

TAU CAPITAL PLC

**CONDENSED HALF-YEARLY REPORT AND UNAUDITED CONDENSED
FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017**

TAU CAPITAL PLC

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TAU CAPITAL PLC

Company Information

Directors (Non-Executive)

Philip Lambert* (Chairman)
Terence Mahony
Philip Scales*

*Independent Director

Registered Office

IOMA House
Hope Street
Douglas, IM1 1AP
Isle of Man

Nominated Adviser and Joint Broker

Allenby Capital Limited
5 St. Helen's Place
London
EC3A 6AB
United Kingdom

Joint Broker

Peterhouse Corporate Finance Limited
New Liverpool House
15 Eldon Street
EC2M 7LD
United Kingdom

Administrator and Registrar

FIM Capital Limited
IOMA House
Hope Street
Douglas IM1 1AP
Isle of Man

Independent Auditor

Deloitte LLP
The Old Courthouse
Athol Street
Douglas IM1 1LD
Isle of Man

UK Solicitors

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

Isle of Man Advocates

Cains Advocates Ltd
Fort Anne
South Quay
Douglas IM1 5PD
Isle of Man

CREST Service Provider and UK Transfer Agent

Computershare Investor Services
(Jersey) Ltd
Queensway House
Hilgrove Street
St Helier JE1 1ES
Jersey

Banker

Barclays Bank Plc
PO Box 9
Barclays House
Victoria Street
Douglas IM1 2LE
Isle of Man

TAU CAPITAL PLC

Chairman's Statement

There has been no material change to the position with regard to the disposal of the Company's interest in Stopharm LLC ("Stopharm") since I last reported on 29 June 2017.

However, the Board continues to maintain contact with the management at Stopharm and are pleased to note that the company continues to operate satisfactorily.

Brief details from the six-monthly management accounts (unaudited) from Stopharm shows the following:-

	Six months ended 30 June 2017 (unaudited) US\$000's	Year ended 31 Dec 2016 (audited) US\$000's	Annualised 2017 forecast (unaudited) US\$000's
EBITDA	2,406	4,425	4,812
Revenue	62,750	127,561	125,500
Interest on loans	(1,478)	(2,650)	(2,956)
Corporate tax expense	-	(462)	-
Net profit	901	1,108	1,802

The above figures for the six months to 30 June 2017 are based on the unaudited management accounts produced by Stopharm. The US dollar amounts used in the six months to 30 June 2017 and the annualised 2017 forecast above are based upon a Kazakhstan Tenge to US Dollar rate of 316.89 to 1. The comparative Kazakhstan Tenge to US Dollar rate used for the year ended 31 December 2016 was 333.69 to 1.

The Board considers that it remains prudent to continue to carry the value of the Stopharm investment at US\$6 million (31 December 2016: US\$6 million; 30 June 2016: US\$6 million).

The Board remains of the view that it is in the best interests of shareholders to allow Stopharm to continue to develop its business further, which will hopefully improve its value and create the opportunity for our stake in Stopharm to be realised. The Board is of the opinion that the interests of shareholders are best served by continuing to actively pursue the sale of the Company's interest in Stopharm either directly or through other intermediaries. Following a sale of the Company's interest in Stopharm and subsequent return of the majority of cash reserves to shareholders, the Directors believe that there may be value in the Company as a quoted cash shell company.

We continue to monitor the Company's operating costs carefully and to save on expenses wherever possible. As at 30 June 2017, the Company and its subsidiaries had cash reserves amounting to approximately US\$1.1 million, which is in excess of the Company's projected operational cash flow requirements for the next 12 months. On that basis, the Board consider the Company to be a Going Concern.

Thank you again for your support.

Philip Lambert
Chairman

28 September 2017

TAU CAPITAL PLC

Condensed Statement of Comprehensive Income

	Note	For the six months ended 30 June 2017 (Unaudited) US\$	For the year ended 31 December 2016 (Audited) US\$	For the six months ended 30 June 2016 (Unaudited) US\$
Investment income				
Interest income		3	12	6
Net (loss) on financial assets and liabilities at fair value through profit or loss		(58,653)	(76,303)	(8,751)
Total operating (loss)		(58,650)	(76,291)	(8,745)
Expenses				
Operating expenses	8	(176,752)	(525,169)	(307,853)
(Loss) for the period/year:		(235,402)	(601,460)	(316,598)
Total comprehensive (loss) for the period/year attributable to shareholders		(235,402)	(601,460)	(316,598)
Basic and diluted (loss) per share (cents)	13	(0.48)	(1.23)	(0.65)

All results derive from continuing operations.

