TERRA CAPITAL PLC

Consolidated Annual Report
Year ended 31 December 2013

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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 Portomaso Tower Suite 8/5A Portomaso Avenue STJ4011 St Julian's 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

Chairman's statement

As Chairman I take pride in providing my fellow shareholders with a summary of our achievements for the past year. We entered 2013 with total Assets of $61.35m and as of 31st December 2013 our net assets grew to $66.59m, an increase in assets of 8.5%; however, some of the increase in assets was utilized to make share buybacks and as a result, the asset growth translated into a 10% increase on the NAV per share from 88 cents to 96 cents a share.

While this is an encouraging performance, it does not reflect the fact that the Investment Manager attained this result while it was still in the process of investing a cash portfolio. Since 2013 was the Company's first full year of operation and the Investment Manager was still opening accounts around the world, on 1st January 2013 the Company's portfolio was only 20% invested. By December 31, 2013 the investment percentage had increased to 61.5%. This means the 10% NAV performance was achieved while the Company's portfolio averaged an investment level of less than 40%, a much more impressive performance than a review of the numbers would initially suggest.

The Investment Manager's policy of seeking out undervalued stocks, and its undertaking through due diligence and often visiting the proposed investments prior to investing does take time, but it has been rewarded with a portfolio of well performing positions. Due to the liquidity (or lack thereof) in the local stock markets and the stock itself, it often takes time to achieve the targeted allocation in the undervalued and out-of-favour stocks targeted by the Investment Manager, but the judicious approach has been effective. This slow, yet steady, investing process has resulted in the portfolio acquiring two positions where a majority shareholder made a buyout offer, Egis Pharmaceutical in Hungary and Ciment Francais (in early 2014). A third buyout was recently offered in 2014 for Tour Eiffel.

Our only regret is that the Company's share performance has not matched its NAV growth, which meant that the discount to NAV increased from 8.52% on 1st January 2013 to 14.25% on 31st December 2013.

In order to promote more interest in the Company, in December 2013 the Board voted to institute a dividend policy and in a public announcement (RNS Number: 3227W) It advised that beginning with the fiscal year 2013, the Company will take specific measures (detailed in the announcement) to provide shareholders with an annual dividend targeting 3.5% of the Company's December 31st NAV. The specific measure can be found on the Fund's website http://terracapitalplc.com in the "Investor Centre" tab, under the subtitle "Regulatory News". Immediately prior to the release of this update, the Board issued public notice RNS Number: 9339Y, in which it advised that the dividend for fiscal 2013 will be 3.35 cents per share, calculated as 3.5% of the announced unaudited NAV of US$0.956 per share on Dec. 31, 2013.

For the coming year we have our discount control program in place and have experienced substantial interest in our company as our performance attracts attention from both the institutional investment community and those seeking income due to our dividend policy.

My family increased our total share ownership in 2013 as did my fellow Director, Mr. Montfort, and the Board joins me in expressing our hope and expectation that the Investment Manager's investment progress will continue to bring positive results for 2014.

Dirk van den Broeck
Chairman
15th May 2014

Report of Terra Partners Asset Management Limited, the Investment Manager

Status of TCA's 2013 Year-end Portfolio

As our Chairman recounts, we went into 2013 still working on getting accounts open in the various emerging and frontier markets we were targeting for investment for the Company ("Fund"). As we made progress in this highly labour intensive process, we were able to allocate the Fund's capital to attractive companies. After completing our due diligence, we were able to increase the Fund's equity exposure from 20.48% at the start of the year to 61.53% at the end of 2013. We believe the current portfolio's holdings are robust from an operational and asset quality perspective, and highly diverse from a regional, country, industry and investor-base perspective.

