

# **TAU CAPITAL PLC**

**CONDENSED HALF-YEARLY REPORT AND UNAUDITED CONDENSED COMPANY  
FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**

# 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\*

\*Independent Director

### 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

### Investment Advisor-Private Equity

Capital Gate Securities Limited  
Trident Chambers  
Road Town  
Tortola  
British Virgin Islands

### Administrator and Registrar

FIM Capital Limited  
(Formerly IOMA Fund and  
Investment Management Limited)  
IOMA House  
Hope Street  
Douglas IM1 1AP  
Isle of Man

### Independent Auditor

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

### UK Solicitors

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

### Isle of Man Advocates

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

### CREST Service Provider and UK Transfer Agent

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

# TAU CAPITAL PLC

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## **Chairman's Statement**

The Board is continuing with its efforts to dispose of the remaining asset, Stopharm LLP ("Stopharm"), to Capital Gate Securities Limited.

The process of completing the sale has been frustratingly slow; however it does remain on track and we anticipate that an application to approve the transaction will shortly be submitted to the Anti-Monopoly Agency of the Republic of Kazakhstan. We hope that a decision will be made by the Ministry in Q4 2015. However, further to the update on the proposed sale of Stopharm contained in the Chairman's Statement in the Annual Report released 20 June 2015, the Company has very recently been advised that further expressions of interest in purchasing the entire share capital of Stopharm have been made by two other third parties. These parties are conducting due diligence but at this stage, a timetable of any proposed offer is not known.

On 20 April 2015 the Company announced that it was likely that it would be asked to make a subordinated loan to Stopharm for an amount up to USD700,000. To date no formal request for a loan has been received.

Given the possibility of additional offers but also taking into account the recent devaluation of the Tenge, the Company will continue to maintain the valuation of Stopharm at USD7 million; however it is not certain that USD 7 million will be received in a sale.

As at 30 June 2015, TAU Capital Limited ("the Company") together with its direct and indirect subsidiaries, have cash reserves amounting to US\$2.1 million with a projected annual operation cash outflow of approximately US\$550k. This will provide the Company with around 3 years working capital and, on that basis, the Board considers the Company to be a going concern.

As the Board announced on 20 April 2015, the sale of Lucent Petroleum LLP for US\$250k completed.

Once the Stopharm transaction is completed, the Board will return cash to shareholders and thereafter either continue to explore the possibilities of selling the shell or to liquidate the Company, whichever route is the most appropriate and cost-effective.

I would like to continue to thank you for your patience and ongoing support for the Company.

**Philip Lambert**  
**Chairman**

**29 September 2015**

# TAU CAPITAL PLC

## Investment Advisor's Report

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

#### Indirect subsidiaries

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

#### Stopharm LLP

#### Financial Results

During for the first 6 months of 2015 year, Stopharm LLP earned revenues of US\$120 million which was a slight increase compared to 2014 (annualized).

	2014 Audited US\$000's	6 months to June 2015 US\$000's	Annualized forecast 2015 US\$000's	Variance (on annualized basis) US\$ 000's	Variance %
Revenue	209,471	120 000	240,000	30,529	14.57%
EBITDA	1,095	3 000	6,000	4,905	444.79%
Interest on loans	(3,137)	(2,030)	(4,030)	(893)	28.47%
Corporate Tax	213	-	0	(213)	(100.00%)
Net Profit/(loss)	(2,410)	993	1,986	4,396	(182.41%)

The US dollar amounts used above are based upon a Kazakhstan Tenge to US Dollar rate of 185.35 to 1.

After currency devaluation in neighboring Russia and China, Kazakhstan's currency fell 36% overnight in August 2015 after Government introduced a floating exchange rate.

At the date of signing the Statement of Financial Position the Tenge to US Dollar rate was 271.97.