The accompanying notes on pages 7 to 12 are an integral part of these condensed financial statements.

TAU CAPITAL PLC

Condensed Statement of Financial Position

	Note	As at 30 June 2017 (Unaudited) US\$	As at 31 December 2016 (Audited) US\$	As at 30 June 2016 (Unaudited) US\$
Assets				
Investments in subsidiaries	4	7,474,792	7,533,445	7,600,997
Cash		31,158	91,347	40,003
Debtors and prepayments		36,475	15,030	68,049
Loan to subsidiary	6	89,081	64,658	35,761
Total assets		7,631,506	7,704,480	7,744,810
Liabilities				
Creditors and accruals		(120,654)	(108,875)	(107,852)
Loan from subsidiary	6	(586,174)	(435,525)	(192,016)
Total liabilities		(706,828)	(544,400)	(299,868)
Total net assets		6,924,678	7,160,080	7,444,942
Shareholders' equity				
Share capital	5	976,209	976,209	976,209
Distributable reserves		5,948,469	6,183,871	6,468,733
Total shareholders' equity		6,924,678	7,160,080	7,444,942
Net Asset Value per share (cents)		14.14	14.62	15.20

The accompanying notes on pages 7 to 12 are an integral part of these condensed financial statements.

Approved by the Board of Directors and signed on its behalf by:

Philip Scales

Philip Lambert

28 September 2017

TAU CAPITAL PLC

Condensed Statement of Changes in Equity for the six months ended 30 June 2017

	Share capital (Unaudited) US\$	Distributable reserves (Unaudited) US\$	Total (Unaudited) US\$
Balance at 31 December 2016	976,209	6,183,871	7,160,080
Total comprehensive (loss) for the period	-	(235,402)	(235,402)
Balance at 30 June 2017	976,209	5,948,469	6,924,678

Condensed Statement of Changes in Equity for the year ended 31 December 2016

	Share capital (Audited) US\$	Distributable reserves (Audited) US\$	Total (Audited) US\$
Balance at 31 December 2015	976,209	6,785,331	7,761,540
Total comprehensive (loss) for the year	-	(601,460)	(601,460)
Balance at 31 December 2016	976,209	6,183,871	7,160,080

Condensed Statement of Changes in Equity for the six months ended 30 June 2016

	Share capital (Unaudited) US\$	Distributable reserves (Unaudited) US\$	Total (Unaudited) US\$
Balance at 31 December 2015	976,209	6,785,331	7,761,540
Total comprehensive (loss) for the period	-	(316,598)	(316,598)
Balance at 30 June 2016	976,209	6,468,733	7,444,942

The accompanying notes on pages 7 to 12 are an integral part of these condensed financial statements.

TAU CAPITAL PLC

Condensed Statement of Cash Flows for the six months ended 30 June 2017

	For the six months ended 30 June 2017 (Unaudited) US\$	For the year ended 31 December 2016 (Audited) US\$	For the six months ended 30 June 2016 (Unaudited) US\$
Cash flows from operating activities			
(Loss) for the period/year	(235,402)	(601,460)	(316,598)
Adjustments to reconcile (loss) for the period/year to net cash provided by operating activities			
(Increase)/decrease in debtors and prepayments	(21,445)	34,439	(18,580)
Decrease in investments in subsidiaries	58,653	76,303	8,751
Decrease in creditors and accruals	11,778	5,018	3,995
(Increase)/decrease in loans to subsidiaries	(24,423)	44,041	264,954
Increase in loans from subsidiaries	150,650	435,525	-
Net cash (used in) operating activities	(60,189)	(6,134)	(57,478)
 Net (decrease) in cash and cash equivalents	 (60,189)	 (6,134)	 (57,478)
 Cash and cash equivalents at the beginning of period/year	 91,347	 97,481	 97,481
 Cash and cash equivalents at the end of period/year	 31,158	 91,347	 40,003

The accompanying notes on pages 7 to 12 are an integral part of these condensed financial statements.

