based on last traded prices), 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 31 December 2009 US\$	As at 31 December 2008 US\$
Net Asset Value for reporting purposes	161,686,774	130,206,722
Adjustment to last traded prices	(396,474)	(1,654,712)
Net Asset Value per financial statements	161,290,300	128,552,010
Reported Net Asset Value per share	\$0.68	\$0.55
Adjusted Net Asset Value per share	\$0.68	\$0.54

17. 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 year.

	For the year ended 31 December 2009	For the year ended 31 December 2008
Net profit/(loss) attributable to shareholders	\$32,738,290	(\$101,439,663)
Weighted average number of ordinary shares in issue	238,450,002	243,679,169
Basic earnings/(loss) per share	\$0.14	(\$0.42)

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

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Notes to the Financial Statements (continued)

18. Investments

As at 31 December 2009, the Group has two private equity investments (31 December 2008: Two). The most significant development in relation to the private equity investments during the year has been the Digital TV LLP / Alem Communications Holding LLP transaction as described below. Tau Capital plc ("Tau"), alongside other shareholders of Digital TV LLP ("DTV"), entered into a joint venture investment agreement with Midas Telecom LLP, a Kazakh-based investment company during the year. Tau also signed a sale and purchase agreement with Alem Communications Holding LLP ("Alem Communications") to contribute DTV into Alem Communications in order to jointly manage and develop Alem Communications as part of the investors' strategy to establish an alternative telecom operator in the Republic of Kazakhstan. Upon completion of the transaction on 23 June 2009, the total charter capital of Alem Communications was 9.2 billion KZT (or US\$61 million at prevailing exchange rates). The fair value of the Group's indirect investment in Alem Communications LLP of US\$16,594,055 is based on its share of the total cost of the charter capital of Alem Communications (at the exchange rate prevailing at the year end between the Kazakhstan tenge and US dollar). At the end of December 2009, Alem's Board voted for an additional US\$28.6 million capital injection to fund Wimax and cable TV development plans. The Company, due to its investment restrictions, did not commit to participate in the capital raising. Capital injection was funded by Midas Telecom while the Company's economic benefit share declined to 18.5% post transaction.

There have been no significant developments during the year in respect of the investment in Teniz Service LLP and the fair value of the investment as at 31 December 2009 of US\$19,500,000 is equal to its historic cost (31 December 2008: US\$19,500,000). Accrued interest of US\$5,131,523 is receivable in respect of this investment at the year end. Interest accrues at a rate of 18 per cent per annum, calculated on a daily basis, on the US\$19.4 million investment. Tau Capital has the option to convert all or part of the interest into fully paid ordinary shares in a holding company owning shares in Teniz Service LLP based on a predetermined formula. The directors consider the carrying amount of interest receivable is equal to its fair value.

As stated in note 2 (d), where the valuation of investments is dependent on non-market observable inputs, a degree of judgement is required in establishing fair values. Accordingly, the valuation of the private equity financial assets and associated interest receivable is subject to inherent uncertainty. Also due to the global economic and financial crisis, there have been some major market developments which impact these valuations. These include a devaluation of the Kazakhstan tenge against the US dollar by 18.61%, the nationalisation of 2 banks in Kazakhstan and major fluctuations on the Kazakh stock exchange ("KASE") during the year ended 31 December 2009 all of which have created additional uncertainty in respect of the valuation of these investments and the associated interest receivable.

19. Investments in Subsidiaries

Name	Country of incorporation	Principal investment activity	Proportion of ownership interest
Tau Cayman Limited	Cayman Islands	Business administration	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%

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Notes to the Financial Statements (continued)

19. Investments in Subsidiaries (continued)

The value of the subsidiaries at 31 December 2009 and 31 December 2008 were as follows:

	As at 31 December 2009	As at 31 December 2008
Tau Cayman Limited	-	-
Tau Cayman LP	120,064,950	89,399,122
Tau SPV 1 Cooperatief	16,594,055	18,473,054
Tau SPV 3 Cooperatief	24,631,295	20,679,834
	161,290,300	128,552,010

20. Off-Balance Sheet Risk

Securities sold short and options written represent obligations of the Group to deliver the specified security at the contracted price, and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these securities may result in off-balance sheet risk as the Group's satisfaction of the obligations may exceed the amount recognised in the Statement of Financial Position.

