TERRA CAPITAL PLC
(formerly Speymill Macau Property Company Plc)

Consolidated Annual Report

Year ended 31 December 2012

CONTENTS

Directors and advisers

Directors	Dirk Van den Broeck (Non-executive Chairman) Filip Montfort (Non-executive Director) Ian Dungate (Non-executive Director)
Registered office	Millennium House 46 Athol Street Douglas Isle of Man, IM1 1JB
Investment Manager	Terra Partners Asset Management Limited 8/5A Portomaso Tower Portomaso Avenue STJ4011 St Julians Malta
Nominated Adviser & Broker	Panmure Gordon & Co 1 New Change London EC4M 9AF
English law adviser	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Administrator and Registrar	Galileo Fund Services Limited 46 Athol Street Douglas Isle of Man, IM1 1JB
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man, IM99 1HN
Isle of Man law adviser	Appleby 33 Athol Street Douglas Isle of Man, IM1 1LB

Highlights of the year

Balance sheet	31 Dec 2012	31 Dec 2011
Net assets (US$'000)	61,878	92,005
Net assets per share (US$)	0.88	0.86
Funds returned to shareholders by way of tender offer (US$'000)	30,808	-
Distribution to shareholders (US$ per share)	-	0.30

Income statement	31 Dec 2012	31 Dec 2011
Comprehensive income/(loss) after tax (US$'000)	707	(5,870)
Basic and diluted earnings/(loss) per share	0.40	(5.52)
(US cents per share)		

Business highlights

- Disposal of AIA Tower, the last remaining property asset, was concluded
- Previously provided taxes of USD $10.8 million arising on the disposal of AIA Tower will be processed on making the tax filing for 2012 or on the liquidation of the corporate structure utilised to hold the property if sooner.
- Terra Capital plc (the "Company") is the Company's new name, following an Extraordinary General Meeting (EGM) held on 24 May 2012, which approved the change from Speymill Macau Property Company PLC.
- Following the EGM, 36,896,674 shares were tendered for repurchase by the Company on 28 May, 2012 at a total cost of $30,808,722.
- The following key points of the Restructuring of the Company were approved at the EGM:
  - Adoption of a new Investment Policy
  - Appointment of Terra Partners Asset Management Limited as external investment manager ("the Manager")
- Following the EGM the composition of the Board of Directors changed as follows:
  - Howard Golden retired as a Director on 28 May 2012
  - Yarden Mariuma retired as a Director on 28 May 2012
  - Dirk Van den Broeck was appointed independent non-executive Director and Chairman on 28 May 2012
  - Ian Dungate was appointed as an independent non-executive Director on 28 May 2012
- As of December 31, 2012 the Manager was engaged in on-going work to open a Global Custody Account and numerous brokerage accounts for the Company around the world and was buying stock into the existing accounts. Subsequent to the reporting date of this report, the Manager has succeeded in both opening a Global Custody Account and in opening numerous brokerage accounts for the Company around the world.
- Cash of USD $60 million was held on the balance sheet at 31 December 2012 and, excepting the tax liabilities of USD $10.8 million (previously reserved for in calculating the NAV reported to shareholders at 31 December 2011) is substantially all available for investment in opportunities identified by the Manager. Subsequent to the reporting date of this report, over 40% of the Company's cash has been invested.

Chairman's statement

These are our first annual results since shareholders approved the restructuring and adoption of a new investment policy at the Extraordinary General Meeting held on 24 May 2012. It is also my first annual report as Chairman, my appointment having been dependent on the restructuring.

As part of the restructuring, the Company made a tender offer to purchase ordinary shares in the Company, thus giving investors the opportunity to exit prior to the adoption of the new Investing Policy. As a result of the tender offer, 36,896,674 shares were tendered meaning that some 66% of Investors elected to retain their holdings in the Company and in effect invest in the newly restructured Company.

The year ended 31 December 2012, on which we report, includes the conclusion of the sale of the AIA Tower in January. The only matters remaining in respect of the historic property investment business are the settlement of the liability arising on this disposal (which will be settled when the 2012 Macau tax return is agreed) and the liquidation of remaining SPV's utilised in this business.

In our interim report, I noted the excellent progress the Investment Manager was making in establishing global custody and brokerage arrangements, the Investment Manager has continued to progress this and has now commenced the investment of our assets as detailed more fully in the report of the Investment Manager.

Although it is taking time to get fully invested, the Board fully supports the Manager's measured approach to investment, which involves undertaking significant levels of due diligence on each stock being purchased on our behalf and ensuring that purchases in the market are not temporarily inflating the prices being paid.

Investments continue to be identified and made by the Investment Manager and as of the time of writing we are now 40% invested. The report of the Investment Manager, which follows, gives some idea of the level of due diligence being carried out for each investment made and we look forward to seeing these investments having a positive impacting on our results in 2013.

Sincerely yours

Dirk Van den Broeck
Chairman
25 April 2013

Investing Policy

At the Extraordinary General Meeting held on 24 May, 2012 the Shareholders adopted the following investment policy:

Investment objective

The Company's investment objective is to achieve capital appreciation while attempting to reduce risk primarily by applying a disciplined and diversified value investing philosophy.

The Company will implement its investment objective primarily by investing through one or more of the following investment strategies:

Corporate Activism. The Company intends to make investments in funds or companies which have a potential to turnaround or otherwise achieve recovery as a result of input from, or actions taken by, shareholders. This may require the Company to take an activist role, participate in a financial restructuring or even to take control of a fund or company if the Investment Manager's past experience in re-structuring and re-organising corporate activities can materially assist in bringing about a profitable result. The Investment Manager would require any target to have a strong discount to tangible, and normally, realisable and fungible assets. Closed-ended funds, REITS and/or holding companies are the most likely companies to meet this criterion. Companies with low levels of leverage or, preferably, net cash balances will also be sought out. Since the Investment Manager's standards for activist investments are rather strict, there may, at any given time, be few if any activist opportunities available. If so, the Company may not be invested in such opportunities; however, the Investment Manager intends to constantly monitor the market for such opportunities and take advantage of them as and when they arise.

Diversified portfolio of value stocks. Alongside its activist activities, or whilst awaiting such opportunities, the Company will create a portfolio of value stocks diversified by sector and country. This strategy will concentrate on small and mid-cap companies with strong cash flows and positive dividends trading in developed, emerging, and frontier markets. Close attention will be paid to long term cash flow trends and their synchronisation with reported profit. Companies which achieve reasonable Returns on Equity (ROE) without the use of excessive leverage will be favoured. Further preference will be given to companies with strong, sustainable current dividend yields. Finding such companies in structurally complex or in emerging or frontier markets and sectors is a main tenet of the Company's targeted value investing strategy. To try and limit overall portfolio volatility, the Company will seek to create a portfolio of relatively internally uncorrelated investments, both by country, region and sector diversification. The Investment Manager intends to manage the Company on a total return basis with a goal of maximising the Company's Sharpe ratio.

