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

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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Company Information

Directors (Non-Executive)
Philip Lambert* (Chairman)
Terence Mahony
Philip Scales*
Richard Horlick (resigned 1 January 2014)
Graham Smith* (resigned 1 January 2014)

*Independent Director

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Chairman's Statement

Since my last report, the Board has continued to make every effort to dispose of the remaining assets of the Company.

We announced on 29 September 2014 that agreement in principle had been reached to sell the two remaining assets, Stopharm LLP ("Stopharm") and Lucent Petroleum LLP ("Lucent").

The sale of Lucent has now been completed and the proceeds of US$ 250,000 have been received post year end, on 11 March 2015.

The sale of Stopharm is still on track and on 20 April 2015 we provided a further update to shareholders. In summary we have an offer to sell Stopharm for US$ 7,000,000 to Capital Gate Securities Limited; however following the financial crisis in Russia and pressure on the Kazakh currency, there has been increasing pressure from the bankers to Stopharm to improve their liquidity and it is likely that shareholders will be asked to make subordinated loans to Stopharm to provide this working capital. The maximum sum that we understand Tau may be asked to contribute is US$ 700,000 but we have stated that any loan will only be made out of the proceeds of the sale to Capital Gate Securities Limited. The terms of the loan have yet to be agreed but we understand that it may be possible to sell the loan on at a discount. The Board will explore every opportunity to try and divest Tau of all its assets in order that a further distribution can be made to shareholders. Following the completion of the disposal of the private investments, and subsequent return of the majority of cash reserves to shareholders, the Board believe there may be value in the Company as a quoted cash shell company, and are seeking a disposal of the cash shell as a going concern, as an alternative to a liquidation to maximise value for shareholders.

Further, the Company, and its direct and indirect subsidiaries, have cash reserves amounting to $2.2M at the year end, with a projected operational cash outflow for the coming financial year amounting to $550k, which provides the Company with around 4 years working capital, and on that basis the Board consider the Company to be a going concern.

Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27, which directly impacts the Company became effective for the current financial year end 31 December 2014. This standard requires the Company, as a qualifying investment entity, to no longer consolidate the investments it owns and controls but instead carry all its investments in subsidiaries at fair value through the profit or loss.

In the meantime the Board continues to carefully monitor the costs of the Company and we will continue to update shareholders on the progress of the sale of Stopharm.

I would like to thank you for your patience during this period and your continuing support for the Company.

Philip Lambert
Chairman

9 June 2015

Investment Advisor's Report

Private Equity Holdings held by the direct and indirect subsidiaries of Tau Capital Plc

Direct subsidiaries

Tau (Cayman) L.P.	**% Ownership**	**Valuation**
Lucent Oil and Gas (CY) Ltd	5.50%	$0.25 m

Indirect subsidiaries

Tau SPV 1 Cooperatief W.A.	**% Ownership**	**Valuation**
Stopharm LLP	40.35%	$7 m

Stopharm LLP ("Stopharm")

Financial Results

During the financial year ended 31 December 2014, Stopharm LLP ("Stopharm") earned revenues of US$ 209.5 million which was a slight decrease compared to 2013. The Audit report shows a loss in the amount of US$2.4 million mainly due to foreign exchange losses based on the currency devaluation that happened in Kazakhstan in February of 2014.

P&L 12 months 2014 Stopharm LLP – Audited

	2013 Audited US$ 000's	2014 Audited US$ 000's	Variance US$ 000's	Variance %
Revenue	212,789	209,471	(3,318)	(1.56%)
EBITDA	7,721	1,095	(6,625)	(85.81%)
Interest on loans	(3,535)	(3,137)	398	(11.25%)
Corporate Tax	(970)	213	1,184	(121.97%)
Net Profit/(loss)	2,715	(2,410)	(5,125)	(188.78%)

Note the US dollar amounts used above are based upon a Kazakhstan Tenge to US Dollar rate of 182.35 to 1.

As announced on 29 September 2014, agreement in principle was reached to sell the investment in Stopharm for $7,000,000. It is likely that due to pressures applied by Kazakhstan banks that shareholders will be asked to make subordinated loans to Stopharm to provide working capital. The maximum sum that we believe Tau maybe asked to contribute is capped at US$ 700,000 but it is understood that any loan will only be made out of the proceeds of the sale. The terms of the loan have yet to be agreed but we understand that it may be possible to sell the loan on at a discount. The sale is dependent on receiving permission from Government agencies in Kazakhstan. The offer price has been used in the valuation of Stopharm as at 31 December 2014.

Lucent Oil and Gas (CY) Limited ("Lucent")

Lucent has been sold on 11th March 2015 for US$250,000.

Directors' Report

The Directors have pleasure in presenting the annual report and audited financial statements of Tau Capital Plc (the "Company") for the year ended 31 December 2014.

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.

On 25 July 2012, the Company restated its investment policy and committed to realising assets and distributing net proceeds as soon as practicable to Shareholders, subject to retaining sufficient cash to meet current and future liabilities.

The Company continued to pursue its realisation strategy via its direct subsidiaries which have disposed of all public equity investments during the year, generating proceeds of USD 425k (2013: USD 18.0 million). The Company is actively pursuing the disposal of all other investments via its direct and indirect subsidiaries.

Other than the transactions mentioned above, there were no changes to the nature of the Company's business, its direct and indirect subsidiaries or in the classes of business in which the Company has an interest. Details of the Company's direct and indirect subsidiaries and the private equity investments which they hold at the balance sheet date are disclosed in note 4.

Change in basis of preparation
We draw your attention to the fact that there has been a change in the basis of preparation for this years annual report and audited financial statements. As detailed in note 3, the Company has adopted Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 in the current year which requires the Company to not consolidate its results with its subsidiaries (together the "Group"), but instead measure its investment in subsidiaries at fair value through profit or loss. As such the annual report and audited financial statements no longer include consolidated results for the Group and include Company results only.

Results and dividends
The Company's results for the financial year ended 31 December 2014 are set out in the Statement of Comprehensive Income on page 9.

