TERRA CAPITAL PLC

Consolidated Interim Report

30 June 2013

CONTENTS

Directors and advisers

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Investment Manager	Terra Partners Asset Management Limited 8/5A Portomaso Tower Portomaso Avenue STJ4011 St Julians Malta

Highlights of the period

Balance Sheet	30 June 2013	31 December 2012
	(US$'000)	(US$'000)
Net assets	62,811	61,878
Net asset per share (US$)	0.89	0.88
Funds returned to shareholders by tender offer	-	30,808

Income Statement	30 June 2013	31 December 2012
	(US$'000)	(US$'000)
Profit after tax	1,548	282
Earnings per share (US cents)	2.2	0.28

Business highlights

- 52.8 % of Net Assets now invested in Equities
- 32 Equity positions spread across 23 Countries

Chairman's Statement

The first half of 2013 has seen our new Investment Manager able to concentrate on the business of investing our Company's financial resources in accordance with the investment mandate adopted in 2012.

2012 saw a lot of activity which included; finalisation of the disposal of the company's historic real estate assets, the appointment of a new Investment Manager and the adoption of a new investment policy, following on from this the Investment Manager spent a considerable amount of time establishing the necessary custody and brokerage accounts to enable them to implement our new investment policy.

The only historic matter outstanding from the previous incarnation of Terra Capital plc is the finalisation and settlement of the tax bill arising on disposal of the AIA Tower. We expect this to be concluded before the end of 2013 but this is dependent on the issuance of a final tax assessment by the authorities in Macau and we are confident that we have reserved sufficient amounts to pay all taxes and there should not be any surprises when we pay the final bill.

The Investment Manager has continued its search for undervalued assets in which to invest following the implementation of the investment policy and during the first six months of the year, and as at 30 June our investment portfolio represented 53% of net assets and is invested in 32 diverse positions spread across 23 countries. The separate report of the Investment Manager, which forms part of this interim report, sets out the positions held and the attendant risks and opportunities of a few of them in more detail, Further details on each investment can be found on the Company's website http://terracapitalplc.com/ under News and Reporting "Company Reports".

Sincerely yours,

Dirk Van den Broeck

Chairman

Report of the Investment Manager

The Fund's portfolio continued to increase its equity exposure in the 2nd quarter and at the end of the quarter the portfolio was over 52% invested. The Fund increased its exposure to 11 positions held at the end of the 1st quarter, and decreased 4 positions (see accompanying table). At 27.87%, Europe was the Fund’s largest geographic exposure as we continued to identify highly compelling valuations across the region. Asia is the second largest regional exposure at 10.93% of the portfolio, with Vietnam and Bangladesh accounting for half that exposure. The Fund pared back its second largest position (as of Q1), Equity Bank of Kenya, as the inflow of foreign money continued to propel the Kenyan market towards its 2007 high. Although Equity Bank's valuation remains reasonable, the influx of foreign capital creates a much higher volatility profile as a Kenyan domestic or global crisis could potentially reverse the flows and severely impact the price. Finally, IRSA, the Fund's Argentine REIT position, dropped sharply in sympathy with June's correction in the emerging markets, but with no significant local or company news. The Fund took the opportunity to increase the position by almost 50% and enjoyed its subsequent recovery. As of July 31, the fund’s portfolio looks as follows:

Region	Country	Security	Quantity	Market value	% of Fund	Share Holdings from Prior Quarter
Europe	Hungary	EGIS RT	18,507	1,752,337.47	2.81%	Increase
	Greece	Eurobank Properties	187,270	1,721,346.51	2.76%	Increase
	France	Ste de la Tour Eiffel	27,114	1,592,926.57	2.55%	Increase
	Switzerland	U-Blox	21,904	1,425,046.02	2.28%	No Change
	Germany	Prime Office	253,279	1,205,321.83	1.93%	Increase
	Russia	JSC ACRON	308,792	1,191,937.12	1.91%	New
	Hungary	Any Security Printing Co.	553,679	1,132,198.03	1.81%	Increase
	Croatia	Hrvatski Telekom	36,228	1,123,073.70	1.80%	No Change
	Montenegro	Crnogorski Telekom	242,624	1,107,166.10	1.77%	No Change
	Macedonia	Komercijalna Banka AD Skopje	22,845	972,613.97	1.56%	No Change
	Portugal	Portucell	305,923	971,229.96	1.56%	Decrease
	Germany	Vib Vermoegen	74,979	938,473.15	1.50%	Increase
	France	Ciments Francais	15,620	915,626.41	1.47%	New
	Estonia	Silvano Fashion Group	267,000	894,654.52	1.43%	No Change
	Serbia	Galenika-Fitofarmacija	8,302	294,576.48	0.47%	New
	Poland	KHGM Polska Miedz	4,390	157,362.86	0.25%	Decrease
					27.87%	
Asia	Australia	Ardent Leisure Group	807,977	1,281,471.72	2.05%	Increase
	Georgia	Bank of Georgia Holdings	40,800	1,019,142.51	1.63%	Decrease
	Bangladesh	Brac Bank Ltd	2,436,275	943,114.62	1.51%	No Change
	Bangladesh	Square Pharma	314,040	898,641.89	1.44%	Increase
	Vietnam	Imexpharm Pharmaceutical	534,772	880,345.95	1.41%	No Change
	Vietnam	Hung Vuong Corporation	481,000	846,750.40	1.36%	New
	China	Qingling Motors	3,176,000	781,903.02	1.25%	New
	Vietnam	Hau Giang Pharmaceutical	41,890	174,392.19	0.28%	Increase
					10.93%	
Middle East	Oman	Oman Cement	720,950	1,366,996.10	2.19%	No Change
	Qatar	Al Khaliji Bank	273,078	1,248,626.54	2.00%	No Change
	Qatar	Masraf Al Rayan	135,000	1,026,940.19	1.64%	New
	Oman	Oman Refreshment	175,000	1,005,909.09	1.61%	No Change
					7.45%	
Africa	Kenya	Equity Bank	4,162,700	1,523,823.94	2.44%	Decrease
	Kenya	Housing Finance Kenya	3,615,500	1,060,910.81	1.70%	Increase
					4.14%	
Americas	Argentina	IRSA Inversiones	147,465	1,097,139.60	1.76%	Increase
	Jamaica	Scotia Group Jamaica	1,955,661	411,615.92	0.66%	New
					2.42%	
			Total Equity Exposure		52.80%	

New Positions

Six new positions were added to the portfolio in the 2nd quarter, 4 of which the Fund has finished acquiring and are discussed below. Additionally, four positions in the Fund at the end of the 1st quarter were still in the process of acquisition and now that we have reached our desired allocation we can present them to shareholders.

Report of the Investment Manager continued

VIB Vermoegen

Company Description: VIB Vermögen AG is a real estate holding company focusing on commercial properties in southern Germany. The Company acquired the majority of its portfolio from others and developed the rest. VIB has a very diversified portfolio which includes logistics properties, industrial real estate, shopping centres and retail parks, as well as commercial, service and office centres.

Investment Rationale: VIB appears to be a low risk investment. It's portfolio of diversified commercial German real estate is concentrated in the most economically robust area of Germany while trading at a 20% discount to book and giving a relatively high Euro dividend yield. VIB's properties have a nearly 98% occupancy rate, an average lease period of over 6 years, and are leased by a very diverse group of companies ranging from BMW and Continental to smaller, yet long-established Mittelstadt companies. The company's operating income grew 14% in the past year, EBIT increased 29.3%, average rental yields increased to 7.5%, FFO rose 16%, and the FFO per fully diluted share is 9.8% (FFO/NAV yield of 7.8%). The 2012 dividend pay-out (distributed in 2013) increased 14% resulting in a current yield of 4.3%. Although VIB's yield is not as high as other companies in the Fund's portfolio, its strong portfolio, discounted price, history of earnings growth and increasing dividends provides strong diversification to the overall portfolio and reliable income.

Potential Risks:

German Property Prices: Upward revaluation of VIB's portfolio over the past several years has been minimal, with the appraisers applying a conservative discounted cash flow method. However, conservative valuations will not insulate VIB from a general property price decline in Germany if that occurs.

Leverage: VIB is fairly leveraged at 2.89x with an average interest rate on its outstanding debt of 4.1%. A material increase in interest rates would not only negatively affect VIB as a yielding security, but could introduce increased refinancing risk.

Ardent Leisure Group

Company Description: Ardent Leisure is an Australian-based company which owns and operates a leisure portfolio of over 100 assets across Australia, New Zealand and the United States. Its portfolio is grouped into 5 operating groups: theme parks (consisting of 3 parks in Gold Coast, Queensland, Australia), health clubs (operated via the Goodlife Health Club franchise with 40 clubs around Australia), Australian bowling (AMF Bowling Centers, Kingpin Bowling Lounges), Main Event (US-based bowling chain), and marinas (with 7 marinas, the largest group in Australia).

