

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

**CONDENSED HALF-YEARLY REPORT AND  
UNAUDITED CONDENSED COMPANY FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

# TAU CAPITAL PLC

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# TAU CAPITAL PLC

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## Company Information

### Directors (Non-Executive)

Philip Lambert\* (Chairman)  
Terence Mahony  
Philip Scales\*  
Richard Horlick (resigned 1 January 2014)  
Graham Smith\* (appointed 9 April 2013 –  
resigned 1 January 2014)

### Registered Office

IOMA House  
Hope Street  
Douglas IM1 1AP  
Isle of Man

### Nominated Adviser and Broker

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

\*Independent Director

### Investment Advisor-Private Equity

Capitalgate Securities Limited  
Trident Chambers  
Road Town  
Tortola  
British Virgin Islands

### Administrator and Registrar

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

### Independent Auditor

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

### UK Solicitors

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

### Isle of Man Advocates

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

### Cayman Islands Counsel

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

### CREST Service Provider and UK Transfer Agent

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

# TAU CAPITAL PLC

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## Chairman's Statement

During 2014, your Board has continued with the policy of disposing of the remaining assets of the Company and returning funds to shareholders.

Capitalgate Securities Limited ("Capitalgate") continues to act as the Investment Advisor of the two remaining private equity assets held by Tau (Cayman) L.P., (a subsidiary of Tau Capital Plc), Stopharm LLP "Stopharm" and Lucent Petroleum LLP "Lucent" and remain actively engaged in seeking ways to exit both these investments.

As announced during the period, the valuation of Stopharm was further impaired and details on both the Stopharm and Lucent Petroleum investments are included in the Investment Advisor's Report. The further impairment to Stopharm was made following an assessment of the effect that the devaluation of the Tenge would have on the performance of Stopharm.

As announced on 29 September 2014, agreement in principle was reached to sell both the remaining assets. The agreed price for Stopharm is US\$7 million and Lucent, US\$250,000. Both sales are dependent on permissions being received from Government agencies in Kazakhstan and shareholders will be kept updated as both these sales progress. As a result of these offers, the valuation of Stopharm was impaired by an additional US\$1 million whilst the valuation of Lucent was increased by US\$250,000.

The holding of Oxus Gold was sold during the period for US\$425,000.

A fourth Tender Offer was announced in March 2014 with a further amount of approximately US\$5.5m returned to shareholders. Following completion of the fourth Tender Offer in July 2014, the total amount returned to shareholders now stands at approximately US\$87.3m.

The Board continues to closely monitor the operational costs of the Company and these will continue to be reduced where possible. Once both the sales of Lucent and Stopharm are completed, the Board will announce details of the final distribution that can be made to shareholders.

Reflected in these Interim Financial Statements is a change in the basis of their preparation following amendments to the International Financial Reporting Standards. These are detailed in note 2. One of the main changes is that the Annual Report and Financial Statements will no longer include consolidated results for the Group and will include the Company results only. This change is reflected in these condensed financial statements for the six months ended 30 June 2014.

**Philip Lambert**  
Chairman

**29 September 2014**

## TAU CAPITAL PLC

### Investment Advisor's Report

Private Equity Holding Tau Capital Plc		
	% Ownership	Valuation
Stopharm LLP	40.35 %	\$7 m
Lucent Oil and Gas (CY) Ltd.	5.50 %	\$0.250 m

Valuations are as of April 30, 2014

### Stopharm LLP ("Stopharm")

#### Financial Results 1 half of 2014

During the first half of 2014, Stopharm LLP ("Stopharm") earned revenues of US\$100.3 million which was a decrease in revenue as compared to US\$119.2 million during the first half of 2013. Net income during the first half of 2014 resulted in a loss of \$2.3 million as compared to a profit of \$2 million in the first half of 2013. The decrease in net income reflects the Kazakhstan tenge devaluation of 18% in February 2014 and the lower revenue of the company as compared to first half 2013. Stopharm's management believes that the company will report a loss at the end of 2014.

