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

ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

TAU CAPITAL PLC

Table of Contents **Page**

Company Information

Directors (Non- executive)
Philip Lambert* (Chairman)
Robert Brown, III* (resigned 31 March 2013)
Richard Horlick
Terence Mahony (appointed 24 July 2012)
Nicholas Paris (resigned 6 March 2013)
Michael Sauer (resigned 15 June 2012)
Philip Scales*
Graham Smith* (appointed 9 April 2013)

*Independent Director

Registered Office
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Douglas IM1 1AP
Isle of Man

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United Kingdom

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(until 5 October 2012)
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Grand Cayman
Cayman Islands

Investment Adviser
JSC Compass Asset Management
(until 5 October 2012)
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Business-Center "Esentai Tower"
Almaty
Kazakhstan

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

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

Investment Advisor-Private Equity
Capital Gate Securities Limited
(from 19 September 2012)
Trident Chambers
Road Town
Tortola
British Virgin Islands

Investment Manager-Public Equity
Sturgeon Capital Ltd
(from 21 September 2012)
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United Kingdom

Independent Auditor
Deloitte LLP
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(Channel Islands) Ltd
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Administrator and Registrar
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Isle of Man

Sub-Administrator
BNY Mellon Investment Servicing (International) Ltd
Riverside Two
Sir John Rogerson's Quay
Grand Canal Dock
Dublin 2
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Chairman's Statement

2012 proved to be a defining year for the Company. In consultation with shareholders and in response to preferences expressed by them, the Company implemented a wind down process following the July 24th Annual General Meeting and changed its investment advisers.

After a comprehensive evaluation process, the Board appointed two new advisers; Sturgeon Capital Limited ("Sturgeon") and Capital Gate Securities Ltd ("Capital Gate"). Sturgeon, a specialist manager of Central Asian investments, was appointed to act as the Investment Manager for the Company's public equity portfolio and the convertible bond investment. Capital Gate was appointed to advise on the two private equity investments; Stopharm and Lucent Petroleum. The investment management agreement with Compass Asset Management Limited ("CAM") was terminated.

Also the composition of the Board was addressed. Mr Terence Mahony and Mr Nicholas Paris were appointed as non-executive directors of the Company, whilst Mr Michael Sauer resigned. Post year end both Nicholas Paris and Bob Brown stood down from the Board and Graham Smith was appointed.

Whereas economic conditions improved, regional markets continued to be challenging.

Although continued global monetary easing across major economies gave support to most risky assets including commodities, concerns over a Chinese slowdown and on-going political conflicts between core and non-core European economies created renewed tail risks.

The Central Asian markets showed continued and in some cases accelerated economic growth, but this was not reflected in the region's equities markets, which declined.

The Company's NAV per share decreased 10% over the year marginally outperforming the RENCASIA which lost 10.4% and the KASE index which lost 13.4%. Some negative headlines coupled with risk aversion in emerging markets and resource companies drove Central Asian equity markets lower. In particular, resource nationalism in Kirghizstan and Mongolia hurt an already weak investor sentiment. In addition a write down in our Lucent Petroleum Holding had a negative impact on the Company's NAV per share.

The Investment Manager and Investment Adviser reports provide a more detailed overview of the specific market conditions and portfolio actions taken during the year.

I am pleased that substantial progress has been made in markets, where liquidity significantly declined.

Following the Company's AGM last July, a number of actions were implemented which resulted in a reduction in the discount of the share price to NAV per share. The discount declined from more than 30% at the end of 2011 to 18% at the end of 2012 and less than 23% as of April 29, 2013. Returns of cash were made to shareholders during the year in the form of share buy backs of US$9 million up to August 2012 and a tender offer which took place in November 2012 when just over US$28 million was returned to shareholders. Post year end a second tender offer returning to shareholders an amount of US$33 million was executed in February 2013.

In aggregate US$70 million has now been returned to shareholders and operational costs including those of the Board have been reduced and I am convinced that the Company is now well positioned to further return cash to shareholders through an orderly and timeless liquidation of its remaining assets

Philip Lambert
Chairman

13 May 2013

Investment Manager's Report

Performance

During the year the Fund's NAV per share decreased from US$0.60 as of 31 December 2011, to US$0.53 as of 31 December 2012. The table below shows the performance of Tau Capital NAV per share versus the regional benchmarks and relevant global benchmarks.

	2012	Annualised Return since inception	Annualised Volatility since inception
Tau Capital Fund	**-11.0%**	**-10.5%**	**17.5%**
RENCASIA index	-10.4%	-14.3%	42.5%
KASE index	-13.1%	-19.0%	39.4%
MSCI World index	13.4%	-3.3%	20.0%
MSCI Emerging index	15.1%	0.7%	28.5%

We believe there are three things to highlight:

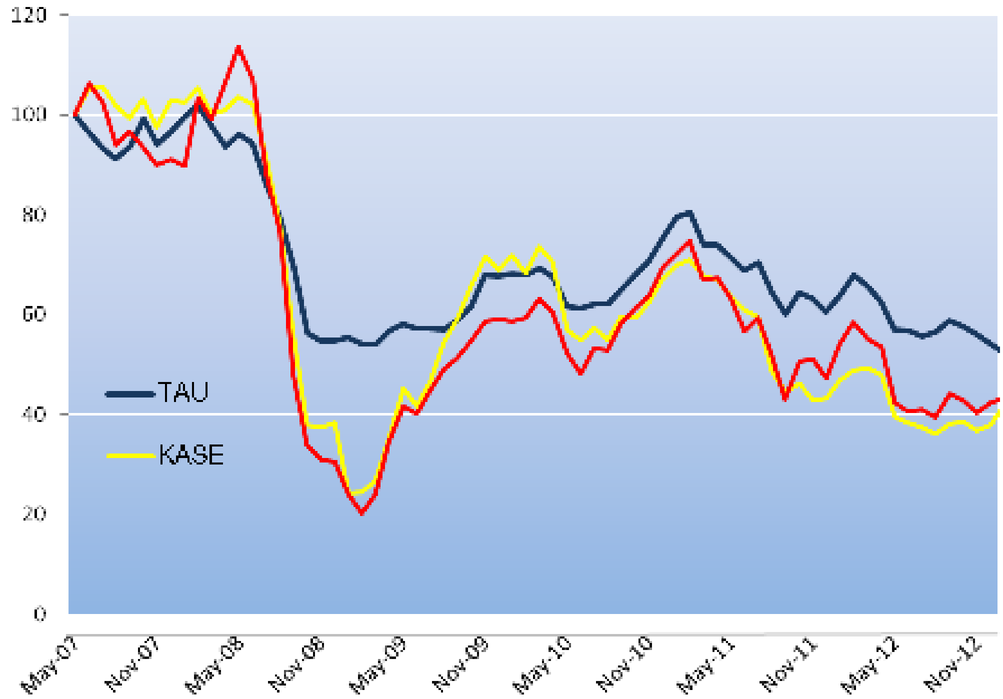
1. This decrease in NAV per share of 11% in 2012 was approximately in line with that of the regional market, with the Rencasia index down 10.4% and the KASE index down 13.1%.

2. More remarkably is the poor performance of the region (see above) in comparison with the rest of the world, the MSCI World index was up 13.4% and the MSCI Emerging Markets index was up 15.1%.

3. The actual share price of Tau Capital increased by 6.0% from US$0.415 at the end of 2011, to US$0.44 at the end of 2012, as the discount to NAV per share was reduced from 32% at the end of 2011 to 18% at the end of 2012.

As to the first point the chart below shows the performance of Tau Capital versus the regional benchmarks. Although both the KASE and the Rencasia have significant drawbacks to be called proper benchmarks, the outperformance has been almost 4% per annum since inception against the KASE index and 8.5% per annum against the Rencasia index. Moreover, this outperformance has been accomplished with less than half the volatility.

Investment Manager's Report (continued)



Sturgeon Capital (the "Investment Manager" or "Sturgeon") was appointed as investment manager of the public equities portfolio on 21 September 2012 following the July AGM and subsequent investment manager search, with the mandate to divest the public equity portfolio.

The Public Equities divestment strategy

The Investment Manager is a Central Asia specialist investment manager and manages a range of funds dedicated to the region. As the over-riding concern has been to maximise shareholder value, within the time constraint set for the divestment process in consultation with the Board of Directors, a multi-phased divestment strategy was developed.

Phase 1 – Sell richly valued or overvalued stocks first

Firstly the Investment Manager focussed on divesting stocks it believed were not compelling enough from a risk / return perspective over the set time horizon. Such stocks either had a high valuation or what Sturgeon believed to be weak prospects relative to the rest of the portfolio. Sturgeon sold in October and November the full positions in names such as Turquoise Hill, Sberbank and Uranium One. All trades were either capped at 20% of daily volumes or done through block trades.