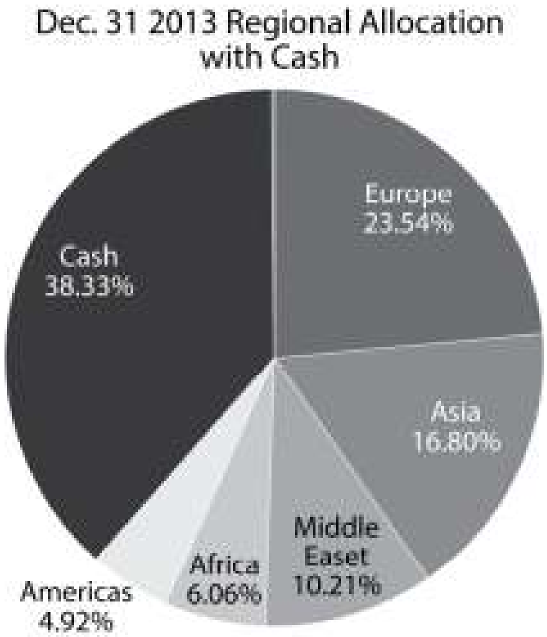
Regional Allocation

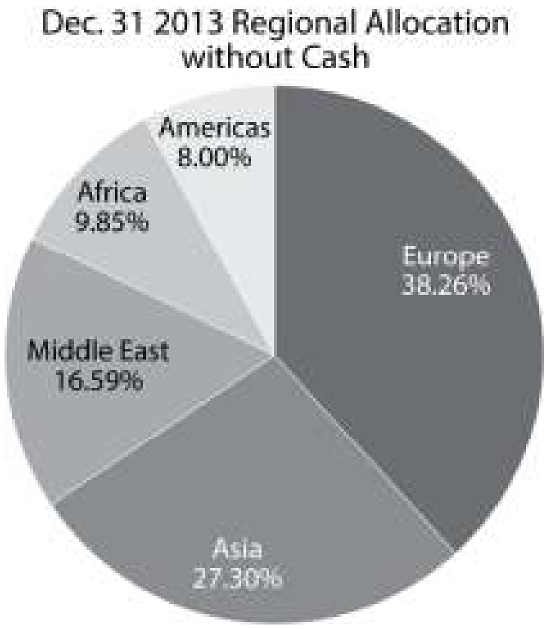
Europe remained the largest regional allocation throughout the year finishing at 23.54% of the Fund (38.26% ex-cash). The number of positions increased from 11 at the end of 2012 to 14 at the end of 2013, with 4 of the positions held at the end of 2012 liquidated during 2013. It is important to note that the allocation to the geographic area known as "Europe", is misleading in regard to where we have invested the portfolio. There is a big difference between a country's physical location and where it is economically. Its geographic grouping may not accurately reflect economic reality on the ground. Croatia, Hungary, Serbia and Poland are all in Europe but each has a very different credit and fiscal rating. The Fund owns one stock listed on the Hungarian stock exchange and that is a Hungarian company. On the other hand, the only stock on the Polish exchange the Fund owns is a Ukrainian firm with its seat and business activities in Ukraine, a Frontier Market. Many other European noted stocks are considered either Emerging or Frontier countries for investing purposes. Of this 23.5% European exposure, 9.6% was invested in such diverse and non-mainstream European countries as Serbia, Croatia, Ukraine, Montenegro and Belarus.

The Fund's allocation to Asia increased over the year from one lone stock in Bangladesh representing 0.14% of the portfolio, to 12 positions accounting for a respectable 16.8% (27.30% ex-cash) of the Fund, mainly through the acquisition of Korean preferred shares, investments in Vietnam, a Georgian bank and a Chinese company listed in Hong Kong.

The Fund's allocation to the Middle East rose to 10.2% (16.6% ex-cash) on the addition of positions in companies based in Qatar, Lebanon and Bahrain.

The Fund's allocation to Africa rose from only 2.3% to 6.06% as the Fund bought additional shares in Housing Finance Kenya and Burkina Faso's Onatel. The allocation to the Americas rose from zero to almost 5% on the purchase of the Argentine REIT IRSA (which trades on the NYSE), and the acquisition of shares in the National Commercial Bank of Jamaica.





