

**TERRA CAPITAL PLC**

**Consolidated Annual Report**  
Year ended 31 December 2014

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## Directors and advisers

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

## Chairman's statement

Our year end net asset value per share stood at \$0.979 against \$0.956 for 2013. This represents an increase of 2.4% for the year and a total return of 5.9% for the year including the dividend of 3.35 cents per share paid in March 2014.

In accordance with the dividend policy we announced in late 2013 we have paid a dividend of 3.72 cents per share in February 2015 based on our performance for 2014. This is an increase of 11% on the prior year and represented a dividend yield at the time of declaration of 3.8% on Net Asset Value and 4.35% on the closing sales midpoint.

The Investment Manager has continued to identify and purchase undervalued assets throughout 2014 and we are now at 81% equity exposure spread across 58 positions in 35 different markets. Further details on our can be found on the Company's website <http://terracapitalplc.com/> under News and Reporting "Company Reports".

Just before the end of the year we wrote to shareholders with proposals for reduced management fees along with an adjustment to the discount hurdle for an annual tender offer from 15% to 10%. The proposals also included an opportunity for investors to realise all or part of their investment in 2018 replacing a continuation vote in 2017 and certain amendments to the investing policy of the Company.

These changes were approved at an EGM held in January 2015 and the full investing policy as adopted is set out on pages 5-6 of this report.

Sincerely yours,

Dirk Van den Broeck

Chairman

19 May 2015

## Report of Terra Partners Asset Management Limited, the Investment Manager

### TCA's 4<sup>th</sup> Quarter Return & Portfolio

The Fund ended 2014 with a net NAV gain of 5.93% from its Dec. 31, 2013 NAV and it increased its equity exposure from 73.24% at September 30, 2014 to 81.02% at December 31, 2014 (including its commitment to Terra Argentine Fund). The Fund's NAV was negatively affected in the fourth quarter when it declined from \$1.0018 per share as of September 30, 2014 to \$0.9789 at December 31, 2014 resulting in a 2.28% loss.

### Europe

The Fund's exposure to Europe increased from 19.14% to 23.24%, making Europe its largest regional allocation, as the Fund added 5 new positions in the region, increased 2 other existing positions, and trimmed 2 holdings. Investments were initiated in Slovenia, Bulgaria, Russia and one other undisclosed market, with additions to current holdings in Ukraine and one other undisclosed market. Sales took place in Switzerland and Greece.

Certain positions and markets are not publically disclosed during the period the Fund continues its purchases in those stocks due to their low liquidity. The names of the stocks and further information will be disclosed when the Fund obtains its optimal position.

### Asia

The Fund's holdings in Asia declined from 20.24% to 17.94% on sales in Australia, Georgia and Korea. The Fund initiated one new position, KCell, in Kazakhstan.

### Middle East

The Fund's exposure to the Middle East rose to 15.92% on one new position in Qatar (Al Meera) and additions to its position in Lebanon (Solidere). There were no sales in this region during the quarter.

### Africa

TCA's African allocation expanded from 7.04% to 9.08% as the Fund increased its positions in Tunisia following the victory of the secularists in the parliamentary elections and the Fund initiated positions in South Africa, which will not be disclosed at this time due to continued purchases and low liquidity in the names. The Fund continued to sell off shares in Housing Finance (Kenya).

### Americas

The allocation to the Americas increased from 12.57% to 14.84% on the addition of Panama's Copa Airlines to the Fund. Terra Argentine Fund made its 3<sup>rd</sup> capital call in December, drawing down a further 15% of the commitment, bringing the total amount of called up capital to 40%.

### Further Fund Details

The following page details the Fund's holdings, changes from the prior quarter, and the local currency performance of each company's shares over the quarter.

Respectfully submitted,

Terra Partners Asset Management Limited  
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*