Investment Rationale: Ardent Leisure, formerly Macquarie Leisure Trust, is a defensive (47% debt-equity), well-managed leisure/entertainment business with a number of potential opportunities to generate profit growth. It has managed to navigate through a number of difficult challenges, including exceptionally bad weather and a general slump in consumer spending in Australia, to offer an above average yield (8.4%), and solid profit growth of 8-9% from its 2009 nadir. Its main growth has come from health clubs, which it buys at prices significantly lower than its own P/E, and entertainment centres in the United States, which it has been profitably developing in Texas. Although the theme park is somewhat stagnant, Ardent has engaged in several measures to turn it around, including obtaining the exclusive Australian licensing for the Dreamworks' characters.

Potential Risks:
Weather: Since the theme parks normally drive nearly 50% of annual EBITDA, the extreme weather Queensland has experienced over the past 5 years can create very significant earnings volatility.

Strong/weak Australian dollar: Foreign visitors comprise a material part of the theme park business, and a strong A$ may negatively impact this group. Furthermore, Main Event's US$ earnings would be negatively impacted in A$ terms. Conversely, if the A$ weakens, the stock price, translated into US$, would decline despite the (hopefully) longer term increase in operating profits in A$.

Report of the Investment Manager continued

Theme-Park Competition: Ardent's primary competitor in the theme-park space, Village Roadshows, which operates in conjunction with Warner Brothers, is investing heavily in its parks and may take market share from Ardent's theme parks.

Health Club Consolidation: The health club business requires Ardent to continue to acquire clubs cheaply and successfully migrate them into its Goodlife platform.

U.S. Expansion: While Ardent's U.S. leisure segment is a high growth area, it depends on management getting the correct location and marketing.

Acron Group:

Company Description: Acron is a Russian-domiciled fertilizer manufacturer with the majority of production located in Russia, but which sells its products globally The company specializes in the sale of NPK, a more complex form of fertilizer, and is the second largest company producer of NPK in the world. Acron owns 3% of Uralkali, a $21 billion Russian potassium miner and potash manufacturer.

Investment Rationale: Acron trades at a lower price-to-earnings ratio (4.5 as of June 30 and 1Q trailing 12-month earnings) than any other company in the industry, trades at a significant discount to book value (0.8 of book), and generates a generous dividend yield (8.67% based on June 30 price and 2Q trailing 12-month dividend payments). Acron is currently implementing a major expansion plan to transform itself into a fully integrated fertilizer manufacturer with interests in raw material mining (i.e. potash and apatite), and the manufacture of urea. The expansion be will partially funded by increasing debt from around 2x EBITDA to approximately 3x EBITDA, as well as selling its interest in Uralkali. This has raised the company's debt-equity levels to 122% (based on 1Q financials), which is one of the highest in the industry. The expansion plan, after careful analysis, appears reasonable and should be value accretive, and the expected sale of Uralkali, at almost 3x book value, would facilitate investments in essentially the same line of business while the company itself trades at 0.8x book. The debt levels seem to be the principal reason, along with generally negative sentiment towards Russian companies, for Acron's current valuation.

Despite the concentration of the company's ownership (80%) with one individual, Vyaechslav Kantor, the management team has a demonstrable long-term record of solid investment in building the company, is extremely open about its financials, provides timely and through information to analysts, has consistently adequately announced major strategic decisions and explained them to investors, scores well on almost any corporate governance metric, and has demonstrated respect for minority shareholders through strong cash dividends.

Potential Risks

Fertilizer Prices: There are several risks in regard to the price of fertilizer: *First*, prices are currently above their long-term average, but less than half their peak in 2008. A further reversion to the long-term average would materially impact Acron's earnings. *Second,* fertilizer prices are highly sensitive to, and driven by, grain prices. Any weakening in grain prices would indicate weakening fertilizer prices. *Third,* China restricts exports, leading to a lower than normal price in China. Should this policy change, global fertilizer prices will almost certainly decline. *Finally*, many countries subsidize fertilizer imports, the most important of these being India. Any reduction in these subsidies would negatively impact global fertilizer prices.

Leverage: Acron has opted to significantly increase leverage in a period when ample global liquidity provides a strong incentive to do so; however, the leverage has been used mainly to invest in production and mining facilities that would allow Acron to compete as a full service supplier of Fertilizer. Clearly, a reversal of global financial conditions and a concurrent decline in global fertilizer prices could create significant financial stress.

Russia as a country: Several of the reasons for the current low valuations for Russian companies include the historically poor levels of corporate governance, omnipresent oligarchs, and state interference in various companies.