## TAU CAPITAL PLC

### Condensed Company Statement of Comprehensive Income

	Note	For the six months ended 30 June 2015 (Unaudited) US\$	For the year ended 31 December 2014 (Audited) US\$	For the six months ended 30 June 2014 (Unaudited) US\$
<b>Investment income</b>				
Interest income		5	181	172
Dividend income		-	36,938	-
Net (loss) on financial assets and liabilities at fair value through profit or loss		(46,284)	(6,600,061)	(6,613,239)
<b>Total operating (loss)</b>		<b>(46,279)</b>	<b>(6,562,942)</b>	<b>(6,613,067)</b>
<b>Expenses</b>				
Operating expenses	8	(238,918)	(792,808)	(349,761)
<b>(Loss) for the period/year:</b>		<b>(285,197)</b>	<b>(7,355,750)</b>	<b>(6,962,828)</b>
<b>Total comprehensive (loss) for the period/year attributable to shareholders</b>		<b>(285,197)</b>	<b>(7,355,750)</b>	<b>(6,962,828)</b>
<b>Basic and diluted (loss) per share</b>	13	<b>(\$0.01)</b>	<b>(\$0.12)</b>	<b>(\$0.09)</b>

All results derive from continuing operations.

The accompanying notes on pages 8 to 16 are an integral part of these condensed financial statements.

# TAU CAPITAL PLC

## Condensed Company Statement of Financial Position

	Note	As at 30 June 2015 (Unaudited) US\$	As at 31 December 2014 (Audited) US\$	As at 30 June 2014 (Unaudited) US\$
<b>Assets</b>				
Cash		369,583	715,484	6,594,764
Debtors and prepayments		71,644	50,814	79,700
Loan to subsidiary	6	142,509	109,585	105,768
Investments in subsidiaries	4	8,608,430	8,654,714	8,641,536
<b>Total assets</b>		<b>9,192,166</b>	<b>9,530,597</b>	<b>15,421,768</b>
<b>Liabilities</b>				
Creditors and accruals		(72,417)	(125,651)	(172,548)
<b>Total liabilities</b>		<b>(72,417)</b>	<b>(125,651)</b>	<b>(172,548)</b>
<b>Total net assets</b>		<b>9,119,749</b>	<b>9,404,946</b>	<b>15,249,220</b>
<b>Shareholders' equity</b>				
Share capital	5	976,209	976,209	1,751,145
Distributable reserves		8,143,540	8,428,737	13,498,075
<b>Total shareholders' equity</b>		<b>9,119,749</b>	<b>9,404,946</b>	<b>15,249,220</b>
<b>Net Asset Value per share</b>		<b>\$0.19</b>	<b>\$0.19</b>	<b>\$0.21</b>

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

Philip Scales

Philip Lambert

29 September 2015

The accompanying notes on pages 8 to 16 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 2015

	Share capital (Unaudited) US\$	Distributable reserves (Unaudited) US\$	Total (Unaudited) US\$
Balance at 31 December 2014	976,209	8,428,737	9,404,946
Total comprehensive (loss) for the period	-	(285,197)	(285,197)
<b>Balance at 30 June 2015</b>	<b>976,209</b>	<b>8,143,540</b>	<b>9,119,749</b>

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

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

### 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>

The accompanying notes on pages 8 to 16 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 2015

	For the six months ended 30 June 2015 (Unaudited) US\$	For the year ended 31 December 2014 (Audited) US\$	For the six months ended 30 June 2014 (Unaudited) US\$
<b>Cash flows from operating activities</b>			
(Loss) for the period/year	(285,197)	(7,355,750)	(6,962,828)
<b>Adjustments to reconcile (loss) for the period/year to net cash provided by operating activities</b>			
(Increase)/decrease in debtors and prepayments	(20,830)	63,328	(66,741)
Decrease in investments in subsidiaries	46,284	6,600,061	6,613,239
(Decrease) in creditors and accruals	(53,234)	(158,887)	(111,990)
<b>Net cash (used in) operating activities</b>	<b>(312,977)</b>	<b>(851,248)</b>	<b>(528,320)</b>
<b>Cash flows from financing activities</b>			
(Payment) for purchase of ordinary shares	-	(5,451,352)	-
(Payment)/proceeds from inter-company loan	(32,924)	-	105,000
<b>Net cash (used in)/from financing activities</b>	<b>(32,924)</b>	<b>(5,451,352)</b>	<b>105,000</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(345,901)</b>	<b>(6,302,600)</b>	<b>(423,320)</b>
Cash and cash equivalents at the beginning of period/year	715,484	7,018,084	7,018,084
<b>Cash and cash equivalents at the end of period/year</b>	<b>369,583</b>	<b>715,484</b>	<b>6,594,764</b>
<b>Supplementary disclosure of cash flow information</b>			
Dividends received	-	(36,938)	-

The accompanying notes on pages 8 to 16 are an integral part of these condensed financial statements.