## Report of Terra Partners Asset Management Limited, the Investment Manager (continued)

### Portfolio of Terra Capital PLC as at 31 December 2014

Region	Country	Security	Shares	Market value	% of Fund	Change from prior year
AFRICA	Burkina Faso	Onatel BF	84,477	1,159,473	1.73%	Increase
	Kenya	Equity Bank Ltd	2,011,000	1,108,600	1.66%	Decrease
	Tunisia	ARTES	246,934	1,062,253	1.59%	New
	Kenya	Housing Finance Kenya	1,984,050	1,000,775	1.50%	Decrease
	Tunisia	Tunisie Leasing	70,881	826,328	1.24%	New
	Tunisia	One Tech Holding	171,375	645,064	0.96%	New
	South Africa	Holdsport Limited	44,894	182,924	0.27%	New
	South Africa	Onelogix	196,000	95,800	0.14%	New
				6,081,217	9.08%	
AMERICAS	Argentina	IRSA	145,630	2,238,333	3.35%	No Change
	Argentina	Terra Argentine Fund LP - Outstanding Commitment		2,040,000	3.05%	New
	Panama	Copa Holdings	10,760	1,115,166	1.67%	New
	Peru	Ferreycorp	1,787,387	967,446	1.45%	New
	Jamaica	Scotia Group Jamaica	5,429,031	949,356	1.43%	Increase
	Jamaica	National Commercial Bank Jamaica	5,431,719	878,150	1.32%	Increase
	Argentina	Terra Argentine Fund LP - Series 2	510,000	586,603	0.88%	New
	Argentina	Terra Argentine Fund LP - Series 3	510,000	512,439	0.77%	New
	Argentina	Terra Argentine Fund LP - Series 1	340,000	382,723	0.57%	New
	Peru	Refinería La Pampilla	3,408,102	239,125	0.36%	New
				9,909,341	14.84%	
ASIA	Bangladesh	Square Pharma	559,764	1,845,415	2.78%	Increase
	Bangladesh	Brac Bank	3,592,039	1,704,168	2.56%	Increase
	Vietnam	Imexpharm Pharmaceutical	802,158	1,564,275	2.34%	Increase
	Australia	Ardent Leisure Group	554,606	1,322,431	1.98%	Decrease
	China	Qingling Motors	3,608,000	1,195,102	1.79%	Increase
	Georgia	Bank of Georgia Holdings	31,280	1,011,327	1.51%	Decrease
	Korea	Kumho Petro Chemical Co - PFD	17,850	654,933	0.98%	Decrease
	Korea	Hyundai Motor Co. Ltd. - PFD	4,880	565,544	0.85%	Decrease
	Vietnam	Hung Vuong Corporation	410,650	513,433	0.77%	Decrease
	Korea	Lotte Chilsung beverage Co - PFD	749	476,209	0.71%	New
	Korea	Shinyoung Securities	8,370	433,241	0.65%	New
	Kazakhstan	Kcell	33,904	340,735	0.51%	New
	Vietnam	Hau Giang Pharmaceutical	75,853	339,720	0.51%	Increase
	Korea	Daelim Industrial Co. Ltd.-PFD	0	0	0.00%	Liquidated
				11,966,533	17.94%	
EUROPE	Hungary	Any Security Printing	553,679	1,885,594	2.79%	No Change
	Serbia	Galenika-Fitofarmacija	41,372	1,369,431	2.05%	No Change
	Germany	Vib Vermoegen	74,979	1,291,522	1.93%	No Change
	Slovenia	Gorenje Velenje	175,399	1,192,382	1.78%	New
	Macedonia	Komercijalna Banka AD Skopje	28,845	1,111,593	1.66%	No Change
	Montenegro	Crnogorski Telekom	222,624	1,104,098	1.65%	No Change
	Russia	JSC Acron	308,792	1,049,893	1.57%	No Change
	Portugal	Portucell	259,423	968,089	1.45%	No Change
	Croatia	Hrvatski Telekom	36,228	862,741	1.29%	No Change
	Switzerland	U-Blox	6,189	855,269	1.28%	Decrease
	Italy	Polis Banc QF	944	838,718	1.25%	New
	Ukraine	Kernel Holding	86,323	694,980	1.04%	New
	Bulgaria	Monbat	115,000	608,635	0.91%	New
	Serbia	Komercijalna Banka Serbia	19,783	433,987	0.65%	New
	Estonia	Silvano Fashion Group	267,000	381,105	0.57%	No Change
	Russia	X5 Retail	29,846	364,121	0.54%	New
	Greece	Grivalia	38,080	348,694	0.52%	New
Bulgaria	Speedy EAD	5,740	105,856	0.16%	New	
Italy	QF BNL Portfolio Imm	148	90,407	0.14%	New	
				15,557,115	23.24%	
MIDDLE EAST	Qatar	Al Khaliji Bank	273,078	1,652,225	2.47%	No Change
	Lebanon	Blom Bank	144,872	1,484,938	2.22%	Increase
	Qatar	Doha Bank	89,255	1,395,987	2.09%	New
	Qatar	Al Meera	20,318	1,115,026	1.67%	New
	Oman	Oman Refreshment	175,000	1,113,347	1.66%	No Change
	Qatar	Gulf Warehousing Company	66,000	1,021,403	1.53%	No Change
	Oman	Oman Cement	720,950	969,753	1.45%	New
	Lebanon	Soldiere	73,573	849,768	1.27%	Increase
	Bahrain	SEEF Properties	1,313,897	671,562	1.01%	No Change
	Bahrain	Bahrain Commercial Facilities	200,000	370,762	0.56%	New
				10,644,771	15.92%	
		Total Equity Holdings		54,158,977	81.02%	
		Net Cash		12,069,175	18.04%	
		Fixed Income				
Ukraine		City of Kiev Municipal Bonds	844,000	630,214	0.94%	
		Total Fund	4	66,858,366		

## Investing Policy

### Investment Objective and Policy – Adopted at the Extraordinary General Meeting held on 27 January 2015

The Company's investment objective is to provide capital appreciation to Shareholders. To achieve this objective, the Company may invest up to 100 per cent of its assets in investments that, for the purposes of the Company's investment policy, are categorised as "Frontier Market Investing". The Investment Manager believes that such markets provide opportunities to take advantage of market inefficiencies. The Company may also invest up to 30 per cent of its assets in a variety of instruments that do not meet the Company's definition of Frontier Market Investing and any such assets will be invested using the same approach applied to investing in Frontier Markets.

"Frontier Market Investing", shall mean:

1. An investment made into a "Frontier Market" which, at the time of the investment, is defined for the purposes of the Company's investment policy as:

- 1.1 Any country that is not included in all of the following indices, or their successors (the "Indices"):
  - **MSCI World Index** : A stock market index of 1,612 'world' stocks maintained by MSCI Inc., formerly Morgan Stanley Capital International, and is used as a common benchmark for 'world' or 'global' stock funds. The index includes a collection of stocks of all the developed markets in the world, as defined by MSCI.
  - **MSCI Emerging Markets Index**; An index created by Morgan Stanley Capital International (MSCI) designed to measure equity market performance in global emerging markets.
  - **S&P Developed BMI Index**: A comprehensive benchmark index that includes stocks from 25 developed markets and which is a member of the S&P Global BMI series.
  - **S&P Emerging Markets BMI Index**: An index that captures all companies domiciled in the emerging markets within the S&P Global BMI with a float-adjusted market capitalization of at least USD 100 million and a minimum annual trading liquidity of USD 50 million. The index is segmented by country/region, size (large, mid and small), style (value and growth), and GICS (sectors/industry groups).
- 1.2 Any country included in any of the Indices but which the Investment Manager believes is undergoing macroeconomic deterioration or political turbulence, a state often signalled by a departure of institutional fund flows or impositions of currency controls, or annual inflation of 15 per cent or more; *or*
- 1.3 Any country that the Investment Manager believes is characterised by rules, laws or other barriers which either (a) hinder capital flows; (b) limit or prevent the dissemination of public information concerning securities; or (c) limit otherwise make access to the country difficult; or (d) other technical methods which create difficulties in trading, clearing; or (e) in which access to timely information or market liquidity is in the process of serious deterioration, or
- 1.4 Any country whose market accounts for less than 3 per cent of the MSCI Emerging Markets Index; or
- 1.5 Any country that had been upgraded to Emerging Market status by either of S&P or MSCI at any time during the two years prior to the Company making its investment.

2 An investment in any security of a company that the Investment Manager believes, at the time of investing, derives a substantial amount of its income from goods produced or sold, investments made, or services provided in a Frontier Market (as defined above);

Provided that if, following investment by the Company, an investment subsequently fails to fall within one of the categories of Frontier Market Investing as outlined above, the allocation to such market will continue to be viewed as having been made in the market as it was originally categorised.

## Investing Policy (continued)

The Company intends to invest primarily in common equity listed on regulated exchanges; however, as opportunities arise, and depending on market conditions, it may also invest in any of the following instruments:

- preferred and preference shares;
- debt securities;
- factoring and trade loans;
- baskets of non-performing and other distressed loans;
- participation notes or other such instruments (when they act as a proxy for investing directly in a country's securities);
- privately traded funds and shares on non-regulated markets;
- convertible bonds;
- Transferable Rights to buy additional shares directly from the company, either granted to a company's existing shareholders or to new subscribers
- Closed-end funds;
- Investment trusts;

as well as other instruments as such opportunities may arise.

The Company may use derivatives and other instruments such as forward contracts, options, and futures for hedging both market and currency risks, either directly and indirectly (for example, when hedging a currency partially linked to the Euro by hedging the Euro if there are no opportunities to hedge the currency directly, hedging macroeconomic risks related to a specific country's equity by purchasing credit default notes on a country's bond securities, and so on).

The Manager intends to invest principally by performing an in-house "bottom-up" analysis. This means it will first determine whether a stock presents the opportunity for capital appreciation through an examination of its most recent publically available information, such as its balance sheet, income statement, cash flow, business model, and micro-competitive environment and only then examining the general industry and macro-economic environment in which the target company issuing the security operates in. Under certain circumstances, the Investment Manager may perform a "top-down" analysis, meaning that it will first gauge a market's overall macroeconomic growth potential and then endeavour to identify specific instruments likely to allow the Company to take advantage of that market's growth potential.

The Company's principal focus will be on "value" investments – that is, investments that, in the Investment Manager's opinion are trading for less than their true value and which provide an opportunity for capital appreciation through a reversion to their true valuation, in addition to whatever potential growth prospects the investments might have. Some of the Company's investments will be in companies which the Investment Manager believes are fairly valued but which offer an opportunity for growth at a reasonable price. The Investment Manager will be under no obligation to sell an investment once it no longer falls into the category of investment within which it was originally made and will sell investments at its sole discretion and when it deems appropriate.

The Company may invest in instruments which represent interests in financially distressed companies that the Investment Manager believes have an opportunity to provide capital returns upon recovery; it may also make investments in distressed macroeconomic environments and/or take positions for the purpose of activist investing.

## Directors' report

The Directors hereby submit their annual report together with the audited consolidated financial statements of Terra Capital plc (the "Company") for the financial year ended 31 December 2014.

### 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 12 to 38 of the annual report.

Directors	Date Appointed
Dirk Van den Broeck	28 May 2012
Filip Montfort	21 July 2009
Ian Dungate	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 2014 are set out below:

Director	No. of shares
Filip Montfort**	763,393
Dirk Van den Broeck***	854,068

\*\*

Worldwide Opportunity Fund ("WVOF") A Class, which owns 5,435,555 shares or 7.81% of the Company, is managed by Terra Partners Asset Management Limited ("TPAM") which is also the Company's Investment Manager. The Directors and owners of TPAM are Filip Montfort and Howard Golden. Mr. Yarden Mariuma is also a beneficial part-owner of TPAM and his wholly-owned company is an investment advisor to TPAM. As at 31 December 2014 Mr Montfort held 1.45% of the shares in issue in WVOF A Class (in addition to his direct holding of 763,393 Ordinary Shares in the Company stated above); Mr Mariuma held 1.24% of the shares in issue in WVOF A Class (and 865,820 Ordinary Shares directly in the company) and Mr Golden held 13.82% of the shares in issue in WVOF A Class either directly or beneficially (and 459,805 Ordinary Shares directly in the Company, and 690,103 shares as a beneficiary of a pension which totals an additional 1.68%).

\*\*\*Director Dirk van den Broeck holds the total of 854,068 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

All audit committee responsibilities are performed by the Board, with specified terms of reference.

The principal terms of reference are to appoint auditors, to set their fees, to review the scope and results of the audit, to consider the independence of the auditors, to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Board reviews the quality of the services of all the service providers to the Company and reviews the Company's compliance with financial reporting and regulatory requirements.

The Company's internal financial controls and risk management systems have been reviewed with the Investment Manager and Advisors. The audit report is considered by the Board and discussed with the Auditors prior to approving and signing the Financial Statements.