Phase 2 – Focus on illiquid positions

The Investment Manager has been actively looking for buyers of small caps and illiquid stocks in the portfolio. This meant directly and indirectly approaching a market maker or some of the main shareholders. In the process the Investment Manager also at times very cautiously tested the market to see the impact on the share price of selling small amounts. Although some of the positions were small by NAV standards, these did pose a risk as disclosure to the market of the divesting tactics would result in the shrinking portfolio being exposed to market prices. Positions which were sold in this manner were Khan Resources (January), Orsu Metals (November) and locally held shares like Bank Centercredit (December) and Kazakhtelecom (December).

Phase 3 – Sell attractive liquid stocks into stock rallies

The Investment Manager's specific potential catalysts for the stocks in the portfolio could be market momentum, overselling, results announcements, reserve announcements or a wide range of other corporate specific issues. Stocks sold in this manner were ENRC (in January / February), Dragon Oil and Halyk Bank (in December).

Investment Manager's Report (continued)

Phase 4 – Final realisations

As of May 10, all liquid and illiquid public equity positions have been sold. Only the Oxus notes remain outstanding.

Oxus Gold

As to Oxus Gold, this position was revalued as of 31 January 2013, to the equivalent equity conversion price, after an independent valuation report by a third party was provided to the Board of Directors as at 31 January 2013. Several meetings have been held with the company and other parties, but no sale has of yet taken place. In the absence of any secondary market, it may be advisable to await the (initial) outcome on the arbitration case in late 2013.

The above gives a description of the structured divestment approach, which was pursued by the Investment Manager in regular consultation with the Board of Directors and delegated members thereof. The Investment Manager prioritised the sale of potential problematic positions, while keeping "the good stuff" a bit longer. In this regard, The Investment Manager focused on companies it felt were less compelling and illiquid. It should also be noted that in a weak market liquid shares tend to be more exposed to "risk on - risk off" sentiment, while illiquid stocks tend to move on more company specific news.

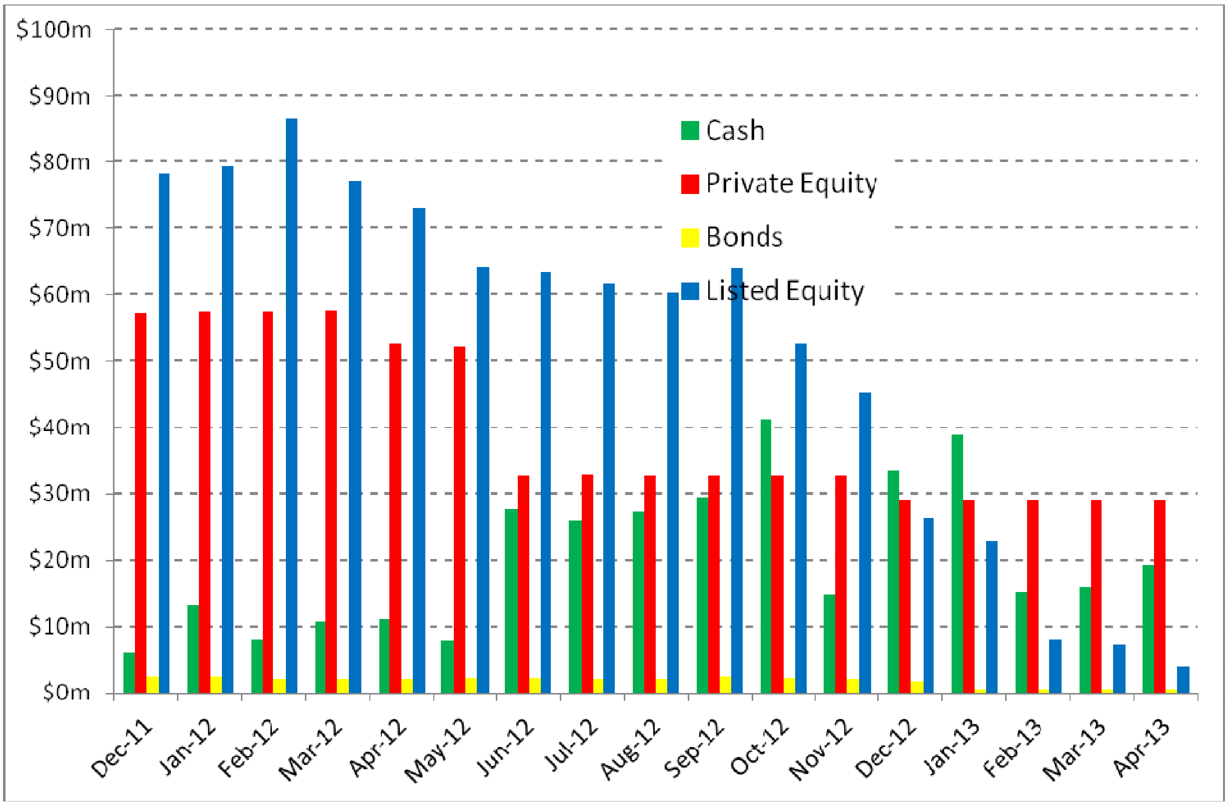
However, a more opportunistic approach was also pursued at times. Meaning for some positions, which had substantial price downturns (without any significant change in their fundamentals), the sale was delayed (ENRC being an example), while some other companies that strongly outperformed their relative peer group were sold early.

Portfolio Breakdown by Asset Class

The table below gives a short overview of the corporate actions since early 2012. In conjunction with the chart following it should give a good insight into the overall development of the relative weight of the asset classes during 2012 and year to date.

US$ m	Share Buy Backs & Tenders	Listed Equity divestments	Bonds Divestments & Writedowns	Private Equity Divestments & Writedowns
Jan-12				
Feb-12	-4.8			
Mar-12	-0.9			
Apr-12	-1.2			
May-12				-3.8
Jun-12				19.6
Jul-12				
Aug-12				
Sep-12	-1.5			
Oct-12		11.8		
Nov-12	-28.0	5.0		
Dec-12		19.7		-3.8
Jan-13		2.7	-1.7	
Feb-13	-33.0	8.8		-3.8
Mar-13		4.4		
Apr-13		2.4		

Investment Manager's Report (continued)



Market Outlook Listed Equities

The Investment Manager is of the view that this region continues to offer a very interesting opportunity due to its growth, its exposure to strong cash inflows mainly from "real assets" and its proximity to the strong Asian economies, although markets will remain highly cyclical. At the moment valuations appear to be substantially lower than peers (P/E in Central Asia trade at roughly half of the EM average and 30% discount to other Frontier Markets) and are at an historical low (valuations are at their lowest point except at the height of the 2008 crisis when oil was below US$50/barrel).

Private Equity

Capital Gate Securities Ltd, and its affiliated companies located in Almaty, Kazakhstan, became responsible for advising on Tau's private equity investments from 19 September 2012. During 2012 no new Private Equity investments were made and the sale of Alem Communications Ltd was closed during the second quarter of 2012.

The process to liquidate DTV Investment Holding Limited ("DTVI"a Kazakhstan entity) and its immediate Dutch parent (that held Alem Communications Ltd) was started, with completion expected before the end of 2013.

During 2012 the Board of Directors took a decision to write down the value of its investment in Lucent Petroleum LLP twice resulting in a reduction in fair market value from US$15,000,000 to US$7,500,000 as of 31 December, 2012. The Stopharm LLP valuation remained unchanged at US$21,500,000 as of 31 December, 2012. Tau's private equity investments as of 31 December, 2012 were valued in aggregate at US$29,000,000.

<u>Stopharm LLP ("Stopharm")</u>

During 2012 Stopharm continued as the second largest pharmaceutical distributor in Kazakhstan distributing to all three distribution channels, Government Tenders, Retail Commercial Outlets and regional government tenders. Its revenue increased year on year by 54% (see below), however its overall government business did decrease as compared to 2011. Stopharm's management believes that it has the opportunity to increase its market share in the commercial retail sector. The local majority equity holders of Stopharm have announced they wish to sell their interest and have hired a local advisor to assist with the sale. Tau's equity interest will not be affected by the sale.

Investment Manager's Report (continued)

The table below shows the reported revenues and profits for Stopharm LLP in 2011 and 2012

KZT million	2011	2012	% increase
Revenues	25,700	39,600	54%
Profits	493	512	4%

In part the 2012 revenue increase was the result of government instructions to ship in November and December 2012 goods that originally would have been shipped in 2013 to an amount of KZT 3.2 billion KZT, while for 2011 revenue was lowered due to government instructions to ship in 2010, KZT 2.9 billion that should have been shipped in 2011. If the directed shipments had not occurred the increase in 2012 as compared to 2011 would have been only 27%.

Lucent Petroleum LLP ("Lucent")

During 2012 Lucent completed the test of one of two horizons in well L14. After the initial flow test, the perforated interval was fractured resulting in minor production of light 41° API oil and some associated gas. However management decided that the flow was not sufficient for economically viable commercial production at the lower horizon. Tests of the second higher horizon are planned in 2014 when the drilling campaign resumes.