# TAU CAPITAL PLC

## 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 AIM (formerly the Alternative Investment Market) of the London Stock Exchange. The Company has no employees.

The Company’s investments are held by direct and indirect subsidiaries. Tau (Cayman) L.P., a direct subsidiary, holds no private investments as at the period end date (31 December 2014: one; 30 June 2014: two). Tau SPV 1 Cooperatief W.A., an indirect subsidiary, holds one private investment (31 December 2014: one; 30 June 2014: nil)

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.

### 2. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with consolidated financial statements of the Company as at the year ended 31 December 2014.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 are available upon request from the Company’s registered office at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP or at [www.taucapitalplc.com](http://www.taucapitalplc.com).

### 3. Significant accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Company’s consolidated financial statements as at 31 December 2014.

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

### 4. Investments in Subsidiaries

#### *Direct Subsidiaries*

The Company holds the following investments in subsidiaries:

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

#### *Indirect Subsidiaries*

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

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

# TAU CAPITAL PLC

## Condensed Notes to the Financial Statements (continued)

### 4. Investments in Subsidiaries (continued)

The fair values of the subsidiaries of the Company at 30 June 2015, 31 December 2014 and 30 June 2014 were as follows:

	As at 30 June 2015 US\$	As at 31 December 2014 US\$	As at 30 June 2014 US\$
Tau (Cayman) L.P. (including its subsidiary TAU SPV 1 Cooperatief W.A.)	8,608,430	8,654,714	8,641,536
Tau Cayman Ltd	-	-	-
	<b>8,608,430</b>	<b>8,654,714</b>	<b>8,641,536</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 2015, the breakdown was as follows:

	(Level 1) US\$	(Level 2) US\$	(Level 3) US\$	Total US\$
<b>Financial Assets</b>				
- Designated at fair value through profit or loss	-	-	8,608,430	8,608,430
	-	-	<b>8,608,430</b>	<b>8,608,430</b>

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

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

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>				
- Designated at fair value through profit or loss	-	-	8,641,536	8,641,536
	-	-	<b>8,641,536</b>	<b>8,641,536</b>

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

## TAU CAPITAL PLC

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

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

The following is a reconciliation of the movement in financial assets for which non-market observable inputs (level 3) were used to determine fair value as at 30 June 2015, 31 December 2014 and 30 June 2014:

	30 June 2015 US\$	31 December 2014 US\$	30 June 2014 US\$
Opening balance at beginning of period	8,654,714	15,254,775	15,254,775
Net unrealised (loss) on investments	(46,284)	(6,660,061)	(6,613,239)
<b>Closing balance at end of period</b>	<b>8,608,430</b>	<b>8,654,714</b>	<b>8,641,536</b>

Net realised and unrealised gains/(losses) on investments are recognised as investment income in the Statement of Comprehensive Income. There were no transfers out of level 3 during the period (31 December 2014: none, 30 June 2014: none).

#### *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 2015	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\$8,608,430 (31 December 2014:US\$8,654,714, 30 June 2014: US\$8,641,536)	Level 3	Net realisable assets approach	Tau (Cayman) L.P. holds an investment in a subsidiary TAU SPV 1 Cooperatief W.A. ("Tau SPV 1") which is an indirect subsidiary of the Company. Tau SPV 1 also holds an investment in an unlisted private company valued at US\$7,000,000 as at 30 June 2015. The net assets are predominantly based on the valuation of an underlying private company investment, which is based on unobservable inputs as detailed below.	The higher the valuation of investments in unlisted private companies, the higher the fair value.

If the value of the unlisted private company investments held by Tau SPV 1 Cooperatief W.A., the subsidiary of Tau (Cayman) L.P. and indirect subsidiary of the Company, were 10 per cent higher/lower while all the other variables were held constant, the carrying amount of the investment held would increase/decrease by US\$700,000 (31 December 2014:US\$700,000, 30 June 2014: US\$700,000).