#### P&L 6 months 2014 Stopharm LLP - unaudited

Stopharm LLP - Management Accounts USD, 000	1H 2013 Act 6M	1H 2014 Act 6M	Variance (USD)	Variance %
<b>Revenue</b>	119,238.858	100,316.233	(18,922.625)	16.1%
<b>EBITDA</b>	4,680.757	1,382.371	(3,298.386)	70.5%
<b>Interest on loans</b>	(2,331.147)	(1,959.700)	371.447	15.9%
<b>DPN</b>	(264.565)	(222.261)	42.304	16.0%
<b>Corporate Tax</b>	(50.995)	(1,473.601)	(1,422.606)	(2,789.7)%
<b>Net Profit</b>	2,034.049	(2,273.192)	(4,307.241)	(111.7%)

*Note the US dollar amounts used above are based upon a Kazakhstan tenge to US Dollar rate of 182 to 1*

#### **Devaluation of Tenge**

On 11 February 2014 the Kazakhstan tenge devalued by 18%. Stopharm's revenues are all in Kazakhstan tenge while a large part of its cost of goods sold are denominated in other currencies. Accordingly, Stopharm's management believes such an event will have a material adverse impact on the financial performance of Stopharm in 2014, and the valuation was therefore written down to \$8 million dollars in April 2014.

As announced on 29 September 2014, agreement in principle was reached to sell the investment in Stopharm for \$7,000,000. The sale is dependent on receiving permission from Government agencies in Kazakhstan. The offer price has been used in the valuation of Stopharm as at 30 June 2014, resulting in a further write down of \$1,000,000 from April 2014.

## TAU CAPITAL PLC

### Lucent Petroleum LLP ("Lucent")

#### Developments during the first half of 2014

Lucent Management continues to seek a farm in partner to provide finance for additional exploration drilling. While Management has not found any investors, the Government of Kazakhstan has through auctions of properties around the Lucent area found new investors to come into the area. During 2013, certain cash deposits of Lucent held in Cyprus were converted into equity in certain Cyprus banks, and as at 30 June 2014 it had the remaining funds frozen in Cyprus bank accounts in an amount of \$1.2 million.

The following table shows the expenditure and cash held by Lucent for the 6 months to 30 June 2014 (unaudited):

<i>US\$ million</i>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>Total 1HY 2014</b>
G&A	0.14	(0.01)	0.18	0.14	0.12	0.06**	0.63
Seismic interpretation	0.01	0.02	0.01	0.07	0.13	0.10	0.34
CAPEX						0.07	0.07
Other costs/(revenue)	0.01	-	-	0.03	-	-	0.04
<b>Total Expenses</b>	<b>0.16</b>	<b>0.01</b>	<b>0.19</b>	<b>0.24</b>	<b>0.25</b>	<b>0.23</b>	<b>1.08</b>
<b>Cash balance at the month end</b>	<b>9.00</b>	<b>8.77</b>	<b>8.54</b>	<b>8.36</b>	<b>8.12</b>	<b>7.85*</b>	

\* \$1.2m is restricted due to the Bank of Cyprus bailout plan.

\*\* includes net currency exchange gain of \$75.9 K due to exchange rate fluctuation.

As announced on 29 September 2014, agreement in principle was reached to sell the investment in Lucent for \$250,000. The sale is dependent on permission being received from the Ministry of Energy in Kazakhstan. The offer price has been used in the valuation of Lucent as at 30 June 2014.

# TAU CAPITAL PLC

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## **Independent Review Report to Tau Capital Plc**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed company statement of comprehensive income, the condensed company statement of financial position, the condensed company statement of changes in equity, the condensed company statement of cash flows and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## **Directors’ responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 3, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

## TAU CAPITAL PLC

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### **Independent Review Report to Tau Capital Plc (continued)**

#### **Emphasis of matter – investment in subsidiary**

In arriving at our review conclusion, which is not modified, we have considered the adequacy of the disclosures in note 4 concerning the valuation of the investment in the subsidiary Tau (Cayman) L.P. The fair value of the investment in Tau (Cayman) L.P. is based on the net assets of Tau (Cayman) L.P. As disclosed in note 4, Tau (Cayman) L.P. holds certain private investments. The Directors of the Company have estimated the total fair value of those private investments as US\$7,250,000 as of 30 June 2014. 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 significant 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. This in turn creates significant uncertainty in relation to the value of the investment in Tau (Cayman) L.P. by the Company. It is not possible to quantify such uncertainties.

