

**TERRA CAPITAL PLC**

**Consolidated Interim Report**

30 June 2015

## CONTENTS

	Page
Directors and advisers	2
Chairman's statement	3
Report of the investment manager	4-7
Unaudited consolidated financial statements of the company:	
- Consolidated income statement	8
- Consolidated statement of comprehensive income	9
- Consolidated balance sheet	10
- Consolidated statement of changes in equity	11
- Consolidated statement of cash flows	12
- Notes to the consolidated financial statements	13-19

## Directors and advisers

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

## Chairman's Statement

The Net Asset Value at 30 June 2015 stood at \$0.967 against \$0.979 at the end of 2014. When taking in to account the dividend of 3.72 cents per share paid in February, this NAV represents a total return for the six month period of 2.6% and a dividend yield based on the closing sales midpoint of the Company's shares on January 27 2015 (the declaration date) of 4.35%.

As noted in our annual report, following the Extraordinary General Meeting (the "EGM") held in January, the Board has negotiated with our Investment Manager to reduce its fees from 2 per cent. per annum of the aggregate net asset value to 1.25 per cent. per annum. Additionally the performance fee has been reduced from 20 per cent. of the increase (if any) in the Net Asset Value per Ordinary Share to 12 per cent. Both concessions which will inure to the benefit of the shareholders and hopefully make the company more interesting to new investors.

The EGM also saw the introduction of further measures to mitigate the discount to Net Asset Value at which our shares trade in the Market. These include the undertaking of a tender offer in the event that the Company's shares trade at an average discount of 12 per cent. over the 9 month period ending 31 December in any year and now providing an opportunity for investors to realise their investment at Net Asset Value less costs in 2018. It was the Board's belief that the provision of a termination date for the fund would be the very best way to finally eliminate the persistent discount to NAV which the Company's shares have traded in the past and the narrowing of the discount seems to have vindicated this view.

The full details of these changes can be found in the circular to shareholders on our website [www.terracapitalplc.com](http://www.terracapitalplc.com).

The fund's holdings at June 30 comprised 61 positions with exposure to 26 currencies and is performing quite well on both an absolute basis and a relative basis as outlined in the Investment Manger's report below.

Sincerely yours,

Dirk Van den Broeck

Chairman

14 August 2015

## Report of the Investment Manager

### **TCA's 2<sup>nd</sup> Quarter 2015 Return & Portfolio**

The Fund's NAV rose to 0.9672 at June 30, 2015 from 0.0.9394 as of March 31, 2015, resulting in a net NAV return of 2.96% for the quarter.

The Fund's investment level (equity, fixed income and hedging) decreased from 92.08% at March 31 (including its commitment to Terra Argentine Fund) to 87.80% at June 30 due to decreases in its positions in Europe, Middle East and the Americas with only slight additions to the portfolio.

#### **Europe**

The Fund's exposure to Europe declined slightly from 25.18% to 24.10%, while still retaining the crown as being the Fund's largest regional allocation. The Fund increased its holdings in three current positions and reduced three positions. Investments were increased in Italy and Bulgaria while its holdings in Switzerland, Germany and Serbia were reduced.

#### **Asia**

The Fund's holdings in Asia remained stable at 19.16%; however this was a result of the Fund reducing its holding in China while increasing its position in Kazakhstan.

#### **Middle East**

The Fund's exposure to the Middle East declined from 16.98% to 15.04% on sales in three of the Fund's four Qatari positions, one of which was liquidated entirely. One position in Qatar was increased, while current positions, Lebanon and Oman were increased.

#### **Africa**

The allocation to Africa remained stable at 11.77%. The Fund's two positions in Kenya were reduced, while the Fund added one new position in Nigeria.

#### **Americas**

The portfolio's allocation to the Americas decreased from 18.52% to 16.90%. The Fund sold off a portion of one Argentine position which had increased substantially during the first half of the year, while adding a new position in Jamaica.