Investing in emerging and frontier markets. The founders of the Investment Manager have experience sourcing and performing fundamental due diligence in a variety of emerging and frontier markets that have little, or no, quality sell-side research available. In addition, either for structural reasons, information cost reasons, or market sentiment, there is usually a lack of sufficient capital in such stock markets to properly value the securities efficiently. This situation creates natural inefficiencies that reward stock-picking efforts and thorough fundamental analysis. Examples include sectors which are currently out of favour because of assumed macroeconomic trends; countries in which accounting standards differ from IFRS or information is available only in less common regional languages; or markets in which opening accounts and clearing and settling trades is procedurally more difficult. Such markets often present unusual opportunities due to various barriers to entry.

Provide cash flow to investors. The Investment Manager believes that a consistent dividend stream is an important indication of a company's strength and while searching for activist transactions it will attempt to make investments in companies exhibiting high levels of corporate governance with regular dividend streams to enable the Company to declare dividends to Shareholders.

A Note about Geographical diversification

The targeted markets will likely include many emerging and frontier markets, an area where some countries have experienced high volatility; however the Investment Manager intends to limit risk by investing in a wide geographic range of markets which have, in the past, been relatively uncorrelated to global indexes, even in situations of global financial crises.
There is no guarantee such lack of correlation will continue in the future or that it will be able to limit risk.

Investing Policy continued

Another aspect of the Company's investment philosophy is that the Company expects to concentrate investments in markets where it believes that it can obtain a competitive advantage by becoming a relatively important investor through performing its own intensive, on the ground buy-side research. This policy includes, but is not limited to, seeking out markets with little research offered by Western brokerage firms and most often with no research published by the market participants.

Diversification and asset allocation
No more than 20 per cent. of the gross asset value of the Company will, at the time of investment, be invested in, or exposed to the creditworthiness of, any single underlying investee company (or group) or collective investment undertaking. No more than 5 per cent. of the gross asset value of the Company will, at the time of investment, be invested in unlisted or unquoted securities. This limitation may be increased to 10 per cent. of the gross asset value of the Company with the prior approval of the Board.

While it is expected that the Company's assets will normally be predominantly invested, there are no limits to the Company's cash position.

Derivatives and short selling
The Company will be entitled to use derivatives, such as currency hedging, in an attempt to protect the assets of the Company but will not invest in derivatives as a means of investing. As a general policy the Company will not sell short but may, if an appropriate opportunity arises, sell short up to 15 per cent. of the Net Asset Value of the Company at the time of putting on such short sale.

Borrowings
The Company intends to use leverage sparingly and will restrict borrowings to an aggregate amount not exceeding 25 per cent. of the Net Asset Value of the Company at the time of drawdown.

Currency hedging
The Company may engage in currency hedging for efficient portfolio management purposes. The Company will only hedge up to a maximum of 25 per cent. of the Net Asset Value of the Company in derivatives for currency hedging purposes at the time such derivative contract is entered into.

Report of the Investment Manager

Terra Capital ended 2012 a bit over 20% invested in 15 positions. As of the date of this report we are now 40% invested in 26 diversified positions around the world and continue to either buy new stocks or add to current positions almost every day. This annual report provides an opportunity to explain to our fellow shareholders (each member of management owns shares personally) why our investing has been moving slowly and cautiously, what are our most current acquisitions, and to provide an update on some of the positions we have already reported to you.

First, our due diligence process usually involves our traveling to the target country and meeting the company's management before we commit to buying – this takes time. In view of all the uncertainties in Emerging and Frontier Markets, in addition to the issues involved in selecting stocks, we want to have really a deep understanding of the stock we are investing in so we can feel comfortable it is a position we can confidently retain for the long term (we try to limit the portfolio's turnover).

Second, it is normal for the kinds of stocks we seek, usually value stocks that have been overlooked or which languish in an unloved market, to trade in small quantities due to their very nature – they are undervalued and sell at large discounts to their "real" or expected value. As a result, the only sellers are usually those who have little choice but to sell. This makes them difficult to acquire quickly or in quantity so we can only buy them patiently as they come to market.

Third, we have seen funds that rushed to get invested and when investors look at their portfolio a year or two later they ask "What were they thinking when they bought that?". The answer is too often "It seemed like a good idea at the time". We don't intend to follow that path and prefer to invest slowly into stocks where we can clearly justify our purchase decisions. Our experience over the last 20 years of value investing has shown us that too often fund managers "rush to judgment" when they get control over a large sum of money and invest it as fast as they can simply to "be invested". That strategy *may* work in a strong bull market, however this market is not only treacherous, but it is erratic and can hardly be categorized as a "bull market".

Last, while we have now been able to open accounts in most of the markets we want to trade in, the opening of the broker accounts and the custody accounts took a lot of time and is still is a barrier to entry to other market participants.

We try to be as transparent as possible about our investing and to share our portfolio construction with our shareholders; however in view of the illiquid nature of some of our stock selections we have decided it is in the best interests of all shareholders that until we reach a critical point of at least 75% of our targeted position we prefer to keep information about these stocks confidential. This is to avoid any premature run up in the stock price due to parallel purchasing. We will continue our search for undervalued stocks and will be at least 50% invested before the end of the first half of this year.

We hope that our continuous reports about our purchases help our current shareholders and potential investors to understand our investment policy and approach. We believe that it allows us to build a long term, value oriented and dividend producing portfolio and to attract and retain a solid shareholder base with a long term horizon.

We are always available for any shareholder enquiries and welcome any suggestions from our shareholders and others.

We have set forth below a chart showing each position and its geographic location, percentage of the portfolio and its line of business. Each of the named positions has been fully described and we have given the reasons for its purchase and the risks in such investment in prior releases. Since we are constantly updating the information about the portfolio, please refer to the RNS releases on the website www.terrracapitalplc.com for the most current information.

In addition to the above positions, we have been buying another 5 stocks but until they reach a critical size, we prefer not to give public information about them.

Report of the Investment Manager continued

As of December 31, 2012 we held 79% in cash and the remaining 21% invested in the following positions:

Security name	**# of Shares**	US$'000
Brac Bank Ltd	398,000	173
U-Blox Holding AG	21,904	934
Crnogorski Telekom AD Podgoric	19,687	84
Eurobank Properties Real Estate Inv Co	191,770	1,240
Portucel Empresa Produtora	370,723	1,115
Silvano Fashion Group	267,000	965
Tour Eiffel	26,149	1,535
Allami Nyomda	208,196	397
EGIS Pharmaceuticals plc	16,000	1,264
Equity Bank Ltd	4,410,200	1,216
Housing Finance Co Ltd	1,121,700	201
Komercijalna Banka AD	5,800	293
Oman Cement Company	720,950	1,208
Oman Refreshment Company	175,000	1,023
KGHM Polska Miedz	23,755	1,456
		13,104

As of April 19, 2013 the Fund holds cash and the following positions showing their valuation on April 19 as calculated by the Investment Manager :