A review of the Company's activities is set out in the Chairman's Statement on page 2 and the Investment Advisor's Report on page 3.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (31 December 2013: US$ Nil), leaving a loss of US$7,355,750 (31 December 2013: US$19,922,128 loss) to be transferred from reserves (31 December 2013: transfer from reserves).

During the year the Company completed a Tender Offer on 30 July 2014 following which 24,998,979 shares were repurchased at US$0.218063 per share and subsequently cancelled.

Going concern
The Company's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Investment Advisor's Report on page 3. Note 3 and note 9 to the financial statements include the Company's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to market risk, credit risk and liquidity risk.

Directors' Report (continued)

Going concern (continued)

Since the balance sheet date, the Company has realised US$250,000 from the disposal of debt instruments. The directors have considered forecast administration expenses and liquid financial resources available to the Company post year end, and after making enquires, have a reasonable expectation that the Company has adequate financial resources to meet liabilities as they fall due and to continue in operational existence for the foreseeable future.

The Directors have also considered the resolutions passed at the AGM in July 2012 in relation to an orderly disposal of investments via the Company's direct and indirect subsidiaries, which requires disposal of all investments including the private investments within 24 months. This time frame has now elapsed, however, the Directors are continuing to seek opportunities to dispose of the remaining private investments held as at the year end date. Following the completion of the disposal of private investments by the Company's direct and indirect subsidiaries, and subsequent return of the majority of cash reserves to shareholders, the Board believe there may be value in the Company as a quoted cash shell company, and are seeking a disposal of the cash shell as a going concern, as an alternative to a liquidation to maximise value for shareholders. The Board expects a positive outcome from future discussions and on that basis considers the Company to be a going concern. However, if the outcome of these current or future discussions are not successful the Board may need to consider an orderly wind down of the Company.

After taking into account the current status regarding these investments and the fact that no final decision has been made by the Board in relation to the winding down of the Company, the Directors consider that the Company is still a going concern. Accordingly, they continue to adopt the going concern basis in preparing the annual report and audited financial statements.

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

	Appointed
Philip Scales	3 April 2007
Philip Lambert	11 April 2007
Terence Mahony	24 July 2012
Richard Horlick	11 April 2007 (resigned 1 January 2014)
Graham Smith	9 April 2013 (resigned 1 January 2014)

Directors' interests in the shares of the Company are detailed in note 7.

Company Secretary
The Secretary of the Company during the year ended 31 December 2014 and to the date of this report was Philip Scales.

Auditors
Deloitte LLP, being eligible, has indicated its willingness to continue in office.

Approved on behalf of the Board of Directors

Philip Scales **Philip Lambert**

9 June 2015

Statement of Directors’ Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Isle of Man company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Tau Capital plc ("the Company") for the year ended 31 December 2014, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended; and

- have been properly prepared in accordance with IFRSs as adopted by the European Union.

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

Emphasis of Matter — valuation of investment in subsidiaries

In forming our opinion on the financial statements, which is not modified, in this regard, we have considered the adequacy of the disclosure made in note 4 to the financial statements concerning the valuation of the investment in subsidiaries. The Directors of the Company have estimated the total fair value of the direct and indirect subsidiaries based on their net assets, which are affected by the valuation of the underlying private investments owned by those subsidiaries. As of 31 December 2014, the private investments held by the indirect subsidiary have been valued at $7,000,000 in accordance with the valuation techniques detailed in note 4. The value has been estimated by the Directors of the indirect subsidiary following the opinions and advice of the Investment Advisor in the absence of readily available market values. The Directors of the Company agree with these estimates. Due to the inherent uncertainty of the valuation, 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 31 December 2014, which in turn would have an impact on the valuation of the Company's investment in subsidiaries. It is not possible to quantify such uncertainties.

Emphasis of Matter — Going Concern

Also in forming our opinion on the financial statements, which is not modified, in this regard, we have considered the adequacy of the disclosure made in note 3(p) to the financial statements concerning the Company's ability to continue as a going concern.

The Company's indirect subsidiary has yet to sell its investment in Stopharm. As detailed in Note 3, the Board of Directors of the Company's indirect subsidiary are currently in discussions with other parties about this sale and expect a positive outcome from those discussions. The Directors of the Company are also discussing future trading opportunities for the Company, including continuing as a quoted shell company. Should such discussions not be successful and a formal offer not be secured, an orderly wind down of the Company may be necessary.

These conditions, as more fully explained in note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Deloitte LLP
Chartered Accountants
Douglas
Isle of Man
9 June 2015

Statement of Comprehensive Income

	Note	Year ended 31 December 2014 US$	Year ended 31 December 2013 US$
Investment income			
Interest income		181	7,794
Dividend income	6	36,938	94,448,867
Net (loss) on financial assets and liabilities at fair value through profit or loss		(6,600,061)	(113,192,767)
Total operating (loss)		**(6,562,942)**	**(18,736,106)**
Expenses			
Operating expenses	8	(792,808)	(1,186,022)
Total comprehensive (loss) for the year attributable to the shareholders		**(7,355,750)**	**(19,922,128)**
Basic and diluted (loss) per share	14	**($0.12)**	**($0.20)**

All results derive from continuing operations.

