

TERRA CAPITAL PLC

Consolidated Interim Report

30 June 2014

CONTENTS

	Page
Directors and advisers	2
Chairman's statement	3
Report of the investment manager	4
Unaudited consolidated financial statements of the company:	
- Consolidated income statement	5
- Consolidated statement of comprehensive income	6
- Consolidated balance sheet	7
- Consolidated statement of changes in equity	8
- Consolidated statement of cash flows	9
- Notes to the consolidated financial statements	10-15

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

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
Millennium House
46 Athol Street
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Isle of Man, IM1 1JB

Auditors

KPMG Audit LLC
Heritage Court
41 Athol Street
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Isle of Man IM99 1HN

Isle of Man Law Adviser

Appleby
33 Athol Street
Douglas
Isle of Man IM1 1LB

Investment Manager

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

Chairman's Statement

I am pleased to report that our investment portfolio has continued to perform well during the first six months of 2014 with net assets growing by \$5,696,000 during that period, of which \$2,291,000 was returned to shareholders by way of dividend. This represented a yield of 3.5% on the Fund's December Net Asset Value and was in excess of 4% on the mid-point market price of the Fund's shares on 30 January. A further \$1,000,000 was returned by making share buybacks in the market as we sought to manage the discount to NAV in the share price, as well as being accretive to net asset value.

The Manager has continued to work diligently in identifying investment opportunities, whilst continuing to ensure positions are built methodically and only after thoroughly researching each opportunity. As I write, the Fund is now 73% invested and the Manager expects that we may be fully invested before the end of 2014.

The fact that a gross return of 8.59% (after adding back dividends) has been achieved whilst we are not yet fully invested emphasises how positively the positions taken to date have performed. As detailed more fully in the Investment Managers report, the manager is now pursuing a number of opportunities in Argentina which we are hopeful will add to both the performance and the diversification of the fund.

Sincerely yours,

Dirk Van den Broeck

Chairman

Report of the Investment Manager

Report of the Investment Manager for the First Half of 2014

We are pleased to report continued success in ferreting out investment opportunities. At the start of the year Terra Capital ("TCA") was 61.53% invested and as of June 30, 2014 we had passed the 73% mark, with an additional 4.7% committed to Argentina that we expect to get fully invested before year end. We are pleased with the portfolio's current holdings as they continue to perform well and still seem to be relatively uncorrelated with general indices. We believe that we have successfully created a quality portfolio of non-correlated and undervalued, or overlooked, companies and funds from a highly diverse regional, country, industry and investor-based perspective. The exact composition of the Fund's portfolio as of June 30, 2014 is set out in Note 7 of this report and here is a breakdown of where the portfolio is invested:

Regional Allocation

Europe: This broadly named geographic area continued to dominate the regional allocations in the portfolio, finishing 2013 at 23.54% of the Fund and declining a bit during the last six months to 22.17%. The number of positions increased from 14 at the end of 2013 to 15 with the addition of a relatively short term Ukrainian bond. This designation is entirely geographic and includes a German REIT, a Swiss Hi-Tech company as well as a number of Eastern and Balkan companies, so the designation of "Europe" is quite a mixed bag.

Asia: The Fund's allocation to Asia remained the same in regard to having 12 positions but they now represent 18.43% of the Fund versus 14.63% as at Dec. 31 2013. We would note that the Bank of Georgia (2.23% of the portfolio) is listed in this category due to the geographical location of that country although the stock trades on the LSE.

Middle East: The Fund's allocation to the Middle East is comprised of 9 positions and rose to 12.28% from 10.21% at year-end on the addition of positions in Qatar, a tripling of a holding in SEEF and the increased allocation to positions in Lebanon.

Africa: The Fund's allocation to Africa continued to rise from 6.06% at year end to 8.73% as the Fund added to its position in Housing Finance in Kenya while decreasing its exposure to Equity Bank there but adding two positions in Tunisia – Tunisie Leasing and ARTES. TCA now holds 6 different positions in this geographic area.