#### **Fund Details**

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

Terra Capital plc Interim Report 30 June 2015

Country	Security	Shares	Market value	% of Fund	Change in Share Holdings	Price Return (local currency)	Total Return (local currency)
<b>AFRICA</b>							
Burkina Faso	Onatel BF	84,477	1,348,664	2.04%	No Change	17.94%	35.94%
Tunisia	ARTES	246,934	961,202	1.46%	No Change	6.29%	6.29%
South Africa	Onelogix Group	2,281,292	928,162	1.41%	No Change	-1.00%	-1.00%
Tunisia	One Tech Holding	248,305	914,396	1.38%	No Change	-8.41%	-5.54%
Tunisia	Tunisie Leasing	87,818	895,154	1.36%	No Change	-9.55%	-5.00%
South Africa	Holdsport	202,501	873,825	1.32%	No Change	7.56%	10.94%
Kenya	Equity Bank	1,606,000	767,996	1.16%	Decrease	-8.65%	-8.65%
Nigeria	UAC of Nigeria	2,547,886	544,078	0.82%	New	31.17%	37.35%
Uganda	Umeme	2,940,000	418,347	0.63%	No Change	-4.86%	-0.91%
Kenya	Housing Finance Kenya	457,525	125,517	0.19%	Decrease	-26.85%	-24.93%
			7,777,341	11.77%			
<b>AMERICAS</b>							
Argentina	Terra Argentine Fund LP - os Commitment		2,040,000	3.09%	No Change		
Argentina	IRSA	87,133	1,564,037	2.37%	Decrease	-8.93%	-8.93%
Jamaica	National Commercial Bank Jamaica	5,431,719	1,365,630	2.07%	No Change	15.33%	17.12%
Peru	Refineria La Pampilla	17,808,102	1,120,183	1.70%	No Change	21.21%	21.21%
Jamaica	Scotia Group Jamaica	5,429,031	1,092,810	1.65%	No Change	6.85%	6.85%
Peru	Ferreycorp	2,150,387	960,387	1.45%	No Change	0.71%	4.96%
Panama	Copa Holdings	11,165	922,117	1.40%	No Change	-18.20%	-17.37%
Argentina	Terra Argentine Fund LP - Series 2	510,000	613,323	0.93%	No Change	-9.11%	-9.11%
Jamaica	Jamaica Money Market Brokers	8,500,000	551,924	0.84%	New	6.23%	8.50%
Argentina	Terra Argentine Fund LP - Series 3	510,000	535,762	0.81%	No Change	-9.11%	-9.11%
Argentina	Terra Argentine Fund LP - Series 1	340,000	400,156	0.61%	No Change	-9.11%	-9.11%
			11,166,328	16.90%			
<b>ASIA</b>							
Bangladesh	Square Pharma	559,764	1,887,112	2.86%	No Change	-0.34%	-0.34%
Bangladesh	Brac Bank	3,592,039	1,815,071	2.75%	No Change	14.58%	14.58%
Vietnam	Imexpharm Pharmaceutical	802,158	1,671,277	2.53%	No Change	-1.73%	2.16%
China	Qingling Motors	3,042,615	1,024,483	1.55%	Decrease	-7.77%	-2.12%
Vietnam	Hung Vuong	1,115,188	995,772	1.51%	No Change	-5.34%	-5.34%
Georgia	Bank of Georgia Holdings	31,280	958,278	1.45%	No Change	12.39%	12.43%

## Terra Capital plc Interim Report 30 June 2015

Australia	Ardent Leisure Group	554,606	927,534	1.40%	No Change	-3.13%	-3.13%
Kazakhstan	Kcell	95,844	831,926	1.26%	Increase	-7.17%	9.23%
Korea	Lotte Chilsung beverage Preferred	749	784,255	1.19%	No Change	43.14%	43.74%
Korea	Kumho Petro Chemical Preferred	17,850	632,074	0.96%	No Change	-1.25%	-1.25%
Korea	Hyundai Motor Preferred	4,880	446,223	0.68%	No Change	-8.11%	-8.11%
Korea	Shinyoung Securities	8,370	424,692	0.64%	No Change	-10.16%	-10.16%
Vietnam	Hau Giang Pharmaceutical	75,853	255,292	0.39%	No Change	-17.88%	-14.53%
			12,653,987	19.16%			
<b>EUROPE</b>							
Hungary	Any Security Printing	553,679	1,876,281	2.84%	No Change	-0.10%	7.71%
Serbia	Galenika-Fitofarmacija	82,744	1,609,597	2.44%	No Change	12.05%	16.11%
Russia	JSC ACRON	308,792	1,174,954	1.78%	No Change	8.86%	14.43%
Italy	QF Polis	1,405	1,158,746	1.75%	Increase	-6.57%	-6.57%
Slovenia	Gorenje Velenje	175,399	1,133,797	1.72%	No Change	9.31%	9.31%
Switzerland	U-Blox	4,999	1,011,022	1.53%	Decrease	11.29%	12.24%
Montenegro	Crnogorski Telekom	222,624	1,002,382	1.52%	No Change	-11.20%	-1.31%
Portugal	Portucell	259,423	997,488	1.51%	No Change	-17.25%	-9.46%
Macedonia	Komercijalna Banka AD Skopje	28,845	924,486	1.40%	No Change	-4.32%	-4.32%
Ukraine	Kernel Holding	86,323	866,891	1.31%	No Change	2.39%	3.06%
Croatia	Hrvatski Telekom	36,228	821,313	1.24%	No Change	-4.80%	-0.48%
Germany	Vib Vermoegen	37,042	660,533	1.00%	Decrease	-5.74%	-5.74%
Serbia	Komercijalna Banka Serbia	29,895	553,307	0.84%	Decrease	-2.44%	3.17%
Bulgaria	Monbat	115,000	550,474	0.83%	No Change	1.33%	1.33%
Russia	X5 Retail	29,846	496,936	0.75%	No Change	8.47%	8.47%
Estonia	Silvano Fashion Group	267,000	392,794	0.59%	No Change	-3.65%	-3.65%
Italy	QF BNL Portfolio IMM	719	384,636	0.58%	Increase	-12.41%	-12.41%
Bulgaria	Speedy	16,818	301,696	0.46%	Increase	-4.61%	-1.42%
			15,917,332	24.10%			
<b>MIDDLE EAST</b>							
Qatar	Ale Meera	21,218	1,472,574	2.23%	Increase	15.92%	20.05%
Lebanon	Blom Bank	144,872	1,448,720	2.19%	No Change	-0.99%	5.58%
Oman	Oman Refreshment	175,000	1,136,511	1.72%	No Change	0.00%	0.00%
Qatar	Doha Bank	77,678	1,134,951	1.72%	Decrease	5.77%	5.77%
Lebanon	Soldiere	87,753	995,997	1.51%	Increase	2.71%	2.71%
Oman	Oman Cement	720,950	988,860	1.50%	No Change	12.29%	12.29%
Oman	Bank Sohar	2,049,283	984,848	1.49%	Increase	2.37%	2.37%