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

Statement of Financial Position

	Note	As at 31 December 2014 US$	As at 31 December 2013 US$
Assets			
Cash		715,484	7,018,084
Debtors and prepayments		50,814	12,959
Loan to subsidiary	6	109,585	210,768
Investment in subsidiaries	4	8,654,714	15,254,775
Total assets		**9,530,597**	**22,496,586**
Liabilities			
Creditors and accruals		(125,651)	(284,538)
Total liabilities		**(125,651)**	**(284,538)**
Total net assets		**9,404,946**	**22,212,048**
Shareholders' equity			
Share capital	5	976,209	1,751,145
Distributable reserves		8,428,737	20,460,903
Total shareholders' equity		**9,404,946**	**22,212,048**
Net Asset Value per share		**$0.19**	**$0.30**

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

Philip Scales   Philip Lambert

9 June 2015

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2014

	Share capital US$	Distributable reserves US$	Total US$
Balance at 31 December 2013	1,751,145	20,460,903	22,212,048
Previous year foreign currency exchange adjustment	(276,731)	276,731	-
Own shares acquired	(498,205)	(4,953,147)	(5,451,352)
Total comprehensive (loss) for the year	-	(7,355,750)	(7,355,750)
Balance at 31 December 2014	**976,209**	**8,428,737**	**9,404,946**

Statement of Changes in Equity for the year ended 31 December 2013

	Share capital US$	Distributable reserves US$	Total US$
Balance at 31 December 2012	3,653,225	86,236,960	**89,890,185**
Own shares acquired	(1,902,080)	(45,853,929)	**(47,756,009)**
Total comprehensive (loss) for the year	-	(19,922,128)	**(19,922,128)**
Balance at 31 December 2013	**1,751,145**	**20,460,903**	**22,212,048**

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

Statement of Cash Flows

	Year ended 31 December 2014 US$	Year ended 31 December 2013 US$
Cash flows from operating activities		
(Loss) for the year	(7,355,750)	(19,922,128)
Adjustments to reconcile (loss) for the year to net cash provided by operating activities		
Decrease/(increase) in debtors and prepayments	63,328	(149,308)
Decrease in investment in subsidiaries	6,600,061	113,192,767
(Decrease)/increase in creditors and accruals	(158,887)	84,210
Net cash (used in)/from operating activities	**(851,248)**	**93,205,541**
Cash flows from financing activities		
Payment for purchase of ordinary shares	(5,451,352)	(47,756,009)
Proceeds from inter-company loan	-	(40,833,706)
Net cash (used in) financing activities	**(5,451,352)**	**(88,589,715)**
Net (decrease)/increase in cash and cash equivalents	**(6,302,600)**	**4,615,826**
Cash and cash equivalents at the beginning of year	7,018,084	2,402,258
Cash and cash equivalents at the end of year	**715,484**	**7,018,084**
Supplementary disclosure of cash flow information		
Dividends received	(36,938)	(94,448,867)
Net interest received	(181)	(7,794)

The accompanying notes on pages 13 to 32 are an integral part of these financial statements.

Notes to the Financial Statements

1. General

Tau Capital plc (the “Company”) is a closed-ended investment fund incorporated which was 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 through the direct and indirect subsidiaries 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 Alternative Investment Market 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 year end date (31 December 2013: two). Tau SPV 1 Cooperatief W.A., an indirect subsidiary, holds one private investment (31 December 2013: nil) as at the year end date.

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.

Ethical Standard 3 (Revised), “Long association with the audit engagement”, issued by the Auditing Practices Board, requires mandatory rotation of the audit engagement partner after 5 years unless the Audit Committee deem that more flexibility is necessary in the timing of rotation to safeguard the quality of the audit and the audit firm agrees. In such cases, the audit engagement partner may continue to act for an additional period of up to 2 years. In view of the Company’s current circumstances, the Directors have requested that the current audit partner continues to act up to and including the year ending 31 December 2015, which is the seventh year of appointment. This position will then be reviewed again going forward.

2. **Adoption of new and revised Standards**

<u>New standards adopted for the current period</u>

The Company has adopted the following standards:

- IFRS 10 Consolidated Financial Statements including Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investments in Associates and Joint Ventures

The adoption of the Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 has had a material impact on the presentation of the financial statements, and the impact is outlined in note 3.

<u>Standards not yet applied</u>

At 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 (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments
- IAS 36 (amendments) Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 (amendments) Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC Interpretation 21 Levies

The adoption of IFRS 9 will have an impact on the way that the Company’s investment in subsidiaries is disclosed in future periods. The Directors do not expect that the adoption of the other Standards and Interpretations listed above will have a material impact on the financial statements of the Company in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes to the Financial Statements (continued)

3. Accounting Policies

The significant accounting policies and estimation techniques adopted by the Company for the year ended 31 December 2014 are consistent with those adopted by the Company for the annual financial statements for the year ended 31 December 2013, other than as described below in relation to "Adoption of Investment Entities".

Adoption of Investment Entities
Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012, introduced an exception to the principle that all subsidiaries shall be consolidated. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2014. Accordingly, the Company has adopted Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 in the current period and has adopted the amended standards in the financial statements for the year ended 31 December 2014.

In adopting Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27, the Company has also adopted the following standards which are applicable for annual periods beginning on 1 January 2014:

i. IFRS 10 Consolidated Financial Statements
ii. IFRS 11 Joint arrangements
iii. IFRS 12 Disclosure of Interests in Other Entities
iv. IAS 27 Separate Financial Statements (as amended in 2011)
v. IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

The result of the application of these standards is that the Company meets the definition of an investment entity as defined by IFRS 10. The Company is now required, throughout the current period and all comparative periods presented, to apply the exception to consolidate its subsidiaries in accordance with IFRS 10 and IAS 27 (as amended) and to present separate financial statements as its only financial statements.

In accordance with IFRS 10 as amended by Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27, the Company shall not consolidate its subsidiaries or apply IFRS 3, Business Combinations, when it obtains control of another entity. Instead the Company will measure its investment in its subsidiaries at fair value through profit or loss in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 10 and IFRS 12 require certain disclosures regarding the status as an investment entity and regarding the Company's interest in its subsidiaries. These disclosures have been made in note 4.

On adoption of the revised standards and assessment that the Company is an investment entity, the total fair value of the subsidiaries that ceased to be consolidated was US$8,654,714 (2013: US$15,254,775) (see note 4 for further detail). No gain or loss was recognized by the Company on adoption of Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27.

The adoption of IFRS 11 and IAS 28 (as amended) has not had a material impact on the financial statements of the Company.

a) Basis of Preparation

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

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 Company'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 the Company's investment in direct and indirect subsidiaries which own the private 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)

3. Accounting policies (continued)

b) Statement of compliance

The annual financial statements of Tau Capital plc are prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union and applicable legal and regulatory requirements of Isle of Man law and the AIM Rules of the London Stock Exchange.

c) Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and assess its performance.