Uralkali: As Uralkali equity holdings represent approximately 40% of Acron's equity, a material decline in Uralkali's share price would directly impair Acron's net asset value.

Report of the Investment Manager continued

Ciments Francais S.A.:

Company Description: Ciments Francais is a French cement manufacturer, which in turn is a majority owned subsidiary of Italcementi, the fifth Largest cement producer in the world. Ciments Francais produces cement in France (where it is the 2nd largest producer) and Belgium (3rd largest), with significant subsidiaries in Egypt (Suez Cement), Morocco (Ciments du Maroc), India and Thailand, and minor subsidiaries in Spain, Bulgaria, Greece, Kazakhstan, U.S. and Canada.

Investment Rationale: The markets in which Ciments Francais operates, apart from India and Thailand, have either been plagued by recession (Europe), political crises (Egypt), or government intervention (Morocco), and the market responded by assigning it a low valuation. The company's decision to write off significant goodwill has had a marked negative short-term effect on earnings, but has cleansed much of the legacy of previous acquisitions. Investors' uncertainty over Ciments Francais has resulted in it trading at half post-write off book value and less than 3x cash flow, giving it a dividend yield of nearly 8.5%, a P/E of about 6 (after adding back amortization costs), with lower leverage (93% debt-equity; 75% net of cash) and a higher ROA than the major companies in the industry. Essentially, the Fund is buying a company at the bottom of its industry cycle, operating in numerous problematic markets. We believe that the market has overpriced these risks, creating an intriguing entry point at the prices we bought this positon.

Potential Risks

Construction Spending in Europe: The company projects that cement deliveries will decline several percentage points, but Holcim and Lafarge have closed smaller plants in France, which has eased some of the overcapacity issue. However, Europe's stagnation the past 5 years may very well continue or deteriorate further, reducing demand for cement.

Morocco: Morocco has both cut subsidies for public housing and imposed additional taxes on the cement industry. The government's budget process has proven erratic, both in the spending and tax side, and this uncertainty adds to the market's risk analysis of Ciments Francais.

Egypt: Beyond the obvious political turmoil enveloping the country, Ciments Francais' Egypt production is based on a non-standard diesel (mazut) that has been heavily dependent on government subsidies. The government intends to remove the subsidies to the point where the fuel trades at the global price, but how fast they remove them has been the subject of often tense negotiations.

Square Pharmaceuticals Limited

Company Description: Square Pharmaceutical is the largest pharmaceutical company in Bangladesh (since 1985) with a local market share of around 19% and with 97% of its revenue coming from the local market. Square's production focuses on generics that are not price regulated by the government. Square is currently completing a new facility (expected operational launch in 2014) to increase its production by 22% to over 10 billion tablets and capsules.

Investment Rationale: The Bangladeshi bear market entered its third year in 2013. Local and foreign investors exhibited little interest in even the best managed companies and Square's share price fell to valuation levels last seen in 2006 (p/e of 15), despite its annualized earnings growth of 20% since 2000 and 16% over the past 3 years. Square's strong ROE of 18% is even more impressive in light of its minimal levels of leverage (21% debt-equity; 16% debt-equity net of cash). Square has successfully increased its gross, EBIT and net margins the past three years. The company has engaged in large expansion in production capacity which we expect to come online in 2014, substantially driving top and bottom-line growth.

At the pharmaceutical industry level, the World Bank estimates Bangladeshi pharmaceutical expenditures *per capita* was USD $23 per person, among the lowest rates in the world; this is only 11% of the *per capita* expenditure in China, less than half of that in India, and only about 30% of that in Vietnam. Although the Bangladeshi economy is improving thanks to capital investments in labor intensive industries and large remittance payments, *per capita* pharmaceutical expenditure is comparable with the world's worst states: it is lower than Yemen, Chad and Rwanda. Industry players project the Bangladeshi market to

Report of the Investment Manager continued

average over 15% growth for the next 4 years. The combination of a solidly managed, well-respected company in a rapidly growing industry, generating an appealing return on equity, at multi-year lows provided our main justification to invest at a somewhat higher P/E than we normally pay.

Potential Risks

Pharmaceutical Spending: Pharmaceutical consumption drivers in Bangladesh are complex and include government spending, the urbanization process, and the constant flow of remittances into the economy. Despite the optimistic projections, pharmaceutical spending in the local market may fall short or even stagnate.

Increased Competition: There are over 100 drug companies operating in Bangladesh, and the top 10 account for 68% of the market. Aggressive pricing by Square's competitors to take market share could affect its margins.