Americas: The Fund's allocation to the Americas rose from almost 5% to 8.76% on the back of allocations to Peru and should reach over 13% by year end as the capital calls for the Argentine investment are made. TCA now holds 6 positions in the Americas, but this understates the diversity of this allocation since a total of 4.85% of the portfolio has been committed to be invested in the Terra Argentine Fund ("TAF") but this investment will be made over time. as the capital is called into that fund. (see Note 14 below). TAF already has 4 different stocks and will have a broader and more diversified portfolio as it continues to invest. The decision to create TAF originated with the opportunities we found in Argentina, but due to the difficulty in bringing money into the country, the need for a dedicated analyst in the country and numerous issues with clearance and other matters concerning trading in that country, investing there was only economically viable only through a separate vehicle that had sufficient size to justify the time and expense. The Investment Manager has waived all duplicate fees on this investment pursuant to an agreement. Investing through a third vehicle eliminates any questions about allocation of trades or timing of purchases among the now three investment vehicles managed by Terra Partners Asset Management.

The Fund's NAV performance for the first six months of 2014 has been strong, registering gains every month, while involving our shareholders in this performance by paying out a dividend of \$2,290,704. If the performance is adjusted for this dividend, the NAV increased 8.59% during the six month period, year-to-date.

Unaudited consolidated income statement

	Note	For the period from 1 January 2014 to 30 June 2014 US\$'000	For the period from 1 January 2013 to 30 June 2013 US\$'000
Income			
Interest income on cash balances		17	160
Dividend income on quoted equity investments		1,708	894
Realised gain on sale of financial assets at fair value through profit or loss		2,606	
Net changes in fair value on financial assets at fair value through profit or loss		3,976	1,643
Total net income		8,307	2,697
Manager's fees	6	(2,154)	(882)
Audit and professional fees		56	(108)
Other expenses		(284)	(159)
Administrative and other expenses		(2,382)	(1,149)
Profit before tax		5,925	1,548
Taxation	11	(90)	-
Profit for the period from continuing operations		5,835	1,548
Profit for the period		5,835	1,548
Earnings per share (cent per share) for the period	9	8.45	2.20

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 2014 to 30 June 2014 US\$'000	For the period from 1 January 2013 to 30 June 2013 US\$'000
Profit for the period	5,835	1,548
Other comprehensive income		
Foreign exchange differences	(139)	(615)
Total comprehensive profit for the period	5,696	933

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

Unaudited consolidated balance sheet

	Note	Unaudited At 30 June 2014 US\$'000	Audited At 31 December 2013 US\$'000
Financial assets at fair value through profit or loss	7	50,537	41,041
Due from broker		-	11
Trade and other receivables	8	472	224
Cash and cash equivalents		22,339	29,109
Total current assets		73,348	70,385
Total assets		73,348	70,385
Issued share capital	10	7,726	7,726
Capital redemption reserve		5,274	5,274
Retained earnings		55,280	52,736
Foreign currency translation reserve		712	851
Total equity		68,992	66,587
Total current liabilities			
Taxation	11	2,308	2,286
Due to broker		208	-
Trade and other payables	13	1,840	1,512
Total current liabilities		4,356	3,798
Total liabilities		4,356	3,798
Total equity and liabilities		73,348	70,385
Net Asset Value per share	5	1.01	0.96

Approved by the Board of Directors on 22 July 2014

Ian Dungate

Director

Filip Montfort

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 2014

	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 2014	7,726	-	52,736	5,274	851	66,587
Profit for the period	-	-	5,835	-	-	5,835
Other comprehensive income						
Foreign exchange translation differences	-	-	-	-	(139)	(139)
Total comprehensive profit	-	-	5,835	-	(139)	5,696
Dividends paid	-	-	(2,291)	-	-	(2,291)
Shares repurchased to be held in treasury	-	-	(1,000)	-	-	(1,000)
Total contributions by and distributions to owners	-	-	(3,291)	-	-	(3,291)
Balance at 30 June 2014	7,726	-	55,280	5,274	712	68,992

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
Shares repurchased to be held in treasury	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-
Balance at 30 June 2013	7,726	62,356	(12,353)	5,274	(192)	62,811

