

TAU CAPITAL PLC

**CONDENSED HALF-YEARLY REPORT AND UNAUDITED CONDENSED
FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018**

TAU CAPITAL PLC

Table of Contents	Page
Company Information	1
Chairman's Statement	2
Condensed Statement of Comprehensive Income	3
Condensed Statement of Financial Position	4
Condensed Statement of Changes in Equity	5
Condensed Statement of Cash Flows	6
Notes to the Condensed Financial Statements	7-11

TAU CAPITAL PLC

Company Information

Directors (Non-Executive)

Philip Lambert* (Chairman)
Terence Mahony
Philip Scales*

*Independent Director

Registered Office

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Hope Street
Douglas, IM1 1AP
Isle of Man

Nominated Adviser and Joint Broker

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

Joint Broker

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

Administrator and Registrar

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

Independent Auditor

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

UK Solicitors

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

Barclays Bank
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Queen Victoria House
Victoria Street
Douglas
IM99 1DF

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

TAU CAPITAL PLC

Chairman's Statement

Stopharm LLP

Towards the end of the six month period to 30 June 2018, the Company received an indicative offer for the Company's 40.35% holding in Stopharm LLP ("Stopharm"). Stopharm is a Kazakh company engaged in wholesale pharmaceutical distribution. The Stopharm holding is the Company's last remaining investment. Other than an offer announced on 29 September 2014 which never progressed, and an expression of interest announced on 30 June 2016, there have been no other offers for the Stopharm investment.

On 25 August 2018 we agreed a conditional sale of our last remaining investment, a 40.35% participation in Stopharm. The sale was through our subsidiary company Tau SPV 1 Cooperatief W.A. ("Tau SPV"), who entered into a conditional Share Purchase Agreement ("SPA") for a gross consideration of Kazakhstan Tenge 443.85 million (equivalent to approximately US\$ 1.3 million). The sale is subject to bank approval, approval of the Company's Shareholders, waiver of pre-emption rights by the participants in Stopharm, and regulatory approvals in Kazakhstan. The SPA includes a Long Stop date of 24 October being 60 days from the date of signing.

The carrying value of the Stopharm investment remains as US\$ 1.1 million, being the gross consideration as per the SPA net of estimated selling expenses and foreign exchange movements. Further details can be found in note 4. This impairment of approximately US\$ 4.9 million was applied to the investment during the year ended 31 December 2017.

Future of the Company

We have convened an Extraordinary General Meeting for 4 October 2018 to obtain shareholder approval for the sale of the Stopharm holding and to approve an amendment to the investing policy of the Company. Further details in respect of this can be found in the Company's circular to shareholders dated 17 September 2018 and the Company's announcement in respect of this made on 17 September 2018.

Following the completion of the sale of the Stopharm investment, the Company will no longer be classified as an investing company and will be classified as an AIM Rule 15 cash shell and as such will be required to make an acquisition or acquisitions which constitutes a reverse takeover under AIM Rule 14 (including seeking re-admission as an investing company (as defined under the AIM Rules)) on or before the date falling six months from completion of the Disposal or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million) failing which, the Company's ordinary shares would then be suspended from trading on AIM pursuant to AIM Rule 40. Admission to trading on AIM would be cancelled six months from the date of suspension should the reason for the suspension not have been rectified.

The sale of the Stopharm holding is conditional, inter alia, on approval of the Company's shareholders. If the relevant shareholder resolution is not passed at the forthcoming extraordinary general meeting of the Company on 4 October 2018, the Board will seek the cancellation of the admission of the Company's ordinary shares to trading on AIM followed by an orderly liquidation of the Company and the return of all available cash to shareholders.

Working capital

Notwithstanding the Company's careful control of operating costs, the Company's cash reserves continue to reduce. As at 31 August 2018, the Company held cash (net of liabilities) of US\$ 0.44 million, and has estimated annual running costs of US\$ 0.48 million.

Other

I would like to thank all Shareholders for their support and patience these last few years.