On behalf of the Board

Dirk Van den Broeck  
Chairman  
19 May 2015

## **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 as adopted by the EU; 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  
19 May 2015

## **Report of the Independent Auditors, KPMG Audit LLC, to the members of Terra Capital plc**

We have audited the financial statements of Terra Capital plc for the year ended 31 December 2014 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 9, 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. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2014 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 (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

## Consolidated income statement

	Notes	For the year ended 31 December 2014 US\$'000	For the year ended 31 December 2013 US\$'000
Net changes in fair value on financial assets at fair value through profit or loss		215	4,802
Realised gain on sale of financial assets at fair value through profit or loss		4,963	1,849
Interest income on cash balances		26	247
Bond Interest income		25	-
Dividend income on quoted equity investments		2,188	1,360
		<b>7,417</b>	<b>8,258</b>
Manager's fees	12.4	(2,818)	(2,778)
Audit and professional fees	12.3	(213)	(255)
Other expenses	12.1,12.2,18	(523)	(369)
<b>Administrative and other expenses</b>		<b>(3,554)</b>	<b>(3,402)</b>
<b>Profit before tax</b>		<b>3,863</b>	<b>4,856</b>
Taxation	19	(232)	(95)
<b>Profit for the year</b>		<b>3,631</b>	<b>4,761</b>
<b>Basic and diluted earnings per share (cents per share) for year</b>	15	<b>5.30</b>	<b>6.79</b>

The Directors consider all activities to derive from continuing activities.

The accompanying notes on pages 21 to 38 form an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

	For the year ended 31 December 2014	For the year ended 31 December 2013
	US\$'000	US\$'000
<b>Profit for the year</b>	<b>3,631</b>	4,761
<b>Other comprehensive income</b>		
Currency translation differences	-	428
<b>Other comprehensive income for the year</b>	<b>3,631</b>	428
<b>Total comprehensive income for the year</b>	<b>3,631</b>	5,189

The accompanying notes on pages 21 to 38 form an integral part of these consolidated financial statements.

## Consolidated balance sheet

	Note	31 December 2014 US\$'000	31 December 2013 US\$'000
Financial assets at fair value through profit or loss	8	52,749	41,041
Due from broker		-	11
Funds held in escrow		2,279	-
Trade and other receivables	13	161	224
Cash and cash equivalents	14	14,057	29,109
<b>Total current assets</b>		<b>69,246</b>	<b>70,385</b>
<b>Total assets</b>		<b>69,246</b>	<b>70,385</b>
Issued share capital	16	7,726	7,726
Retained earnings		53,007	52,736
Capital redemption reserve		5,274	5,274
Foreign currency translation reserve		851	851
<b>Total equity</b>		<b>66,858</b>	<b>66,587</b>
Taxation	19	1,939	2,286
Trade and other payables	17	449	1,512
<b>Total current liabilities</b>		<b>2,388</b>	<b>3,798</b>
<b>Total liabilities</b>		<b>2,388</b>	<b>3,798</b>
<b>Total equity &amp; liabilities</b>		<b>69,246</b>	<b>70,385</b>
<b>Net asset value per share</b>	10	<b>0.98</b>	0.96

Approved by the Board of Directors on 19 May 2015

Ian Dungate  
Director

Dirk Van den Broeck  
Director

The accompanying notes on pages 21 to 38 form an integral part of these consolidated financial statements.

## Company balance sheet

	Note	31 December 2014 US\$'000	31 December 2013 US\$'000
Trade and other receivables	13	50	26
Intercompany balances	5	52,990	45,926
Cash and cash equivalents	14	12,309	20,835
<b>Total current assets</b>		<b>65,349</b>	<b>66,787</b>
<b>Total assets</b>		<b>65,349</b>	<b>66,787</b>
Issued share capital	16	7,726	7,726
Retained earnings		52,273	53,587
Capital redemption reserve		5,274	5,274
<b>Total equity</b>		<b>65,273</b>	<b>66,587</b>
Trade and other payables	17	76	200
<b>Total current liabilities</b>		<b>76</b>	<b>200</b>
<b>Total liabilities</b>		<b>76</b>	<b>200</b>
<b>Total equity &amp; liabilities</b>		<b>65,349</b>	<b>66,787</b>
<b>Net asset value per parent company share</b>	10	<b>0.96</b>	0.96

The profit made by the Company for the year ended 31 December 2014 was US\$2,046,000 (year ended 31 December 2013, profit US\$5,189,000).

Approved by the Board of Directors on 19 May 2015

Ian Dungate  
Director

Dirk Van den Broeck  
Director

The accompanying notes on pages 21 to 38 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 US\$'000
Balance at 1 January 2013	7,726	62,356	(13,901)	5,274	423	<b>61,878</b>
Profit for the year	-	-	4,761	-	-	<b>4,761</b>
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	428	<b>428</b>
Total comprehensive loss for the year	-	-	4,761	-	428	<b>5,189</b>
Transactions with owners						
Shares repurchased to be held in Treasury	-	-	(480)	-	-	<b>(480)</b>
Cancellation of shares repurchased	-	(62,356)	62,356	-	-	-
Total contributions by and distributions to owners	-	(62,356)	61,876	-	-	<b>(480)</b>
<b>Balance at 31 December 2013</b>	<b>7,726</b>	<b>-</b>	<b>52,736</b>	<b>5,274</b>	<b>851</b>	<b>66,587</b>

On 28 August 2014 the Company received confirmation from the High Court of Justice of the Isle of Man of its approval for the Company to cancel the amount of the share premium account and for such amount to be credited as a distributable reserve.