In order to properly identify and assess new prospects within the block, a new 3D seismic acquisition over a total area of 750 km2 has been undertaken in 2012 over areas that were not included in 2010 and 2011 seismic evaluations. The new seismic acquisition focused on the Southern and Eastern part of the block. The initial interpretation of the new seismic of the PSTM (Time Migration) data was completed by Lucent's in-house interpreters in April 2013.

Lucent at the end of December 2012, had approximately US$12.2 million in cash which is sufficient to meet its 2013 operating budget; however, it is not sufficient to continue a drilling program. Accordingly, Lucent's management began to search for a potential farm in partner. Discussions with several potential oil and gas companies are currently underway after signing non-disclosure agreements. If Lucent is successful with its farm in negotiations it would result in continuation of the drilling program, but also in a dilution of Tau's interest in Lucent.

Alem Communications Holding LLP ("Alem")

The sale process has been completed and Tau received US$ 18.7 million on 17 July 2012. The liquidation process of DTVI and its Dutch parent is expected to be completed by the end of 2013 and depending on the final liquidation costs a modest additional distribution may be received.

Private Equity Investments Designated at Fair Value through Profit or Loss and Associated Interest Receivable

At the financial year end, the Group's private investment portfolio comprised two investments as follows:

	Note	As at 31 December 2012 US$	As at 31 December 2011 US$
Stopharm LLP	(i)	21,500,000	21,500,000
Lucent Petroleum LLP	(ii)	7,500,000	15,000,000
Alem Communications Holding LLP	(iii)	-	21,066,228
Total		29,000,000	57,566,228

Investment Manager's Report (continued)

(i) Stopharm LLP ("Stopharm")

Stopharm is a wholesale pharmaceuticals distributor operating in Kazakhstan. Tau, through the conversion of a convertible loan to equity on 27 December 2011, owned an equity stake equal to 40.35% as at 31 December 2011 in Stopharm which remains the same as of 31 December, 2012.

(ii) 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 in close proximity to several major producing oilfields.

On completion of the operational milestones established in the Lucent's business plan, on 15 July 2011, Tau provided the final tranche of financing in the form of a convertible loan of US$4 million. After the final tranche was drawn down, the total investment in Lucent increased to US$15 million. The conversion of US$15 million into the 6.18% equity stake in Lucent Oil & Gas (Cyprus) Ltd was approved by the Kazakhstan Government on 3 November 2011. After the conversion of a US$30 million loan by another shareholder in Lucent, the Tau interest was diluted to 5.4% as of 31 December, 2012

In May of 2012 after the announcement that commercially recoverable oil was not found after drilling L14, the Tau Board decided to write down the value of Tau's interest by US$3.75 million. In December 2012 after i) Lucent's management announced that it did not have sufficient funds to continue a drilling program and would seek a farm in partner, and ii) taking into account the dilution of the Tau interest to 5.4%, the Board of Directors of Tau further wrote down the investment value by another US$3.75 million.

On 12 March 2013, it was announced that the value of Lucent Petroleum had been reduced by an additional US$3,750,000. The Lucent investment was written down from US$7,500,000 to US$3,750,000 on 12 March 2013 based on advice from its Private Equity Investment Advisor, following the lifting of a moratorium on auctions of new oil and gas projects by the Kazakhstan government in January 2013. The lifting of the moratorium will provide competition for Lucent with respect to prospective farm in partners. The directors also considered that a material dilution of the shareholding in Lucent would occur if a farm in partner was found.

(iii) Alem Communications Holding LLP ("Alem")

Alem is a telecom holding company operating within the territory of the Republic of Kazakhstan. At 31 December 2011 Tau had an indirect stake of 12.29% in Alem through a secured senior profit participating loan ("SSPPL") in DTV Investment Holding LLP ("DTVI") which had a direct holding in the shares of Alem. During the year ended 31 December 2011 the shareholder capital of Alem was increased by Midas, the majority shareholder of Alem, but Tau/DTVI did not participate. Tau's investment in Alem was valued at US$21,066,228 as at 31 December 2011 based on the price of the most recent investment transaction which related to a sale of Alem shares to a third party that closed on 18 August 2011, as per IPEVCA guidelines. The sale of Tau's interest in Alem was completed and closed in the second quarter of 2012.

Directors' Report

The Directors have pleasure in presenting the report and consolidated financial statements of Tau Capital Plc (the "Company") and its subsidiaries (together the "Group" or the "Fund") for the year ended 31 December 2012.

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 was re-registered as a company under the Isle of Man Companies Act 2006. At the Annual General Meeting held on 24 July 2012, the Company restated its investing 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 restated policy is that:

- no new investments in Private Equity investments (as defined in the Company's admission document dated 3 May 2007) will be made;
- no new investments in Public Equities (as defined in the Company's admission document dated 3 May 2007) will be made by the Manager on behalf of the Fund without the prior approval of the Board;
- the liquid part of the portfolio of Public Equities (as defined in the Company's admission document dated 3 May 2007) to be sold within a period of three months from the date of the AGM;
- the remainder of the portfolio of Public Equities to be sold within a period of three to six months;
- the portfolio of Private Equity investments to be sold within a period of 12 to 24 months; and
- the Board shall have the discretion to extend the periods stated in respect of any specific investment.

Other than the transactions mentioned above, there were no changes to the nature of the Company's business, its subsidiaries or in the classes of business in which the Company has an interest.

Results and dividends
The Group's results for the financial year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on page 13.

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

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (31 December 2011: US$Nil), leaving a loss of US$17,110,614 (31 December 2011: US$32,792,127 loss) to be transferred from reserves (31 December 2011: transfer from reserves).

During the year the Company acquired 20,841,538 of its own ordinary shares of £0.01 each which were subsequently cancelled. On 5 November 2012 the Company completed a Tender Offer following which 48,102,004 shares were repurchased at US$0.581075 per share and subsequently cancelled.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Investment Manager's Report on pages 3 to 8. Note 2 and note 11 to the financial statements include the Group's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to market risk, credit risk and liquidity risk.

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

Directors' Report (continued)

Since the balance sheet date, the Group has returned US$32,800,000 to shareholders following a share tender offer process. The Group has also realised US$20,341,480 from the disposal of public investments post year end. The directors have considered forecast administration expenses and liquid financial resources available to the Group post year end, and after making enquires, have a reasonable expectation that the Company and the Group have adequate financial resources to meet liabilities as they fall due and to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and consolidated financial statements.

The Board will seek to return a portion of the cash held on the balance sheet. This will take place once the working capital requirements have been determined for the Company while the private equity assets are realised. A further announcement will follow.

The Directors have considered the resolutions passed at the AGM in relation to an orderly disposal of investments, and after consideration are of the opinion that given the time scales pertaining to the disposal of investments which require disposal of the private investments within 24 months and the fact that no final decision has been made by the board in relation to the future trading activities of the Company and the Group, the Company is still a going concern.

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
Richard Horlick	11 April 2007
Robert Brown, III	11 April 2007 (resigned 31 March 2013)
Michael Sauer	16 March 2009 (resigned 15 June 2012)
Terence Mahony	24 July 2012
Nicholas Paris	24 July 2012 (resigned 6 March 2013)
Graham Smith	9 April 2013

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

Company Secretary

The Secretary of the Company during the year ended 31 December 2012 and to the date of this report was Philip Scales.

Auditors

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

Approved on behalf of the Board of Directors

Philip Lambert	Philip Scales
________________	________________
Director	Director

13 May 2013

Directors' Responsibilities Statement

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

Isle of Man company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law the Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Under company law the Directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these consolidated financial statements, International Accounting Standards 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 and Group's financial position and financial performance; and
- make an assessment of the Group'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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the consolidated 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 Group 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 for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

This report is made solely to the Company's members, as a body. 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 auditor
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. 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 Group and Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board

Emphasis of matter – valuation of private investments
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in notes 2(d), 5 and 18 concerning the valuation of investments. The Directors of the company have estimated the total fair value of the private investments as US$29,000,000 as of 31 December 2012 in accordance with the Group's accounting policy, as disclosed in note 2(d). The value has been estimated by the Directors following the opinions and advice of the Investment Advisor in the absence of readily ascertainable market values. However, because of the inherent uncertainty of the valuations, the estimated values may differ materially from the values that would have been realised had disposals of the investments been made between a willing buyer and seller. It is not possible to quantify such uncertainties.