TAU CAPITAL PLC

Notes to the Condensed Financial Statements

1. General

Tau Capital plc (the “Company”) is a closed-ended investment fund incorporated and domiciled in the Isle of Man on 3 April 2007. The Company was incorporated under the Companies Acts 1931-2004. Following approval at the AGM held on 24 July 2012, the Company was re-registered under the Companies Act 2006 with number 008604V. The Company was originally 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 also sought investment opportunities in the Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan, Mongolia and Russia (the “Investment Countries”). The Company is listed on the AIM of the London Stock Exchange. The Company has no employees.

The Company’s investments are held by direct and indirect subsidiaries. Tau (Cayman) L.P., a direct subsidiary, holds one private investment as at the period end date (31 December 2016: one; 30 June 2016: one). Tau SPV 1 Cooperatief W.A. (“Tau SPV 1”), an indirect subsidiary, holds one private investment (31 December 2016: one; 30 June 2017: one)

Investing Policy

Tau Capital plc amended its Investing Policy in July 2012 as follows:

- no new investments in Private Equity investments (as defined in the Company’s admission document dated 3 May 2007) will be made with effect from the date of the meeting;
- no new investments in Public Equities (as defined in the Company’s admission document dated 3 May 2007) will be made by the Manager (as defined in the Company’s admission document dated 3 May 2007) on behalf of Tau (Cayman) LP with effect from the date of the meeting without the prior approval of the Board;
- the sale of the liquid part of the portfolio of Public Equities will be implemented within a period of three months;
- the sale of the remainder of the portfolio of Public Equities will be implemented within a period of three to six months; and
- the sale of the portfolio of Private Equity investments will be implemented within a period of 12 to 24 months, in the case of (c), (d) and (e) the periods starting as from the date that a new investment manager is appointed, provided that the Board shall have the discretion to extend further any such period as appropriate in respect of any specific investment.

The Company is currently implementing the investing policies agreed at the 2012 AGM and has not made any new investments during the period under review.

2. Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at the year ended 31 December 2016. The financial statements of the Company as at and for the year ended 31 December 2016 are available upon request from the Company’s registered office at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP or at www.taucapitalplc.com.

3. Significant accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Company’s financial statements as at 31 December 2016.

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company.

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Condensed Notes to the Financial Statements (continued)

4. Investments in Subsidiaries

Direct Subsidiaries

The Company holds the following investments in subsidiaries:

Name	Country of incorporation	Principal investment activity	Proportion of ownership interest
Tau (Cayman) L.P.	Cayman Islands	Investment holding	100%
Tau Cayman Ltd	Cayman Islands	Administration	100%

Indirect Subsidiaries

The subsidiary company Tau (Cayman) L.P. in turn holds the following investment in subsidiary:

Name	Country of incorporation	Principal investment activity	Proportion of ownership interest
Tau SPV 1	The Netherlands	Investment holding	99%

The fair values of the subsidiaries of the Company at 30 June 2017, 31 December 2016 and 30 June 2016 were as follows:

	As at 30 June 2017 US\$	As at 31 December 2016 US\$	As at 30 June 2016 US\$
Tau (Cayman) L.P. (including its subsidiary Tau SPV 1)	7,474,792	7,533,445	7,600,997

The Company classifies investments in subsidiaries in accordance with IAS 39 - Financial Instruments: Recognition and Measurement and values its investments in subsidiaries in accordance with IFRS 13 – Fair Value Measurements (“IFRS 13”). IFRS 13 defines fair value and establishes a framework for measuring fair value.

Financial instruments included in each category are as follows:

- Level 1 - Quoted market price
- Level 2 - Market observable inputs
- Level 3 - Non-market observable inputs

The following table show an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

Financial Assets - Designated at fair value through profit or loss:

	(Level 1) US\$	(Level 2) US\$	(Level 3) US\$	Total US\$
As at 30 June 2017	-	-	7,474,792	7,474,792
As at 31 December 2016	-	-	7,533,445	7,533,445
As at 30 June 2016	-	-	7,600,997	7,600,997

There were no transfers between Levels during any of the financial periods.