The accompanying notes on pages 21 to 38 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	<b>Total US\$'000</b>
Balance at 1 January 2014	7,726	-	52,736	5,274	851	<b>66,587</b>
Profit for the year			3,631			<b>3,631</b>
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	-	-
Total comprehensive income for the year	-	-	3,631	-	-	<b>3,631</b>
Transactions with owners						
Dividends paid	-	-	(2,291)	-	-	<b>(2,291)</b>
Shares Repurchased to be held in treasury	-	-	(1,069)			<b>(1,069)</b>
Total contributions by and distributions to owners	-	-	(3,360)	-	-	<b>(3,360)</b>
<b>Balance at 31 December 2014</b>	<b>7,726</b>	<b>-</b>	<b>53,007</b>	<b>5,274</b>	<b>851</b>	<b>66,858</b>

On 28 August 2014 the Company received confirmation from the High Court of Justice of the Isle of Man of its approval for the Company to cancel the amount of the share premium account and for such amount to be credited as a distributable reserve.

The accompanying notes on pages 21 to 38 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	<b>Total US\$'000</b>
Balance at 1 January 2013	7,726	62,356	(13,478)	5,274	<b>61,878</b>
Profit for the year			5,189		<b>5,189</b>
Total comprehensive profit for the year	-	-	5,189	-	<b>5,189</b>
Transactions with owners:					
Shares repurchased to be held in treasury	-	-	(480)	-	<b>(480)</b>
Cancellation of shares repurchased	-	(62,356)	62,356	-	-
Total contributions by and distributions to owners	-	(62,356)	62,356	-	-
<b>Balance at 31 December 2013</b>	<b>7,726</b>	<b>-</b>	<b>53,587</b>	<b>5,274</b>	<b>66,587</b>
Balance as 1 January 2014	7,726	-	53,587	5,274	<b>66,587</b>
Profit for the year	-	-	2,046	-	<b>2,046</b>
Total comprehensive income for the year	-	-	2,406	-	<b>2,046</b>
Transactions with owners:					
Dividends paid	-	-	(2,291)	-	<b>(2,291)</b>
Shares repurchased to be held in treasury	-	-	(1,069)	-	<b>(1,069)</b>
Total contributions by and distributions to owners	-	-	(3,360)	-	<b>(3,360)</b>
<b>Balance at 31 December 2014</b>	<b>7,726</b>	<b>-</b>	<b>52,273</b>	<b>5,274</b>	<b>65,273</b>

On 28 August 2013 the Company received confirmation from the High Court of Justice of the Isle of Man of its approval for the Company to cancel the amount of the share premium account and for such amount to be credited as a distributable reserve.

The accompanying notes on pages 21 to 38 form an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**

	Note	For the year ended 31 December 2014 US\$'000	For the year ended 31 December 2013 US\$'000
<b>Operating activities</b>			
Group profit before tax		3,863	4,856
Adjustments for:			
Net changes in fair value on financial assets		(215)	(4,802)
Realised gain on sale of investments		(4,963)	(1,849)
Taxation charge		(232)	(95)
Interest income		(51)	247
<b>Operating expense before changes in working capital</b>		<b>(1,598)</b>	<b>(1,643)</b>
Decrease/(increase) in trade and other receivables		63	(112)
(Decrease) in trade and other payables		(1,136)	(288)
<b>Cash generated from operations</b>		<b>(2,671)</b>	<b>(2,043)</b>
Interest received		51	247
Income tax paid		(579)	(8,646)
<b>Cash flows used in operating activities</b>		<b>(3,199)</b>	<b>(10,442)</b>
<b>Investing activities</b>			
Net purchase of financial assets		(5,802)	(21,340)
Funds held at brokers		11	995
<b>Cash flows used in investing activities</b>		<b>(5,791)</b>	<b>(20,345)</b>
<b>Financing activities</b>			
Cost of ordinary shares purchased		(1,069)	(480)
Dividends paid		(2,291)	-
<b>Cash flows used in financing activities</b>		<b>(3,360)</b>	<b>(480)</b>
Net (decrease) in cash and cash equivalents		(12,350)	(31,267)
Cash and cash equivalents at beginning of year		29,109	60,292
Difference on foreign exchange		(2,702)	84
<b>Cash and cash equivalents at end of year</b>	14	<b>14,057</b>	<b>29,109</b>

The accompanying notes on pages 21 to 38 form an integral part of these consolidated financial statements.

## Company statement of cash flows

	Note	For the year ended 31 December 2014 US\$'000	For the year ended 31 December 2013 US\$'000
<b>Operating activities</b>			
Company profit before tax		2,046	4,709
Adjustments for:			
Revaluation of intercompany balances through profit or loss		-	(4,987)
<b>Operating expense before changes in working capital</b>		2,046	(278)
Decrease/(increase) in trade and other receivables		(24)	25
Decrease in trade and other payables		(124)	(68)
<b>Cash flows generated from/(used in) operating activities</b>		1,898	(321)
<b>Investing activities</b>			
(Advance) of intercompany loans		(7,064)	(24,367)
<b>Cash flows used in investing activities</b>		(7,064)	(24,367)
<b>Financing activities</b>			
Cost of ordinary shares purchased		(1,069)	(480)
Dividends paid		(2,291)	-
<b>Cash flows (used in) financing activities</b>		(3,360)	(480)
Net (decrease) in cash and cash equivalents		(8,526)	(24,688)
Cash and cash equivalents at beginning of year		20,835	45,523
<b>Cash and cash equivalents at end of year</b>	14	12,309	20,835

The accompanying notes on pages 21 to 38 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 2014 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 19 May 2015.