#### **Deloitte LLP**

Chartered Accountants  
Douglas,  
Isle of Man

**29 September 2014**

## TAU CAPITAL PLC

### Condensed Company Statement of Comprehensive Income

	For the six months ended 30 June 2014 (Unaudited) US\$	For the year ended 31 December 2013 (Audited) US\$	For the six months ended 30 June 2013 (Unaudited) US\$
Note			
<b>Investment income</b>			
Interest income	172	7,794	-
Dividend income	-	94,448,867	32,839,013
Less: withholding tax	-	-	-
Net (loss) on financial assets and liabilities at fair value through profit or loss	(6,613,239)	(113,192,767)	(40,943,562)
<b>Total operating (loss)</b>	<b>(6,613,067)</b>	<b>(18,736,106)</b>	<b>(8,104,549)</b>
<b>Expenses</b>			
Operating expenses	8 (349,761)	(1,186,022)	(606,297)
<b>(Loss) for the period/year:</b>	<b>(6,962,828)</b>	<b>(19,922,128)</b>	<b>(8,710,846)</b>
<b>Total comprehensive (loss) for the period/year attributable to shareholders</b>	<b>(6,962,828)</b>	<b>(19,922,128)</b>	<b>(8,710,846)</b>
<b>Basic and diluted (loss) per share</b>	13 <b>(\$0.09)</b>	<b>(\$0.20)</b>	<b>(\$0.08)</b>

All results derive from continuing operations.

The accompanying notes on pages 11 to 22 are an integral part of these condensed financial statements.

## TAU CAPITAL PLC

### Condensed Company Statement of Financial Position

	Note	As at 30 June 2014 (Unaudited) US\$	As at 31 December 2013 US\$	As at 30 June 2013 (Unaudited) US\$
<b>Assets</b>				
Cash		6,594,764	7,018,084	22,513,414
Debtors and prepayments		79,700	12,959	91,193
Loan to subsidiary	6	105,768	210,768	-
Investments in subsidiaries	4	8,641,536	15,254,775	87,503,980
<b>Total assets</b>		<b>15,421,768</b>	<b>22,496,586</b>	<b>110,108,587</b>
<b>Liabilities</b>				
Creditors and accruals		(172,548)	(284,538)	(158,408)
Loan from subsidiary		-	-	(61,609,854)
<b>Total liabilities</b>		<b>(172,548)</b>	<b>(284,538)</b>	<b>(61,768,262)</b>
<b>Total net assets</b>		<b>15,249,220</b>	<b>22,212,048</b>	<b>48,340,325</b>
<b>Shareholders' equity</b>				
Share capital	5	1,751,145	1,751,145	2,396,055
Distributable reserves		13,498,075	20,460,903	45,944,270
<b>Total shareholders' equity</b>		<b>15,249,220</b>	<b>22,212,048</b>	<b>48,340,325</b>
<b>Net Asset Value per share</b>		<b>\$0.21</b>	<b>\$0.30</b>	<b>\$0.46</b>

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

\_\_\_\_\_  
Philip Scales

\_\_\_\_\_  
Philip Lambert

29 September 2014

The accompanying notes on pages 11 to 22 are an integral part of these condensed financial statements.

## TAU CAPITAL PLC

### Condensed Company Statement of Changes in Equity for the six months ended 30 June 2014

	Share capital (Unaudited) US\$	Distributable reserves (Unaudited) US\$	Total (Unaudited) US\$
Balance at 31 December 2013	1,751,145	20,460,903	22,212,048
Total comprehensive (loss) for the period	-	(6,962,828)	(6,962,828)
<b>Balance at 30 June 2014</b>	<b>1,751,145</b>	<b>13,498,075</b>	<b>15,249,220</b>

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

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

### Condensed Company Statement of Changes in Equity for the six months ended 30 June 2013

	Share capital (Unaudited) US\$	Distributable reserves (Unaudited) US\$	Total (Unaudited) US\$
Balance at 31 December 2012	3,653,225	86,236,960	<b>89,890,185</b>
Own shares acquired	(1,257,170)	(31,581,844)	<b>(32,839,014)</b>
Total comprehensive (loss) for the period	-	(8,710,846)	<b>(8,710,846)</b>
<b>Balance at 30 June 2013</b>	<b>2,396,055</b>	<b>45,944,270</b>	<b>48,340,325</b>

The accompanying notes on pages 11 to 22 are an integral part of these condensed financial statements.