Deloitte LLP
Chartered Accountants
Douglas
Isle of Man

13 May 2013

Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 December 2012 US$	For the year ended 31 December 2011 US$
Investment income			
Interest income		3,829	2,498,219
Dividend income		5,745,329	2,771,720
Less: withholding tax		(160,698)	(402,901)
Net (loss) on financial assets and liabilities at fair value through profit or loss	3	(17,397,281)	(32,895,195)
Total operating (loss)		**(11,808,821)**	**(28,028,157)**
Expenses			
Operating expenses	8	(5,301,793)	(4,763,970)
(Loss) for the year attributable to:			
Owners of the parent		**(17,110,614)**	**(32,792,127)**
Non-controlling interests		-	-
Other comprehensive income		-	-
Total comprehensive (loss) for the year		**(17,110,614)**	**(32,792,127)**
Total comprehensive (loss) attributable to:			
Owners of the parent		(17,110,614)	(32,792,127)
Non-controlling interests		-	-
		(17,110,614)	**(32,792,127)**
Basic and diluted (loss) per share	17	**($0.08)**	**($0.14)**

All results derive from continuing operations.

Approved on behalf of the Board of Directors

Philip Lambert — Director

Philip Scales — Director

13 May 2013

The accompanying notes on pages 20 to 47 are an integral part of these financial statements.

Consolidated Statement of Financial Position

	Note	As at 31 December 2012 US$	As at 31 December 2011 US$
Assets			
Cash and cash equivalents	6,7	39,225,307	119,997
Amounts due from brokers	6	-	6,178,013
Financial assets at fair value through profit or loss	3	53,117,728	137,970,808
Dividends receivable		233,720	-
Other receivables		478,217	133,262
Interest receivable		-	51,118
Total assets		**93,054,972**	**144,453,198**
Liabilities			
Financial liabilities at fair value through profit or loss	3	(2,504,266)	-
Accounts payable and accrued expenses	8	(660,521)	(353,824)
Total liabilities		**(3,164,787)**	**(353,824)**
Total net assets		**89,890,185**	**144,099,374**
Shareholders' equity			
Share capital	9	3,653,225	4,752,070
Capital redemption reserve	9	-	250,109
Distributable reserves		86,236,960	139,097,195
Total shareholders' equity		**89,890,185**	**144,099,374**
Net Asset Value per share	16	**$0.53**	**$0.60**

Approved on behalf of the Board of Directors

Philip Lambert — Director

Philip Scales — Director

13 May 2013

The accompanying notes on pages 20 to 47 are an integral part of these financial statements.

Company Statement of Financial Position

	Note	As at 31 December 2012 US$	As at 31 December 2011 US$
Assets			
Investments in subsidiaries	19	126,988,760	144,099,374
Total assets		**126,988,760**	**144,099,374**
Liabilities			
Loan from subsidiary	9	(37,098,575)	-
Total liabilities		**(37,098,575)**	**-**
Total net assets		**89,890,185**	**144,099,374**
Shareholders' equity			
Share capital	9	3,653,225	4,752,070
Capital redemption reserve	9	-	250,109
Distributable reserves		86,236,960	139,097,195
Total shareholders' equity		**89,890,185**	**144,099,374**
Net Asset Value per share	16	**$0.53**	**$0.60**

Approved on behalf of the Board of Directors

Philip Lambert
Director

Philip Scales
Director

13 May 2013

The accompanying notes on pages 20 to 47 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2012

	Note	Share capital US$	Capital redemption reserve US$	Distributable reserves US$	Total US$
Balance at 31 December 2011		4,752,070	250,109	139,097,195	144,099,374
Own shares acquired	9	(1,098,845)	-	(35,999,730)	(37,098,575)
Transfer to capital redemption reserve	9	-	254,209	(254,209)	-
Transfer from capital redemption reserve	9	-	(504,318)	504,318	-
Total comprehensive (loss) for the year attributable to:					
Owners of the parent		-	-	(17,110,614)	(17,110,614)
Non-controlling interests		-	-	-	-
Balance at 31 December 2012		**3,653,225**	**-**	**86,236,960**	**89,890,185**

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

	Share capital US$	Capital redemption reserve US$	Distributable reserves US$	Total US$
Balance at 31 December 2010	4,752,070	250,109	171,889,322	176,891,501
Total comprehensive (loss) for the year attributable to:				
Owners of the parent	-	-	(32,792,127)	(32,792,127)
Non-controlling interests	-	-	-	-
Balance at 31 December 2011	**4,752,070**	**250,109**	**139,097,195**	**144,099,374**

The accompanying notes on pages 20 to 47 are an integral part of these financial statements.

Company Statement of Changes in Equity for the year ended 31 December 2012

	Note	Share capital US$	Capital redemption reserve US$	Distributable reserves US$	Total US$
Balance at 31 December 2011		4,752,070	250,109	139,097,195	144,099,374
Own shares acquired	9	(1,098,845)	-	(35,999,730)	(37,098,575)
Transfer to capital redemption reserve	9	-	254,209	(254,209)	-
Transfer from capital redemption reserve	9	-	(504,318)	504,318	-
Total comprehensive (loss) for the year		-	-	(17,110,614)	(17,110,614)
Balance at 31 December 2012		**3,653,225**	**-**	**86,236,960**	**89,890,185**

Company Statement of Changes in Equity for the year ended 31 December 2011

	Share capital US$	Capital redemption reserve US$	Distributable reserves US$	Total US$
Balance at 31 December 2010	4,752,070	250,109	171,889,322	176,891,501
Total comprehensive (loss) for the year	-	-	(32,792,127)	(32,792,127)
Balance at 31 December 2011	**4,752,070**	**250,109**	**139,097,195**	**144,099,374**

The accompanying notes on pages 20 to 47 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

	For the year ended 31 December 2012 US$	For the year ended 31 December 2011 US$
Cash flows from operating activities		
(Loss) for the year	(17,110,614)	(32,792,127)
Adjustments to reconcile (loss) for the year to net cash provided by operating activities		
Purchase of financial assets and settlement of financial liabilities	(19,166,613)	(60,350,697)
Sale of financial assets and settlement of financial liabilities	88,908,985	55,891,582
Realised loss on investments	35,843,940	12,536,993
Net change in unrealised (gain)/loss on investments	(18,228,966)	20,313,859
Decrease (increase) in amounts due from broker	6,178,013	(1,956,444)
Net increase in dividends receivable	(233,720)	-
Increase in other receivables	(344,955)	(75,216)
Decrease in interest receivable	51,118	8,061,142
Increase/(decrease) in accounts payable and accrued expenses	306,697	(1,524,463)
Net cash provided by operating activities	**76,203,885**	**104,629**
Cash flows from financing activities		
Payment for purchase of ordinary shares	(37,098,575)	-
Net cash used in financing activities	**(37,098,575)**	-
Net increase in cash and cash equivalents	**39,105,310**	**104,629**
Cash and cash equivalents at beginning of year	119,997	15,368
Cash and cash equivalents at end of year	**39,225,307**	**119,997**
Supplementary disclosure of cash flow information		
Dividends received	5,745,329	2,771,720
Net interest received	54,947	10,559,361

The accompanying notes on pages 20 to 47 are an integral part of these financial statements.

Company Statement of Cash Flows

	For the year ended 31 December 2012 US$	For the year ended 31 December 2011 US$
Cash flows from operating activities		
(Loss) for the year	(17,110,614)	(32,792,127)
Adjustments to reconcile (loss) for the year to net cash provided by operating activities		
Net change in unrealised gain on investments	17,110,614	32,792,127
Net cash provided by operating activities	-	-
Cash flows from financing activities		
Loan from subsidiary company	37,098,575	-
Payment for purchase of ordinary shares	(37,098,575)	-
Net cash flow used in financing activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes on pages 20 to 47 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 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 Annual General Meeting 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 seeks 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 public investments are held by a subsidiary, Tau Cayman LP. Tau Cayman LP holds two (31 December 2011: two) private investments. As at 31 December 2011, one other private investment was held by Tau SPV 1 Cooperatief (31 December 2011: one) Tau Cayman LP, Tau SPV 1 Cooperatief, Tau Cayman Limited and Tau Capital plc are referred to as the "Group".