Report of the Investment Manager continued

The composition of the Fund's portfolio as of Dec 31, 2013 is set out below:

Region	Country	Security	Shares	Market value	% of Fund	Change in Shares from 2012
Europe	Hungary	Any Security Printing Co.	553,679	1,504,744	2.26%	Increase
	Serbia	Galenika-Fitofarmacija	41,372	1,469,453	2.21%	New
	Montenegro	Crnogorski Telekom	222,624	1,286,371	1.93%	Increase
	Switzerland	U-Blox	11,789	1,270,639	1.91%	Decrease
	Greece	Eurobank Properties	109,166	1,213,289	1.82%	Decrease
	Germany	Vib Vermoegen	74,979	1,202,551	1.81%	New
	France	Ciments Francais	15,620	1,187,936	1.78%	New
	Croatia	Hrvatski Telekom	36,228	1,156,765	1.74%	New
	Portugal	Portucell	259,423	1,038,406	1.56%	Decrease
	Estonia	Silvano Fashion Group	267,000	980,591	1.47%	No Change
	Russia	JSC Acron	308,792	975,783	1.47%	New
	Macedonia	Komercijalna Banka	22,845	915,231	1.37%	Increase
	France	Ste de la Tour Eiffel	13,450	898,571	1.35%	Decrease
	Ukraine	Kernel Holding	45,558	574,207	0.86%	New
	Hungary	Egis	0	0	0.00%	Liquidated
	Germany	Prime Office	0	0	0.00%	Liquidated
	Cyprus	Apollo Investment	0	0	0.00%	Liquidated
	Poland	KHGM Polska	0	0	0.00%	Liquidated
				15,674,537	23.54%	Increase
Asia	Georgia	Bank of Georgia Holdings Plc	38,300	1,518,432	2.28%	New
	Australia	Ardent Leisure Group	807,977	1,448,736	2.18%	New
	Bangladesh	Square Pharma	486,752	1,190,130	1.79%	New
	Korea	Hyundai Motor Co. preferred	9,760	1,160,269	1.74%	New
	Bangladesh	Brac Bank	2,436,275	1,020,986	1.53%	Increase
	Korea	Daelim Industrial Co. preferred	33,290	965,634	1.45%	New
	Korea	Kumho Petro Chemical preferred	28,940	956,428	1.44%	New
	Vietnam	Imexpharm Pharmaceutical	534,772	943,433	1.42%	New
	China	Qingling Motors	3,020,000	897,537	1.35%	New
	Vietnam	Hung Vuong Corporation	721,500	836,057	1.26%	New
	Vietnam	Hau Giang Pharmaceutical	41,890	226,379	0.34%	New
	Bangladesh	Heidelberg Cement	850	4,159	0.01%	New
				11,168,180	16.77%	Increase
Middle East	Oman	Oman Cement	720,950	1,543,020	2.32%	No Change
	Qatar	Al Khaliji Bank	273,078	1,498,114	2.25%	New
	Oman	Oman Refreshment	175,000	1,181,818	1.77%	No Change
	Qatar	Masraf Al Rayan	135,000	1,159,641	1.74%	New
	Lebanon	Blom Bank	74,023	640,299	0.96%	New
	Lebanon	Solidere	56,485	615,687	0.92%	New
	Bahrain	SEEF Properties	365,469	154,876	0.23%	New
				6,793,454	10.20%	Increase
Africa	Kenya	Housing Finance Kenya	4,057,200	1,478,674	2.22%	Increase
	Kenya	Equity Bank	3,731,400	1,327,554	1.99%	Decrease
	Burkina Faso	Onatel BF	9,617	1,233,181	1.85%	New
				4,039,409	6.07%	Increase
Americas	Argentina	IRSA	145,630	1,763,579	2.65%	New
	Jamaica	National Commercial Bank Jamaica	3,656,255	618,539	0.93%	New
	Jamaica	Scotia Group Jamaica	4,729,031	888,915	1.33%	New
				3,271,033	4.91%	New
		Total Equity Holdings		40,946,613	61.49%	Increase
		Net Cash		25,545,625	38.36%	Decrease
		Hedging		95,000	0.14%	New
		XDE Put June 2014 @ 1.37	300	79,500		
		XDE Put June 2014 @ 1.38	50	15,500		
		Total Fund		66,587,238		

Report of the Investment Manager continued

Since the Fund's shares sell at a discount to its NAV, while the dividend is calculated based on the NAV, the 2013 dividend yield exceeded 4% on the share price and was paid on 7 March 2014 to shareholders found on the Fund's stock register as at 14 February 2014 (the "Record Date").

2014 Update

As we write, the manager continues to successfully invest the portfolio and it is now over 73% invested. The first quarter's portfolio has been published and can be found on the Company's website at: http://www.terracapitalplc.com/pdf/managers-update-regarding-first-quarter-2014.pdf

The Fund's NAV performance for the first four months of 2014 has been strong, registering gains every month, while generating a net 6.71% increase year-to-date.