## TAU CAPITAL PLC

### Condensed Company Statement of Cash Flows

	For the six months ended 30 June 2014 (Unaudited) US\$	For the year ended 31 December 2013  US\$	For the six months ended 30 June 2013 (Unaudited) US\$
<b>Cash flows from operating activities</b>			
(Loss) for the period/year	(6,962,828)	(19,922,128)	(8,710,846)
<b>Adjustments to reconcile (loss) for the period/year to net cash provided by operating activities</b>			
(Increase) in debtors and prepayments	(66,741)	(149,308)	(16,774)
Decrease in investments in subsidiaries	6,613,239	113,192,767	40,943,562
(Decrease)/increase in creditors and accruals	(111,990)	84,210	(41,920)
<b>Net cash (used in)/from operating activities</b>	<b>(528,320)</b>	93,205,541	<b>32,174,022</b>
<b>Cash flows from financing activities</b>			
Payment for purchase of ordinary shares	-	(47,756,009)	(32,839,014)
Proceeds from inter-company loan	105,000	(40,833,706)	20,776,148
<b>Net cash from/(used in) financing activities</b>	<b>105,000</b>	(88,589,715)	<b>(12,062,866)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(423,320)</b>	4,615,826	<b>20,111,156</b>
Cash and cash equivalents at the beginning of period/year	7,018,084	2,402,258	2,402,258
<b>Cash and cash equivalents at the end of period/year</b>	<b>6,594,764</b>	<b>7,018,084</b>	<b>22,513,414</b>
<b>Supplementary disclosure of cash flow information</b>			
Dividends received	-	(94,448,867)	(32,839,014)

The accompanying notes on pages 11 to 22 are an integral part of these condensed financial statements.

# TAU CAPITAL PLC

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## Condensed 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 AGM held on 24 July 2012, the Company was re-registered under the Companies Act 2006 with number 008604V. The Company was originally established to allow investors the opportunity to realise returns through investing in both public and private businesses that are established in, operating in or have exposure to Kazakhstan. Although Kazakhstan focused, the Company also sought investment opportunities in the Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan, Mongolia and Russia (the “Investment Countries”). The Company is listed on the Alternative Investment Market of the London Stock Exchange. The Company has no employees.

The Company’s investments are held by a subsidiary, Tau Cayman L.P. Tau Cayman L.P. holds two (31 December 2013: two; 30 June 2013: two) private investments. Tau Cayman LP, Tau SPV 1 Cooperatief, Tau Cayman Limited and Tau Capital plc are referred to as the “Group”.

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

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

### 2. Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these interim financial statements.

#### Amendments to IFRSs affecting the financial statements

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

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

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

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

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

# TAU CAPITAL PLC

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## Condensed Notes to the Financial Statements (continued)

### 2. Adoption of new and revised Standards (continued)

On adoption of Investment Entities and assessment that the Company is an investment entity, the total fair value of the subsidiaries that ceased to be consolidated was \$15,254,775 (see note 4 for further detail). No gain or loss was recognized by the Company on adoption of Investment Entities.

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

### 3. Accounting Policies

The significant accounting policies and estimation techniques adopted by the Company for the period ended 30 June 2014 are consistent with those adopted by the Company for the annual financial statements for the year ended 31 December 2013, other than as described in note 2.

#### Statement of compliance

The annual financial statements of Tau Capital plc are prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union. The condensed set of financial statements in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, as adopted by the European Union.

#### Segment reporting

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

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

#### 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%.

#### Investments in subsidiaries

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

#### Critical accounting judgements

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

- a) The Company has obtained funds for the purpose of providing investors with investment management services;
- b) The Company’s business purpose which was communicated to the investors in its initial prospectus, was to allow investors the opportunity to realise returns through investing in both public and private businesses that are established, operating or have exposure to Kazakhstan;
- c) The Company’s investors are not related parties of the entity; and
- d) The performance of the investment in Tau (Cayman L.P.) and Tau Cayman Ltd are measured and evaluated on a fair value basis.