Company	**# of Shares**	US$'000	**% Portfolio**
Ste de la Tour Eiffel			
French REIT	31,099	1,879	3.03%
Equity Bank Ltd			
Kenyan Bank	4,410,200	1,737	2.80%
Eurobank Properties			
Greek REIT	191,770	1,437	2.32%
Hrvatski Telekom DD			
Croatian Telecom provider	36,228	1,335	2.16%
Portucell			
Portuguese paper goods producer	370,723	1,305	2.11%
Oman Cement			
Omani Cement Producer	720,950	1,2701	2.05%
EGIS RT			
Hungarian Pharmaceutical producers	16,000	1,245	2.01%
Al Khaliji Bank			
Qatari Bank	273,078	1,228	1.98%
U-Blox AG			
Swiss Consumer Electronics Manufacturer	21,904	1,138	1.84%
Crnogorski Telekom a.d.			
Montenegren Telecom provider	242,624	1,124	1.81%
Komercijalna Banka AD Skopje			
Macedonian bank	22,845	1,117	1.80%
Bank of Georgia Holdings Plc			
Bank in Georgia	43,500	1,037	1.67%
Any Security Printing Co. Plc (Alami Nyomda)			
Hungarian Printer of Security Products	449,476	963	1.55%
Oman Refreshment			
Omani Pepsi Franchisee & other soft drinks	175,000	955	1.54%
Silvano Fashion Group AS			
Lingerie manufacturer & distributor in Russia & Eastern Europe	267,000	899	1.45%
Housing Finance Kenya			
Kenya mortgage & housing construction	2,973,500	878	1.42%

Report of the Investment Manager continued

IRSA Inversiones y represent. SA GDR RCTP			
Argentine real estate company	99,715	863	1.39%
Prime Office			
German REIT	218,995	858	1.39%
Brac Bank Ltd			
Bangladeshi Bank focused on SMEs	2,436,275	831	1.34%
Imexpharm Pharmaceutical JSC.			
Vietnam prescription pharmaceutical producer	534,772	814	1.31%
Stock being acquired	430,880	598	0.97%
KGHM Polska Miedz			
Polish copper & silver mining company	12,620	573	0.92%
Stock being acquired	133,792	495	0.80%
Stock being acquired	15,802	198	0.32%
Stock being acquired	19,490	75	0.12%
Stock being acquired	28,400	65	0.10%
TOTAL	**N/A**	**$24,915**	**40.22%**

Respectfully submitted,

Terra Partners Asset Management Limited
25 April 2013

Portomaso Tower Suite 8/5A
Portomaso Ave
St. Julian's Malta STJ4011
Telephone +356-2371-7000
Regulated by Malta Financial Services Authority, Reg No. C56353

Directors' report

The Directors hereby submit their annual report together with the audited consolidated financial statements of Terra Capital plc (formerly Speymill Macau Property Company plc) (the "Company") for the financial year ended 31 December 2012.

The Company

The Company was incorporated in the Isle of Man as Speymill Macau Property Company to invest in the high quality commercial and residential real estate market in Macau. Following an extraordinary general meeting held on 24 May 2012, the shareholders resolved for the company to change its name to Terra Capital PLC and to adopt the current investment policy.

Results and dividends

The results and position of the Company at the year-end are set out on pages 14 to 22 of the financial statements.

Directors	Date Appointed	Date Resigned
Dirk Van den Broeck	28 May 2012	
Filip Montfort	21 July 2009	
Ian Dungate	28 May 2012	
Howard Golden	21 July 2009	28 May 2012
Harald Wengust	7 September 2009	28 May 2012
Yarden Mariuma	21 July 2009	28 May 2012

Directors' interests in the shares of the Company

The interests of the Directors in the share capital of the Company as at 31 December 2012 are set out below:

Director	No. of shares
Filip Montfort**	218,393
Dirk Van den Broeck***	634,068

** Worldwide Opportunity Fund ("WWOF") is managed by Terra Partners Asset Management Limited ("TPAM") which is also the Company's Investment Manager. The principals of TPAM are Filip Montfort, Yarden Mariuma and Howard Golden. Mr Montfort holds 1.27% of the shares in issue in WWOF (in addition to his direct holding of 218,393 Ordinary Shares in the Company stated above); Mr Mariuma holds 1.44% in WWOF (and 473,770 Ordinary Shares directly in the company) and Mr Golden holds 16.68% of the shares in WWOF either directly or beneficially (and 199,805 Ordinary Shares directly in the Company, and 510,103 shares as a beneficiary totalling 1%).

***Director Dirk van den Broeck holds the total of 634,068 shares noted above together with his wife, but not jointly.

Director's interests

Filip Montfort is a Director and a beneficial part-owner of Terra Partners Asset Management Limited the Investment Manager.

Ian Dungate is a director and a shareholder of Galileo Fund Services Limited (the "Administrator").

Save as disclosed above, none of the Directors had any interest during the year in any material contract for the provision of services which was significant to the business of the Company.

Corporate governance

Although the Company is not obliged by the listing rules to do so, the Board intends, where appropriate for a Company of its size, to comply with the main provisions of the principles of good governance and code of best practice set out in the UK Corporate Governance Code ('the Code').

Directors' report continued

Independent Auditors

KPMG Audit LLC have expressed their willingness to continue in office in accordance with Section 12 (2) of the Companies Act 1982.

Responsibilities of the Board

The Directors are responsible for the determination of the Company's investment policy and strategy and have overall responsibility for the Company's activities including the review of the investment activity and performance.

All of the Directors are non-executive.

The Board of Directors delegates to the Investment Manager through the Investment Management Agreement the responsibility for the management of the Company's assets in accordance with the Company's investment policy.

The Company has no executives or employees.

The Articles of Association require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment and shall not remain in office longer than three years since their last election or re-election without submitting themselves for re-election.

The Board meets formally at least 4 times a year and between these meetings there is regular contact with the Investment Manager. Other meetings are arranged as necessary. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The Board ensures that at all times it conducts its business with the interests of all shareholders in mind and in accord with Directors' duties.

Audit Committee

The Audit Committee is a sub-committee of the Board and makes recommendations to the Board which retains the right of final decision. The Audit Committee is comprised of Ian Dungate (Chairman), Dirk van Den Broeck and Filip Montfort. The Audit Committee has primary responsibility for reviewing the financial statements and the accounting policies, principles and practice underlying them, liaising with the external auditors and reviewing the effectiveness of internal controls. The Audit Committee maintains a risk register to help it identify, evaluate, monitor and control risks.

The terms of reference of the Audit Committee covers the following:

- The composition of the Committee, quorum and who else attends meetings.
- Appointment and duties of the Chairman.
- Duties in relation to external reporting, including reviews of financial statements, shareholder communications and other announcements.
- Duties in relation to the external auditors, including appointment / dismissal, approval of fee, discussion of the audit.
- Duties in relation to internal systems, procedures and controls.

On behalf of the Board

Dirk Van den Broeck
Chairman
25 April 2013 2013

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that its financial statements comply with the Companies Acts 1931 to 2004. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation governing the preparation and dissemination of financial statements may differ from one jurisdiction to another.