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

2. Accounting Policies

The significant accounting policies and estimation techniques adopted by the Group for the year ended 31 December 2012 are consistent with those adopted by the Group for the annual financial statements for the year ended 31 December 2011.

a) Statement of compliance

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

b) New accounting standards

There have been no new or revised standards adopted during the year. As of the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9: Financial Instruments was issued in November 2009. The standard is effective for annual periods, beginning on or after 1 January 2015, with earlier application permitted. The adoption of this standard is expected to have limited impact on the classification and measurement of financial instruments.
- Amendment to IAS 32 (Dec 2011) - Offsetting Financial Assets and Financial Liabilities. Effective 1 January 2014. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- Amendment to IFRS 7 (Dec 2011) - Disclosures - Offsetting Financial Assets and Financial Liabilities. Effective 1 January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

b) New accounting standards (continued)

- IAS 19 (revised June 2011) – Employee Benefits. Effective 1 January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IFRS 13- Fair Value Measurement. Effective 1 January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IFRS 12 - Disclosure of Interest in Other Entities. Effective 1 January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IFRS 11 - Joint Arrangements. Effective 1 January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IFRS 10 - Consolidated Financial Statements. Effective 1 January 2013. The adoption of this standard may impact on disclosures in the financial statements in future periods.
- IAS 28 (revised May 2011) - Investments in Associates and Joint Ventures. Effective 1 January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IAS 27 (revised May 2011) - Separate Financial Statements. Effective 1 January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine. Effective 1 January 2013. The adoption of this standard in future periods is not expected to have a material impact on the financial statements of the Company.
- IFRS 10, IFRS 12 and IAS 27 (amended) – Investment Entities. Effective 1 January 2014. The adoption of this standard in future periods could have a material impact on the financial statements of the Company in respect of the consolidation of the Company's subsidiaries. The Company has not yet fully assessed the impact that adoption of Investment Entities will have on the financial statements.

c) Basis of presentation

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

No separate Statement of Comprehensive Income has been presented for the Company. The parent company incurred a loss of US$17,110,614 in the year (31 December 2011: loss of US$32,792,127).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and positions are set out in the Investment Managers Report on pages 3 to 8. Note 2 and note 11 to the financial statements include the Group's objectives and policies, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to market risk, credit risk and liquidity risk.

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

Since the balance sheet date, the Group has returned US$32,800,000 to shareholders following a share tender offer process. The Group has also realised US$20,341,480 from the disposal of public investments post year end. The directors have considered forecast administration expenses and liquid financial resources available to the Group post year end, and after making enquires, have a reasonable expectation that the Company and the Group have adequate financial resources to meet liabilities as they fall due and to continue in operational existence for the foreseeable future.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

c) Basis of presentation (continued)

Going concern (continued)
The Directors have considered the resolutions passed at the AGM in relation to an orderly disposal of investments, and after consideration are of the opinion that given the time scales pertaining to the disposal of investments which require disposal of the private investments within 24 months and the fact that no final decision has been made by the board in relation to the future trading activities of the Company and the Group, the Company is still a going concern. Accordingly they continue to adopt the going concern basis in preparing the annual report and consolidated financial statements.

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

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

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques. Where applicable, investments are valued according to the International Private Equity and Venture Capital Valuation Guidelines based on the opinions and advice of the Investment Adviser. 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 could require a material adjustment to the carrying amount of the asset or liability affected. Further details concerning the uncertainties surrounding the valuation of private investments can be found in note 2(e), note 5 and note 18.

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

Financial assets and liabilities at fair value through profit or loss

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

<u>Financial assets and liabilities held for trading</u>: 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 Group does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

e) Financial instruments (continued)

Financial assets and liabilities designated at fair value through profit or loss at inception: including private investments comprising equity, bridging loans, mezzanine loans, profit participating loans, or combinations thereof. These are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy. Private investments have been designated at fair value through profit or loss and accounted for in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". IAS 28 "Investments in Associates" and IAS 31 "Interest in Joint Ventures" has not been applied by the Group to the investments that it holds in associates or joint ventures as the Group is a venture capital organisation outside the scope of these standards.

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

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

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

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

Unlisted private investments are valued at the Directors' estimate of their fair value in accordance with the requirements of IAS 39 and guidelines issued by the International Private Equity and Venture Capital Association ("IPEVCA") August 2010. In estimating fair value for this type of investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations. An appropriate methodology will incorporate available information about all factors that are likely to materially affect the fair value of the investment. Valuation methodologies will be applied consistently from year to year, except where a change would result in a more accurate estimate of the fair value of the investment, which may be up or down (see note 2(d)).

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

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

f) Investments in subsidiaries (continued)

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

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

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

g) Interest income and expense

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

h) Dividend income and expense

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

i) Expenses

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

j) Offsetting financial instruments

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

k) Foreign currency translation

i) Functional and presentation currency

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

ii) Foreign currency transactions

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

l) Cash and cash equivalents

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

m) Amounts due from brokers

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

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

n) 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%.

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

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

The Group suffered withholding taxes on dividends received from foreign sources in the current and prior year.

o) Share capital

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

p) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2012. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

q) Segment reporting

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

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

r) Share-based payments

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

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

Notes to the Financial Statements (continued)

3. Financial Instruments at Fair Value Through Profit or Loss

	As at 31 December 2012 US$	As at 31 December 2011 US$
Held for trading:		
Public equities	23,434,883	78,193,903
Debt instruments	682,845	2,210,677
	24,117,728	80,404,580
Designated at fair value through profit or loss:		
Private investments	29,000,000	57,566,228
Total financial assets at fair value through profit or loss	**53,117,728**	**137,970,808**
Held for trading:		
Derivatives: contracts for difference	(2,504,266)	-
Total financial liabilities at fair value through profit or loss	**(2,504,266)**	**-**
Net (loss) on financial assets and liabilities at fair value through profit or loss:		
Net realised (loss) on investments and foreign exchange	(35,710,310)	(12,565,621)
Net unrealised gain/(loss) on investments and foreign exchange	18,313,029	(20,329,574)
Total net (loss)	**(17,397,281)**	**(32,895,195)**

4. Derivative Contracts

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

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

A breakdown of the fair value of the derivatives held as at 31 December 2012 and 31 December 2011 can be found in note 3 to the financial statements above.

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

Notes to the Financial Statements (continued)

4. Derivative Contracts (continued)

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

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

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

5. Fair Value of Financial Instruments

The Group categorises its investments in accordance with IFRS 7 - Financial Instruments: Disclosures ("IFRS 7") and values investments in accordance with IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 7 defines fair value and establishes a framework for measuring fair value. The fair value of financial assets and liabilities are calculated in accordance with the accounting polices disclosed in note 2 (e) to the financial statements.

Financial instruments included in each category are as follows:

Level 1 - Quoted market price:	Public equities and contracts for difference
Level 2 - Market observable inputs:	Debt instruments and public equities
Level 3 - Non-market observable inputs:	Private investments

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 2012, the breakdown was as follows:

	(Level 1) US$	**(Level 2) US$**	**(Level 3) US$**	**Total US$**
Financial assets				
- Held for trading	22,798,484	1,319,244	-	24,117,728
- Designated at fair value through profit or loss	-	-	29,000,000	29,000,000
	22,798,484	**1,319,244**	**29,000,000**	**53,117,728**
Financial liabilities				
- Held for trading	(2,504,266)	-	-	(2,504,266)
	(2,504,266)	**-**	**-**	**(2,504,266)**

Notes to the Financial Statements (continued)

5. Fair Value of Financial Instruments (continued)

As at 31 December 2011, the breakdown was as follows:

	(Level 1) US$	(Level 2) US$	(Level 3) US$	Total US$
Financial assets				
- Held for trading	77,112,507	3,292,073	-	80,404,580
- Designated at fair value through profit or loss	-	-	57,566,228	57,566,228
	77,112,507	**3,292,073**	**57,566,228**	**137,970,808**

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 2012 and 31 December 2011:

	31 December 2012 US$	31 December 2011 US$
Opening balance at beginning of year	57,566,228	63,557,895
Transfers in	-	-
Transfers out	-	-
Purchases	-	10,500,000
Sales	(18,950,770)	(19,500,000)
Net realised and unrealised gain on investments recognised as investment income	(9,615,458)	3,008,333
Closing balance at end of year	**29,000,000**	**57,566,228**

Net realised and unrealised (loss)/gain on investments are recognised as investment income in the Statement of Comprehensive Income. The valuation of the private investments is subject to inherent uncertainty. Further details can be found in note 18. There were no transfers out of level 3 during the year (2011: none).

6. Amounts Due from Brokers

	As at 31 December 2012 US$	As at 31 December 2011 US$
Cash held with broker	-	6,178,013
	-	**6,178,013**

Morgan Stanley & Co International Plc provides a leverage facility for the Group, which fluctuates according to the liquidity of the financial instruments in the Group's portfolio at the valuation date. The limits of leverage can change due to portfolio structure changes, changes in market value of securities and in the portfolio's liquidity. The Group pays the margin debit interest at the beginning of each month at a rate of LIBOR plus 65bps based on the settlement debit balances at the end of the previous month. The leverage facility provided is repayable on demand. This leverage facility was not in use at the year end. In the current year cash held with broker of US$33,786,064 is included within cash and cash equivalents.

Notes to the Financial Statements (continued)

7. Cash and Cash Equivalents

	As at 31 December 2012 US$	As at 31 December 2011 US$
Cash	39,225,307	119,997
	39,225,307	**119,997**

8. Fees and Expenses

Investment management fees
The Investment Manager for the period up until 5 October 2012 was Compass Asset Management Ltd. The Investment Manager was entitled to receive from the Group an investment management fee equal to 2% per annum of the net asset value of the Group and received investment management fees up to 31 December 2012 in accordance with their contract. The Group paid the investment management fee semi-annually in advance.