## TAU CAPITAL PLC

### Condensed Notes to the Financial Statements (continued)

#### 3. Accounting Policies (continued)

Following consideration, the Directors believe the Company is an investment entity.

Further, the Directors also consider that the subsidiary Tau (Cayman) L.P. is an investment entity. The Company holds its underlying private investments through its subsidiary Tau (Cayman) L.P. and following an assessment of the characteristics of Tau (Cayman) L.P., the Directors have concluded Tau (Cayman) L.P. meets the definition of an investment entity. The Directors have further considered the structure of the Group as a whole when determining if individual components qualify as an investment entity.

#### 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 Advisors Report on page 3.

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

The Directors have considered forecast administration expenses and liquid financial resources available to the Company post period end, and after making enquiries, have a reasonable expectation that the Company has adequate financial resources to meet liabilities as they fall due and to continue in operational existence for the foreseeable future.

The Directors have considered the resolutions passed at the 2012 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, the fact that these disposals have not yet occurred and the fact that no final decision has been made by the board in relation to the future trading activities of the Company, the Company is still a going concern. Accordingly they continue to adopt the going concern basis in preparing the half-yearly report and condensed financial statements.

The Condensed Statement of Financial Position presents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items. All of the Company's assets and liabilities are held for the purpose of being traded and are expected to be realised within one year, apart from the investment in subsidiary. All references to net assets throughout this document refer to net assets attributable to holders of ordinary shares unless otherwise stated.

#### 4. Investments in Subsidiaries

The Company holds the following investments in subsidiaries:

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

## TAU CAPITAL PLC

### Condensed Notes to the Financial Statements (continued)

#### 4. Investments in Subsidiaries (continued)

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

Name	Country of incorporation	Principal investment activity	Proportion of ownership interest
Tau SPV 1 Cooperatief W.A.	The Netherlands	Investment holding	100%

The fair values of the subsidiaries of the Company at 30 June 2014, 31 December 2013 and 30 June 2013 were as follows:

	As at 30 June 2014 US\$	As at 31 December 2013 US\$	As at 30 June 2013 US\$
Tau Cayman Ltd	-	-	-
Tau (Cayman) L.P.	8,641,536	15,254,775	87,503,980
	<b>8,641,536</b>	<b>15,254,775</b>	<b>87,503,980</b>

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

Financial instruments included in each category are as follows:

Level 1 - Quoted market price

Level 2 - Market observable inputs

Level 3 - Non-market observable inputs

The following 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 30 June 2014, the breakdown was as follows:

	(Level 1) US\$	(Level 2) US\$	(Level 3) US\$	Total US\$
<b>Financial Assets</b>				
- Held for trading	-	-	-	-
- Designated at fair value through profit or loss	-	-	8,641,536	8,641,536
	<b>-</b>	<b>-</b>	<b>8,641,536</b>	<b>8,641,536</b>

## TAU CAPITAL PLC

### Condensed Notes to the Financial Statements (continued)

#### 4. Investments in Subsidiaries (continued)

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

	(Level 1) US\$	(Level 2) US\$	(Level 3) US\$	Total US\$
<b>Financial Assets</b>				
- Held for trading	-	-	-	-
- Designated at fair value through profit or loss	-	-	15,254,775	15,254,775
	<b>-</b>	<b>-</b>	<b>15,254,775</b>	<b>15,254,775</b>

As at 30 June 2013, the breakdown was as follows:

	(Level 1) US\$	(Level 2) US\$	(Level 3) US\$	Total US\$
<b>Financial Assets</b>				
- Held for trading	-	-	-	-
- Designated at fair value through profit or loss	-	-	87,503,980	87,503,980
	<b>-</b>	<b>-</b>	<b>87,503,980</b>	<b>87,503,980</b>

There were no transfers between Level 1 and 2 in the period.