**Terra Capital plc Interim Report 30 June 2015**

Bahrain	SEEF Properties	1,313,897	703,942	1.07%	No Change	3.09%	3.09%
Qatar	Gulf Warehousing Company	32,600	678,663	1.03%	Decrease	26.76%	26.76%
Bahrain	Bahrain Commercial Facilities Company	200,000	389,889	0.59%	No Change	-3.90%	-3.90%
Qatar	Al Khaliji Bank	0	0	0.00%	Liquidated	11.49%	11.49%

---

9,934,955 15.04%

Total Equity Holdings 57,449,943 86.97%

Cash 8,061,820 12.20%

**FIXED INCOME**

Ukraine	City of Kiev Municipal Bonds	844,000	438,270	0.66%	No Change
---------	------------------------------	---------	---------	-------	-----------

**HEDGING**

XDE Put Dec 2015 @ 1.12	65	23,075	0.03%	New
XDE Put Dec 2015 @ 1.09	75	18,300	0.03%	New
XDE Put Dec 2015 @ 1.11	55	17,325	0.03%	New
XDE Put March 2016 @ 1.12	40	16,320	0.02%	New
XDE Put March 2016 @ 1.11	40	14,760	0.02%	New
XDE Put Dec 2015 @ 1.10	50	13,900	0.02%	New
XDE Put Mar 2016 @ 1.10	10	3,300	0.00%	New
XDE Put Mar 2016 @ 1.09	10	2,980	0.00%	New
XDE Put Dec 2015 @ 1.05	0	0	0.00%	Liquidated
XDE Put Dec 2015 @ 1.06	0	0	0.00%	Liquidated

---

109,960 0.17%

Total Fund 66,059,993

**RESPECTFULLY SUBMITTED BY:**

**Terra Partners Asset Management Limited**

Suite 8/5A, Portomaso Tower, Portomaso Avenue,  
St. Julian's STJ 4011 Malta

Regulated by the Malta Financial Services Authority, Reg. No. C 56353



## Unaudited consolidated income statement

	Note	For the period from 1 January 2015 to 30 June 2015 US\$'000	For the period from 1 January 2014 to 30 June 2014 US\$'000
<b>Income</b>			
Interest income on cash balances		5	17
Interest income on bonds		34	-
Dividend income on quoted equity investments		1,881	1,708
Realised gain on sale of financial assets at fair value through profit or loss		2,433	2,606
Net changes in fair value on financial assets at fair value through profit or loss		(1,806)	3,976
<b>Total net income</b>		<b>2,547</b>	<b>8,307</b>
Manager's fees	6	(385)	(2,154)
Audit and professional fees		(45)	56
Other expenses		(367)	(284)
<b>Administrative and other expenses</b>		<b>(797)</b>	<b>(2,382)</b>
<b>Profit before tax</b>		<b>1,750</b>	<b>5,925</b>
Taxation	11	-	(90)
<b>Profit for the period</b>		<b>1,750</b>	<b>5,835</b>
Earnings per share (cent per share) for the period	9	<b>2.56</b>	<b>8.45</b>