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

With effect from 19 September 2012 Capital Gate Securities Ltd ("Capital Gate") became the Investment Advisor to the private equity part of the Fund for which they receive two fees which are paid semi-annually in advance. The first fee is equal to 2% of the current aggregate net asset value of Stopharm LLP and the current aggregate net asset value of Lucent Petroleum LLP until the liquidation of such assets. As at 31 December 2012 the net asset values of Stopharm LLP and Lucent Petroleum LLP were US$21,500,000 and US$7,500,000 respectively.

Additionally Capital Gate receives 1% of the net asset value of any other assets that the Group may subsequently transfer from its public equity portfolio to Capital Gate or in respect of any other ancillary services which the Company asks Capital Gate to provide.

For the period from 21 September 2012 until 31 December 2012 Sturgeon Capital Ltd ("Sturgeon") also acted as Investment Manager to the Group, with responsibility for the public equity securities.

The Group paid Sturgeon an initial investment management fee calculated pro rata to cover the period from 21 September 2012 to 30 September 2013. Subsequently each investment management fee paid to Sturgeon will be paid within 10 business days.

The investment management fees which apply to Sturgeon are as follows:

a) The management fee is an amount equal to 0.12% of the net asset value, which is calculated or determined monthly at each valuation date.

b) If the aggregate investment management fees paid by the Group prior to the earlier of (i) the date of termination of the investment management agreement or (ii) the first anniversary of 21 September 2012 are less than US$375,000, the Group shall pay an amount equal to US$375,000 less the investment management fees actually paid during the period by no later than 30 days after the earlier of (a) the termination date of the agreement or (b) the first anniversary of the effective date.

c) The Group shall pay Sturgeon a maximum aggregate amount of US$750,000 in investment management fees and performance fees during the term of the investment management agreement. If such maximum amount has been reached, there is no further liability to pay any investment management fee or performance fee during the term of the investment management agreement.

Notes to the Financial Statements (continued)

8. Fees and Expenses (continued)

Investment management fees (continued)
The investment management fee for the year for Compass Asset Management Ltd was US$2,705,952 (31 December 2011: US$3,391,434) of which US$Nil (31 December 2011: US$Nil) was outstanding as at 31 December 2012.

The investment management fee for the year for Capital Gate was US$184,558 (31 December 2011: US$Nil) of which US$Nil (31 December 2011: US$Nil) was outstanding as at 31 December 2012.
The investment management fee for the year for Sturgeon was US$259,495 (31 December 2011: US$Nil) of which US$Nil (31 December 2011: US$Nil) was outstanding as at 31 December 2012.

Performance fees
Sturgeon is also entitled to a receive a performance fee equal to 20% of the Net Realisation of an Investment provided the Net Realisation of each Investment (other than the Oxus Bonds) has achieved a Hurdle Return (an increase of 12% per annum on the base value of the relevant investment).

The performance fee accrued for the year was US$289,507 (31 December 2011: US$Nil) of which US$289,507 (31 December 2011: US$Nil) was outstanding as at 31 December 2012.

Administrator and Sub-Administrator fees
The Administrator is entitled to receive a fixed fee of £6,250 each calendar quarter. A one off fee was paid to the Administrator of £35,000 prior to year end. From 1 January 2013 the Administrator fee was increased to £35,000 per annum.

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

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

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

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

Fees paid to the Administrator and Sub-Administrator for the year ended 31 December 2012 were US$92,000 (31 December 2011: US$117,162) and US$99,789 (31 December 2011: US$91,748), respectively.

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

The Directors' remuneration expense for the year amounted to US$213,265 (31 December 2011: US$151,584). During the year end 31 December 2012 Robert Brown, III, Philip Lambert, Philip Scales, Richard Horlick and Michael Sauer received GBP£40,000, GBP£50,000, GBP£10,000, GBP£Nil and GBP£Nil respectively in Director's remuneration. Nicholas Paris and Terence Mahony each received GBP£40,000 per annum, pro-rated with effect from 24 July 2012.

Notes to the Financial Statements (continued)

8. Fees and Expenses (continued)

Operating expenses
The Group meets all its own costs and expenses including the costs and expenses of advisors, consultants and other agents engaged on its behalf, commissions, banking fees, legal expenses, audit fees, listing costs and the costs of distribution of reports and accounts and similar documentation to shareholders.

Audit fees
Fees charged by the independent auditor for the year ended 31 December 2012 were US$91,131 (31 December 2011: US$85,072) of which US$58,994 (31 December 2011: US$62,164) was outstanding as at 31 December 2012.

The following table shows the breakdown of accounts payable and accrued expenses as at 31 December 2012 and 31 December 2011:

	As at 31 December 2012 US$	**As at 31 December 2011 US$**
Administration fees payable	(72,394)	(94,889)
Audit fees payable	(58,994)	(62,164)
Directors' remuneration payable	(27,947)	(19,897)
Professional fees payable	(149,600)	-
Performance fees payable	(289,507)	-
Other accounts payable and accrued expenses	(62,079)	(176,874)
	(660,521)	**(353,824)**

The following table shows the breakdown of operating expenses incurred for the year ended 31 December 2012 and 31 December 2011:

	For the year ended 31 December 2012 US$	**For the year ended 31 December 2011 US$**
Investment management fees	(3,150,005)	(3,391,434)
Performance Fees	(289,507)	-
Administration fees	(191,789)	(208,911)
Directors' remuneration expense	(213,265)	(151,584)
Audit fees	(91,131)	(85,072)
Other operating expenses	(1,366,096)	(926,969)
	(5,301,793)	**(4,763,970)**

9. Share Capital and Share Premium

The authorised share capital of the Group is £3,502,000 comprising 350,199,998 ordinary shares of £0.01 each and 2 founder shares of £0.01 each. The founder shares carry identical rights and privileges to the ordinary shares of the Group which include a right to receive all dividends and other distributions declared, made or paid. The share capital of the Group has been allocated, called up and fully paid. The shares in issue as at 31 December 2012 and 31 December 2011 were as follows:

	Ordinary shares in issue	**Founder shares in issue**
As at 31 December 2012	169,426,460	2
As at 31 December 2011	238,450,002	2

Notes to the Financial Statements (continued)

9. Share Capital and Share Premium (continued)

During the year the Company acquired 69,023,542 of its own ordinary shares of £0.01 each which were subsequently cancelled.

During the year ended 31 December 2012, the following acquisitions of own shares took place:

	Shares	Price per Share US$	Amount Paid US$
22 February 2012	11,491,538	0.42	4,797,717
06 March 2012	500,000	0.43	215,000
19 March 2012	1,000,000	0.45	450,000
26 March 2012	500,000	0.45	225,000
30 March 2012	150,000	0.45	67,500
04 April 2012	500,000	0.47	232,500
18 April 2012	2,000,000	0.46	920,000
25 July 2012	1,500,000	0.47	697,500
02 August 2012	200,000	0.47	93,500
28 August 2012	3,000,000	0.47	1,402,500
	20,841,538		9,101,217

On 5 November 2012 the Company completed a Tender Offer following which 48,108,004 shares were repurchased at US$0.581075 per share and subsequently cancelled.

In order to finance the share buy back, a subsidiary company, Tau Cayman LP, sold certain public investments and loaned the proceeds to the Company. The loan is interest free and repayable on demand. As required under Isle of Man company law, while the Company was incorporated under the Companies Act 1931-2004, the amount by which the Company's issued share capital has diminished was transferred to the capital redemption reserve. Following re-registration under the Companies Act 2006, this reserve was no longer required and an amount of US$504,318 was transferred to distributable reserves from the capital redemption reserve.

10. Related Party Transactions

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

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

As at 31 December 2012, Philip Lambert and Robert Brown, III each held 389,292 ordinary shares in the Company (31 December 2011: 500,000). These shares were granted in consideration for the provision of services pursuant to their letters of appointment as non-executive Directors.

As at 31 December 2012, Richard Horlick held 17,357,305 ordinary shares (31 December 2011: 22,500,000).

As at 31 December 2012 Terence Mahony held 393,996 ordinary shares (31 December 2011: nil)

As at 31 December 2012 and 31 December 2011, both Spencer House Capital Management, LLP and Compass Asset Management Ltd held one founder share each.

As at 31 December 2012, Tau Cayman L.P. has loaned the Company US$37,098,575 (2011: US$Nil). The terms of the loan are disclosed in note 9.

Notes to the Financial Statements (continued)

10. Related Party Transactions (continued)

Gypsum Limited, a company to whom Richard Horlick provides consultancy services, received fees of GBP£75,000 during 2012 (2011: GBP£Nil).

11. Financial Instruments and Associated Risks

Introduction

In accordance with the Company's accounting policy for investments in subsidiaries (note 2f), these are designated at fair value through profit or loss. Since the Group's underlying net assets are owned by its subsidiaries and are carried at fair value, the disclosures in this note relating to financial instruments and associated risks are the same for both the Company and the Group.