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Condensed Notes to the Financial Statements (continued)

4. Investments in Subsidiaries (continued)

The following is a reconciliation of the movement in financial assets for which non-market observable inputs Level 3 were used to determine fair value as at 30 June 2017, 31 December 2016 and 30 June 2016:

	30 June 2017 US\$	31 December 2016 US\$	30 June 2016 US\$
Opening balance at beginning of period	7,533,445	7,609,748	7,609,748
Net unrealised (loss) on investments	(58,653)	(76,303)	(8,751)
Closing balance at end of period	7,474,792	7,533,445	7,600,997

Net realised and unrealised gains/(losses) on investments are recognised as investment income in the Condensed Statement of Comprehensive Income. There were no transfers out of Level 3 during the period (31 December 2016: none, 30 June 2016: none).

Fair value of the Company's Level 3 financial assets and financial liabilities that are measured at fair value on a recurring basis

The only Level 3 financial asset measured at fair value at the end of each reporting period was the Company's investment in Tau Cayman L.P. which had a fair value at 30 June 2017 of US\$7,474,792 (31 December 2016: US\$7,533,445, 30 June 2016: US\$7,600,997). The investment was valued using a net realisable assets approach; details of significant unobservable inputs in the valuation process are given below. Significant unobservable inputs include the valuation of Tau SPV 1's holding in the private equity investment Stopharm LLP ("Stopharm"); an increase in the valuation of Stopharm would increase the fair value of Tau (Cayman) L.P.

If the value of Stopharm was 10 per cent higher/lower while all the other variables were held constant, the carrying amount of Tau Cayman L.P. held would increase/decrease by US\$600,000 (31 December 2016: US\$600,000, 30 June 2016: US\$600,000).

Tau Cayman Limited has no assets or liabilities and a fair value of US\$ Nil (31 December 2016: US\$ Nil, 30 June 2016: US\$ Nil). A sensitivity to changes in assumptions has therefore not been prepared in respect of the investment in Tau Cayman Limited.

Tau (Cayman) L.P.

As noted above, the fair value of Tau (Cayman) L.P. is based on its net assets. The assets and liabilities of Tau (Cayman) L.P. were as follows:

	As at 30 June 2017 US\$	As at 31 December 2016 US\$	As at 30 June 2017 US\$
Cash	1,033,949	1,193,597	1,446,432
Debtors and prepayments	4,813	3,200	2,750
Investment in subsidiary	5,968,770	5,982,908	5,959,799
Loan to parent	586,174	435,524	192,016
Total assets	7,593,706	7,615,229	7,600,997
Accounts payable and accrued expenses			
Loan from parent	(118,914)	(81,784)	-
Total liabilities			-
Total net assets	7,474,792	7,533,445	7,600,997

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Condensed Notes to the Financial Statements (continued)

4. Investments in Subsidiaries (continued)

Tau SPV 1

The fair value of Tau SPV is based on its net assets, which were as follows:

	As at 30 June 2017 US\$	As at 31 December 2016 US\$	As at 30 June 2016 US\$
Cash	-	-	10,576
Debtors and prepayments	-	-	-
Financial assets at fair value through profit or loss	6,000,000	6,000,000	6,000,000
Total assets	6,000,000	6,000,000	6,010,576
Accounts payable and accrued expenses	(31,230)	(17,092)	(15,016)
Loan to group company	-	-	-
Loan from parent	-	-	(35,761)
Total liabilities	(31,230)	(17,092)	(50,777)
Total net assets	5,968,770	5,982,908	5,959,799

At 30 June 2017, 31 December 2016 and 30 June 2016 Tau (Cayman) L.P. financial assets at fair value through profit or loss comprised of a 40.35% equity investment in Stopharm, which was valued at US\$6,000,000 at each period end.

The Directors of the direct and indirect subsidiaries and the Company have valued Stopharm based on their knowledge and using the guidance laid down in the International Private Equity and Venture Capital Valuation Guidelines (December 2012) ("IPEVCVG").