The investment strategy of the Company, through its direct and indirect subsidiaries 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 Company is engaged in a single segment of business, being investment business, in one geographical area, being Kazakhstan and the Investment Countries.

d) Taxation

The Company is resident for tax purposes in the Isle of Man and its profits are subject to Isle of Man Corporate Income tax at the current rate of 0%.

e) Financial instruments

i) Classification

The Company 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, debt instruments, OTC options, futures and liabilities from short sales of financial instruments. These instruments are acquired or incurred principally for the purpose of generating a profit from a short-term fluctuation in price. Derivatives are categorised as held for trading, as the Company 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. These are financial instruments, including investment in subsidiaries, 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 Company’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 Company 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.

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

e) Financial instruments (continued)

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.

iv) Subsequent measurement
After initial measurement, the Company 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.

v) De-recognition
The Company 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.

v) De-recognition (continued)
The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

f) 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.

g) 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" or where they are declared and ratified by the relevant subsidiary shareholders. 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.

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

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

i) 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.

j) Foreign currency translation

i) Functional and presentation currency

Items included in the Company'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 Company's primary activity of investing in US dollar subsidiaries which ultimately invest 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 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.

k) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances with a maturity date of up to three months from the date of acquisition. 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.

l) 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.

m) Share capital

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

n) 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.

o) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

In assessing whether it meets the definition of an investment entity, the Company must consider whether it has the typical characteristics of an investment entity. The Company has been deemed to meet the definition of an investment entity per IFRS 10 Consolidated Financial Statements as the following conditions exist:

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

o) Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Company's accounting policies (continued)

- The Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- The Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both;
- The Company measures and evaluates the performance of all of its investments on a fair value basis; and
- The Company's investors are not a related party of the entity.

Key sources of estimation uncertainty

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 Company'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 investment in subsidiaries

Where the fair value of financial assets and financial liabilities in the Company's subsidiaries recorded net as an investment in subsidiaries in the Statement of Financial Position, cannot be derived from active markets, they are determined using a variety of valuation techniques. Where applicable, investments in private investments held by the subsidiaries (direct and indirect) are valued according to the International Private Equity and Venture Capital Valuation Guidelines December 2012, based on the opinions and advice of the Investment Advisor. 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. It is reasonably possible that outcomes within the next financial year that are different from the assumptions adopted by the Board of Directors of the Company's direct and indirect subsidiaries and the Company could require a material adjustment to the carrying amount of the private investments. Further details concerning the uncertainties surrounding the valuation of private investments can be found in note 4.

p) Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Chairman's Report and Investment Advisors Report on pages 2 and 3.

The Company has adequate financial resources. The Directors have considered the forecast administration expenses and liquid financial resources available to it and these forecasts indicate that the Company has sufficient cash resources to meet its ongoing operating expenses into the foreseeable future. The Company, and its direct and indirect subsidiaries, have cash reserves amounting to $2.2m at the year end, and the projected operational cash outflows for the coming financial year amount to £550k, which provides the Company with 4 years working capital.

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

p) Going concern (continued)

The Directors have considered the resolutions passed at the 2012 AGM in relation to an orderly disposal of investments, and after consideration are of the opinion that, notwithstanding the time scales pertaining to the disposal of investments which require disposal of the private investments by the Company's direct and indirect subsidiaries within 24 months, the fact that these disposals have not yet been completed by the Company's direct and indirect subsidiaries and the fact that no final decision has been made by the Board in relation to the winding down of the Company, the Company is still a going concern.

Following the completion of the disposal of private investments by the Company's direct and indirect subsidiaries, 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 and are seeking a disposal of the cash shell as a going concern as an alternative to a liquidation to maximise value for shareholders. The Board expects a positive outcome from future discussions and on that basis considers the Company to be a going concern. However, if the outcome of these current or future discussions are not successful the Board may need to consider an orderly wind down of the Company.

The above conditions therefore indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realise assets and/or discharge liabilities in the normal course of business. These financial statements do not include any adjustment that would result if the Company were unable to continue as a going concern.

Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

4. **Investment 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 Cooperatief W.A.	The Netherlands	Investment holding	99%

The fair values of the subsidiaries of the Company at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014 US$	**31 December 2013 US$**
Tau (Cayman) L.P. (including its subsidiary TAU SPV 1 Cooperatief W.A.)	8,654,714	15,254,775
Tau Cayman Limited	-	-

Notes to the Financial Statements (continued)

4. **Investment in Subsidiaries (continued)**

The Company classifies its investment in subsidiaries in accordance with IAS 39 - Financial Instruments: Recognition and Measurement and values its investment 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 tables 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).

As at 31 December 2014, the breakdown was as follows:

	(Level 1) US$	(Level 2) US$	(Level 3) US$	Total US$
Financial Assets				
- Designated at fair value through profit or loss	-	-	8,654,714	8,654,714
	-	**-**	**8,654,714**	**8,654,714**

As at 31 December 2013, the breakdown was as follows:

	(Level 1) US$	(Level 2) US$	(Level 3) US$	Total US$
Financial Assets				
- Designated at fair value through profit or loss	-	-	15,254,775	15,254,775
	-	**-**	**15,254,775**	**15,254,775**

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 31 December 2014 and 31 December 2013:

	31 December 2014 US$	31 December 2013 US$
Opening balance at beginning of year	15,254,775	128,447,542
Net unrealised (loss) on investments	(6,600,061)	(113,192,767)
Closing balance at end of year	**8,654,714**	**15,254,775**

Net unrealised (loss) on investments is recognised as investment income in the Statement of Comprehensive Income. There were no transfers out of level 3 during the year (2013: none).