On behalf of the Board

Dirk Van den Broeck
Chairman
25 April 2013 2013

Report of the Independent Auditors, KPMG Audit LLC, to the members of Terra Capital plc (formerly Speymill Macau Property Company plc)

We have audited the financial statements of Terra Capital plc (formerly Speymill Macau Property Company plc) for the year ended 31 December 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group Statement of Cash Flows and the Group and Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the Directors are responsible for the preparation of financial statements that give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the EU; and
- have been properly prepared in accordance with the provisions of Companies Acts 1931 to 2004.

Report of the Independent Auditors, KPMG Audit LLC, to the members of Terra Capital plc (formerly Speymill Macau Property Company plc) continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Parent Company and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company's balance sheet and income statement are not in agreement with the books of account and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man, IM99 1HN
25 April 2013

Consolidated income statement

	Notes	For the year ended 31 December 2012 US$'000	For the year ended 31 December 2011 US$'000
Net changes in fair value on financial assets at fair value through profit or loss		**198**	-
Manager's fees	12.4	**(808)**	-
Audit and professional fees	12.3	**(23)**	(812)
Other expenses	12.1,12.2,20	**(378)**	(1,581)
Administrative and other expenses		**(1,209)**	(2,393)
Net operating loss before net financing expense		**(1,011)**	(2,393)
Finance income		**656**	101
Finance cost		**(6)**	(6)
Net finance income	9	**650**	95
Loss before tax		**(361)**	(2,298)
Taxation	21	**-**	-
Loss for the year from continuing operations		**(361)**	(2,298)
Profit/(loss) for the year from discontinued operations net of tax	14	701	(3,635)
Profit/(loss) for the year		**340**	(5,933)
Earnings/(loss) per share (cents per share) for year	17	**0.40**	(5.52)

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	For the year ended 31 December 2012 US$'000	For the year ended 31 December 2011 US$'000
Profit/(loss) for the year	**340**	(5,933)
Other comprehensive income		
Currency translation differences	**367**	63
Other comprehensive income for the year	**367**	63
Total comprehensive income/(loss) for the year	**707**	(5,870)

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	31 December 2012 US$'000	31 December 2011 US$'000
Financial assets at fair value through profit or loss	8	**13,104**	-
Due from broker		**1,006**	-
Assets held for sale and associated liabilities	13	**-**	77,189
Trade and other receivables	15	**112**	28
Cash and cash equivalents	16	**60,292**	15,916
Total current assets		**74,514**	93,133
Total assets		**74,514**	93,133
Issued share capital	18	**7,726**	10,783
Share premium		**62,356**	62,356
Retained earnings		**(13,901)**	16,593
Capital redemption reserve		**5,274**	2,217
Foreign currency translation reserve		**423**	56
Total equity		**61,878**	92,005
Taxation	21	**10,837**	-
Trade and other payables	19	**1,799**	1,128
Total current liabilities		**12,636**	1,128
Total liabilities		**12,636**	1,128
Total equity & liabilities		**74,514**	93,133
Net asset value per share	10	**0.88**	0.86

Approved by the Board of Directors on 25 April 2013

Ian Dungate
Director

Dirk Van den Broeck
Director

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Company balance sheet

	Note	31 December 2012	31 December 2011
		US$'000	**US$'000**
Trade and other receivables	15	**51**	28
Intercompany balances	5	**16,572**	80,794
Cash and cash equivalents	16	**45,523**	12,310
Total current assets		**62,146**	93,132
Total assets		**62,146**	93,132
Issued share capital	18	**7,726**	10,783
Share premium		**62,356**	62,356
Retained earnings		**(13,478)**	16,649
Other reserves		**5,274**	2,217
Total equity		**61,878**	92,005
Trade and other payables	19	**268**	1,127
Total current liabilities		**268**	1,127
Total liabilities		**268**	1,127
Total equity & liabilities		**62,146**	93,132
Net asset value per parent company share	10	**0.88**	0.86

The profit made by the Company for the year ended 31 December 2012 was US$707,000 (year ended 31 December 2011, loss US$5,870,000).

Approved by the Board of Directors on 25 April 2013

Ian Dungate
Director

Dirk Van den Broeck
Director

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital US$'000	Share premium US$'000	Retained earnings US$'000	Capital redemption reserve US$'000	Foreign currency translation reserves US$'000	Total parent equity US$'000	Non-controlling Interest US$'000	**Total US$'000**
Balance at 1 January 2011	10,783	62,356	55,365	2,217	(7)	130,714	1,217	**131,931**
Loss for the year	-	-	(5,933)	-	-	(5,933)	-	**(5,933)**
Other comprehensive income								
Foreign exchange translation differences	-	-	-	-	63	63	-	**63**
Total comprehensive loss for the year	-	-	(5,933)	-	63	(5,870)	-	**(5,870)**
Shares repurchased to be held in treasury	-	-	(490)	-	-	(490)	-	**(490)**
Non-controlling interest settled on disposal of properties	-	-	-	-	-	-	(1,217)	**(1,217)**
Distribution paid	-	-	(32,349)	-	-	(32,349)	-	**(32,349)**
Total contributions by and distributions to owners	-	-	(32,839)	-	-	(32,839)	(1,217)	**(34,056)**
Balance at 31 December 2011	10,783	62,356	16,593	2,217	56	92,005	-	92,005

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Capital redemption reserve	Foreign currency translation reserves	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	**US$'000**
Balance at 1 January 2012	10,783	62,356	16,593	2,217	56	**92,005**
Profit for the year	-	-	340	-	-	**340**
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	367	**367**
Total comprehensive income for the year	-	-	340	-	367	**707**
Shares repurchased to be held in treasury	-	-	(30,834)	-	-	**(30,834)**
Cancellation of shares repurchased	(3,057)	-	-	3,057	-	**-**
Total contributions by and distributions to owners	(3,057)	-	(30,834)	3,057	-	**(30,834)**
Balance at 31 December 2012	7,726	62,356	(13,901)	5,274	423	**61,878**

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Company statement of changes in equity

	Share capital US$'000	Share premium US$'000	Retained earnings US$'000	Capital redemption reserve US$'000	**Total US$'000**
Balance at 1 January 2011	10,783	62,356	55,358	2,217	**130,714**
Loss for the year	-	-	(5,870)	-	**(5,870)**
Total comprehensive loss for the year	-	-	(5,870)	-	**(5,870)**
Transactions with owners:					
Shares repurchased to be held in treasury	-	-	(490)	-	**(490)**
Distribution paid			(32,349)		
Total contributions by and distributions to owners	-	-	(32,839)	-	**(32,839)**
Balance at 31 December 2011	10,783	62,356	16,649	2,217	**92,005**
Profit for the year	-	-	707	-	**707**
Total comprehensive income for the year	-	-	707	-	**707**
Shares repurchased to be held in treasury	-	-	(30,834)		**(30,834)**
Cancellation of shares repurchased	(3,057)	-	-	3,057	**-**
Total contributions by and distributions to owners	(3,057)	-	(30,834)	3,057	**(30,834)**
Balance at 31 December 2012	7,726	62,356	(13,478)	5,274	**61,878**