21. Share-Based Payments

The following share-based payment arrangement was in existence with Numis Securities Limited, the Company's Nominated Adviser and Broker, at 31 December 2009 and 31 December 2008. 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 year-end, the intrinsic value is nil as the exercise price is greater than the market price.

22. Events After the Date of the Statement of Financial Position

On 6 January 2010, TAU SPV 1 Cooperatief paid to DTV the first tranche of the loan equal to US\$7,118,036 in accordance with the terms outlined in note 15 and the loan agreement. This was fully repaid on 29 January 2010.

23. Approval of Financial Statements

The Annual Report and financial statements were approved by the Directors on _____ 2010.

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Additional Information: Schedule of Investments as at 31 December 2009 (unaudited)

Country (of stock market listing)/industry sector	Fair value - US\$	% of net assets
Financial assets at fair value through profit or loss		
<i>Equities - public</i>		
Australia		
Gold mining	1,422,591	0.88%
	1,422,591	0.88%
Canada		
Gold mining	7,317,121	4.54%
Metals diversified	9,056,602	5.62%
Oil exploration	290,907	0.18%
	16,664,630	10.34%
Ireland		
Oil exploration	14,282,511	8.86%
	14,282,511	8.86%
Kazakhstan		
Commercial banks (non US)	11,307,702	7.01%
Gold mining	75,600	0.05%
Oil exploration	20,013,827	12.41%
Paper & related products	430,400	0.27%
Pharmaceuticals	2,660,725	1.65%
Telecom services	2,721,479	1.69%
	37,209,733	23.08%
United Kingdom		
Financial	1,032,487	0.64%
Metals diversified	14,278,779	8.85%
Oil exploration	1,886,909	1.17%
	17,198,175	10.66%
United States of America		
Oil exploration	4,072,062	2.52%
	4,072,062	2.52%
<i>Equities - private</i>		
Kazakhstan		
Oil services & infrastructure	19,500,000	12.09%
Telecom services	16,594,055	10.29%
	36,094,055	22.38%
Total equities	126,943,757	78.72%

TAU CAPITAL PLC

Additional Information: Schedule of Investments as at 31 December 2009 (unaudited) (continued)

Country (of stock market listing)/industry sector	Fair value - US\$	% of net assets
Financial assets at fair value through profit or loss (continued)		
<i>Debt instruments</i>		
Uzbekistan		
Gold mining	2,126,826	1.32%
	2,126,826	1.32%
United States of America		
Financial	441,000	0.27%
	441,000	0.27%
Total debt instruments	2,567,826	1.59%
<i>Options</i>		
Ireland		
Oil exploration	335,224	0.21%
	335,224	0.21%
Kazakhstan		
Oil exploration	67,443	0.04%
	67,443	0.04%
United Kingdom		
Metals diversified	148,614	0.09%
	148,614	0.09%
United States of America		
Financial	860,950	0.53%
	860,950	0.53%
Total options	1,412,231	0.87%
Total financial assets at fair value through profit or loss	130,923,814	81.18%
Financial liabilities at fair value through profit or loss		
<i>Future</i>		
United States		
Financial	(2,968,100)	(1.84%)
	(2,968,100)	(1.84%)
Total future	(2,968,100)	(1.84%)

TAU CAPITAL PLC

Additional Information: Schedule of Investments as at 31 December 2009 (unaudited) (continued)

Country (of stock market listing)/industry sector	Fair value - US\$	% of net assets
Financial liabilities at fair value through profit or loss (continued)		
<i>Options</i>		
Ireland		
Oil exploration	(70,901)	(0.04%)
	<u>(70,901)</u>	<u>(0.04%)</u>
Kazakhstan		
Oil exploration	(66,909)	(0.04%)
	<u>(66,909)</u>	<u>(0.04%)</u>
United Kingdom		
Metals diversified	(113,650)	(0.07%)
	<u>(113,650)</u>	<u>(0.07%)</u>
United States of America		
Financial	(320,100)	(0.20%)
	<u>(320,100)</u>	<u>(0.20%)</u>
Total options	<u>(571,560)</u>	<u>(0.35%)</u>
Total financial liabilities at fair value through profit or loss	<u>(3,539,660)</u>	<u>(2.19%)</u>
Financial assets and liabilities at fair value through profit or loss	127,384,154	78.99%
Cash and cash equivalents	54,267	0.03%
Other assets in excess of liabilities	33,851,879	20.98%
Total net assets	<u>161,290,300</u>	<u>100.00%</u>