Notes to the Financial Statements (continued)

4. **Investment in Subsidiaries (continued)**

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

All of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at 31 December 2014	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investment in Subsidiary	100% investment in Tau (Cayman) L.P.: US$8,654,714 (2013: US$15,254,775)	Level 3	Net realisable assets approach	Tau (Cayman) L.P. holds an investment in an unlisted private company valued at US$250,000 as at 31 Dec 2014. This investment was disposed of post year and received proceeds equal to the NRV at year end of US$250,000. Tau (Cayman) L.P. also holds an investment in a subsidiary TAU SPV 1 Cooperatief W.A. ("Tau SPV 1") which is an indirect subsidiary of the Company. Tau SPV 1 also holds an investment in an unlisted private company valued at US$7,000,000 as at 31 December 2014. The net assets are predominantly based on the valuation of an underlying private company investment, which is based on unobservable inputs as detailed below.	The higher the valuation of investments in unlisted private companies, the higher the fair value.

If the value of unlisted private company investments held by Tau (Cayman) L.P. were 10 per cent higher/lower while all the other variables were held constant, the carrying amount of the investment held would increase/decrease by US$25,000 (2013: US$2,826,366).

If the value of unlisted private company investments held by Tau SPV 1 Cooperatief W.A., the subsidiary of Tau (Cayman) L.P. and indirect subsidiary of the Company, were 10 per cent higher/lower while all the other variables were held constant, the carrying amount of the investment held would increase/decrease by US$700,000 (2013: nil).

Tau Cayman Limited has no assets or liabilities and a fair value of US$ Nil (2013: US$ Nil). A sensitivity to changes in assumptions has therefore not been prepared in respect of the investment in Tau Cayman Limited.

Notes to the Financial Statements (continued)

4. **Investment in Subsidiaries (continued)**

Tau (Cayman) L.P.
As noted above, the fair value of Tau (Cayman) L.P. is based on the net assets of Tau (Cayman) L.P. As at 31 December 2014 and 31 December 2013, the assets and liabilities of Tau (Cayman) L.P. were as follows:

	31 December 2014 US$	31 December 2013 US$
Cash	1,522,457	1,009,311
Debtors and prepayments	9,816	176,950
Financial assets at fair value through profit or loss	250,000	14,059,886
Investment in subsidiary – Tau SPV 1	6,979,509	259,558
Total assets	**8,761,782**	**15,505,705**
Accounts payable and accrued expenses	(1,300)	(40,162)
Loan from parent	(105,768)	(210,768)
Total liabilities	**(107,068)**	**(250,930)**
Total net assets	**8,654,714**	**15,254,775**

Tau SPV 1 Cooperatief W.A. – direct subsidiary of Tau (Cayman) L.P. and indirect subsidiary of the Company
The fair value of Tau SPV 1 Cooperatief W.A.("Tau SPV 1") is based on the net assets of Tau SPV 1. As at 31 December 2014 and 31 December 2013, the assets and liabilities of Tau SPV 1 were as follows:

	31 December 2014 US$	31 December 2013 US$
Cash	6,552	-
Financial assets at fair value through profit or loss	7,000,000	-
Debtor	-	259,998
Total assets	**7,006,552**	**259,998**
Accounts payable and accrued expenses	(14,179)	-
Loan from parent	(12,864)	-
Total liabilities	**(27,043)**	**-**
Total net assets	**6,979,509**	**259,998**

At the year end, the investment portfolio of financial assets at fair value through profit or loss held by the direct and indirect subsidiaries of the Company comprised two (31 December 2013: three) investments as follows:

	Investment type	Held by	Note	As at 31 Dec 2014 US$	As at 31 Dec 2013 US$
Lucent Petroleum LLP	Private investment	TAU (Cayman) L.P.	(i)	250,000	-
Oxus Gold plc	Debt instrument	TAU (Cayman) L.P.	(ii)	-	559,886
Stopharm LLP	Private investment	TAU (Cayman) LP..	(iii)	-	13,500,000
Stopharm LLP	Private investment	TAU SPV 1	(iii)	7,000,000	-
Total				**7,250,000**	**14,059,886**

Notes to the Financial Statements (continued)

4. **Investment in Subsidiaries (continued)**

The directors of the direct and indirect subsidiaries and the Company have valued private investments held by the direct and indirect subsidiaries of the Company on the advice of the Investment Advisor and using the guidance laid down in the International Private Equity and Venture Capital Valuation Guidelines (December 2012) ("IPEVCVG"). The following table gives information about the fair values of these financial assets and in particular, the valuation techniques and inputs used, as at 31 December 2014.

Financial assets	Fair value as at 31 December 2014	Fair value hierarchy	Valuation techniques and key inputs
Private equity investments	5.5 per cent equity investment in Lucent Petroleum LLP engaged in oil and gas exploration: US$250,000	Level 3	Indicative offer
Private equity investments	40.35 per cent equity investment in Stopharm LLP engaged in wholesale pharmaceutical distribution: US$7,000,000	Level 3	Indicative offer

(i) Lucent Petroleum LLP ("Lucent")

Lucent is a Cyprus based oil and gas exploration company that in turn has a 99% equity stake in a Kazakhstan based subsidiary that owns rights to a block located in the pre Caspian basin, and is in close proximity to several major producing oilfields. On 22 September 2010, the Company announced an investment in Lucent with total commitments of US$15 million, with an initial US$4.5 million drawdown on that date. The investment was initially structured as a convertible bridge loan to Lucent Oil & Gas (Cyprus) Limited, an indirect holding company of Lucent.

On completion of the operational milestones established in the Lucent business plan, on 15 July 2011, Tau (Cayman) L.P. ('Tau LP') provided the final tranche of financing in the shape of a convertible loan for a consideration of US$4m. After the final tranche was made, the total investment in Lucent increased to US$15 million. The conversion of US$15 million into the 6.18% stake in Lucent Oil & Gas (Cyprus) Ltd equity was subject to grant of approvals by the Government of the Republic of Kazakhstan. This approval was received on 3 November 2011.