The following is a reconciliation of the movement in financial assets for which non-market observable inputs (level 3) were used to determine fair value as at 30 June 2014, 31 December 2013 and 30 June 2013:

	30 June 2014 US\$	31 December 2013 US\$	30 June 2013 US\$
Opening balance at beginning of year	15,254,775	128,447,542	128,447,542
Transfers in	-	-	-
Transfers out	-	-	-
Purchases	-	-	-
Sales	-	-	-
Net realised and unrealised gain on investments recognised as investment income	(6,613,239)	(113,192,767)	(40,943,562)
<b>Closing balance at end of year</b>	<b>8,641,536</b>	<b>15,254,775</b>	<b>87,503,980</b>

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

## TAU CAPITAL PLC

### Condensed Notes to the Financial Statements (continued)

#### 4. Investments in Subsidiaries (continued)

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

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

Financial assets	Fair value as at 30 June 2014	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investment in Subsidiary	100% investment in Tau (Cayman) L.P.: US\$8,641,536	Level 3	Net realisable assets approach	Tau (Cayman) L.P. holds investments in unlisted private companies. The net assets of Tau (Cayman) L.P. are derived based on the valuations of those underlying investments, which are based on unobservable inputs as detailed below.	The higher the valuation of investments in unlisted private companies, the higher the fair value.
Investment in Subsidiary	100% investment in Tau Cayman Ltd: US\$ NIL	Level 3	Director assessment based on net realisable assets	The Director's experience and knowledge of the operations and prospects	The higher net assets the higher the fair value.

If the value of unlisted investments held by Tau (Cayman) L.P. were 10 per cent higher/lower while all the other variables were held constant, the carrying amount of the investment in Tau (Cayman) L.P. would increase/decrease by \$725,000.

A sensitivity to changes in assumptions has not been prepared in respect of the investment in Tau Cayman Ltd due to the \$nil fair value of the investment and because changes in the fair value of the investment will derive from changes in the net assets of the company.

## TAU CAPITAL PLC

### Condensed Notes to the Financial Statements (continued)

#### 4. Investments in Subsidiaries (continued)

##### Tau (Cayman) L.P.

As noted above, the fair value of Tau (Cayman) L.P. is based on the net assets of Tau (Cayman) L.P. As at 30 June 2014, 31 December 2013 and 30 June 2013, the assets and liabilities of Tau (Cayman) L.P. were as follows:

	As at 30 June 2014 US\$	As at 31 December 2013 US\$	As at 30 June 2013 US\$
Cash	1,229,229	1,009,311	11,664
Debtors and prepayments	9,817	176,950	166,295
Financial assets at fair value through profit or loss	7,250,000	14,059,886	25,666,978
Investment in subsidiary	259,558	259,558	259,558
Other receivables	-	-	-
Loan to parent	-	-	61,609,854
<b>Total assets</b>	<b>8,748,604</b>	<b>15,505,705</b>	<b>87,714,349</b>
Accounts payable and accrued expenses	(1,300)	(40,162)	(210,369)
Loan from parent	(105,768)	(210,768)	-
<b>Total liabilities</b>	<b>(107,068)</b>	<b>(250,930)</b>	<b>(210,369)</b>
<b>Total net assets</b>	<b>8,641,536</b>	<b>15,254,775</b>	<b>87,503,980</b>

At the period end, the Tau (Cayman) L.P.'s investment portfolio of financial assets at fair value through profit or loss comprised two (31 December 2013: three; 30 June 2013: three) investments as follows:

			As at 30 June 2014 US\$	As at 31 December 2013 US\$	As at 30 June 2013 US\$
Stopharm LLP	Private investment	(i)	7,000,000	13,500,000	21,500,000
Lucent Petroleum LLP	Private investment	(ii)	250,000	-	3,750,000
Oxus Gold plc	Debt instrument	(iii)	-	559,886	416,977
<b>Total</b>			<b>7,250,000</b>	<b>14,059,886</b>	<b>25,666,977</b>

## TAU CAPITAL PLC

### Condensed Notes to the Financial Statements (continued)

#### 4. Investments in Subsidiaries (continued)

The directors have valued private investments on the advice of the Investment Advisor and using the guidance laid down in the International Private Equity and Venture Capital Valuation Guidelines (December 2012) (“IPEVCVG”). The following table gives information about the fair values of these financial assets and in particular, the valuation techniques and inputs used, as at 30 June 2014.