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	For the year ended 31 December 2012 US$'000	For the year ended 31 December 2011 US$'000
Operating activities			
Group profit/(loss) before tax including discontinued operations		**340**	(5,933)
Adjustments for:			
Revaluation of investment property		**-**	(7,711)
(Gain)/Loss on disposal of investment property		**(520)**	184
Net changes in fair value on financial assets		**(198)**	-
Depreciation		**-**	1,013
Impairment of goodwill		**-**	6,451
Taxation charge		**-**	1,410
Interest income		**(656)**	(101)
Interest expense		**-**	1,986
Operating (expense)/income before changes in working capital		**(1,034)**	(2,701)
(Decrease)/increase in trade and other receivables		**(84)**	1,040
Movement in liabilities relating to assets held for sale		**-**	10,384
Increase/(decrease) in trade and other payables		**671**	(3,773)
Cash generated from operations		**(447)**	4,950
Interest received		**656**	101
Interest paid		**-**	(1,986)
Income tax paid		**-**	33
Cash flows generated from operating activities		**209**	3,098
Investing activities			
Purchase of financial assets		**(12,906)**	-
Funds held at brokers		**(1,006)**	-
Sale of investment property		**88,547**	21,333
Cash flows generated from investing activities		**74,635**	21,333
Financing activities			
Cost of ordinary shares purchased		**(30,835)**	(490)
Dividends paid		**-**	(32,349)
Payment to non-controlling interest		**-**	(1,217)
Repayments of secured bank loans		**-**	(13,040)
Cash flows used in financing activities		**(30,835)**	(47,096)
Net increase/(decrease) in cash and cash equivalents		**44,009**	(22,665)
Cash and cash equivalents at beginning of year		**15,916**	38,518
Difference on foreign exchange		**367**	63
Cash and cash equivalents at end of year	16	**60,292**	15,916

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Company statement of cash flows

	Note	For the year ended 31 December 2012 US$'000	For the year ended 31 December 2011 US$'000
Operating activities			
Company profit/(loss) before tax		**707**	(5,870)
Adjustments for:			
Revaluation of intercompany balances through profit or loss		**(1,226)**	4,404
Operating expense before changes in working capital		**(519)**	(1,466)
Increase in trade and other receivables		**(23)**	(8)
Decrease/(increase) in trade and other payables		**(859)**	985
Cash flows generated from operating activities		**(1,401)**	(489)
Financing activities			
Cost of ordinary shares purchased		**(30,834)**	(490)
Dividends paid		**-**	(32,349)
Repayment of intercompany loans		**65,448**	31,600
Cash flows used in financing activities		**34,614**	(1,239)
Net increase/(decrease) in cash and cash equivalents		**33,213**	(1,728)
Cash and cash equivalents at beginning of year		**12,310**	14,038
Cash and cash equivalents at end of year	16	**45,523**	12,310

The accompanying notes on pages 23 to 39 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 The Company

Terra Capital plc (formerly Speymill Macau Property Company plc) (the "Company") was incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 31 October 2006 as a public company with registered number 118202C.

The annual report of the Company as at and for the year ended 31 December 2012 comprises the Company and its subsidiaries (together referred to as the "Group").

At the Extraordinary General Meeting held on 19 November 2010 it was resolved that; the Company shall cease making new investments and shall, as soon as is considered reasonably practicable by the Directors of the Company in their sole discretion, dispose of all of its investments in an orderly manner and return the net proceeds generated to Shareholders.

Pursuant to the Extraordinary General Meeting held on 24 May, 2012 a tender offer was made for ordinary shares of US$0.10 each in the issued ordinary share capital of the Company at a price of US$0.835 per ordinary share. As a result of the tender 36,896,674 shares were tendered and were purchased by the Company. Shareholders also approved for the Company to change its name to Terra Capital PLC and to adopt the current investment policy.

The Company's investment objective is to achieve capital appreciation while attempting to reduce risk primarily by applying a disciplined and diversified value investing philosophy.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 April, 2013.

2.2 Basis of measurement

These consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU. The financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets held at fair value through profit or loss and, in previous periods the revaluation of investment property.

2.3 Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (US$), which is the Company's presentation currency. The functional currency of Terra Capital Cayman is the United States Dollar. This subsidiary holds the investment portfolio. The United States Dollar is the currency of the primary economic environment in which the Company operates ("the functional currency").

2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Following the agreement to sell the investment property (see note 13) the only significant area requiring estimation is the tax liability relating to the sale of the property.

Notes to the consolidated financial statements continued

2 Basis of preparation continued

2.5 Future changes in accounting policies

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (IAS/IFRS)	**Effective date** (accounting periods commencing on or after)
IAS 1 Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	1 July 2012
– Amendments clarifying the requirements for comparative information	1 January 2013
IAS 19 Employee Benefits - Amendment resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 *Separate Financial Statements* (as amended in May 2011)	1 January 2013
– Requirement to account for interest in 'Investment Entity' at fair value under IFRS 9	1 January 2014
IAS 28 Investments in Associates – Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in May 2011)	1 January 2013
IFRS 1 Amendments add on exception to the retrospective application of IFRSs (including IFRS 9 and IFRS 20)	
IAS 32 Amendments require entities to disclose gross amounts	1 January 2013
IFRS 7 Financial Instruments: Disclosures – requires entities to disclose gross amounts	1 January 2013
IFRS 9 Financial Instruments - Classification and Measurement	1 January 2015
IFRS 10 Consolidated Financial Statements-New standard	1 January 2014
-exception to the principle that all subsidiaries must be consolidated	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IFRS 13 Fair Value Measurement	1 January 2013

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollars, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the subsidiaries are expressed in United States Dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3.3 Financial instruments

(i) Non-derivative financial assets

Investments are designated at fair value through profit or loss on initial recognition. The Group invests in quoted equities for which fair value is based on quoted market prices.

Purchases and sales of investments are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recorded at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit and loss are expensed as incurred.

Gains and losses arising from changes in the fair value of the financial assets and liabilities are included in the income statement in the year in which they arise.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

3.3 Financial instruments continued

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: amounts due to broker for investment purchases falling due after the balance sheet date and other payables.

(iii) Share capital

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of any tax effects.

3.4 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and is measured at cost less accumulated impairment losses.

3.5 Revenue recognition

Rental income and expenses

Rental income from the investment properties leased out under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Related direct costs are accounted for on an accrual basis. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.
Foreign currency gains and losses are reported on a net basis.

3.6 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

3.6 Impairment continued

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Income tax expense

Income tax expense comprises current tax. Income tax expense is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.8 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of Ordinary Shares outstanding, adjusted for own shares held, for the effects of all dilutive potential Ordinary Shares.

3.9 Dividends

Dividends are recognised as a liability in the period in which they are declared and approved.

3.10 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating result of the single operating segment is reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated and assess its performance.

3.11 Assets classified as held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Notes to the consolidated financial statements continued

4. Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- foreign exchange risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to develop a disciplined and constructive control environment.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's financial assets.