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

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

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

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

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

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

Market risk

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

The Group's strategy on the management of investment risk is driven by its investment objective as outlined in note 1 to the financial statements. Details of the Group's financial instruments outstanding at the date of the Statement of Financial Position can be seen in the Schedule of Investments (unaudited) on pages 46 to 47.

Notes to the Financial Statements (continued)

11. 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 Group's investment portfolio. The Group manages 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 the Investment Manager considered the asset allocation of the portfolio in order to minimise risks whilst achieving the Group's investment objectives. The Group maintained a diversified portfolio both in terms of the number of positions, their geographic location and industry sector (as detailed in the Schedule of Investments (unaudited) on pages 46 to 47).

Following their appointment Sturgeon commenced the divestment program as approved at the 2012 annual general meeting.

The following table shows the breakdown by industry sector as at 31 December 2012:

	Financial assets at fair value through profit or loss US$	Financial liabilities at fair value through profit or loss US$
Healthcare	21,500,000	
Oil & Gas	15,705,873	-
Precious Metals	9,433,237	(2,504,266)
Metals & Mining	6,205,612	-
Telecom services	273,006	-
	53,117,728	**(2,504,266)**

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market risk (continued)

Equity and private investment price risk (continued)
The following table shows the breakdown by industry sector as at 31 December 2011:

	Financial assets at fair value through profit or loss US$	**Financial liabilities at fair value through profit or loss US$**
Oil & Gas	41,786,690	-
Metals & Mining	24,731,495	-
Telecom services	24,250,038	-
Healthcare	21,500,000	-
Precious Metals	19,725,759	-
Banks	5,976,826	-
	137,970,808	**-**

Following the 2012 annual general meeting the Investment Manager manages market positions on a daily basis.

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

Management's best estimate of the effect on net assets and profit due to a reasonably possible change in significant equity indices, with all other variables held constant as at 31 December 2012 is as follows:

Change in equity price	**Effect on profit & net assets US$**
15% decrease	3,515,232

Management's best estimate of the effect on net assets and profit due to a reasonably possible change in significant equity indices, with all other variables held constant as at 31 December 2011 was as follows:

Change in equity price	**Effect on profit & net assets US$**
15% decrease	8,560,106

Equity and private investment price risk (continued)
Management's best estimate of the effect on net assets and profit due to a reasonably possible change in private investments of a decrease of 10%, with all other variables held constant as at 31 December 2012 is US$2,900,000 (31 December 2011: US$5,756,623).

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

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market risk (continued)

Currency risk

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

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

At 31 December 2012 the Group's exposure to foreign currency was as follows:

	Financial assets US$	Financial liabilities US$	Cash & cash equivalents US$	Other assets & liabilities US$	Total US$
Canadian dollar	4,671,148	-	-	-	4,671,148
Euro	-	-	14,032	-	14,032
Hong Kong dollar	2,611,470	-	-	-	2,611,470
Kazakhstan tenge	29,273,006	-	2,228,432	-	31,501,438
Pound sterling	15,879,258	(2,504,266)	13,510,664	-	26,885,657
US dollar	682,845	-	23,472,179	51,416	24,206,440
	53,117,728	**(2,504,266)**	**39,225,307**	**51,416**	**89,890,185**

At 31 December 2011 the Group's exposure to foreign currency was as follows:

	Financial assets US$	Cash & cash equivalents US$	Other assets & liabilities US$	Total US$
Canadian dollar	16,319,384	-	26,860	16,346,244
Euro	-	-	5,593	5,593
Hong Kong dollar	646,664	-	-	646,664
Kazakhstan tenge	3,513,942	28,521	-	3,542,463
Pound sterling	26,655,815	-	1,521,971	28,177,786
Russian rouble	4,703,611	-	-	4,703,611
US dollar	86,131,392	91,476.00	4,454,145	90,677,013
	137,970,808	**119,997**	**6,008,569**	**144,099,374**

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Market risk (continued)

Currency risk (continued)
The following analysis discloses the 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 2012.

	% change	Financial assets US$	Financial liabilities US$	Cash & cash equivalents US$	Other assets & liabilities US$	Effect on profit & net assets US$
Canadian dollar	10% increase	467,115	-	-	-	467,115
Euro	10% increase	-	-	-	1,403	1,403
Kazakhstan tenge	10% increase	2,927,301	-	222,843	-	3,150,144
Pound sterling	10% increase	1,587,926	(250,427)	-	1,351,066	2,688,565
		4,982,342	**(250,427)**	**222,843**	**1,352,469**	**6,307,227**

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

The analysis below discloses the 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 2011.

	% change	Financial assets US$	Cash & cash equivalents US$	Other assets & liabilities US$	Effect on profit & net assets US$
Canadian dollar	10% increase	1,631,938	-	2,686	1,634,624
Euro	10% increase	-	-	559	559
Hong Kong dollar	10% increase	64,666	-	-	64,666
Kazakhstan tenge	10% increase	351,394	2,852	-	354,246
Pound sterling	10% increase	2,665,582	-	152,197	2,817,779
Russian rouble	10% increase	470,361	-	-	470,361
		5,183,941	**2,852**	**155,442**	**5,342,235**

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

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

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

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Liquidity risk

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

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

The Group's liquidity is managed on a daily basis by the Investment Manager.

As at 31 December 2012, the Group held private investments with an estimated total fair value of US$29,000,000 (31 December 2011: US$57,566,228) which represents 32.26% (31 December 2011: 39.88%) of the Group's net assets. These investments are considered to be illiquid as there is no active market for the purchase and sale of these investments (see note 18).

The table below analyses the Group's financial liabilities as at 31 December 2012 and 31 December 2011 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.

As at 31 December 2012

	Less than 1 month US$	**1-6 months US$**
Financial liabilities at fair value through profit or loss	-	(2,504,266)
Accounts payable and other expenses	(601,527)	(58,994)
	(601,527)	**(2,563,260)**

As at 31 December 2011

	Less than 1 month US$	**1-6 months US$**
Accounts payable and other expenses	(291,660)	(62,164)
	(291,660)	**(62,164)**

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Credit risk

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

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

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

The Group also invests in two types of financial assets, principally those that are equity in nature and listed and those that are private and unlisted and these can be in the form of loans which include an interest element. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on purchases once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

All publicly held assets are held under a Prime Brokerage relationship with either Morgan Stanley & Co International plc, operating as a subsidiary of Morgan Stanley plc, Subsidiary Bank HSBC Kazakhstan Joint Stock Company operating as a subsidiary of HSBC plc .

At 31 December 2012 the parent companies of the brokers had the following ratings:

	Standard & Poors	**Moody's**	**Fitch**
Morgan Stanley Plc	A	Baa1	A
HSBC Plc	A-1+	Aa3	AA-

The following table shows the value of net assets held with each Prime Broker as at 31 December 2012:

	Financial assets US$	**Financial liabilities US$**	**Amounts due from brokers US$**
Morgan Stanley International Plc	23,844,722	(2,504,266)	-
Subsidiary Bank HSBC Kazakhstan Joint Stock Company	273,006	-	-
	24,117,728	**(2,504,266)**	**-**

Notes to the Financial Statements (continued)

11. Financial Instruments and Associated Risks (continued)

Credit risk (continued)

The following table shows the value of net assets held with each Prime Broker as at 31 December 2011:

	Financial assets US$	Amounts due from brokers US$
Morgan Stanley International Plc	76,890,638	6,178,013
Subsidiary Bank HSBC Kazakhstan Joint Stock Company	3,513,942	-
	80,404,580	**6,178,013**

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

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

Private investments risk

The main risks related to private investments that the Group is exposed to, 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 18 for further details).

Notes to the Financial Statements (continued)

12. Exchange Rates

The following exchange rates were used to translate assets and liabilities into US dollars at 31 December 2012 and 31 December 2011:

	31 December 2012	31 December 2011
Canadian dollar	1.004319	0.982077
Euro	1.318400	1.298145
Hong Kong dollar	0.129018	0.128756
Kazakhstan tenge	0.006647	0.006735
Pound sterling	1.625500	1.554098
Russian rouble	0.032735	0.031130

13. 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 a dividend arises.

No dividends were paid during the years ended 31 December 2012 and 31 December 2011.

14. 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.

15. Commitments and Contingent Liabilities

As at 31 December 2012, the Group has no further commitments to Lucent Oil and Gas (Cyprus) Limited (31 December 2011: US$Nil).

16. Valuation of the Group

The Net Asset Value ("NAV") of the Group as at 31 December 2012 and 31 December 2011, as reported at the time (based on last traded prices of underlying investments), differs from the financial statements. In accordance with IAS 39, long positions in the financial statements are valued at bid prices and short positions at offer prices.