On 23 January 2012, following the receipt by Lucent of the official letter from the Ministry of Oil and Gas of Kazakhstan providing a State Waiver of its right to purchase new shares of the company, and approval for the issuance of an additional 86 shares to Tau LP, the Convertible Bridge Loan originally provided by Tau LP to Lucent was converted into a 6.18% equity stake. In May 2012, Tau LP decided to mark-down the investment in Lucent, from the previous valuation, which was based on the price of a recent investment, by 25% due to the extension of the drilling program. As of 31 December 2012, the investment was marked down by an additional 25% after a decision by the Board, and was valued at US$7,500,000. In the year to 31 December 2013, the Lucent investment was written down by a further 100% from US$7,500,000 to US$ Nil based on the uncertainty around Lucent's ability to secure a farm in partner.

Lucent had started a process of negotiations with a number of potential farm-in partners during 2012 which would enable the Company to drill further exploratory wells. However following a continued reduction in Lucent's cash reserves due to payment of the normal operating costs, Tau LP felt it prudent to write down the value of the Company to reflect this cash burn from US$11,250,000 to US$7,500,000 as at 31 December 2012.

In April 2013, Tau LP's shareholding was diluted to 5.5% of the issued share capital of Lucent following the issuance of new shares by Lucent to a third party investor. In December 2013, the further write down of US$7,500,000 was followed by fresh concerns over the liquidity of the investment following a lifting of the Kazakhstan Government's moratorium on auctions of new oil and gas projects earlier in the year, and the awarding of 20 new contracts in 2013 - 2014, thus providing competition for Lucent with respect to prospective farm-in partners.

Notes to the Financial Statements (continued)

4. **Investment in Subsidiaries (continued)**

(i) Lucent Petroleum LLP ("Lucent") (continued)

As at 31 December 2013, a successful farm-in partner had yet to be found and as a result the investment was fully written down to US$ Nil. As at 31 December 2014, the investment in Lucent has been valued at $250,000 based on an indicative offer received. The sale was completed on 11th March 2015, and the Company received cash consideration of £250,000 (see note 15).

(ii) Oxus Gold plc
During the year, the investment in Oxus Gold plc was sold for $425,000.

(iii) Stopharm LLP ("Stopharm")
Stopharm is a wholesale pharmaceuticals distributor operating in Kazakhstan. On 1 September 2010, the Company's subsidiary Tau (Cayman) L.P. announced the closing of a US$21.5 million investment in Stopharm comprising a 24.00% equity stake in Stopharm acquired for US$12.8 million and a fully secured convertible bridge loan of US$8.7 million provided to one of the shareholders of Stopharm with implied equity on conversion representing an additional 16.35% stake. The conversion into equity of this loan was subject to approval by the Anti-Monopoly Committee of the Republic of Kazakhstan which was received on 25 November 2011. The conversion subsequently took place on 27 December 2011.

The investment in Stopharm LLP has been valued at 31 December 2014 at $7,000,000 based on an indicative offer from a related party, Capital Gate Holdings LLP (see note 7) (31 December 2013 at US$13,500,000, valued on an earnings based multiple). The value was reduced to $8,000,000 in the 30 April 2014 as a result of a devaluation in the Kazakh Tenge and an assessment of the likely impact this would have on the performance of Stopharm in the short term. The valuation has been further reduced to $7,000,000 at 31 December 2014 based on an indicative offer received for the purchase of the investment in Stopharm LLP. It is likely that due to pressures applied by Russian banks that shareholders will be asked to make subordinated loans to Stopharm to provide working capital. The maximum sum that the Board believe the Company may be asked to contribute is capped at US$ 700,000 but it is understood that any loan will only be made out of the proceeds of the sale. The terms of the loan have yet to be agreed but the Board understand that it may be possible to sell the loan on at a discount or receive a payment in due course.

On 14 November 2014, under the terms of a Members Contribution Agreement, Tau (Cayman) L.P. made an additional contribution in kind to the capital of Tau SPV 1 Cooperatief W.A. ("Tau SPV 1") by way of a transfer of its participation interest equal to 40.35% of the charter capital of Stopharm LLP for a value of US$7,000,000.

In relation to the investment held by Tau SPV 1 in Stopharm LLP, valued at US$7,000,000, where the valuation of investment is dependent on non-market observable inputs, in this instance an indicative offer from a related party, a degree of judgement is required in estimating fair values. It is reasonably possible that outcomes within the next financial year that are different from the assumptions adopted by the Board of Directors of Tau SPV 1 and the Company could require a material adjustment to the carrying amount of the asset affected. Accordingly the valuation of the underlying private investment is subject to significant inherent uncertainty. This in turn creates significant uncertainty in relation to the value of the Company's investment in subsidiaries, as Tau (Cayman) L.P. owns Tau SPV 1.

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 31 December 2014 and 31 December 2013 were as follows:

Notes to the Financial Statements (continued)

5. Share Capital and Share Premium (continued)

	Ordinary Shares in issue	Founder Shares in issue
As at 31 December 2014	48,984,680	2
As at 31 December 2013	73,983,659	2

On 30 July 2014 the Company completed a further Tender Offer following which 24,998,979 shares were repurchased at US$0.218063 per share and subsequently cancelled.

During the prior year ended 31 December 2013 the Company acquired a total of 95,442,801 of its own ordinary shares of £0.01 each through completed Tender Offers, which were subsequently cancelled.

6. Intercompany loan

In prior periods in order to finance share buy backs, a subsidiary company, Tau (Cayman) L.P., sold certain public investments and loaned the proceeds to the Company. As at 30 June 2013 the value of the loan was US$61,609,854. The loan was interest free and repayable on demand. During the year ended 31 December 2013, Tau (Cayman) L.P. made distributions of US$94,448,867 which were offset against the loan such that the value of the loan as at 31 December 2013 was US$ nil.

As at 31 December 2014, the Company had loaned Tau (Cayman) L.P. an amount of US$105,768 (December 2013: US$210,768) for the payment of day to day expenses. The loan is interest free, unsecured and repayable on demand.

As at 31 December 2014, the Company had loaned Tau SPV 1 Cooperatief W.A. an amount of US$3,817 (December 2013: US$nil) 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 the managing director of IOMA Fund and Investment Management Limited, the administrator.