Bangladeshi Bear Market: Despite its strong financial performance and solid reputation, it does have a high correlation to the general Bangladeshi market and that market has continued to produce volatile declines.

Delay in New Production Facility: Square is already operating at over 100% capacity in its capsule production and any further delay in bringing the new facility online (facility was originally slated to begin production in 2013) would materially affect growth projections.

Hung Vuong Corporation (HVG Vietnam)

Company Description: This is the largest pangasius producer and exporter in Vietnam (since 2008) with 10.3% market share and export value of USD $124 Million in 2011. Hung Vuong relies on an integrated business model to maintain its dominant position in the market. It is the only company in the fishery sector with a fully integrated value chain from fish feed to farming, processing and cold storage, and is able to meet a substantial amount of raw fish inputs through its subsidiaries and related companies. The company currently has 250ha of fish farming area in addition to 100ha in contract with local farmers providing over 150,000 tons of raw fish annually, and 12 fish processing plants with a combined daily processing capacity of 1,700 tons per day. HVG also has a large cold storage facility with a total storage capacity of 42,000 tons in Ho Chi Minh City to ensure a stable supply of raw fish for the company. Pangasius is one of the cheapest white fish in the market and enjoys wide familiarity among end buyers. Due to a favorable natural environment in the Mekong Delta region, which serves as a suitable breeding ground for these species, for years Vietnam has been the largest Pangasius exporter in the world and Vietnamese Pangasius is known for its flavor and nutritional values.

Investment Rationale: Hung Vuong derives at least 2/3 of its revenue from export. Market; domestic sales account for a small portion of its profit. This helps shield the Company from Vietnamese country risks. Since its revenue is in USD, deterioration in the value of local currency would help boost its profit margin, a very helpful position with inflation traditionally running at 20% per year. Its strong and reliable supply chain allows the Company to reduce input costs and control product quality to meet even the most stringent product quality standards by European importers. This has helped the Company to sustain its earnings even during the trying periods of reduced demand, such as in 2008. HVG also owns 48% stake of the Hung Vuong Mien Tay JSC that owns a fish farm of 250 ha. It supplies around 150,000 tons of raw fish per annum, fulfilling about 70% of the Company's demand. In addition, HVG also attempted to expand its shrimp production business by the 24% acquisition of FBT from SCIC. FBT has 612ha of shrimp farming area and 100ha of catfish farming area, which means this acquisition would be able to help Hung Vuong to have 100% control over its raw fish material. In an industry that is constantly facing the shortage in raw fish supply, the vertical integration of HVG gives it a competitive edge against its peers.

Potential Risks

Possible Trade Restrictions: The biggest challenge for Hung Vuong's export growth is the potential imposition of trade restrictions by its major importing countries. Pangasius competes directly with catfish in the international fish markets, being similar in terms of taste and quality. Budget problems in Europe and a reduced domestic catfish farming area in US could

Report of the Investment Manager continued

reduce the likelihood that substantial support will be given to local farmers in these countries and hence reduce the likelihood that the Company's sales would be significantly adversely impacted.

Raw Material Supply Problems: There is a permanent instability in raw material supply. Some small farmers left farming ponds uncultivated and farming areas of some key provinces are often lost due to floods. Although the Company can control a large part of its raw material supply thanks to ownership of companies at the upper end of the supply chain, instability still affects its ability to maintain a stable profit margin.

Qingling Motors Co. Ltd (#1122 Hong Kong Exch.)

Company Description: Qingling is a Hong Kong listed Chinese company ("H" Share). The majority of the company is state-owned, but Isuzu, a key shareholder, owns 20%. It manufactures, distributes and sells Isuzu light trucks, pick-up trucks, medium and heavy trucks under license from Isuzu as well as auto parts, importing many parts from Isuzu in Japan. As part of this agreement, Qingling is the recipient of a significant amount of management expertise and technology transfer from Isuzu. It has about a 3% market share of China's light truck market.

Investment Rationale: Qingling is trading at a 40% discount of its tangible book value and at only 1.14 times its cash balance, with existing production capacity, some solid market share (3%), and a strong and expanding distribution network. The company's light trucks are widely regarded in China as the best in their class. The company has distributed 80-85% of its net profits as dividends (resulting in a 5.7% yield) and managed to finance its target capital expenditure plan (about 500-600 million RMB a year) with operating cash flow. The specific niche dominated by Qingling is light, high quality commercial vehicles, and the company would therefore benefit from higher domestic consumer spending in China, as well as the introduction of higher environmental emission standards currently being contemplated.