Philip Lambert
Chairman
27 September 2018

TAU CAPITAL PLC

Condensed Statement of Comprehensive Income

	Note	For the six months ended 30 June 2018 (Unaudited) US\$	For the year ended 31 December 2017 (Audited) US\$	For the six months ended 30 June 2017 (Unaudited) US\$
Investment income				
Interest income		6	7	3
Net loss on financial assets and liabilities at fair value through profit or loss		(6,244)	(4,966,852)	(8,751)
Total operating loss		(6,238)	(4,966,845)	(58,650)
Expenses				
Operating expenses	8	(204,688)	(369,868)	(176,752)
Loss for the period/year:		(210,926)	(5,336,713)	(235,402)
Total comprehensive loss for the period/year attributable to shareholders		(210,926)	(5,336,713)	(235,402)
Basic and diluted loss per share (cents)	10	(0.43)	(10.89)	(0.48)

All results derive from continuing operations.

The accompanying notes on pages 7 to 11 are an integral part of these condensed financial statements.

TAU CAPITAL PLC

Condensed Statement of Financial Position

	Note	As at 30 June 2018 (Unaudited) US\$	As at 31 December 2017 (Audited) US\$	As at 30 June 2017 (Unaudited) US\$
Assets				
Investments in subsidiaries	4	2,560,349	2,566,593	7,474,792
Cash		105,199	69,784	31,158
Debtors and prepayments		40,465	15,143	36,475
Loan to subsidiary	6	111,574	111,574	89,081
Total assets		2,817,587	2,763,094	7,631,506
Liabilities				
Creditors and accruals		(78,699)	(90,133)	(120,654)
Loan from subsidiary	6	(1,126,447)	(849,594)	(586,174)
Total liabilities		(1,205,146)	(939,727)	(706,828)
Total net assets		1,612,441	1,823,367	6,924,678
Shareholders' equity				
Share capital	5	976,209	976,209	976,209
Distributable reserves		636,232	847,158	5,948,469
Total shareholders' equity		1,612,441	1,823,367	6,924,678
Net Asset Value per share (cents)		3.29	3.72	14.14

The accompanying notes on pages 7 to 11 are an integral part of these condensed financial statements.

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

Philip Scales

Philip Lambert

27 September 2018

TAU CAPITAL PLC

Condensed Statement of Changes in Equity for the six months ended 30 June 2018

	Share capital (Unaudited) US\$	Distributable reserves (Unaudited) US\$	Total (Unaudited) US\$
Balance at 31 December 2017	976,209	847,158	1,823,367
Total comprehensive loss for the period	-	(210,926)	(210,926)
Balance at 30 June 2018	976,209	636,232	1,612,441

Condensed Statement of Changes in Equity for the year ended 31 December 2017

	Share capital (Audited) US\$	Distributable reserves (Audited) US\$	Total (Audited) US\$
Balance at 31 December 2016	976,209	6,183,871	7,160,080
Total comprehensive loss for the year	-	(5,336,713)	(5,336,713)
Balance at 31 December 2017	976,209	847,158	1,823,367

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

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

The accompanying notes on pages 7 to 11 are an integral part of these condensed financial statements.

TAU CAPITAL PLC

Condensed Statement of Cash Flows for the six months ended 30 June 2018

	For the six months ended 30 June 2018 (Unaudited) US\$	For the year ended 31 December 2017 (Audited) US\$	For the six months ended 30 June 2017 (Unaudited) US\$
Cash flows from operating activities			
Loss for the period/year	(210,926)	(5,336,713)	(235,402)
Adjustments to reconcile loss for the period/year to net cash provided by operating activities			
Increase in debtors and prepayments	(25,322)	(113)	(21,445)
Decrease in investments in subsidiaries	6,244	4,966,852	58,653
(Increase)/decrease in creditors and accruals	(11,434)	(18,743)	11,778
Decrease/(increase) in loans to subsidiaries	-	65,659	(24,423)
Increase in loans from subsidiaries	276,853	302,495	150,650
Net cash generated/(used in) operating activities	246,341	(21,563)	(60,189)
Net increase/(decrease) in cash and cash equivalents			
	35,415	(21,563)	(60,189)
Cash and cash equivalents at the beginning of period/year	69,784	91,347	91,347
Cash and cash equivalents at the end of period/year	105,199	69,784	31,158

The accompanying notes on pages 7 to 11 are an integral part of these condensed financial statements.