	As at 31 December 2012 US$	As at 31 December 2011 US$
Net Asset Value for management reporting purposes	91,469,056	144,628,638
Adjustment to bid/offer prices	(51,040)	(309,624)
Adjustment to fair value of debt instruments	(1,527,831)	(219,640)
Audited Net Asset Value per financial statements	**89,890,185**	**144,099,374**
Reported Net Asset Value per share	$0.53	$0.61
Audited Net Asset Value per share	$0.53	$0.60

Notes to the Financial Statements (continued)

17. (Loss) per Share

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

	For the year ended 31 December 2012	For the year ended 31 December 2011
Net consolidated (loss) attributable to shareholders	($17,110,614)	($32,792,127)
Weighted average number of ordinary shares in issue	214,148,259	238,450,002
Basic (loss) per share	($0.08)	($0.14)

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

18. Private Investments Designated at Fair Value Through Profit or Loss

At the financial year end, the Group's private investment portfolio comprised two investments (31 December 11: three) as follows:

	Note	As at 31 December 2012 US$	As at 31 December 2011 US$
Stopharm LLP	(i)	21,500,000	21,500,000
Lucent Petroleum LLP	(ii)	7,500,000	15,000,000
Alem Communications Holding LLP	(iii)	-	21,066,228
Total		**29,000,000**	**57,566,228**

Key developments for the year were: conversion of the Convertible Bridge Loan provided to Lucent Petroleum LLP into equity; a mark-down of the investment in Lucent Petroleum LLP; and an agreement regarding Alem Communications Holding LLP exit.

The directors have valued these investments on the advice of the Investment Advisor and using the guidance laid down in the International Private Equity and Venture Capital Valuation Guidelines (August 2010) ("IPEVCVG").

(i) Stopharm LLP ("Stopharm")
Stopharm is a wholesale pharmaceuticals distributor operating in Kazakhstan. On 1 September 2010, the Group 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. As such, at the year end, the Group held a 40.35% equity stake in Stopharm.

In June 2012, the Group received dividends from Stopharm LLP in the amount of US$1.14 million. The Fund's current stake in the company is 40.35%. As of 31 December 2012, the investment is valued at US$21,500,000 based on the price of recent investment in line with IPEVCVG.

Notes to the Financial Statements (continued)

18. Private Investments Designated at Fair Value Through Profit or Loss

(ii) 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 in close proximity to several major producing oilfields. On 22 September 2010, the Group 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, the Group 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 the Group, the Convertible Bridge Loan originally provided by the Group to Lucent was converted into a 6.18% equity stake. The current stake of the Group in the company is 6.18%. In May, the Board of the Group decided to mark-down the investment in Lucent, from the previous valuation, which was based on the price of 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 is valued at US$7,500,000. Post year end the Lucent investment was written down from US$7,500,000 to US$3,750,000 on 12 March 2013 based on advice from its Private Equity Investment Advisor.

(iii) Alem Communications Holding LLP ("Alem")
Alem is a telecom holding company operating within the territory of the Republic of Kazakhstan. The Group had an indirect stake in Alem through a secured senior profit participating loan ("SSPPL") in DTV Investment Holding LLP ("DTVI") which had a direct holding in the shares of Alem.

As per a Sales and Purchase Agreement ("SPA") dated 27 April 2012 between DTV Investment Holding ("DTVI"), Tau (Cayman) L.P., Midas Telecom ("Midas") and Mymari Holding B.V. ("Mymari"), Midas and Mymari agreed to buy DTVI's 13.0561% stake in Alem for KZT 3,012,841,310 which corresponded to US$20,402,528 at a USD:KZT fx rate of 147.67. Based on the Group's interest in DTVI, the Group received US$19,559,850 in total proceeds before expenses, taxes, and provisions for the liquidation of Special Purpose Vehicles. Proceeds of US$18.69 million were received by the Fund on 16 July 2012. Any remaining balance due, less expenses, taxes and liquidation costs, is expected to be received in the second half of 2013.

As stated in note 2, and specifically in relation to the Group's investments in Stopharm LLP and Lucent Petroleum valued at US$29 million above, where the valuation of investments is dependent on non-market observable inputs a degree of judgement is required on estimating fair values. Accordingly the valuation of the private investments is subject to significant inherent uncertainty.

19. Investments in Subsidiaries

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

Notes to the Financial Statements (continued)

19. Investments in Subsidiaries (continued)

The values of the subsidiaries at 31 December 2012 and 31 December 2011 were as follows:

	As at 31 December 2012 US$	As at 31 December 2011 US$
Tau Cayman Limited	-	-
Tau (Cayman) L.P.	126,988,760	123,033,146
Tau SPV 1 Cooperatief W.A.	-	21,066,228
	126,988,760	**144,099,374**

20. Off-Balance Sheet Risk

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

21. Share-Based Payments

The following share-based payment arrangement was in existence with Numis Securities Limited, the Company's Nominated Adviser and Broker, at 31 December 2011. The share-based payment arrangement expired unexercised on 3 May 2012. This arrangement was conditional upon admission of the ordinary share capital of the Company to the Alternative Investment Market operated by the London Stock Exchange.

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

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

22. Capital Management

The Group's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its offering memorandum.
- To achieve consistent returns while safeguarding capital by investing in accordance with their investment strategy.
- To maintain sufficient liquidity to meet the expenses of the Group.
- To maintain sufficient size to make the operation of the Group cost-efficient.

Refer to "Financial Instruments and Associated Risks" (note 11) for the policies and processes applied by the Group in managing its capital. See note 9 for the Company's share capital as at 31 December 2012.

Notes to the Financial Statements (continued)

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

Adjusting event

The convertible loan Oxus Gold PLC was marked down in January 2013 from US$2,500,000 to US$682,845 following an independent review into the valuation of the Group holding. The review was considered to provide evidence of conditions which existed in relation to the investment at the balance sheet date and therefore the valuation of the investment in Oxus Gold plc has been adjusted within these financial statements.

Non-adjusting events

The Lucent investment was written down from US$7,500,000 to US$3,750,000 on 12 March 2013 based on advice from its Private Equity Investment Advisor, following the lifting of a moratorium on auctions of new oil and gas projects by the Kazakhstan government in January 2013. The lifting of the moratorium will provide competition for Lucent with respect to prospective farm in partners. The directors also considered that a material dilution of the shareholding in Lucent would occur if a farm in partner was found.

There was a second tender offer where 63,082,047 shares were repurchased and cancelled on 23 January 2013.

A Director of the Fund, Mr Robert Brown III resigned on 31 March 2013.

Mr. Graham Smith was appointed as a Director on 9 April 2013.

Mr. Nicholas Paris, a Director of the Fund resigned on 6 March 2013.

Since the balance sheet date to the date of signing these financial statements, disposals of public equity investments of US$20,341,480 have been made.

There were no other significant events subsequent to the date of the Statement of Financial Position.

24. Approval of Financial Statements

The Annual Report and financial statements were approved by the Directors on 13 May 2013.

Additional Information: Schedule of Investments as at 31 December 2012 (unaudited)

	Country (of main operational exposure)/industry sector	Fair value - US$	% of net assets
Financial assets at fair value through profit or loss			
Public Equities			
	Kazakhstan		
	Oil & Gas	8,205,873	9.13%
	Metals & Mining	3,230,750	3.59%
	Telecom	273,006	0.30%
		11,709,628	13.03%
	Kyrgyzstan		
	Precious Metals	4,307,754	4.79%
		4,307,754	4.79%
	Mongolia		
	Metals & Mining	2,974,863	3.31%
		2,974,863	3.31%
	Russia		
	Precious Metals	4,442,638	4.94%
		4,442,638	4.94%
Total public equities		**23,434,883**	**26.07%**
Debt instruments			
	Uzbekistan		
	Precious Metals	682,845	0.76%
		682,845	0.76%
Total debt instruments		**682,845**	**0.76%**

Additional Information: Schedule of Investments as at 31 December 2012 (unaudited) (continued)

	Country (of main operational exposure)/industry sector	Fair value - US$	% of net assets
Financial assets at fair value through profit or loss (continued)			
Private investments			
	Kazakhstan		
	Healthcare	21,500,000	23.92%
	Oil & Gas	7,500,000	8.34%
		29,000,000	32.26%
Total private investments		**29,000,000**	**32.26%**
Financial liabilities at fair value through profit or loss			
Contracts for difference			
	Kazakhstan		
	Metals & Mining	(2,504,266)	(2.79%)
		(2,504,266)	(2.79%)
Total contracts for difference		**(2,504,266)**	**(2.79%)**
Total financial assets and liabilities at fair value through profit or loss		**50,613,462**	**56.31%**
Financial assets and liabilities at fair value through profit or loss		**50,613,462**	**56.31%**
Cash and cash equivalents		39,225,307	**43.65%**
Other assets in excess of liabilities		51,416	**0.04%**
Total net assets		**89,890,185**	**100.00%**