Graham Smith, a Director of the Company as listed on page 1, is an executive director of IOMA Fund and Investment Management Limited, the administrator.

Capital Gate Holding LLP acquired 6,910,025 shares in the Company on 3 April 2014 at a price of US$0.145 per share. Capital Gate Holding LLP is wholly owned by Nurgul Zhaukeyeva who also wholly owns Capital Gate Securities Limited, the Investment Adviser to the Company.

As at 31 December 2014, Philip Lambert, a Director of the Company, held 101,201 ordinary shares in the Company (31 December 2013, Philip Lambert held 161,430 ordinary shares in the Company). On 30 July 2014 Philip Lambert completed a further Tender Offer following which 60,229 shares were repurchased at US$0.218063 per share.

As at 31 December 2014, Richard Horlick, a previous Director of the Company who was retained after his retirement on 1 January 2014 to act in a consultant capacity, held 12,684,221 ordinary shares (31 December 2013: 7,192,737). On 17 March 2014 under an agreement with USG AG, he sold 7,192,737 shares at US$12.75 to his pension fund (Standard Life). On 27 March 2014 he purchased 7,432,989 ordinary shares at US$13.02. On 04 April 2014 Richard Horlick purchased 5,607,603 shares at US$13.02. On 20 November 2014 under an agreement with USG AG, he sold 5,667,523 shares at US$15.50 to his pension fund (Standard Life).

Gypsum Limited, a company to whom Richard Horlick provides consultancy services, received fees of GBP £nil during 2014 (31 December 2013: GBP£180,000).

Notes to the Financial Statements (continued)

7. Related Party Items (continued)

As at 31 December 2014, Terence Mahony, a Director of the Company, held 102,424 ordinary shares (31 December 2013: 163,381). On 30 July 2014 Terence Mahony completed a further Tender Offer following which 60,957 shares were repurchased at US$0.218063 per share.

As at 31 December 2014 and 31 December 2013, both Spencer House Capital Management LLP and Compass Asset Management Ltd held one founder share each.

As at 31 December 2014, the Company has loaned Tau (Cayman) L.P. US$105,768 (31 December 2013: US$210,768).

As at 31 December 2014, the Company has loaned Tau SPV 1 Cooperatief W.A. US$3,817 (31 December 2013: US$nil).

The potential acquirer of Stopharm LLP is Capital Gate Holdings LLP a company which is wholly owned by Nurgul Zhaukeyeva who also wholly owns Capital Gate Securities Limited, the Investment Adviser to the Company. Capital Gate Holdings LLP has a holding of 10% in Tau Capital's shares, and is considered to be a related party in respect to this potential sale. The Board, having consulted with its nominated adviser, are satisfied that the proposed terms of the transaction are fair and reasonable.

8. Operating expenses

Included within operating expenses are the following fees:

Directors' remuneration
Directors' remuneration for the year ended 31 December 2014 amounted to US$103,191 (31 December 2013: US$226,088).

Administrator fees
The Administrator is entitled to receive a fixed fee of £35,000 per annum payable quarterly in arrears. As of 1 October 2013, post resignation of the sub-administrator on 30 September 2013, the Administrator is also entitled to receive an additional fixed fee of $35,000 per annum payable quarterly in arrears for the provision of accounting services.

In the prior year, the sub-administrator (BNY Mellon Investment Services (International) Ltd) was entitled to receive a monthly fee, up until 30 September 2013, for the provision of administration and accounting services of US$3,000 plus an additional fee at the following rates (subject to a minimum monthly fee of US$ 7,500):

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 was also entitled to receive a monthly fee up until 30 September 2013 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.

The administration fee for the year ended 31 December 2014 amounted to US$91,318 (31 December 2013: US$150,171).

The sub-administration fee for the year ended 31 December 2014 amounted to US$ nil (31 December 2013: US$89,480).

Notes to the Financial Statements (continued)

8. Operating expenses (continued)

All investment management fees are borne by the direct and indirect subsidiaries of the Company.

9. Financial Instruments and Associated Risks

Introduction

In accordance with the Company's accounting policy for investment in subsidiaries (note 3e) these are designated at fair value through profit or loss.

Risk is inherent in the Company'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 Company's continuing existence. The Company 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 in relation to the direct and indirect subsidiaries investments in the private investments.

Risk measurement and reporting system

The Company'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 Company as well as the level of risk that the Company is willing to accept. In addition, the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risk mitigation

The Company 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 Company uses derivatives and other instruments as required 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 Company's performance to developments affecting a particular industry or geographical location.

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 Company's strategy on the management of investment risk is driven by its investment objective as outlined in note 1 to the financial statements.

Notes to the Financial Statements (continued)

9. Financial Instruments and Associated Risks (continued)

Market risk (continued)

Equity price and private investment risk
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity and private investment price risk exposure arises from the Company direct and indirect subsidiaries investment portfolio. The Company has previously managed this risk by investing on different stock exchanges and in different sectors.

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.

Prior to the 2012 annual general meeting, where it was agreed that the Company would carry out an orderly disposal of investments, the Investment Manager considered the asset allocation of the portfolio in order to minimise risks whilst achieving the Company's investment objectives. Prior to 2012 the Company maintained a diversified portfolio both in terms of the number of positions, their geographic location and industry sector.

The following table shows the breakdown by industry sector of investments held through the Company's direct and indirect subsidiaries as at 31 December 2014:

	Financial assets at fair value through profit or loss US$	**Financial liabilities at fair value through profit or loss US$**
Oil and gas	250,000	-
Healthcare	7,000,000	-
	7,250,000	-

The following table shows the breakdown by industry sector of investments held through the Company's direct and indirect subsidiaries as at 31 December 2013:

	Financial assets at fair value through profit or loss US$	**Financial liabilities at fair value through profit or loss US$**
Precious metals	559,886	-
Healthcare	13,500,000	-
	14,059,886	-

Management's best estimate of the effect on net assets and profit due to a reasonably possible change in the value of the private investments held in the Company's direct and indirect subsidiaries, which would in turn impact the value of the Company's investment in subsidiaries, is disclosed in note 4. For the year ended 31 December 2013, management's best estimate of the effect on net assets and profit due to a reasonably possible change in the value of private investments, which would in turn impact the value of the Company's investment in subsidiaries, of a decrease of 10%, with all other variables held constant as at 31 December 2013 was US$1,350,000.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in assets denominated in currencies other than its presentation currency, the US dollar. Consequently, the Company 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 Company's assets which is denominated in currencies other than the US dollar.