TAU CAPITAL PLC

Notes to the Condensed Financial Statements

1. General

Tau Capital plc (the "Company") is a closed-ended investment fund incorporated and was domiciled in the Isle of Man on 3 April 2007. The Company was incorporated under the Isle of Man Companies Acts 1931-2004. Following approval at the AGM held on 24 July 2012, the Company was re-registered under the Isle of Man Companies Act 2006 with number 008604V. The Company's ordinary shares are admitted to trading on AIM, a market of that name operated by London Stock Exchange.

The Company's investments are held by direct and indirect subsidiaries. Tau (Cayman) L.P., is the intermediate parent of Tau SPV 1 Cooperatief WA ("Tau SPV 1"), which holds one private investment (31 December 2017: one) as at the year end date.

The Company disposed of all public equity investments during 2014.

On 25 August 2018 it executed a conditional agreement for the sale of its remaining investment. The Company has convened an extraordinary general meeting on 4 October 2018 to obtain shareholder approval for the sale of its 40.35% holding in Stopharm LLP and to approve an amendment to the investing policy of the Company (see note 4).

2. Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at the year ended 31 December 2017. The financial statements of the Company as at and for the year ended 31 December 2017 are available upon request from the Company's registered office at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP or at www.taucapitalplc.com.

3. Significant accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at 31 December 2017.

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

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 SPV 1*	The Netherlands	Investment holding	99%

*Held through subsidiary Tau (Cayman) L.P.

The fair values of the subsidiaries of the Company at 30 June 2018, 31 December 2017 and 30 June 2017 were as follows:

	As at 30 June 2018 US\$	As at 31 December 2017 US\$	As at 30 June 2017 US\$
Tau (Cayman) L.P. (including its subsidiary Tau SPV 1)	2,560,349	2,566,593	7,474,792

TAU CAPITAL PLC

Condensed Notes to the Financial Statements (continued)

4. Investments in Subsidiaries (continued)

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

Financial instruments included in each category are as follows:

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

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

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

	(Level 1)	(Level 2)	(Level 3)	Total
	US\$	US\$	US\$	US\$
As at 30 June 2018	-	-	2,560,349	2,560,349
As at 31 December 2017	-	-	2,566,593	2,566,593
As at 30 June 2017	-	-	7,474,792	7,474,792

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

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 2018, 31 December 2017 and 30 June 2017:

	30 June 2018	31 December 2017	30 June 2017
	US\$	US\$	US\$
Opening balance at beginning of period	2,566,593	7,533,445	7,533,445
Net unrealised loss on investments	(6,244)	(4,966,852)	(58,653)
Closing balance at end of period	2,560,349	2,566,593	7,474,792

Net realised and unrealised gains/(losses) on investments are recognised as investment income in the Condensed Statement of Comprehensive Income. There were no transfers out of Level 3 during the period (31 December 2017: none, 30 June 2017: none).

The only Level 3 financial asset measured at fair value at the end of each reporting period was the Company’s investment in Tau Cayman L.P. which had a fair value at 30 June 2018 of US\$2,560,349 (31 December 2017: US\$2,566,593, 30 June 2017: US\$7,474,792). The investment was valued using a net realisable assets approach; details of the significant unobservable inputs in the valuation process are given below. Significant unobservable inputs include the valuation of Tau SPV 1’s holding in the private equity investment Stopharm; an increase in the valuation of Stopharm would increase the fair value of Tau (Cayman) L.P.

If the value of Stopharm was 10 per cent higher/lower while all the other variables were held constant, the carrying amount of Tau Cayman L.P. held would increase/decrease by US\$110,000 (31 December 2017: US\$110,000, 30 June 2017: US\$600,000).

Tau Cayman Limited has no assets or liabilities and a fair value of US\$ Nil (31 December 2017: US\$ Nil, 30 June 2017: 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)

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

Tau (Cayman) L.P.