Tau Cayman Limited has no assets or liabilities and a fair value of US\$ Nil (31 December 2014: US\$ Nil, 30 June 2014: US\$ Nil). A sensitivity to changes in assumptions has therefore not been prepared in respect of the investment in Tau Cayman Limited.

# 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 2015, 31 December 2014 and 30 June 2014, the assets and liabilities of Tau (Cayman) L.P. were as follows:

	<b>As at 30 June 2015 US\$</b>	<b>As at 31 December 2014 US\$</b>	<b>As at 30 June 2014 US\$</b>
Cash	1,766,678	1,522,457	1,229,229
Debtors and prepayments	2,750	9,816	9,817
Financial assets at fair value through profit or loss	-	250,000	7,250,000
Investment in subsidiary	6,946,986	6,979,509	259,558
<b>Total assets</b>	<b>8,716,414</b>	<b>8,761,782</b>	<b>8,748,604</b>
Accounts payable and accrued expenses	-	(1,300)	(1,300)
Loan from parent	(107,984)	(105,768)	(105,768)
<b>Total liabilities</b>	<b>(107,984)</b>	<b>(107,068)</b>	<b>(107,068)</b>
<b>Total net assets</b>	<b>8,608,430</b>	<b>8,654,714</b>	<b>8,641,536</b>

#### Tau SPV 1 Cooperatief W.A. – direct subsidiary of Tau (Cayman) L.P and indirect subsidiary of the Company

The fair value of Tau SPV 1 Cooperatief W.A. (“Tau SPV 1”) is based on the net asset of Tau SPV 1. As at 30 June 2015, 31 December 2014 and 30 June 2014, the assets and liabilities of Tau SPV 1 were as follows:

	<b>As at 30 June 2015 US\$</b>	<b>As at 31 December 2014 US\$</b>	<b>As at 30 June 2014 US\$</b>
Cash	8,949	6,552	-
Debtors and prepayments	-	-	259,998
Financial assets at fair value through profit or loss	7,000,000	7,000,000	-
<b>Total assets</b>	<b>7,008,949</b>	<b>7,006,552</b>	<b>259,998</b>
Accounts payable and accrued expenses	(16,930)	(14,179)	-
Loan from parent	(45,033)	(12,864)	-
<b>Total liabilities</b>	<b>(61,963)</b>	<b>(27,043)</b>	<b>-</b>
<b>Total net assets</b>	<b>6,946,986</b>	<b>6,979,509</b>	<b>259,998</b>

## TAU CAPITAL PLC

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

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

At the period end, the Tau (Cayman) L.P.'s investment portfolio of financial assets at fair value through profit or loss held by the direct and indirect subsidiaries of the Company comprised one (31 December 2014: two; 30 June 2014: two) investments as follows:

			As at 30 June 2015	As at 31 December 2014	As at 30 June 2014
	Investment type	Note	US\$	US\$	US\$
Stopharm LLP	Private investment	(i)	7,000,000	7,000,000	7,000,000
Lucent Petroleum LLP	Private investment	(ii)	-	250,000	250,000
<b>Total</b>			<b>7,000,000</b>	<b>7,250,000</b>	<b>7,250,000</b>

The Directors of the direct and indirect subsidiaries and the Company have valued private investments held by the direct and indirect subsidiaries of the Company on the advice of the Investments Advisor and using the guidance laid down in the International Private Equity and Venture Capital Valuation Guidelines (December 2012) ("IPEVCG"). The following table gives information about the fair values of these financial assets and in particular, the valuation techniques and inputs, as at 30 June 2015.

Financial assets	Fair value as at 30 June 2015	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

(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.

The investment in Stopharm LLP has been valued at 30 June 2015 at \$7,000,000 based on an indicative offer from a related party, Capital Gate Holdings LLP (see note 7) (31 December 2014 at US\$7,000,000, 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 the 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 31 December 2014 based on an indicative offer received for the purchase of the investment in Stopharm LLP. It is likely that due to pressures applied by Russia banks that shareholders will be asked to make subordinate loans to Stopharm to provide working capital. The maximum sum that the Board believe the Company may be asked to contribute is capped at US\$700,000 but it is understood that any loan will only be made out of the proceeds of the sale. The terms of the loan have yet to be agreed but the Board understand that it may be possible to sell the loan at a discount or receive a payment in due course.