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

Unaudited consolidated statement of cash flows

	For the period from 1 January 2014 to 30 June 2014 US\$'000	For the period from 1 January 2013 to 30 June 2013 US\$'000
Operating activities		
Profit before tax	5,925	1,548
Adjustments for:		
Net changes in fair value on financial assets at fair value through profit or loss	(3,976)	(1,643)
Taxation charge	(90)	-
Finance income	(17)	(160)
Finance costs	3	6
Operating gain/(loss) before changes in working capital	2,053	(249)
Increase in trade and other receivables	(248)	(353)
Increase/(decrease) in trade and other payables	328	(1,151)
	2,133	(1,753)
Taxation paid	(90)	-
Net finance costs paid	(3)	(6)
Interest received	17	160
Cash flows generated from/(used in) operating activities	2,057	(1,599)
Investing activities		
Purchase of financial assets	(11,848)	(18,456)
Proceeds from sale of financial assets	6,489	
Funds held at Brokers	(219)	(427)
Cash flows used in investing activities	(5,578)	(18,883)
Financing activities		
Purchase of shares	(1,000)	-
Dividends paid	(2,291)	-
Cash flows used in financing activities	(3,291)	-
Net decrease in cash and cash equivalents	(6,812)	(20,482)
Adjustment for foreign exchange	42	(615)
Cash and cash equivalents at beginning of period	29,109	60,292
Cash and cash equivalents at end of period	22,339	39,195

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 named *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 2014 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 2013 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 in purchasing securities for its portfolio.

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 2013.

These condensed consolidated interim financial statements were approved by the Board of Directors on July 22, 2014.

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 2013.

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 2013.

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 its investment property, the only significant area requiring estimation is the finalisation of the tax liability relating to the sale of that property (note 11).

Notes to the consolidated financial statements continued

4 Finance income and costs

	Period ended 30 June 2014 US\$'000	Period ended 30 June 2013 US\$'000
Bank interest income	17	160
Finance income	17	160
Interest expense	-	-
Bank charges	(3)	(6)
Finance costs	(3)	(6)
Net finance income	14	154

5 Net asset value per share

The net asset value per share as at 30 June 2014 is US1.01 based on 68,379,236 ordinary shares in issue as at that date (excluding 8,876,423 shares held in treasury) (31 December 2013: US\$0.96 based on 69,629,236 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.

A total of \$3.4 million has been committed to be invested in the Terra Argentine Fund ("TAF") a fund managed by the Manager. The Manager has waived all duplicate fees on this investment pursuant to an agreement

Directors of the Company

Howard Golden and Filip Montfort are directors of the Manager. The Manager was appointed at the EGM held on 24 May 2012. Following the EGM, Mr Golden and Mr Yarden 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 either a director of, or an advisor to (Mr Mariuma) 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. The performance fee for the period ending 30 June 2014 was US\$1,472,639 (30 June 2013: US\$233,197).

Expenses

In addition, the Company shall be responsible for the payment of certain 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 and any other out-of-pocket expenses in excess of this maximum shall be borne by the Investment Manager.

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 2014: Financial assets at fair value through profit or loss (all quoted equity securities, except Terra Argentina Fund LP):