#### 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.

#### 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 as adopted by the EU 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas requiring estimation.

## Notes to the consolidated financial statements continued

### **2 Basis of preparation continued**

### **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.

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Fund's accounting principles are summarised below, all of which have been applied consistently throughout the year.

#### **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

IFRS13 has been adopted from 1 January 2013. It establishes a single source of guidance for measuring fair value and requires disclosures about fair value measurements. Fair value under IFRS13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date.

Investments are designated at fair value through profit or loss on initial recognition. The Group invests in quoted equities and debt securities for which fair value is based on quoted market prices. The Group also has one investment in a limited partnership, which is valued at the audited net asset value.

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### 3.3 Financial instruments continued

##### (ii) Non-derivative financial liabilities

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.

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 Revenue recognition

##### 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 and are recognised in profit or loss.

#### 3.5 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

#### 3.5 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.

#### 3.6 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.

#### 3.7 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.

#### 3.8 Dividends

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

#### 3.9 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.

## 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 and banking 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 to 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 (see note 21). 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 of the equity of the Group (comprising issued capital as detailed in note 16, 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%
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).

US\$42,004,000 of the Company's investments are classed as level 1 investments and US\$10,745,000 of the Company's investments are classed as level 2 investments.

### 8 Financial assets at fair value through profit or loss

#### Group

31 December 2014: Financial assets at fair value through profit or loss; principally quoted equity securities:

Security name	Number	US\$'000
Ardent Leisure Group	554,606	1,322
Brac Bank Ltd	3,592,039	1,704
Square Pharma	559,764	1,846
Montbat AD-Sofia	115,000	609
Speedy EAD-Sofia	5,740	106
Bahrain Commercial Facility	200,000	371
SEEF Properties	1,313,897	672
U-Blox Holding AG	6,189	855
Crnogorski Telekom AD Podgoric	222,624	1,104
Gorenje Volenje	175,399	1,192
Grivalia Properties (formerly Eurobank Properties)	38,080	349
Polis Banc QF	944	839
Portucel Empresa Produtora	259,423	968
QF BNL Portfolio IMM	148	90
Silvano Fashion Group	267,000	381
VIB Vermoegen	74,979	1,292
Bank of Georgia	31,280	1,011
Qingling Motors	3,608,000	1,195
Hrvatski Telekom	36,228	863
Allami Nyomda	553,679	1,886
National Commercial Bank Jamaica	5,431,719	878
Scotia Group Jamaica	5,429,031	949
Equity Bank Ltd	2,011,000	1,109
Housing Finance Co Ltd	1,984,050	1,001
Hyundai Motor Company	4,880	566

## Notes to the consolidated financial statements continued

**8 Financial assets at fair value through profit or loss continued**

Kumho Petro Chem	17,850	655
Lotte Chilsung Beverage Co-Preference Shares	749	476
Shinyoung Securities	8,370	433
Komercijalna Banka AD (Macedonia)	28,845	1,112
Oman Cement Company	720,950	970
Oman Refreshment Company	175,000	1,113
Ferreycorp SAA	1,787,387	968
Refineria La Pampilla SA	3,408,102	239
Kernel Holdings	86,323	695
Al Khaleej Bank	273,078	1,652
Al Meera	20,318	1,115
Doha Bank	89,255	1,396
Gulf Warehousing	66,000	1,021
Galenika Fitofarmacija	41,372	1,369
Komercijalna Banka AD (Serbia)	19,783	434
Artes SA (Automobile Reaseau Tunisien)	246,934	1,062
One Tech Holding	171,375	645
Tunisie Leasing	74,196	826
Bloom Bank GDS	144,872	1,485
City of Kiev Ukraine 06/11/2015**	844,000	630
Copi Holdi NPV	10,760	1,115
IRSA SP-ADR	145,630	2,238
JSC Acron	308,792	1,050
KCELL JT	33,904	341
Lebanese GDS Class A	73,573	850
Terra Argentina Fund LP *	1,360,000	1,481
X5 Retail Group	29,846	364
Hau Giang Pharmaceutical	75,853	340
Hung Vuong Corporation	410,650	513
Imexpharm Pharmaceutical	802,158	1,564
Onatel BF	84,477	1,159
Holdsport	44,894	183
Onelogix Group Ltd	196,000	96
Total		<b>52,749</b>

\* Limited partnership fund investment

\*\* Debt security

## Notes to the consolidated financial statements continued

### 9 Net finance income

	31 December 2014	31 December 2013
	US\$'000	US\$'000
Interest income on bank balances	26	247
Finance income	26	247
Bank charges	(5)	(9)
Finance cost	(5)	(9)
Net finance income	21	238

### 10 Net asset value per share

The consolidated net asset value per share as at 31 December 2014 is US\$0.98 based on 66,299,236 Ordinary Shares in issue as at that date (2013: US\$0.96 based on 69,629,236 shares) excluding shares held in treasury .

### 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 Investment Manager. The Investment 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.

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

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 Investment 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.

##### Terra Capital Argentine Fund LP

The Group has committed to invest a maximum of \$3,400,000 in Terra Argentine Fund L.P., \$1,360,000 of which had been called down at 31 December 2014. Terra Argentine Fund is managed by the Investment Manager. The Company and the Investment Manager have entered into an agreement whereby for so long as it is the Investment Manager, any fees earned in respect of the Groups' investment in Terra Argentine Fund LP will be rebated to the Group.

#### The Administrator

The Administrator is entitled to receive a fee of 0.10 per cent. per annum of the net assets of the Company between £0 and £100m and 0.075 per cent. 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.