Potential Risks
Battle for Market Share: Qingling reduced prices during the recent industry-wide sales decline to capture market share, which was successful. The price war may intensify, further diminishing the company's margins.

Slowdown in Implementation of Environmental Regulations: China's push to address its environmental degradation may be stymied by a slowing economy. Delays in implementation of stricter standards would diminish part of the rationale for consumers to pay up for Qingling's premium pricing.

Domestic Spending Slowdown: Despite a cut prices and significant brand strength, Qingling was unable to avoid China's nearly universal auto sales decline in 2012.

Negative Sentiment Affecting Japanese Products: Although not as obviously Japanese as Toyota or Sony, Qingling is manufacturing, selling and servicing a Japanese truck. Further tensions resulting in Chinese boycotts of Japanese products could impact sales.

Masraf Al Rayan

Company Description: Masraf is a Qatari bank that takes in deposits and provides commercial and investment banking products in accordance with Islamic principles.

Investment Rationale: The Qatari market is in a cyclical trough, but the bank still managed one of the highest ROEs (16.8%) among Islamic banks and 3 year average annual earnings growth of 16.8%. We believe spreads in Qatar have been held down by the government to prevent more government capital from being routed to the banks, most of which have a majority of depositors and borrowers that are state or parastatal companies. This is to prevent the size of the State (owing to the Gas industry) dominating the Qatari economy; however, we believe that the Qatar government's grand development plans will require more robust bank funding and it will then allow an increase in the spreads on offer. Furthermore, the bank will benefit from the general rise of Islamic banking worldwide, especially since Qatar has become one of the world centers for the

Report of the Investment Manager continued

certification of Islamic financial products, development of Islamic financing techniques, and specialists to handle large Islamic financial loans.

Potential Risks

Expansion of Islamic Banking Model: Masraf has benefited from both the expansion of Islamic banking and Qatar's emergence as a center of such activity. Any curtailment in this growth would directly affect the bank.

Government Funnelling Growth Through Banks: The government may opt not to focus on financing the pending infrastructure through the banks or might manage to fund the needed growth while maintaining tight spreads.

Respectfully submitted,

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Regulated by Malta Financial Services Authority, Reg No. C56353

Unaudited consolidated income statement

	Note	For the period from 1 January 2013 to 30 June 2013 US$'000	For the period from 1 January 2012 to 30 June 2012 US$'000
Income			
Interest income on cash balances		160	386
Dividend income on quoted equity investments		894	-
Net changes in fair value on financial assets at fair value through profit or loss		1,643	-
Total net income		2,697	386
Manager's fees	6	(882)	(112)
Audit and professional fees		(108)	(62)
Other expenses		(159)	(299)
Administrative and other expenses		**(1,149)**	**(473)**
Profit/(loss) before tax		**1,548**	**(87)**
Taxation	11	-	-
Profit/(loss) for the period from continuing operations		1,548	(87)
Profit for the period from discontinued operations net of tax		-	369
Profit for the period		**1,548**	**282**
Earnings per share (cent per share) for the equity holders of the Company during the period	9	**2.20**	**0.28**

The accompanying notes form an integral part of these interim consolidated financial statements

Unaudited consolidated statement of comprehensive income

	For the period from 1 January 2013 to 30 June 2013	For the period from 1 January 2012 to 30 June 2012
	US$'000	US$'000
Profit for the period	**1,548**	**282**
Other comprehensive income		
Foreign exchange differences	(615)	190
Total comprehensive profit for the period	**933**	**472**

The accompanying notes form an integral part of these interim consolidated financial statements

Unaudited consolidated balance sheet

	Note	Unaudited At 30 June 2013 US$'000	Audited At 31 December 2012 US$'000
Financial assets at fair value through profit or loss	7	33,203	13,104
Due from Broker		1,433	1,006
Trade and other receivables	8	465	112
Cash and cash equivalents		39,195	60,292
Total current assets		**74,296**	**74,514**
Total assets		**74,296**	**74,514**
Issued share capital	10	7,726	7,726
Share premium		62,356	62,356
Retained earnings		(12,353)	(13,901)
Other reserves		5,274	5,274
Foreign currency translation reserve		(192)	423
Total equity		**62,811**	**61,878**
Total current liabilities			
Taxation	13	10,868	10,837
Trade and other payables	13	617	1,799
Total current liabilities		**11,485**	**12,636**
Total liabilities		**11,485**	**12,636**
Total equity and liabilities		**74,296**	**74,514**
Net Asset Value per share	5	**0.89**	**0.88**