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

	As at 30 June 2018	As at 31 December 2017	As at 30 June 2017
	US\$	US\$	US\$
Cash	470,106	756,461	1,033,949
Debtors and prepayments	7,951	5,950	4,813
Investment in subsidiary	1,088,416	1,079,772	5,968,770
Loan to parent	1,131,620	849,594	586,174
Total assets	2,698,093	2,691,777	7,593,706
Accounts payable and accrued expenses	(12,560)	-	-
Loan from parent	(125,184)	(125,184)	(118,914)
Total liabilities	(137,744)	(125,184)	(118,914)
Total net assets	2,560,349	2,566,593	7,474,792

Tau SPV 1

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

	As at 30 June 2018	As at 31 December 2017	As at 30 June 2017
	US\$	US\$	US\$
Cash	764	3,425	10,576
Financial assets at fair value through profit or loss	1,100,000	1,100,000	6,000,000
Total assets	1,100,764	1,103,425	6,010,576
Accounts payable and accrued expenses	(12,348)	(23,653)	(15,016)
Loan from parent	-	-	(35,761)
Total liabilities	(12,348)	(23,653)	(50,777)
Total net assets	1,088,416	1,079,772	5,959,799

At 30 June 2018 Tau (Cayman) L.P. financial assets at fair value through profit or loss comprised of a 40.35% equity investment in Stopharm, which was valued at US\$1,100,000 at the period end (31 December 2017: US\$1,100,000, 30 June 2017: US\$6,000,000).

Stopharm

Stopharm is a wholesale pharmaceuticals distributor operating in Kazakhstan of which Tau SPV1 holds 40.35 per cent of the equity. The investment has been valued at 30 June 2018 at US\$1,100,000 based on estimated net proceeds to the Company from the Sales and Purchase Agreement ("SPA") executed on 25 August 2018.

The valuation of Stopharm is dependent on non-market observable inputs, which include, changes to the perceived value of Stopharm to the buyer between the financial reporting date and the date the SPA was executed and estimated sales expenses, a degree of judgement is required in estimating fair values. It is reasonably possible that the executed SPA on which the valuation is based may not materialise or 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.

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 2018, 31 December 2017 and 30 June 2017 were 48,984,680 Ordinary shares and 2 Founder shares.

6. Intercompany loan

	30 June 2018	31 December 2017	30 June 2017
	US\$	US\$	US\$
<i>Due to the Company - Tau SPV 1</i>	111,574	111,574	89,081
<i>Due from the Company - Tau (Cayman) L.P.</i>	(1,126,447)	(849,593)	(586,174)

All the loans detailed above are interest free, unsecured and repayable on demand.

7. Related Party Items

Philip Scales, a Director of the Company is a director of FIM Capital Limited, the Administrator.

As at 30 June 2018, 31 December 2017 and 30 June 2017, Philip Lambert, a Director of the Company, held 101,201 ordinary shares in the Company.

As at 30 June 2018, 31 December 2017 and 30 June 2017, Richard Horlick, a previous Director of the Company held 12,684,221 ordinary shares. Global Asset Tracking, a company to whom Richard Horlick provides consultancy services, received fees of GBP £48,000 during 2017 (31 December 2017: GBP £48,000; 30 June 2017: GBP £22,000).

As at 30 June 2018, 31 December 2017 and 30 June 2017, Terence Mahony, a Director of the Company, held 102,424 ordinary shares in the Company.

8. Operating expenses

Directors' remuneration

Directors' remuneration for the six month period ended 30 June 2018 amounted to US\$42,567 (year to 31 December 2017: US\$81,297; six month period ended 30 June 2017: US\$39,641).

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 2018 amounted to US\$46,369 (31 December 2017: US\$91,539; 30 June 2017: US\$45,271).

9. Exchange rates

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

	As at 30 June 2018	As at 31 December 2017	As at 30 June 2017
Euro	1.16840	1.20046	1.1427
Pound sterling	1.32070	1.35127	1.3025

TAU CAPITAL PLC

Condensed Notes to the Financial Statements (continued)

10. Loss per Share

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

	For the six months ended 30 June 2018	For the year ended 31 December 2017	For the six months ended 30 June 2017
Net loss attributable to shareholders	(US\$235,402)	(US\$5,336,713)	(US\$235,402)
Weighted average number of ordinary shares in issue	48,984,680	48,984,680	48,984,680
Basic loss per share (cents)	(0.43)	(10.89)	(0.48)

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

11. Subsequent events

Save as disclosed in this report, there were no events occurring after the date of the Condensed Statement of Financial Position that would have a material impact on this interim report.