Financial assets	Fair value as at 30 June 2014	Fair value hierarchy	Valuation techniques and key inputs
Private equity investments	40.35 per cent equity investment in Stopharm LLP engaged in wholesale pharmaceutical distribution: US\$7,000,000	Level 3	Indicative offer
Private equity investments	5.5 per cent equity investment in Lucent Petroleum LLP engaged in oil and gas exploration: US\$250,000	Level 3	Indicative offer

(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 period end, Tau (Cayman) L.P. continued to hold a 40.35% equity stake in Stopharm.

The investment in Stopharm LLP has been valued at 30 June 2014 at \$7,000,000 based on an indicative offer (31 December 2013 at US\$13,500,000, valued on an earnings based multiple). The value was reduced to \$8,000,000 in the 30 April 2014 net asset valuation of the Group as a result of a devaluation in the Kazakh Tenge and an assessment of the likely impact this will have on the performance of Stopharm in the short term. The valuation has been further reduced to \$7,000,000 at 30 June 2014 based on an indicative offer received for the purchase of the investment in Stopharm LLP.

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

# TAU CAPITAL PLC

## Condensed Notes to the Financial Statements (continued)

### 4. Investments in Subsidiaries (continued)

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

Lucent had started a process of negotiations with a number of potential farm-in partners during 2012 which would enable the Company to drill further exploratory wells. However following a continued reduction in Lucent's cash reserves due to payment of the normal operating costs, Tau LP felt it prudent to write down the value of the Company to reflect this cash burn from US\$11,250,000 to US\$7,500,000 as at 31 December 2012. In April 2013, Tau LP's shareholding was diluted to 5.5% of the issued share capital of Lucent following the issuance of new share by Lucent to a third party investor. In December 2013, the further write down of US\$7,500,000 was followed by fresh concerns over the liquidity of the investment following a lifting of the Kazakhstan Government's moratorium on auctions of new oil and gas projects earlier in the year, and the awarding of 20 new contracts in 2013 - 2014, thus providing competition for Lucent with respect to prospective farm-in partners.

As at 31 December 2013, a successful farm-in partner had yet to be found and as a result the investment was fully written down to US\$Nil. As at 30 June 2014, the investment in Lucent has been valued at \$250,000 based on an indicative offer received by Tau (Cayman) L.P.

#### (iii) Oxus Gold plc

During the period, the investment in Oxus Gold plc was sold for \$425,000.

In relation to Tau LP's investments in Stopharm LLP and Lucent Petroleum above, valued at US\$7,000,000 and US\$250,000 respectively, where the valuation of investments is dependent on non-market observable inputs a degree of judgement is required in estimating fair values. It is reasonably possible that outcomes within the next financial year that are different from the assumptions adopted by the Board of Directors could require a material adjustment to the carrying amount of the asset affected. Accordingly the valuation of the private investments is subject to significant inherent uncertainty. This in turn creates significant uncertainty in relation to the value of the company's investment in Tau (Cayman) L.P.

### 5. Share Capital and Share Premium

The authorised share capital of the Company is £3,502,000 comprising 350,199,998 ordinary shares of £0.01 each and 2 founder shares of £0.01 each. The founder shares carry identical rights and privileges to the ordinary shares of the Company which includes a right to receive all dividends and other distributions declared, made or paid. The share capital of the Company has been allocated, called up and fully paid. The shares in issue as at 30 June 2014, 31 December 2013 and 30 June 2013 were as follows

	Ordinary Shares in issue	Founder Shares in issue
As at 30 June 2014	73,983,659	2
As at 31 December 2013	73,983,659	2
As at 30 June 2013	106,344,023	2

# TAU CAPITAL PLC

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## Condensed Notes to the Financial Statements (continued)

### 5. Share Capital and Share Premium (continued)

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

On 20 February 2013 the Company completed a Tender Offer following which 63,082,437 shares were repurchased at US\$0.520573 per share and subsequently cancelled.

On 16 October 2013 the Company completed a further Tender Offer following which 32,360,364 shares were repurchased at US\$0.460965 per share and subsequently cancelled.

### 6. Intercompany loan

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

As at 30 June 2014, the Company had loaned Tau (Cayman) L.P. an amount of US\$105,768 (31 December 2013: US\$210,768) for the payment of day to day expenses. The loan is interest free, unsecured and repayable on demand.