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

# TAU CAPITAL PLC

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## Condensed Notes to the Financial Statements (continued)

### 4. Investments in Subsidiaries (continued)

#### (i) Stopharm LLP (“Stopharm”) (continued)

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

#### (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\$4 million. After the final tranche was made, the total investment in Lucent increased to US\$15 million. The conversion of US\$15 million into the 6.18% stake in Lucent Oil & Gas (Cyprus) Ltd equity was subject to grant of approvals by the Government of the Republic of Kazakhstan. This approval was received on 3 November 2011.

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

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

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

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

## TAU CAPITAL PLC

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

#### 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 2015, 31 December 2014 and 30 June 2014 were as follows:

	<b>Ordinary Shares in issue</b>	<b>Founder Shares in issue</b>
As at 30 June 2015	48,984,680	2
As at 31 December 2014	48,984,680	2
As at 30 June 2014	73,983,659	2

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

#### 6. Intercompany loan

As at 30 June 2015, the Company had loaned Tau (Cayman) L.P. an amount of US\$142,509 (31 December 2014: US\$109,585, 30 June 2014 US\$105,768) 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 FIM Capital Limited (formerly IOMA Fund and Investment Management Limited), the Administrator.

On 26 June 2015 Capital Gate Holding LLP sold 4,331,877 ordinary shares in the Company. Capital Gate Holding LLP is wholly owned by Nurgul Zhaukeeva who also wholly owns Capital Gate Securities Limited, the Investment Adviser to the Company. Following this transaction, Capital Gate Holding LLP does not hold any shares in the Company (31 December 2014: 4,331,877 shares, 30 June 2014: 6,910,025 shares).

As at 30 June 2015, Philip Lambert held 101,201 ordinary shares in the Company (31 December 2014, Philip Lambert held 101,201 ordinary shares in the Company; 30 June 2014, Philip Lambert held 161,430 ordinary shares). On 30 July 2014 Philip Lambert completed a further Tender Offer following which 60,229 shares were repurchased at US\$0.218063 per share.

As at 30 June 2015, Richard Horlick held 12,684,221 ordinary shares (31 December 2014: 12,684,221 June 2014: 20,233,329). On 30 July 2014 Richard Horlick completed a further Tender Offer following which 7,549,108 shares were repurchased at US\$0.218063 per share.

As at 30 June 2015, Terence Mahony held 102,424 ordinary shares (31 December 2014: 102,424; 30 June 2014: 163,381). On 30 July 2014 Terence Mahony completed a further Tender Offer following which 60,957 shares were repurchased at US\$0.218063 per share.

As at 30 June 2015, 31 December 2014 and 30 June 2014, both Spencer House Capital Management LLP and Compass Asset Management Ltd held one founder share each.

# TAU CAPITAL PLC

## Condensed Notes to the Financial Statements (continued)

### 8. Fees & Expenses

#### *Directors' remuneration*

Directors' remuneration for the period ended 30 June 2015 amounted to US\$47,329 (31 December 2014: US\$103,191; 30 June 2014: US\$52,828).

#### *Administrator fees*

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

The Administrator's fees for the period ended 30 June 2015 amounted to US\$50,033 (31 December 2014: US\$91,318; 30 June 2014: US\$39,955).

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 2015, 31 December 2014 and 30 June 2014:

	<b>As at 30 June 2015</b>	<b>As at 31 December 2014</b>	<b>As at 30 June 2014</b>
Euro	1.11470	1.2876	1.3010
Kazakhstan tenge	0.0052	0.0055	0.0054
Pound sterling	1.57125	1.5577	1.5213

### 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 2015, 31 December 2014 or 30 June 2014.

### 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 2015, the Group has no commitments and contingent liabilities (31 December 2014: US\$Nil; 30 June 2014: US\$Nil).

## TAU CAPITAL PLC

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

#### 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 2015</b>	<b>For the year ended 31 December 2014</b>	<b>For the six months ended 30 June 2014</b>
Net (loss) attributable to shareholders	(US\$285,197)	(US\$7,355,750)	(US\$6,962,828)
Weighted average number of ordinary shares in issue	48,984,680	60,902,001	73,983,659
Basic (loss) per share	(\$0.01)	(\$0.12)	(\$0.09)

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

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