Notes to the consolidated financial statements continued

4. Financial risk management continued

Cash and cash equivalents
The Group limits its exposure to credit risk by investing only with counterparties that have high credit ratings. Management actively monitors credit ratings and does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Market price risk

The Group's strategy for the management of investment risk is driven by the Group's investment objective. The main objective of the Group is achieve capital appreciation while attempting to reduce risk primarily by applying a disciplined and diversified value investing philosophy.

All investments present a risk of loss of capital through movements in market prices. The Investment Manager moderates this risk through a careful selection of securities within specified limits. The Investment Manager reviews the position on a day to day basis and the Directors review the position at Board meetings.

The Group's market price risk is managed through the diversification of the investment portfolio.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the Euro and HK Dollar. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities, income and expense that are not in the functional currency of the Group.

Notes to the consolidated financial statements continued

4. Financial risk management continued

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, service providers, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness. The Group has developed standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- ethical and business standards

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists the equity of the Group (comprising issued capital as detailed in note 18, reserves and retained earnings). The Board reviews the capital structure of the Group on a semi-annual basis.

The Board of Directors monitors the net asset value per share, which the Group defines as the total shareholders' equity divided by the total number of shares in issue. The Board of Directors also monitors the level of dividends to ordinary shareholders.

5 The subsidiaries

At the end of the year, the Company owned a controlling interest in the following subsidiaries:

	Country of incorporation	Percentage of shares held
Terra Capital Cayman	Cayman Islands	100%
Armando Global Limited (intermediate holding company)	British Virgin Islands	100%
Carlos Associates Limited	British Virgin Islands	100%
Toninho (Macau) Limitada	Macau	100%
Speymill Property I (Macau) Limitada	Macau	100%
Turbo Ventures Ltd	Cayman Islands	100%

Inter-company loans from the Company to subsidiaries other than Terra Capital Cayman are interest free, unsecured and repayable on demand.
Inter Company loans from the Company to Terra Capital Cayman are repayable on demand and bear interest at the US Prime rate per annum.

Notes to the consolidated financial statements continued

6 Segment reporting

No additional disclosure is included in relation to segment reporting as the Group's activities are limited to one business segment.

7 Fair value hierarchy

IFRS 7 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All the Company's investments are classed as level 1 investments (US$13,104,000).

8 Financial assets at fair value through profit or loss

Group
31 December 2012: Financial assets at fair value through profit or loss; all quoted equity securities:

Security name	Number	US$'000
Brac Bank Ltd	398,000	173
U-Blox Holding AG	21,904	934
Crnogorski Telekom AD Podgoric	19,687	84
Eurobank Properties Real Estate Inv Co	191,770	1,240
Portucel Empresa Produtora	370,723	1,115
Silvano Fashion Group	267,000	965
Tour Eiffel	26,149	1,535
Allami Nyomda	208,196	397
EGIS Pharmaceuticals plc	16,000	1,264
Equity Bank Ltd	4,410,200	1,216
Housing Finance Co Ltd	1,121,700	201
Komercijalna Banka AD	5,800	293
Oman Cement Company	720,950	1,208
Oman Refreshment Company	175,000	1,023
KGHM Polska Miedz	23,755	1,456
		13,104

9 Net finance cost

	31 December 2012	31 December 2011
	US$'000	US$'000
Interest income on bank balances	**656**	101
Finance income	**656**	101
Bank charges	**(6)**	(6)
Finance cost	**(6)**	(6)
Net finance income/(cost)	**650**	95

Notes to the consolidated financial statements continued

10 Net asset value per share

The net asset value per share as at 31 December 2012 is US$0.88 based on 70,229,236 Ordinary Shares in issue as at that date (2011: US$0.86 based on 107,160,910 shares).

11 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the party making financial or operational decisions.

Directors of the Company

Howard Golden, Filip Montfort and Yarden Mariuma are directors of the Manager. The Manager was appointed at the EGM held on 24 May 2012. Following the EGM Mr Golden and Mr Mariuma resigned as directors of the Company.

Ian Dungate is a director and principal of the administrator.

Following the passing of a resolution on the Directors' Incentive plan at the EGM a payment was due to the then directors' of the Company which was paid in 2011 and allocated among the Directors' as follows,

Howard Golden	$158,316
Yarden Mariuma	$158,316
Filip Montfort	$158,316
Harald Wengust	$ 99,126

With effect from the date of appointment of the Manager, Mr Montfort agreed to waive his entitlement to Director's remuneration going forward.

The Investment Manager

Speymill Property Group Limited, the former Manager had their contract terminated on 28 June 2011, notice having been served on 28 June 2010. Consequently the former Manager was not considered to be a related party as at 30 June 2011 and subsequently.

Following the EGM held on 24 May 2012, the Company appointed Terra Partners Asset Management ("TPAM") as its investment manager.

Term and termination
The Investment Management Agreement may be terminated by either party giving to the other not less than 12 months' notice expiring on or at any time after the third anniversary of the commencement date of the agreement or otherwise, in circumstances, *inter alia*, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties.

Management fee
The Manager shall be entitled to receive a management fee equal to 2 per cent. per annum of the aggregate Net Asset Value of the Company during the relevant fee payment period, calculated on the first day of each month, accrued on a daily basis and payable monthly in arrears (or pro rata for lesser periods).

Notes to the consolidated financial statements continued

11 Related party transactions continued

The Investment Manager continued

Performance fee

The Manager is also entitled to receive a performance fee equal to 20 per cent. of the increase (if any) in the Net Asset Value per Share (with dividends and other distributions added back and ignoring any accrued performance fee) as at each semi-annual performance fee calculation period above the Net Asset Value as at the commencement of each such semi-annual performance fee calculation period, provided that any performance fee shall be payable only to the extent that the Net Asset Value of the Share exceeds the Net Asset Value immediately following the settlement of the Tender Offer or, if a performance fee has been paid, the Net Asset Value per Share when a performance fee was last paid. The performance fee shall be calculated on 30 June and 31 December in each year and paid following such calculation.

Expenses

In addition, the Company shall be responsible for the payment of all out-of-pocket expenses reasonably incurred by the Manager in the proper performance of the Investment Management Agreement up to a maximum of US$75,000 per annum.

The Administrator

The Administrator is entitled to receive a fee of 10 basis points per annum of the net assets of the Company between £0 and £100m and 7.5 basis points of the net asset value of the Company in excess of £100m, subject to a minimum monthly fee of £4,000, and a maximum monthly fee of £11,250 payable quarterly in arrears.

The Administrator assists in the preparation of the financial statements of the Company for which it receives a fee of £1,750 per set and provides general secretarial services to the Company for which it receives a minimum annual fee of £5,000.

12 Charges and fees

12.1 Nominated adviser and broker fees

As nominated adviser and broker to the Company for the purposes of the AIM rules, the Nominated Adviser and Broker is entitled to receive an annual fee of £60,000 payable quarterly in advance.

The Nominated Adviser received additional fees during 2012 in respect of special projects amounting to US$82,480 (2011: US$ Nil). Total advisory fees payable to the Nominated Adviser and broker for the year ended 31 December 2012 amounted to US$97,408 (2011: US$119,588).