Terra Partners Asset Management Limited
Portomaso Tower Suite 8/5A,
St. Julian's Malta STJ4011
Regulated by Malta Financial Services Authority, Reg No. C56353

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:

Diversified portfolio of value stocks*:* 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*:* Either for structural reasons, information cost reasons, or market sentiment, there is usually a lack of sufficient capital in emerging and frontier markets that have little, or no, quality sell-side research available. This makes it difficult to properly value securities on such stock markets. 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 International Financial Reporting Standards 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.

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.

Provide cash flow to investors*.* The Investment Manager believes that a consistent dividend stream is an important indication of a company's strength and 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.

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.

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.

Gearing: While leverage is allowed, the markets in which the Company is expected to trade in generally do not allow margin. The Fund does not have a prime broker that could extend margin on this portfolio and borrowings will be restricted to an aggregate amount not exceeding 25 per cent. of the Net Asset Value of the Company at the time of drawdown.

Investing Policy continued

Currency hedging*:* The Company may engage in currency hedging for efficient portfolio management purposes; however most of the currencies in the Portfolio will be either impossible to hedge or very expensive to do so. Accordingly, the Fund seldom hedges currencies, other than the Euro. Further, the Fund will only hedge up to a maximum of 25 per cent. of its Net Asset Value for currency hedging purposes at the time any derivative contract is entered into.

Stock Selection: The best long term results are often achieved by locating solid companies where competent management have shown its ability by utilizing low leverage and distributing dividends to their shareholders. This often means investing in boring companies with solid balance sheets selling for low P/E and P/B ratios because they are unloved by the market for some reason (country issues, business environment, trend thinking etc.) but which provide the probability of achieving both capital appreciation and current income.

Size of Positions: Positions in the Fund's portfolio usually run between 1.5% to 3% in order to create a large base of diversified companies in highly geographically dispersed locations as a defence against a global market retreat. While the inter-connection between markets has been increasing in recent years, many of the markets in which the Fund invests are largely influenced by local investors rather than large U.S. or U.K. hedge funds or other foreign investors.

Sector Weighting: The Fund does not have sector limitations for what it can invest in and seeks out the best, or most undervalued, companies in each market without regard to whether the portfolio has similar or the same types of investments in another market. This investing freedom may cause the Fund to be overweight a particular sector at times if one sector is undervalued in many markets, but usually each market reacts independently of others which permits the Company to invest in the best opportunities without artificial constraints.

Discount Control: Even a well performing closed end fund can fall to a discount. The Fund has a discount control policy that if, in the nine months prior to any December 31, the Fund's shares trade at an average discount greater than15% of the Fund's NAV per share, the Directors will tender to the long term shareholders (i.e. holders of more than 9 months) to allow them to sell up to 10% of their holdings to the Fund at a price equal to 97% of NAV.

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 2013.

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 2013, 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 13 to 21 of the financial statements.

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 2013 are set out below:

Director	**No. of shares**
Filip Montfort**	488,393
Dirk Van den Broeck***	754,068

**
Worldwide Opportunity Fund ("WWOF") 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 2013 Mr Montfort held 1.62% of the shares in issue in WWOF A Class (in addition to his direct holding of 488,393 Ordinary Shares in the Company stated above); Mr Mariuma held 1.24% of the shares in issue in WWOF A Class (and 665,820 Ordinary Shares directly in the company) and Mr Golden held 19.83% of the shares in issue in WWOF A Class either directly or beneficially (and 299,805 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 754,068 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
3 June 2014

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
3 June 2014

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 2013 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 10, 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 2013 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

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
3 June 2014

Consolidated income statement

	Notes	For the year ended 31 December 2013 US$'000	For the year ended 31 December 2012 US$'000
Net changes in fair value on financial assets at fair value through profit or loss		4,802	198
Realised gain on sale of financial assets at fair value through profit or loss		1,849	-
Interest income on cash balances		247	656
Dividend income on quoted equity investments		1,360	-
		8,258	854
Manager's fees	12.4	(2,778)	(808)
Audit and professional fees	12.3	(255)	(23)
Other expenses	12.1,12.2,20	(369)	(384)
Administrative and other expenses		**(3,402)**	(1,215)
Profit/(loss) before tax		**4,856**	(361)
Taxation	21	**(95)**	-
Profit/(loss) for the year from continuing operations		**4,761**	(361)
Profit for the year from discontinued operations net of tax	14	-	701
Profit for the year		**4,761**	340
Basic and diluted earnings per share (cents per share) for year	17	**6.79**	0.40

The Directors consider all activities to derive from continuing activities.