Notes to the Financial Statements (continued)

9. Financial Instruments and Associated Risks (continued)

Currency risk (continued)

The Company's currency risk is managed on a daily basis by the Investment Advisor through a review of the portfolio owned by the Company's direct and indirect subsidiaries. The Company's overall currency risk is monitored on a quarterly basis by the Board of Directors during Board meetings.

At 31 December 2014 the Company's exposure to foreign currency was as follows:

	Financial assets US$	Financial liabilities US$	Cash & cash equivalents US$	Other assets & liabilities US$	Total US$
Euro	-	-	2,101	-	2,101
Pound sterling	50,814	-	6,571	(125,651)	(68,266)
US dollar	8,764,299	-	706,812	-	9,471,111
	8,815,113	**-**	**715,484**	**(125,651)**	**9,404,946**

At 31 December 2013 the Company's exposure to foreign currency was as follows:

	Financial assets US$	Financial liabilities US$	Cash & cash equivalents US$	Other assets & liabilities US$	Total US$
Euro	-	-	2,061	-	2,061
Pound sterling	559,886	-	124	(231,839)	328,171
US dollar	13,500,000	-	8,025,210	356,606	21,881,816
	14,059,886	**-**	**8,027,395**	**124,767**	**22,212,048**

The following analysis 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 the Statement of Financial Position (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 total comprehensive income or net assets, while a positive amount reflects a net potential increase as at 31 December 2014.

	% change	Financial assets US$	Cash & cash equivalents US$	Other assets & liabilities US$	Effect on profit & net assets US$
Euro	10% increase	-	210	-	210
Pound sterling	10% increase	5,081	657	(12,565)	6,827
		5,081	**867**	**(12,565)**	**7,037**

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

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 Statement of Financial Position (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 total comprehensive income or net assets, while a positive amount reflects a net potential increase as at 31 December 2013.

Notes to the Financial Statements (continued)

9. Financial Instruments and Associated Risks (continued)

Currency risk (continued)

	% change	Financial assets US$	Cash & cash equivalents US$	Other assets & liabilities US$	Effect on profit & net assets US$
Euro	10% increase	-	206	-	206
Pound sterling	10% increase	55,989	12	(23,184)	32,817
		55,989	**218**	**(23,184)**	**33,023**

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

Interest rate risk
The majority of the Company's financial assets and liabilities are non-interest bearing. As a result, the Company 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 Company's interest rate risk is managed on a daily basis by the Investment Advisor through a review of the portfolio owned by the Company's direct and indirect subsidiaries 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.

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.

The Company's liquidity is managed on a daily basis by the Administrator.

As at 31 December 2014, the Company held an investment in its subsidiaries, which in turn held private investments and an investment in subsidiary, which also invests in a private investment, with an estimated total fair value of private investments of US$7,250,000 (31 December 2013: US$13,500,000) which represents 76.9% (31 December 2013: 60.77%) of the Company's net assets. These investments are considered to be illiquid, as there is no active market for the purchase and sale of these investments, and they have been valued based on indicative offers as at the year end date (see note 4).

The table below analyses the Company's financial liabilities as at 31 December 2014 and 31 December 2013 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.

Notes to the Financial Statements (continued)

9. Financial Instruments and Associated Risks (continued)

Liquidity risk (continued)

As at 31 December 2014:

	Less than 1 month US$	1-6 months US $
Accounts payable and other expenses	(125,651)	-
	(125,651)	-

As at 31 December 2013:

	Less than 1 month US$	1-6 Months US$
Accounts payable and other expenses	(149,700)	(175,000)
	(149,700)	(175,000)

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 Company resulting in a financial loss to the Company. It is the Company's policy to enter into financial instruments with a range of reputable counterparties. Therefore, the Company does not expect to incur material credit losses on its financial instruments.

The Company no longer holds any assets with a Prime Broker and thus its credit risk is only in relation to holding cash and cash equivalents.

Private investments risk

The main risks related to private investments that the Company is exposed to through its direct and indirect subsidiaries, are liquidity risk, credit risk and pricing risk. These risks are correlated: since private investments are not traded in organised markets there are no guarantees that a buyer for these investments will materialise or repayment of loans and associated interest will happen in line with expectations, in particular if there is an expectation set forth in terms of investment realisation/loan repayment. A lack of an organised market might also cause a significant difference between the carried or expected valuation and the actual price obtained at realisation for those investments or the timing and method of the repayment (see note 4 for further details).

10. Exchange Rates

The following exchange rates were used to translate assets and liabilities into US dollars at 31 December 2014 and 31 December 2013:

	31 December 2014	31 December 2013
Euro	1.2876	1.378900
Kazakhstan tenge	0.0055	0.006573
Pound sterling	1.5577	1.656600

Notes to the Financial Statements (continued)

11. Distributions

Subject to the provisions of the Articles, the Company 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 Company. 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 declared or paid during the year ended 31 December 2014 and 31 December 2013.

12. Soft Commissions

During the year, the Investment Managers, Investment Advisors 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.

13. Commitments and Contingent Liabilities

As at 31 December 2014, the Company has no commitments and contingent liabilities (31 December 2013: US$ Nil).

14. (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 year.

	Year ended 31 December 2014	**Year ended 31 December 2013**
Net (loss) attributable to shareholders	($7,355,750)	($19,922,128)
Weighted average number of ordinary shares in issue	60,902,001	101,098,593
Basic (loss) per share	($0.12)	($0.20)

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

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

On the 11th March 2015, the Company received cash consideration of $250,000 in respect to the disposal of Lucent Petroleum LLP.