Total advisory fees payable to the Nominated Adviser and broker for the year ended 31 December 2014 amounted to US\$51,205 (2013: US\$95,744) with US\$ Nil due at 31 December 2014 (2013 US\$ Nil).

#### 12.2 Administrator and Registrar fees

Administration fees payable for the year ended 31 December 2014 amounted to US\$84,974, (31 December 2013: US\$77,064), secretarial fees US\$ (2013: US\$7,844), financial statement preparation fees US\$5,759 (2013: US\$5,491), and Crest fees US\$10,573 (2013: US\$5,171) with administration fees of US\$20,189 still due at 31 December 2014 (31 December 2013: US\$19,864).

#### 12.3 Audit and professional fees

Audit fees for the year ended 31 December 2014 amounted to US\$33,364 (31 December 2013: US\$30,000).

Professional fees for the year ended 31 December 2014 amounted to US\$68,897 (31 December 2013: US\$126,495).

## 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 2014 amounted to US\$ 1,346,209 (2013: US\$ 1,407,615) and the amount accrued but not paid at the period end was \$90,687 (31 December 2013: \$1,191,475).

Performance fees payable for the year ended 31 December 2014 amounted to US\$1,472,639 (2013: US\$1,370,534).

Performance fees accrued but not paid for the year ended 31 December 2014 amounted to \$nil (31 December 2013: US\$ 1,078,510)

**13 Trade and other receivables**

	<b>Group</b> <b>31 December</b> <b>2014</b> <b>US\$'000</b>	<b>Company</b> <b>31 December</b> <b>2014</b> <b>US\$'000</b>	<b>Group</b> <b>31 December</b> <b>2013</b> <b>US\$'000</b>	<b>Company</b> <b>31 December</b> <b>2013</b> <b>US\$'000</b>
Prepayments and other receivables	161	50	224	26
<b>Total</b>	<b>161</b>	<b>50</b>	<b>224</b>	<b>26</b>

**14 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.

**15 Basic and diluted earnings per share**

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

	<b>31 December 2014</b>	<b>31 December 2013</b>
Profit attributable to owners of the Company (US\$'000)	<b>3,631</b>	4,761
Weighted average number of Ordinary Shares in issue (thousands)(excluding shares held in Treasury)	<b>68,437</b>	70,078
<b>Basic and diluted earnings per share (cents per share)</b>	<b>5.30</b>	6.79

**16 Share capital**

	<b>31 December 2014</b> <b>US\$'000</b>	<b>31 December 2013</b> <b>US\$'000</b>
Authorised:		
400,000,000 Ordinary shares of US\$0.10 each	40,000,000	40,000,000
Allotted, Called-up and Fully-Paid:		
68,299,236 (31 December 2013: 69,629,236) Ordinary shares of US\$0.10 each in issue, with full voting rights	6,830	6,963
8,956,423 (31 December 2014: 7,626,423) Ordinary shares of US\$0.10 each held in Treasury	896	763
	<b>7,726</b>	<b>7,726</b>

During the period to 31 December 2014 the Company repurchased 1,330,000 (31 December 2013: 600,000) Ordinary shares, at a cost of US\$1,069,300 (31 December 2013: US\$480,000). Nil (31 December 2013: Nil) shares were subsequently cancelled, with 8,956,423 Ordinary shares retained in Treasury (31 December 2013 7,626,423). The Ordinary shares held in Treasury have no voting rights and are not entitled to dividends.

## Notes to the consolidated financial statements continued

**17 Trade and other payables**

	<b>Group</b>	<b>Company</b>	Group	Company
	<b>31</b>	<b>31</b>	31	31
	<b>December</b>	<b>December</b>	December	December
	<b>2014</b>	<b>2014</b>	2013	2013
	<b>US\$'000</b>	<b>US\$'000</b>	US\$'000	US\$'000
<b>Current liabilities</b>				
Sundry creditors and accruals	449	76	1,512	200
<b>Total</b>	<b>449</b>	<b>76</b>	1,512	200

**18 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 director's fees for so long as he is associated with the Investment Manager.

At 31 December 2014 Directors fees payable were US\$ Nil (2013: US\$ Nil)

**19 Taxation**

	<b>2014</b>	2013
	<b>US\$'000</b>	US\$'000
Balance at 1 January	2,286	10,837
Withholding taxes on dividends received	232	75
Macau Complimentary Tax	-	20
Tax paid	(579)	(8,646)
<b>Balance at 31 December</b>	<b>1,939</b>	2,286

The tax liability relates to a provision for tax at the Macau Complimentary 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 £380 to the Isle of Man Government for each tax year.

**20 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

### 21 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 2014, 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\$ (31 December 2013 : US\$197,000).

#### *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:

	<b>Monetary Assets US\$'000</b>	<b>Monetary Liabilities US\$'000</b>	<b>Net Exposure US\$'000</b>
31 December 2014			
Hong Kong Dollar	3,522	(1,939)	(1,939)
Bangladeshi Taka	3,569	-	3,569
Bulgarian Lev	715	-	715
Swiss Franc	855	-	855
Euro	6,424	(51)	6,373
Hungarian Forint	1,886	-	1,886
Kenyan Schilling	2,109	-	2,109
Macedonian Denar	1,186	-	1,186
Omani Rial	2,083	-	2,083
Polish Zloty	695	-	695
Peruvian Nueva Sol	1,207	-	1,207
Australian Dollar	1,354	-	1,354
Bahraini Dinar	1,042	-	1,042
British pounds	1,011	-	1,011
Croatian Kuna	863	-	863
Jamaican Dollar	1,847	-	1,847
South Korean Won	2,130	-	2,130
Qatari Rial	5,191	-	5,191
Serbian Dinar	1,803	-	1,803
Tunisian Dinar	2,534	-	2,534
Vietnamese Dong	2,443	-	2,443
CFA Franc	1,159	-	1,159
South African Rand	279	(23)	256
US Dollar	23,339	(375)	22,964
	<b>69,246</b>	<b>(2,388)</b>	<b>66,858</b>