Security name	Number	US\$'000
Ardent Leisure Group	807,977	2,065
Brac Bank Ltd	3,592,039	1,207
Square Pharma	486,752	1,755
Bahrain Commercial Facilities	200,000	355
SEEF Properties	1,313,897	693
U-Blox Holding AG	6,589	874
Crnogorski Telekom AD Podgoric	222,624	1,127
Eurobank Properties Real Estate Inv Co	86,181	1,020
Portucel Empresa Produtora	259,423	1,215
Silvano Fashion Group	267,000	738
Societe de la Tour Eiffel	13,450	1,070
VIB Verboegen	74,979	1,421
Bank of Georgia Holdings	38,300	1,539
Qingling Motors	3,608,000	1,024
Hrvatski Telekom	36,228	994
Allami Nyomda	553,679	1,809
National Commercial Bank Jamaica	5,431,719	871
Scotia Group	5,429,031	924
Equity Bank Ltd	2,011,000	1,055
Housing Finance Co Ltd	4,309,900	2,100
Daelim Industrial Preference Shares	33,290	1,232
Hyundai Motor Co Preference Shares	9,760	1,461
Kumho Petro Chemical -Preference Shares	28,940	1,042
Lotte Chilsung Beverage Co-Preference Shares	749	583
Shinyoung Securities	8,370	346
Komercijalna Banka AD (Macedonia)	28,845	1,326
Oman Cement Company	720,950	1,468
Oman Refreshment Company	175,000	1,100
Ferreycorp SAA	1,665,624	1,129
Refineria La Pampilla SA	3,408,102	389
Kernal Holdings	70,122	770
Al Khaleej Bank	273,078	1,473
Gulf Warehousing	66,000	814
Masraf Al Rayan	22,500	281
Galenika Fitofarmacija	41,372	1,271
Komercijalna Banka AD (Serbia)	15,383	318
Arted SA (Automobile Reaseau Tunisien)	172,026	761
One Tech Holding	26,500	108

Notes to the consolidated financial statements continued

7 Financial assets at fair value through profit or loss continued

Tunisie Leasing	56,335	712
Blom Bank GDS	144,872	1,355
City of Kiev Ukraine 06/11/2015	250,000	228
IRSA SP-ADR	145,630	2,387
JSC Acron	308,792	1,080
Lebanese GDS Class A	68,573	926
Terra Argentina Fund LP	340,000	340
Hau Giang Pharmaceutical	75,853	348
Hung Vuong Corporation	721,500	793
Imexpharm Pharmaceutical	534,772	1,351
Onatel BF	84,477	1,289
		50,537

8 Trade and other receivables

	30 June 2014 US\$'000	31 December 2013 US\$'000
Prepayments and other receivables	472	224
	472	224

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 2014	Period ended 30 June 2013
Profit attributable to equity holders of the Company (US\$'000)	5,835	1,548
Weighted average number of ordinary shares in issue (thousands) (excluding 8,876,423 held in treasury (2013: excluding 7,026,423 held in treasury))	69,021	70,229
Earnings per share (cent per share)	8.45	2.20

10 Share capital

	30 June 2014 US\$'000	31 December 2013 US\$'000
Authorised:		
400,000,000 Ordinary shares of US\$0.10 each	40,000	40,000
Allotted, Called-up and Fully-Paid:		
68,379,236 (31 December 2013: 69,629,236) Ordinary shares of US\$0.10 each in issue, with full voting rights	6,838	6,963
8,876,423 (31 December 2013: 7,626,423) Ordinary shares of US\$0.10 each in issue, held in treasury	888	763
	7,726	7,726

Notes to the consolidated financial statements continued

10 Share capital continued

During the 6 month period to 30 June 2014 the Company repurchased 1,250,000 Ordinary shares at a cost of US\$1,000,000. As at 30 June 2014, 8,876,423 Ordinary shares are retained in treasury (31 December 2013 7,626,423). The Ordinary shares held in treasury have no voting rights and are not entitled to dividends

11 Taxation

	30 June 2014 US\$'000	31 December 2013 US\$'000
Balance at 1 January	2,286	10,837
Withholding taxes on dividends received	90	-
Tax paid	(90)	-
Foreign exchange revaluation	22	31
Balance at 31 December	2,308	10,868

Following disposal of the AIA Tower in Macau in 2011 this liability remains outstanding until receipt of the final tax assessment from the Macau authorities.

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.

12 Directors' remuneration

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

13 Trade and other payables

	30 June 2014 US\$'000	31 December 2013 US\$'000
Sundry creditors and accruals	1,840	1,512
Total	1,840	1,512

14 Contingent liabilities and capital commitments

The Company has committed to invest a total \$3,400,000 in Terra Argentine Fund L.P. The first call of \$340,000 was due and paid at 30 June 2014 leaving a total commitment outstanding of \$3,060,000.

15 Post balance sheet events

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