Approved by the Board of Directors on 2 September, 2013

Ian Dungate	Filip Montfort
Director	Director

The accompanying notes form an integral part of these interim consolidated financial statements

Unaudited consolidated statement of changes in equity

for the six months ended 30 June 2013

	Share capital	Share premium	Retained earnings	Capital redemption reserve	Foreign currency translation reserve	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 period	-	-	1,548	-	-	**1,548**
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	(615)	**(615)**
Total comprehensive profit	-	-	1,548	-	(615)	**933**
Total contributions by and distributions to owners	-	-	-	-	-	-
Balance at 1 January 2013	7,726	62,356	(12,353)	5,274	(192)	**62,811**

for the six months ended 30 June 2012

	Share capital	Share premium	Retained earnings	Capital redemption reserve	Foreign currency translation reserve	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 period	-	-	282	-	-	**282**
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	190	**190**
Total comprehensive profit	-	-	282	-	190	**472**
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 30 June 2012	7,726	62,356	(13,959)	5,274	246	**61,643**

The accompanying notes form an integral part of these consolidated financial statements

Unaudited consolidated statement of cash flows

	For the period from 1 January 2013 to 30 June 2013 US$'000	For the period from 1 January 2012 to 30 June 2012 US$'000
Operating activities		
Profit before tax	1,548	282
Adjustments for:		
Net changes in fair value on financial assets at fair value through profit or loss	(1,643)	-
Net gain on disposal of assets held for sale	-	(369)
Finance income	(160)	(386)
Finance costs	6	2
Operating loss before changes in working capital	**(249)**	**(471)**
Increase in trade and other receivables	(353)	(198)
(Decrease)/increase in trade and other payables	(1,151)	915
	(1,753)	**246**
Taxation paid	-	-
Net finance costs paid	(6)	(2)
Interest received	160	386
Cash flows (used in)/generated from operating activities	**(1,599)**	**630**
Investing activities		
Purchase of Financial Assets	(18,456)	-
Funds held at Brokers	(427)	-
Proceeds on sale of investment property due to tax authorities	-	11,506
Disposal of assets held for sale	-	77,558
Cash flows (used in)/generated from investing activities	**(18,883)**	**89,064**
Financing activities		
Purchase of shares	-	(30,834)
Cash flows used in financing activities	**-**	**(30,834)**
Net (decrease)/increase in cash and cash equivalents	**(20,482)**	**58,860**
Adjustment for foreign exchange	(615)	190
Cash and cash equivalents at beginning of period	60,292	15,916
Cash and cash equivalents at end of period	**39,195**	**74,966**

The accompanying notes form an integral part of these consolidated interim financial statements

Notes to the consolidated financial statements

1. The Company

Terra Capital plc (*formerly Speymill Macau Property Company plc)* 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.

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.

The interim consolidated financial statements of Terra Capital plc as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 31 December 2012 are available upon request from the Company's registered office at Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB or at www.terracapitalplc.com.

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 Statement of compliance and significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

These condensed consolidated interim financial statements were approved by the Board of Directors on 2 September 2013.

The Group has one segment focusing on achieving capital appreciation while attempting reduce risk primarily by applying a disciplined and diversified value investing philosophy. No additional disclosure is included in relation to segment reporting as the Group's activities are limited to one business segment.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

3 Use of estimates and judgements

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

Following the sale of the investment property the only significant area requiring estimation is the finalisation of the tax liability relating to the sale of the property.

Notes to the consolidated financial statements continued

4 Finance income and costs

	Period ended 30 June 2013 US$'000	Period ended 30 June 2012 US$'000
Bank interest income	**160**	386
Finance income	**160**	386
Interest expense		-
Bank charges	**(6)**	(2)
Finance costs	**(6)**	(2)
Net finance income	**154**	384

5 Net asset value per share

The net asset value per share as at 30 June 2013 is US$0.89 based on 70,229,236 ordinary shares in issue as at that date (excluding 7,026,423 shares held in treasury) (31 December 2012: US$0.88 based on 70,229,236 ordinary shares).

6 Related party transactions

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

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

Directors of the Company

Howard Golden, Filip Montfort and Yarden Mariuma are directors of the Manager. The Manager was appointed at the EGM held on 24 May 2012. Following the EGM Mr Golden and Mr Mariuma resigned as directors of the Company and Mr Dirk van den Broeck was elected Chairman of the Board of Directors as an independent non-executive director and Mr Ian Dungate was elected as an independent director.