The accompanying notes on pages 22 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	For the year ended 31 December 2013	For the year ended 31 December 2012
	US$'000	US$'000
Profit for the year	**4,761**	340
Other comprehensive income		
Currency translation differences	**428**	367
Other comprehensive income for the year	**428**	367
Total comprehensive income for the year	**5,189**	707

The accompanying notes on pages 22 to 40 form an integral part of these consolidated financial statements.

Consolidated balance sheet

	Note	31 December 2013 US$'000	31 December 2012 US$'000
Financial assets at fair value through profit or loss	8	**41,041**	13,104
Due from broker		**11**	1,006
Trade and other receivables	15	**224**	112
Cash and cash equivalents	16	**29,109**	60,292
Total current assets		**70,385**	74,514
Total assets		**70,385**	74,514
Issued share capital	18	**7,726**	7,726
Share premium		**-**	62,356
Retained earnings		**52,736**	(13,901)
Capital redemption reserve		**5,274**	5,274
Foreign currency translation reserve		**851**	423
Total equity		**66,587**	61,878
Taxation	21	**2,286**	10,837
Trade and other payables	19	**1,512**	1,799
Total current liabilities		**3,798**	12,636
Total liabilities		**3,798**	12,636
Total equity & liabilities		**70,385**	74,514
Net asset value per share	10	**0.96**	0.88

Approved by the Board of Directors on 3 June 2014

Ian Dungate
Director

Dirk Van den Broeck
Director

The accompanying notes on pages 22 to 40 form an integral part of these consolidated financial statements.

Company balance sheet

	Note	31 December 2013	31 December 2012
		US$'000	US$'000
Trade and other receivables	15	**26**	**51**
Intercompany balances	5	**45,926**	**16,572**
Cash and cash equivalents	16	**20,835**	**45,523**
Total current assets		**66,787**	**62,146**
Total assets		**66,787**	**62,146**
Issued share capital	18	**7,726**	**7,726**
Share premium		**-**	**62,356**
Retained earnings		**53,587**	**(13,478)**
Capital redemption reserve		**5,274**	**5,274**
Total equity		**66,587**	**61,878**
Trade and other payables	19	**200**	**268**
Total current liabilities		**200**	**268**
Total liabilities		**200**	**268**
Total equity & liabilities		**66,787**	**62,146**
Net asset value per parent company share	10	**0.96**	**0.88**

The profit made by the Company for the year ended 31 December 2013 was US$4,709,000 (year ended 31 December 2013, profit US$707,000).

Approved by the Board of Directors on 3 June 2014

Ian Dungate
Director

Dirk Van den Broeck
Director

The accompanying notes on pages 22 to 40 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 loss 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 Distribution paid	(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 22 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Share premiu m	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 2013	7,726	62,356	(13,901)	5,274	423	**61,878**
Profit for the year	-	-	4,761	-	-	**4,761**
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	428	**428**
Total comprehensive income for the year	-		4,761	-	428	**5,189**
Shares repurchased to be held in treasury	-		(480)	-	-	**(480)**
Transfer of share premium	-	(62,356)	62,356	-	-	**-**
Total contributions by and distributions to owners	-	(62,356)	61,876	-	-	**(480)**
Balance at 31 December 2013	7,726	-	52,736	5,274	851	**66,587**

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 22 to 40 form an integral part of these consolidated financial statements.

Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Capital redemption reserve	**Total**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
Balance at 1 January 2012	10,783	62,356	16,649	2,217	**92,005**
Profit for the year	-	-	707	-	**707**
Total comprehensive loss for the year	-	-	707	-	**707**
Transactions with owners:					
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**
Profit for the year	-	-	5,189	-	**4,709**
Total comprehensive income for the year	-	-	5,189	-	**4,709**
Shares repurchased to be held in treasury	-	-	(480)	-	**-**
Transfer of share premium	-	(62,356)	62,356	-	**-**
Total contributions by and distributions to owners	-	(62,356)	61,876	-	**-**
Balance at 31 December 2013	7,726	-	53,587	5,274	**66,587**

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 22 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	For the year ended 31 December 2013 US$'000	For the year ended 31 December 2012 US$'000
Operating activities			
Group profit before tax including discontinued operations		4,856	340
Adjustments for:			
Loss on disposal of investment property		-	(520)
Net changes in fair value on financial assets		(4,802)	(198)
Realised gain on sale of investments		(1,849)	-
Taxation charge		(95)	-
Interest income		247	(656)
Operating expense before changes in working capital		(1,643)	(1,034)
Decrease in trade and other receivables		(112)	(84)
(Decrease)/increase in trade and other payables		(288)	671
Cash generated from operations		(2,043)	(447)
Interest received		247	656
Income tax paid		(8,646)	-
Cash flows generated from operating activities		(10,442)	209
Investing activities			
Net purchase of financial assets		(21,340)	(12,906)
Funds held at brokers		995	(1,006)
Sale of investment property		-	88,547
Cash flows (used in)/generated from investing activities		(20,345)	74,635
Financing activities			
Cost of ordinary shares purchased		(480)	(30,835)
Cash flows used in financing activities		(480)	(30,835)
Net (decrease)/increase in cash and cash equivalents		(31,267)	44,009
Cash and cash equivalents at beginning of year		60,292	15,916
Difference on foreign exchange		84	367
Cash and cash equivalents at end of year	16	29,109	60,292

The accompanying notes on pages 22 to 40 form an integral part of these consolidated financial statements.

Company statement of cash flows

	Note	For the year ended 31 December 2013 US$'000	For the year ended 31 December 20123 US$'000
Operating activities			
Company profit before tax		4,709	707
Adjustments for:			
Revaluation of intercompany balances through profit or loss		(4,987)	(1,226)
Operating expense before changes in working capital		(278)	(519)
Increase/(decrease) in trade and other receivables		25	(23)
Decrease in trade and other payables		(68)	(859)
Cash flows used in operating activities		(321)	(1,401)
Financing activities			
Cost of ordinary shares purchased		(480)	(30,834)
(Advance)/repayment of intercompany loans		(23,887)	65,448
Cash flows (used in)/generated from financing activities		(24,367)	34,614
Net (decrease)/increase in cash and cash equivalents		(24,688)	33,213
Cash and cash equivalents at beginning of year		45,523	12,310
Cash and cash equivalents at end of year	16	20,835	45,523

The accompanying notes on pages 22 to 40 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 2013 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, 2013 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 3 June, 2014.

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 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.

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 2013
– Requirement to account for interest in 'Investment Entity' at fair value under IFRS 9	1 January 2014
IFRS 1 Amendments add on exception to the retrospective application of IFRSs (including IFRS 9 and IFRS 20)	
IFRS 9 Financial Instruments - Classification and Measurement	To be advised
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

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.

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB). The Fund's accounting principles are summarised below, all of which have been applied consistently throughout the year, except for changes resulting from the adoption of IFRS13 - see 3.3(i).

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. Also IFRS13 includes extensive disclosure requirements. IFRS13 requires prospective application from 1 January 2013. Other than the additional disclosures, the application of IFRS13 has not had any material impact on the amounts recognised in the financial statements.

"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 for which fair value is based on quoted market prices.

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.

3.10 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 primarily 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%
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).

US$36,619,000 of the Company's investments are classed as level 1 investments and US$4,422,000 of the Company's investments are classed as level 2 investments.

8 Financial assets at fair value through profit or loss

Group
31 December 2013: Financial assets at fair value through profit or loss; all quoted equity securities:

Security name	Number	US$'000
Ardent Leisure Group	807,977	1,449
Brac Bank Ltd	2,436,275	1,021
Heidelberger Cement	850	4
Square Pharma	486,752	1,190
U-Blox Holding AG	11,789	1,271
Ciments Francais	15,620	1,188
Crnogorski Telekom AD Podgoric	222,624	1,286
Eurobank Properties Real Estate Inv Co	109,166	1,213
Portucel Empresa Produtora	259,423	1,038
Silvano Fashion Group	267,000	981
Tour Eiffel	13,450	899
VIB Vermoegen	74,979	1,203
Bank of Georgia	38,300	1,518
Qingling Motors	3,000,000	898
Hrvatski Telekom	36,228	1,157
Allami Nyomda	553,679	1,505
National Commercial Bank Jamaica	3,656,255	619
Scotia Group Jamaica	4,729,031	889
Equity Bank Ltd	3,731,400	1,328
Housing Finance Co Ltd	4,057,200	1,479
Daelim Industrial	33,290	966
Hyundia Motor Company	9,760	1,160
Kumho Petri Chem	28,940	956
Komercijalna Banka AD	22,845	915
Oman Cement Company	720,950	1,543

Notes to the consolidated financial statements continued

8 Financial assets at fair value through profit or loss continued

Kernel Holdings	45,558	574
Al Khaleej Bank	273,078	1,498
Masraf Al Rayan	135,000	1,160
IRSA Sp ADR	145,630	1,764
Lebanese GDS	56,485	616
XDE Put Options $137 21/06/14	300	79
XDE Put Options $138 21/06/14	50	15
Hau Giang Pharmaceuticals	41,890	226
Hung Voung Corporation	721,500	836
Imexpharm Pharmacuiticals	534,772	943
Onatel BF	96,170	1,232
Level One Securities		36,619
Blom Bank	74,023	640
Galenika Fito Farmacija	41,372	1,469
JSC Acron	308,792	976
Oman Refreshment Company	175,000	1,182
SEEF Properties	365,469	155
Level Two securities		4,422
		41,041

9 Net finance income

	31 December 2013	31 December 2012
	US$'000	US$'000
Interest income on bank balances	**247**	656
Finance income	**247**	656
Bank charges	**(9)**	(6)
Finance cost	**(9)**	(6)
Net finance income	**238**	650

Notes to the consolidated financial statements continued

10 Net asset value per share

The net asset value per share as at 31 December 2013 is US$0.96 based on 69,629,236 Ordinary Shares in issue as at that date (2012: US$0.88 based on 70,229,236 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 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 2013, 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.

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 2013 amounted to US$95,744 (2012: US$97,408) with US$ Nil due at 31 December 2013 (2012 US$ Nil).

12.2 Administrator and Registrar fees

Administration fees payable for the year ended 31 December 2013 amounted to US$77,064, (31 December 2012: US$80,883), secretarial fees US$7,844 (2012: US$5,721), financial statement preparation fees US$5,491 (2012: US$5,346), and Crest fees US$5,171 (2012: US$12,894) with administration fees of US$ 19,864 still due at 31 December 2013 (31 December 2012: US$17,734).

12.3 Audit and professional fees

Audit fees for the year ended 31 December 2013 amounted to US$30,000, (31 December 2012: US$53,395), with US$30,000 still due at 31 December 2013 (2012: US$35,000).

Professional fees for the year ended 31 December 2013 amounted to US$126,495 (31 December 2012: US$22,535).

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 2013 amounted to US$1,407,615 (2012: US$ 748,835) and the amount accrued but not paid at the period end was $1,191,475 (31 December 2012: $102,240).
Performance fees payable for the year ended 31 December 2013 amounted to US$1,370,534 (2012: US$58,826.
Performance fees accrued but not paid for the year ended 31 December 2013 amounted to $1,078,510 (31 December 2012: US$ 58,826)

13 Assets held for sale and associated liabilities

	31 December 2013 US$'000	31 December 2012 US$'000
Balance brought forward	**-**	77,189
Fair value adjustment	**-**	701
Provision for taxation payable (note 21)	**-**	10,837
Final proceeds on disposal	**-**	(88,727)
Net realisable value	**-**	-

The sale of AIA Tower was concluded on 31 January, 2013. A tax provision relating to the gain on sale remains and is disclosed separately in the financial statements (note 21).