Stopharm

Stopharm is a wholesale pharmaceuticals distributor operating in Kazakhstan. The investment in Stopharm has been valued at 30 June 2017 at US\$6,000,000 (31 December 2016: US\$6,000,000; 30 June 2016: US\$6,000,000). The valuation is based on an enterprise value, which is calculated on a multiple range of 6 to 16 times EBITDA. The multiple applied for the valuation is considered an area of significant judgement due to the lack of comparable listed companies or recent transactions involving similar businesses on which to determinate the multiple applied against earnings. The estimated values may differ materially from the value that would have been realised had a disposal of the private investment been made between a willing buyer and seller as at 30 June 2017, which in turn would have an impact on the valuation of the Company's investment in subsidiaries. It is not possible to qualify such uncertainties.

5. Share Capital and Share Premium

The authorised share capital of the Company 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 Company which includes a right to receive all dividends and other distributions declared, made or paid. The share capital of the Company has been allocated, called up and fully paid. The shares in issue as at 30 June 2017, 31 December 2016 and 30 June 2016 were 48,984,680 Ordinary shares and 2 Founder shares.

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Condensed Notes to the Financial Statements (continued)

6. Intercompany loan

As at 30 June 2017, the Company had loaned Tau (Cayman) L.P. an amount of US\$89,081 (31 December 2016: US\$64,658, 30 June 2016: US\$ Nil) for the payment of day-to-day expenses. The loan is interest free, unsecured and repayable on demand.

As at 30 June 2017, the Company received from Tau (Cayman) L.P. an amount of US\$586,174 (31 December 2016: US\$435,525, 30 June 2016: US\$192,016) for the payment of day-to-day expenses. The loan is interest free, unsecured and repayable on demand.

As at 30 June 2017, the Company had loaned Tau SPV 1 Cooperatief W.A. an amount of US\$ Nil (31 December 2016: US\$ Nil, 30 June 2016: US\$35,761) for the payment of day-to-day expenses. The loan is interest free, unsecured and repayable on demand.

7. Related Party Items

Philip Scales, a Director of the Company as listed on page 1, is a director of FIM Capital Limited, the Administrator.

As at 30 June 2017, Philip Lambert, a Director of the Company, held 101,201 ordinary shares in the Company (31 December 2016, 101,201 and 30 June 2016, Philip Lambert held 101,201 ordinary shares).

As at 30 June 2017, Richard Horlick, a previous Director of the Company who was retained after his retirement on 1 January 2014 to act in a consultancy capacity, held 12,684,221 ordinary shares (31 December 2016: 12,684,221 and June 2016: 12,684,221).

As at 30 June 2017, Terence Mahony, a Director of the Company, held 102,424 ordinary shares (31 December 2016: 102,424; 30 June 2016: 102,424).

8. Fees & Expenses

Directors' remuneration

Directors' remuneration for the period ended 30 June 2017 amounted to US\$39,641 (31 December 2016: US\$82,279 June 2016: US\$42,800).

Administrator fees

The Administrator is entitled to receive a fixed fee of £35,000 for provision of administration services and US\$35,000 for provision of accounting services per annum payable quarterly in arrears.

The Administrator's fees for the period ended 30 June 2017 amounted to US\$45,271 (31 December 2016: US\$91,020; 30 June 2016: US\$47,076).

9. Exchange Rates

The following exchange rates were used to translate assets and liabilities into US dollars:

	As at 30 June 2017	As at 31 December 2016	As at 30 June 2016
Euro	1.1427	1.1674	1.1107
Pound sterling	1.3025	1.2226	1.3316

TAU CAPITAL PLC

Condensed Notes to the Financial Statements (continued)

10. (Loss) per Share

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

	For the six months ended 30 June 2017	For the year ended 31 December 2016	For the six months ended 30 June 2016
Net (loss) attributable to shareholders	(US\$235,402)	(US\$601,460)	(US\$316,598)
Weighted average number of ordinary shares in issue	48,984,680	48,984,680	48,984,680
Basic (loss) per share (cents)	(0.48)	(1.23)	(0.65)

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

11. Subsequent Events

There were no events occurring after the date of the Condensed Statement of Financial Position that would have a material impact on this interim report.