12.2 Administrator and Registrar fees

Administration fees payable for the year ended 31 December 2012 amounted to US$80,883, (31 December 2011: US$125,244), secretarial fees US$5,721 (2011: US$16,303), financial statement preparation fees US$5,346 (2011: US$4,312), and Crest fees US$12,894 (2011: US$7,923).

12.3 Audit and professional fees

Audit fees for the year ended 31 December 2012 amounted to US$53,395, (31 December 2011: US$54,439), with US$35,000 still due at 31 December 2012 (2011: US$24,720).

Professional fees for the year ended 31 December 2012 amounted to US$22,535 (31 December 2011: US$757,428).

Notes to the consolidated financial statements continued

12 Charges and fees continued

12.4 Manager's fees

Management fees payable for the year ended 31 December 2012 amounted to US$748,835 (2011:US$1,360,819 payable to the former manager) and the amount accrued but not paid at the period end was $102,420 (31 December 2011: Nil). Performance fees accrued but not paid for the year ended 31 December 2012 amounted to $58,826 (31 December 2011: US$ Nil)

13 Assets held for sale and associated liabilities

	31 December 2012 US$'000	31 December 2011 US$'000
Balance brought forward	77,189	-
AIA Tower transferred from investment property	-	154,242
Fair value adjustment	701	7,711
Fixed assets	-	108
Net current liabilities	-	(6,737)
Bank loans repayable	-	(62,982)
Provision for taxation payable (note 21)	10,837	(11,506)
Provision for amounts payable on disposal	-	(3,647)
Final proceeds on disposal	(88,727)	-
Net realisable value	-	77,189

The sale of AIA Tower was concluded on 31 January, 2012. A tax provision relating to the gain on sale remains and is disclosed separately in the financial statements (note 21).

14 Profit/ (loss) for the year on discontinued operations

	31 December 2012 US$'000	31 December 2011 US$'000
Net rent and related income	-	3,685
Impairment of goodwill	-	(6,451)
Gain on disposal of assets held for sale	701	3,882
Fees of the former manager	-	(1,361)
Taxation	-	(1,410)
Finance costs	-	(1,980)
Profit/(loss) before tax	701	(3,635)

Earnings per share – discontinued operations

	31 December 2012 US$'000	31 December 2011 US$'000
Earnings for the purposes of basic and diluted earnings per share being net profit/(loss) attributable to equity shareholders	701	(3,635)
Weighted average number of Ordinary Shares in issue (thousands) (excluding shares held in treasury)	85,162	107,439
Earnings/(loss) per share (cents per share)	0.82	(3.38)

Notes to the consolidated financial statements continued

15 Trade and other receivables

	Group 31 December 2012 US$'000	Company 31 December 2012 US$'000	Group 31 December 2011 US$'000	Company 31 December 2011 US$'000
Prepayments and other receivables	**112**	**51**	28	28
Total	**112**	**51**	28	28

16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held with banks and amounts held by brokers. All cash and bank balances are available for operational use in the Group.

17 Basic and diluted earnings per share

Basic earnings/ (loss) per share is calculated by dividing the loss attributable to owners of the Company by the weighted-average number of Ordinary Shares in issue during the year.

	31 December 2012	31 December 2011
Profit(loss) attributable to owners of the Company (US$'000)	**340**	**(5,933)**
Weighted average number of Ordinary Shares in issue (thousands) (excluding shares held in treasury)	**85,162**	**107,439**
Basic and diluted profit/(loss) per share (cents per share)	**0.40**	**(5.52)**

18 Share capital

	31 December 2012 US$'000	31 December 2011 US$'000
Authorised:		
400,000,000 Ordinary shares of US$0.10 each	40,000,000	40,000,000
Allotted, Called-up and Fully-Paid:		
70,229,236 (31 December 2011: 107,160,910) Ordinary shares of US$0.10 each in issue, with full voting rights	7,023	10,716
7,026,423 (31 December 2011: 668,000) Ordinary shares of US$0.10 each held in treasury	703	67
	7,726	10,783

During the period to 31 December 2012 the Company repurchased 36,931,674 (31 December 2011: 668,000) Ordinary shares, at a cost of US$30,834,332 (31 December 2011: US$491,085), 30,573,251 Shares were subsequently cancelled, with 7,026,423 Ordinary shares retained in treasury . The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

19 Trade and other payables

	Group 31 December 2012 US$'000	Company 31 December 2012 US$'000	Group 31 December 2011 US$'000	Company 31 December 2011 US$'000
Current liabilities				
Due to broker	**1,040**	**-**	**-**	**-**
Sundry creditors and accruals	**759**	**268**	**1,128**	**1,127**
Total	**1,799**	**268**	**1,128**	**1,127**

Notes to the consolidated financial statements continued

20 Directors' remuneration

Mr Van den Broeck, as Chairman, is entitled to remuneration of US$45,000 per annum from the date of his appointment and Mr Dungate and Mr Montfort are each entitled to remuneration of US$30,000 per annum. Mr Montfort has agreed to waive his directors fees for so long as he is associated with the Manager.

Up until the EGM, held on 24 May 2012, Mr Golden, Mr Montfort and Mr Mariuma were each entitled to receive an annual fee of £25,000. Mr Wengust was entitled to receive an annual fee of £20,000. Mr Golden, Mr Mariuma and Mr Wengust resigned following the EGM in accordance with the proposed restructuring.

Following the passing of a resolution on the Directors' Incentive plan at the EGM an incentive payment totalling $574,074 became due to the then directors of the Company. This was allocated among the Directors and paid in 2011 as follows,

Howard Golden	$158,316
Yarden Mariuma	$158,316
Filip Montfort	$158,316
Harald Wengust	$ 99,126

At 31 December 2012 Directors fees payable were US$18,750 (2011:$ Nil)

21 Taxation

	2012 US$'000	2011 US$'000
Balance at 1 January	**-**	
Transfer from assets held for sale (note 13)	**11,506**	**-**
Foreign exchange revaluation	**(669)**	**-**
Balance at 31 December	**10,837**	-

The tax liability relates to a provision for tax at the Macau Complementary Tax rate of 12% on the book gain arising on the sale of the AIA Tower.

Isle of Man taxation

The Company is resident in the Isle of Man for tax purposes and pays income tax at 0%. The Company pays a corporate charge of £250 to the Isle of Man Government for each tax year.

Macau taxation

The SPVs are liable to Macau Complimentary Tax at 12% in respect of their operating profits (including profits arising on property disposals), excluding rental income which is subject to property tax. Property tax is chargeable at the higher of 10% (2011: 10%) of any rent received or 10% of the official rateable rentable value.

22 Financial instruments

The Group's activities expose it to a variety of financial risks: market price risk, foreign exchange risk, credit risk, liquidity risk and cash flow interest rate risk.

All financial instruments are considered to be stated at amounts which approximate their fair value.