The Investment Manager was appointed to that position at the EGM held on 24 May 2012, following which Mr Golden and Mr Mariuma (who were board members and also directors of the Investment Manager) resigned as directors of the Company. Mr Dirk van den Broeck was elected Chairman of the Board of Directors as an independent non-executive director and Mr Ian Dungate was elected as an independent non-executive director.

Filip Montfort is a director of the Investment Manager and remained as a Director of the Company following the above noted EGM.

Mr Dungate is a director and principal of the administrator.

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

Notes to the consolidated financial statements continued

6 Related party transactions continued

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

7 Financial assets at fair value through profit or loss

Group
30 June 2013: Financial assets at fair value through profit or loss (all quoted equity securities):

Security name	Number	US$'000
Ardent Leisure Group	807,977	1,266
Brac Bank Ltd	2,436,275	929
Square Pharma	314,040	881
U-Blox Holding AG	21,904	1,414
Ciments Francais	15,620	878
Crnogorski Telekom AD Podgoric	242,624	1,136
Eurobank Properties Real Estate Inv Co	187,270	1,759
Portucel Empresa Produtora	305,923	994
Prime Office REIT	253,279	1,176
Silvano Fashion Group	267,000	913
Tour Eiffel	28,524	1,711
VIB Verboegen	74,979	961
Bank of Georgia Holdings	40,800	1,036
Qingling Motors	3,254,000	810
Hrvatski Telekom	36,228	1,123
Allami Nyomda	553,679	1,124
EGIS Pharmaceuticals plc	18,507	1,786
Scotia Group	1,953,661	412
Equity Bank Ltd	4,162,700	1,519
Housing Finance Co Ltd	3,615,500	1,066
Komercijalna Banka AD	22,845	958
Oman Cement Company	720,950	1,352
Oman Refreshment Company	175,000	1,006
KGHM Polska Miedz	4,390	295
Al Khaleej Bank	273,078	1,267
Masraf Al Rayan	135,000	1,023
Galenika Fitofarmacija	8,302	251
IRSA SP-ADR	147,465	1,096
JSC Acron	308,792	1,192
Hau Giang Pharmaceutical	41,890	172
Hung Vuong Corporation	481,000	837
Imexpharm Pharmaceutical	534,772	860
		33,203

8 Trade and other receivables

	30 June 2013 US$'000	31 December 2012 US$'000
Prepayments and other receivables	465	112
	465	**112**

Notes to the consolidated financial statements continued

9 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted-average number of ordinary shares in issue during the period.

	Period ended 30 June 2013	Period ended 30 June 2012
Profit attributable to equity holders of the Company (US$'000)	1,548	282
Weighted average number of ordinary shares in issue (thousands) (excluding 7,026,423 held in treasury (2012: excluding 36,896,674 shares purchased by tender offer and 35,000 shares purchased in the market during the period of which 30,573,251 were cancelled and 7,026,423 were placed in treasury)	70,229	100,425
Earnings per share (cent per share)	**2.20**	**0.28**

10 Share capital

	30 June 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:		
70,229,236 Ordinary shares of US$0.10 each in issue, with full voting rights	7,023	7,023
7,026,423 Ordinary shares of US$0.10 each in issue, with full voting rights	703	703
	7,726	7,726

Ordinary shares retained in treasury

The Ordinary shares held in treasury have no voting rights and are not entitled to dividends.

11 Taxation

Isle of Man taxation

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

Macau taxation

The Company's subsidiaries resident in Macau are liable to Macau Complimentary Tax at 12% in respect of their operating profits, excluding rental income which is subject to property tax.

Notes to the consolidated financial statements continued

12 Directors' remuneration

The maximum amount of basic remuneration payable by the Company by way of fees to the Directors permitted under the Articles of Association is £200,000 per annum. All Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment.

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 Manager.

13 Trade and other payables

	30 June 2013 US$'000	31 December 2012 US$'000
Taxation payable*	10,867	10,837
Due to broker	-	1,040
Sundry creditors and accruals	618	759
Total	11,485	24,513

* Following disposal of the AIA Tower in Macau in 2011 this liability remains outstanding until submission of the 2012 tax return for Macau.

14 Contingent liabilities and capital commitments

The Company has no outstanding capital commitments at 30 June 2013.

15 Post balance sheet events

On 27 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. Having received court approval, the amount of the share premium account so cancelled will be credited as a distributable reserve which will be able to be applied in any manner in which the Company's profits available for distribution are able to be applied.

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