## Notes to the consolidated financial statements continued

## 21 Financial instruments continued

31 December 2013	Monetary Assets US\$'000	Monetary Liabilities US\$'000	Net Exposure US\$'000
Hong Kong Dollar	898	(2,286)	(1,388)
Bangladeshi Taka	2,215	-	2,215
Swiss Franc	1,271	-	1,271
Euro	7,807	-	7,807
Hungarian Forint	1,505	-	1,505
Kenyan Schilling	2,806	-	2,806
Macedonian Denar	915	-	915
Omani Rial	2,725	-	2,725
Polish Zloty	574	-	574
Australian Dollar	1,449	-	1,449
Bahraini Dinar	155	-	155
British pounds	1,518	-	1,518
Croatian Kuna	1,157	-	1,157
Jamaican Dollar	1,507	-	1,507
South Korean Won	3,082	-	3,082
Qatari Rial	2,658	-	2,658
Serbian Dinar	1,469	-	1,469
Vietnamese Dong	2,005	-	2,005
CFA Franc	1,233	-	1,233
US Dollar	33,436	(1,512)	31,924
	<b>70,385</b>	<b>(3,798)</b>	<b>66,587</b>

*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.

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

	31 December 2014 US\$'000	31 December 2013 US\$'000
Financial assets at fair value through profit or loss	52,749	41,041
Due from broker	-	11
Funds held in escrow	2,279	-
Trade and other receivables	161	224
Cash at bank	14,057	29,109
	<b>69,246</b>	<b>70,385</b>

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. The Investment Manager and the Board of Directors do not expect any losses from non-performance by these counterparties.

## Notes to the consolidated financial statements continued

## 21 Financial instruments continued

*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:

<b>Financial liabilities</b>	<b>Less than 1 month US\$'000</b>	<b>1-3 months US\$'000</b>	<b>3 months to 1 year US\$'000</b>	<b>1-5 years US\$'000</b>	<b>No stated maturity US\$'000</b>
<b>2014</b>					
Taxation payable	-	-	1,939	-	-
Trade and other payables	449	-	-	-	-
	<b>449</b>	<b>-</b>	<b>1,939</b>	<b>-</b>	<b>-</b>
<b>2013</b>					
Taxation payable	-	-	2,286	-	-
Trade and other payables	1,512	-	-	-	-
	<b>1,512</b>	<b>-</b>	<b>2,286</b>	<b>-</b>	<b>-</b>

*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 2014. 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:

	<b>Less than 1 month US\$'000</b>	<b>4-12 months US\$'000</b>	<b>Non- interest bearing US\$'000</b>	<b>Total US\$'000</b>
<b>31 December 2014</b>				
<b>Financial assets</b>				
Investments at fair value through profit or loss	-	630	52,119	52,749
Trade and other receivables	-	-	161	161
Funds held in escrow	2,279	-	-	2,279
Cash	14,057	-	-	14,057
<b>Total financial assets</b>	<b>16,336</b>	<b>630</b>	<b>52,280</b>	<b>69,246</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	449	449
Taxation payable	-	-	1,939	1,939
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>2,388</b>	<b>2,388</b>
<b>Total interest rate sensitivity gap</b>	<b>16,336</b>	<b>630</b>	<b>-</b>	<b>16,966</b>

## Notes to the consolidated financial statements continued

## 21 Financial instruments continued

	Less than 1 month	1-3 months	Non- interest Bearing	Total
31 December 2013	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>				
Investments at fair value through profit or loss	-	-	41,041	41,041
Trade and other receivables	-	-	224	224
Due from broker	-	-	11	11
Cash	29,109	-	-	29,109
<b>Total financial assets</b>	<b>29,109</b>	<b>-</b>	<b>41,276</b>	<b>70,385</b>
<b>Financial liabilities</b>				
Trade and other payables	-	-	1,512	1,512
Taxation payable	-	-	2,286	2,286
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>3,798</b>	<b>3,798</b>
<b>Total interest rate sensitivity gap</b>	<b>29,109</b>	<b>-</b>	<b>-</b>	<b>29,109</b>

## 22 Post balance sheet events

On 27 January 2015 at an Extraordinary General Meeting the following resolutions were passed

- That the management fee (otherwise calculated and paid on the same basis) be reduced to 1.25 per cent. Per annum
- That the performance fee (otherwise calculated and paid on the same basis) be reduced to 12 per cent. of the increase in the Net Asset Value per ordinary share in the relevant period.
- That a tender offer for up to 10 per cent. of the ordinary shares held by Long Term Shareholders be undertaken where the shares have on average traded at a discount in excess of 12 per cent. of the Net Asset Value per Ordinary Share.
- That an exit opportunity will be offered to Shareholders in June 2018
- That the Investing Policy on pages 5-6 be adopted.

Full details of these changes may be found in the Circular to Shareholders dated 19 December 2014 which is available on the Company's website at [www.terracapitalplc.com](http://www.terracapitalplc.com)

On 27 February 2015 the Company paid a dividend of 3.72 cents per share.

## 23 Capital commitments

At 31 December 2014 The Company had an outstanding commitment to subscribe a total of \$2,040,000 for shares in the Terra Argentina Fund LP.