### 7. Related Party Items

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

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

Capital Gate Holding LLP acquired 6,910,025 shares in the Company on 3 April 2014 at a price of USD0.145 per share. Capital Gate Holding LLP is wholly owned by Nurgul Zhaukeyeva who also wholly owns Capital Gate Securities Limited, the Investment Adviser to the Company.

As at 30 June 2014, Philip Lambert held 161,430 ordinary shares in the Company (31 December 2013, Philip Lambert held 161,430 ordinary shares in the Company; 30 June 2013, Philip Lambert held 239,149 ordinary shares).

As at 30 June 2014, Richard Horlick held 20,233,329 ordinary shares (31 December 2013: 7,192,737; 30 June 2013: 10,662,874).

As at 30 June 2014, Terence Mahony held 163,381 ordinary shares (31 December 2013: 163,381; 30 June 2013: 242,039).

As at 30 June 2014, 31 December 2013 and 30 June 2013, both Spencer House Capital Management, LLP and Compass Asset Management Ltd held one founder share each.

As at 30 June 2014, the Company has loaned Tau Cayman L.P. US\$105,768 (31 December 2013: US\$210,768; 30 June 2013: US\$61,609,854).

Gypsum Limited, a company to whom Richard Horlick provides consultancy services, received fees of GBP £nil during 2014 (31 December 2013: GBP£180,000; 30 June 2013: GBP£90,000).

# TAU CAPITAL PLC

## Condensed Notes to the Financial Statements (continued)

### 8. Fees & Expenses

#### *Directors' remuneration*

Directors' remuneration for the period ended 30 June 2014 amounted to US\$52,828 (31 December 2013: US\$226,088, 30 June 2013: US\$126,652).

#### *Administrator fees*

The Administrator is entitled to receive a fixed fee of £35,000 per annum payable quarterly in arrears. As of 1 October 2013 the Administrator is also entitled to receive an additional fixed fee of \$35,000 per annum payable quarterly in arrears for the provision of accounting services.

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

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

The Sub-Administrator was also entitled to receive a monthly fee up until 30 September 2013 for its trade support and middle office services at the following rates:

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

The administration fee for the period ended 30 June 2014 amounted to US\$35,455 (31 December 2013: US\$150,171; 30 June 2013: US\$69,940). Sub-administration fees for the period ended 30 June 2014 were US\$Nil (31 December 2013 US\$60,682).

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

### 9. Exchange Rates

The following exchange rates were used to translate assets and liabilities into US dollars at 30 June 2014, 31 December 2013 and 30 June 2013:

	As at 30 June 2014	As at 31 December 2013	As at 30 June 2013
Canadian dollar	-	-	1.054950
Euro	1.3010	1.378900	1.299849
Hong Kong dollar	-	-	0.128927
Kazakhstan tenge	0.0054	0.006573	0.006588
Pound sterling	1.5213	1.656600	1.516691
Russian rouble	-	-	0.030462

# TAU CAPITAL PLC

## Condensed Notes to the Financial Statements (continued)

### 10. Distributions

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

No dividends were declared or paid during the periods/year ended 30 June 2014, 31 December 2013 or 30 June 2013.

### 11. Soft Commissions

During the period, 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.

### 12. Commitments and Contingent Liabilities

As at 30 June 2014, the Group has no commitments and contingent liabilities (31 December 2013: US\$Nil; 30 June 2013: US\$Nil).

### 13. (Loss) per Share

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

	<b>For the six months ended 30 June 2014</b>	<b>For the year ended 31 December 2013</b>	<b>For the six months ended 30 June 2013</b>
Net (loss) attributable to shareholders	(\$6,962,828)	(\$19,922,128)	(\$8,710,846)
Weighted average number of ordinary shares in issue	73,983,659	101,098,593	116,857,763
Basic (loss) per share	(\$0.09)	(\$0.20)	(\$0.08)

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

### 14. Events After the Date of the Statement of Financial Position

On 24 April 2014 a further tender offer of approximately US\$5.5 million was announced. This completed on 21 July 2014.

As announced on 29 September 2014, the Directors have received offers for the two remaining assets, being Stopharm and Lucent, which have been used as the basis for the Directors valuations of these investments as detailed in Note 4.

On 27 August 2014 a capital distribution of US\$5.5 million was paid to the Company by Tau Cayman L.P.