Market price risk

The Group's strategy for the management of investment risk is driven by the Group's investment objective. The main objective of the Group is to achieve capital appreciation while attempting to reduce risk primarily by applying a disciplined and diversified value investing philosophy.

Notes to the consolidated financial statements continued

22 Financial instruments continued

All investments present a risk of loss of capital through movements in market prices. The Investment Manager moderates this risk through a careful selection of securities within specified limits. The Investment Manager reviews the position on a day to day basis and the Directors review the position at Board meetings.

The Group's market price risk is managed through the diversification of the investment portfolio.

At 31 December 2012, if the market value of the investment portfolio had increased/decreased by 1.5% with all other variables held constant, this would have increased/decreased net assets attributable to shareholders by approximately US$197,000 (31 December 2011 : not applicable).

Foreign exchange risk

The Group's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than the United States Dollar (the Functional Currency). As a result, the Group is subject to the effects of exchange rate fluctuations with respect to these currencies.

The following table sets out the Group's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities:

31 December 2012	**Monetary Assets US$'000**	**Monetary Liabilities US$'000**	**Net Exposure US$'000**
Hong Kong Dollar	**13,488**	**(10,656)**	**2,832**
Bangladeshi Taka	**222**	**-**	**222**
Swiss Franc	**934**	**-**	**934**
Euro	**4,993**	**-**	**4,993**
Hungarian Forint	**1,970**	**-**	**1,970**
Kenyan Schilling	**1,417**	**-**	**1,417**
Macedonian Denar	**539**	**-**	**539**
Omani Rial	**2,231**	**-**	**2,231**
Polish Zloty	**1,456**	**-**	**1,456**
US Dollar	**47,264**	**(1,980)**	**45,284**
	74,514	**(12,636)**	**61,878**
31 December 2011			
Hong Kong Dollar	**80,823**	**-**	**80,823**
US Dollar	**12,310**	**(1,128)**	**11,232**
	93,133	**(1,128)**	**92,005**

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost, as they have a short term maturity.

Notes to the consolidated financial statements continued

22 Financial instruments continued

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	31 December 2012	31 December 2011
	US$'000	US$'000
Financial assets at fair value through profit or loss	**13,104**	-
Trade and other receivables	**1,118**	28
Cash at bank	**60,292**	15,916
	74,514	15,944

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group manages its credit risk by monitoring the creditworthiness of counterparties regularly. Cash transactions and balances are limited to high-credit-quality financial institutions. Trade and other receivables relate mostly to rental and related income and this is monitored by the active management of the properties. The Investment Manager and the Board of Directors do not expect any losses from non-performance by these counterparties.

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group's liquidity position is monitored by the Manager and the Board of Directors. Residual undiscounted contractual maturities of financial liabilities at the reporting dates were:

Financial liabilities	**Less than 1 month US$'000**	**1-3 months US$'000**	**3 months to 1 year US$'000**	**1-5 years US$'000**	**No stated maturity US$'000**
2012					
Taxation payable			**10,837**		
Trade and other payables	**1,799**	**-**		**-**	**-**
	1,799		**10,837**	**-**	**-**
2011					
Trade and other payables	**67**	**-**	**1,061**	**-**	**-**
	67		1,061	-	-

Interest rate risk

Cash held by the Group is invested at short-term market interest rates. As a result, the Company is not exposed to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. However, it is exposed to interest rate cash flow risk.

The table below summarises the Group's exposure to interest rate risks at 31 December 2012. It includes the Groups' financial assets and liabilities at the earlier of contractual re-pricing or maturity date, measured by the carrying values of assets and liabilities:

Notes to the consolidated financial statements continued

22 Financial instruments continued

31 December 2012	Less than 1 month US$'000	1-3 months US$'000	Non-interest bearing US$'000	Total US$'000
Financial assets				
Trade and other receivables	-	-	112	112
Due from broker	1,006	-	-	1,006
Cash	60,292	-	-	60,292
Total financial assets	61,298	-	112	61,410
Financial liabilities				
Trade and other payables	-	-	1,799	1,799
Taxation payable	-	-	10,837	10,837
Total financial liabilities	-	-	12,636	12,636
Total interest rate sensitivity gap	61,298	-		61,298

31 December 2011	Less than 1 month US$'000	1-3 months US$'000	Non-interest bearing US$'000	Total US$'000
Financial assets				
Trade and other receivables	-	-	28	28
Cash	15,916	-	-	15,916
Total financial assets	15,916	-	28	15,944
Financial liabilities				
Trade and other payables	-	-	1,128	1,128
Total financial liabilities	-	-	1,128	1,128
Total interest rate sensitivity gap	15,916			

23 Post balance sheet events

There have been no material events since the balance sheet date that require disclosure in the financial statements.

24 Contingent liabilities and capital commitments

The Group had no outstanding capital commitments at 31 December 2012.

TERRA CAPITAL PLC
(the **"Company")**

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of the Company will be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles on Monday 10 June 2013 at 10.00am to consider the following resolutions:

ORDINARY RESOLUTIONS

1. THAT the Report of the Directors, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year ended 31 December 2012 be received and adopted.

2. THAT KPMG Audit LLC Isle of Man, who has indicated its willingness to continue in office, be re-appointed as Auditors of the Company for the fiscal year to 31 December 2013.

3. THAT the Directors be authorised to determine the remuneration of the Auditors.

4. THAT Mr Filip Montfort who retires in accordance with the Articles of Association and offers himself for re-election as a director, be re-elected as a director of the Company.

5. THAT the Company be authorised to make market purchases of its own shares as follows:

   i) the maximum number of shares authorised to be purchased shall be up to 14.99 per cent of the shares in issue at the time of the passing of this resolution;
   ii) the minimum price which may be paid for each Ordinary Share is 10 US cents per share;
   iii) the maximum price which may be paid for an Ordinary Share shall not be more than 5 per cent above the average of the middle market quotations for an Ordinary Share for the five business days immediately preceding the date on which the Ordinary Share is purchased; and
   iv) this authority will expire on the earlier of 15 months from the passing of this resolution or the conclusion of the next annual general meeting.

SPECIAL RESOLUTION

6. That subject to the confirmation of the High Court of Justice of the Isle of Man, the amount standing to the credit of the share premium account of the Company be cancelled in accordance with section 56 of the Companies Act 1931 and Article 13 of the Company's Articles of Association, and that the sums arising from such cancellation be credited to the Company's distributable reserves.

BY ORDER OF THE BOARD

Ian Dungate
Company Secretary
14 May 2013

Registered office
Millennium House
46 Athol Street
Douglas
Isle of Man
IM1 1JE
British Isles

Notes:

1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not be a member of the Company. In the case of joint holders, if more than one of such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy.

2 A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude a member from attending and voting at the Meeting if he so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.

3 In order to be valid, the instrument appointing a proxy and the power of attorney or any authorisations of corporate representatives or other authority (if any) under which it is signed, or a copy, certified by a notary, of such power of attorney or authority, should be deposited at Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles (Attn: David Parnell, fax: +44 1624 692601), no later than 48 hours before the time appointed for holding the meeting.