14 Profit for the year on discontinued operations

	31 December 2013 US$'000	31 December 2012 US$'000
Gain on disposal of assets held for sale	**-**	701
Profit/(loss) before tax	**-**	701

Earnings per share – discontinued operations

	31 December 2013 US$'000	31 December 2012 US$'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity shareholders	-	701
Weighted average number of Ordinary Shares in issue (thousands) (excluding shares held in treasury)	**85,162**	85,162
Earnings per share (cents per share)	**-**	0.82

Notes to the consolidated financial statements continued

15 Trade and other receivables

	Group 31 December 2013 US$'000	**Company 31 December 2013 US$'000**	Group 31 December 2012 US$'000	Company 31 December 2012 US$'000
Prepayments and other receivables	**224**	**26**	112	51
Total	**224**	**26**	112	51

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 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.

	31 December 2013	31 December 2012
Profit attributable to owners of the Company (US$'000)	**4,761**	340
Weighted average number of Ordinary Shares in issue (thousands) (excluding shares held in treasury)	**70,078**	85,162
Basic and diluted earnings per share (cents per share)	**6.79**	0.40

18 Share capital

	31 December 2013 US$'000	31 December 2012 US$'000
Authorised:		
400,000,000 Ordinary shares of US$0.10 each	40,000,000	40,000,000
Allotted, Called-up and Fully-Paid:		
69,629,236 (31 December 2012: 70,229,236) Ordinary shares of US$0.10 each in issue, with full voting rights	6,963	7,023
7,626,423 (31 December 2013: 7,026,423) Ordinary shares of US$0.10 each held in treasury	763	703
	7,726	7,726

During the period to 31 December 2013 the Company repurchased 600,000 (31 December 2012: 36,391,674) Ordinary shares, at a cost of US$480,000 (31 December 2013: US$30,834,332). Nil (31 December 2012: 30,573,251) shares were subsequently cancelled, with 7,626,423 Ordinary shares retained in treasury (31 December 2012 7,026,423). The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

19 Trade and other payables

	Group 31 December 2013 US$'000	**Company 31 December 2013 US$'000**	Group 31 December 2012 US$'000	Company 31 December 2012 US$'000
Current liabilities				
Due to broker	**-**	**-**	1,040	-
Sundry creditors and accruals	**1,512**	**200**	759	268
Total	**1,512**	**200**	1,799	268

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 Investment Manager.

At 31 December 2013 Directors fees payable were US$ Nil (2012: $Nil)

21 Taxation

	2013 US$'000	2012 US$'000
Balance at 1 January	**10,837**	-
Transfer from assets held for sale	**-**	11,506
Witholding taxes on dividends received	**75**	-
Macau Complimentary Tax	**20**	
Tax paid	**(8,646)**	-
Foreign exchange revaluation	**-**	(669)
Balance at 31 December	**2,286**	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. A final assessment is expected to be raised by the Macau tax authorities during 2014.

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 £360 to the Isle of Man Government for each tax year.

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 2013, 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 2012 : 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 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**
	70,385	**(3,798)**	**66,587**

Notes to the consolidated financial statements continued

22 Financial instruments continued

31 December 2012			
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

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 2013	31 December 2012
	US$'000	US$'000
Financial assets at fair value through profit or loss	**41,041**	13,104
Due from broker	**11**	-
Trade and other receivables	**224**	1,118
Cash at bank	**29,109**	60,292
	70,385	74,514

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.

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:

Notes to the consolidated financial statements continued

22 Financial instruments continued

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**
2013					
Taxation payable	**-**	**-**	**2,286**	**-**	**-**
Trade and other payables	**1,511**	**-**	**-**	**-**	**-**
	1,511	**-**	**2,286**	**-**	**-**
2012					
Taxation payable		-	10,837	**-**	**-**
Trade and other payables	1,799	-		**-**	**-**
	1,799		10,837	**-**	-

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 2013. 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:

31 December 2013	**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	**-**	**-**	**224**	**224**
Due from broker		**-**	**11**	**11**
Cash	**29,109**	**-**	**-**	**29,109**
Total financial assets	**29,109**	**-**	**235**	**29,344**
Financial liabilities				
Trade and other payables	**-**	**-**	**1,511**	**1,512**
Taxation payable	**-**	**-**	**2,286**	**2,286**
Total financial liabilities	**-**	**-**	**3,797**	**3,798**
Total interest rate sensitivity gap	**29,109**	**-**	**-**	**29,109**

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

23 Post balance sheet events

On 7 March, 2014 the Company paid a dividend of 3.35 cents per share.

24 Capital commitments

The Group had no outstanding capital commitments at 31 December 2013.