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 2015 to 30 June 2015 US\$'000	For the period from 1 January 2014 to 30 June 2014 US\$'000
<b>Profit for the period</b>	<b>1,750</b>	<b>5,835</b>
<b>Other comprehensive income</b>		
Foreign exchange differences	(11)	(139)
<b>Total comprehensive profit for the period</b>	<b>1,739</b>	<b>5,696</b>

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

## Unaudited consolidated balance sheet

	Note	Unaudited At 30 June 2015 US\$'000	Audited At 31 December 2014 US\$'000
Financial assets at fair value through profit or loss	7	55,935	52,749
Funds held in escrow		2,255	2,279
Trade and other receivables	8	176	161
Cash and cash equivalents		10,004	14,057
<b>Total current assets</b>		<b>68,370</b>	<b>69,246</b>
<b>Total assets</b>		<b>68,370</b>	<b>69,246</b>
Issued share capital	10	7,726	7,726
Capital redemption reserve		5,274	5,274
Retained earnings		52,216	53,007
Foreign currency translation reserve		840	851
<b>Total equity</b>		<b>66,056</b>	<b>66,858</b>
<b>Total current liabilities</b>			
Taxation	11	1,939	1,939
Due to broker		-	-
Trade and other payables	13	375	449
<b>Total current liabilities</b>		<b>2,314</b>	<b>2,388</b>
<b>Total liabilities</b>		<b>2,314</b>	<b>2,388</b>
<b>Total equity and liabilities</b>		<b>68,370</b>	<b>69,246</b>
<b>Net Asset Value per share</b>	5	<b>0.97</b>	<b>0.98</b>

Approved by the Board of Directors on 14 August 2015

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 2015

	Share capital	Retained earnings	Capital redemption reserve	Foreign currency translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2015	7,726	53,007	5,274	851	<b>66,858</b>
Profit for the period	-	1,750	-	-	<b>1,750</b>
Other comprehensive income					
Foreign exchange translation differences	-	-	-	(11)	<b>(11)</b>
Total comprehensive profit	-	1,750	-	(11)	<b>1,739</b>
Dividends paid	-	(2,541)	-	-	<b>(2,541)</b>
Shares repurchased to be held in treasury	-	-	-	-	-
Total contributions by and distributions to owners	-	(2,541)	-	-	<b>(2,541)</b>
<b>Balance at 30 June 2015</b>	<b>7,726</b>	<b>52,216</b>	<b>5,274</b>	<b>840</b>	<b>66,056</b>

For the six months ended 30 June 2014

	Share capital	Retained earnings	Capital redemption reserve	Foreign currency translation reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2014	7,726	52,736	5,274	851	<b>66,587</b>
Profit for the period	-	5,835	-	-	<b>5,835</b>
Other comprehensive income					
Foreign exchange translation differences	-	-	-	(139)	<b>(139)</b>
Total comprehensive profit	-	5,835	-	(139)	<b>5,696</b>
Dividends paid	-	(2,291)	-	-	<b>(2,291)</b>
Shares repurchased to be held in treasury	-	(1,000)	-	-	<b>(1,000)</b>
Total contributions by and distributions to owners	-	(3,291)	-	-	<b>(3,291)</b>
<b>Balance at 30 June 2014</b>	<b>7,726</b>	<b>55,280</b>	<b>5,274</b>	<b>712</b>	<b>68,992</b>

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

## Unaudited consolidated statement of cash flows

	For the period from 1 January 2015 to 30 June 2015 US\$'000	For the period from 1 January 2014 to 30 June 2014 US\$'000
<b>Operating activities</b>		
Profit before tax	1,750	5,925
Adjustments for:		
Net changes in fair value on financial assets at fair value through profit or loss	1,806	(3,976)
Taxation charge	-	90
Finance income	(39)	17
Finance costs	2	(3)
<b>Operating gain/(loss) before changes in working capital</b>	<b>3,519</b>	<b>2,053</b>
Increase/(decrease) in trade and other receivables	9	(248)
Decrease in trade and other payables	(74)	328
	<b>3,454</b>	<b>2,133</b>
Taxation paid	-	(90)
Net finance costs paid	(2)	(3)
Interest received	39	17
<b>Cash flows generated from/(used in) operating activities</b>	<b>3,491</b>	<b>2,057</b>
<b>Investing activities</b>		
Purchase of financial assets	(9,049)	(11,848)
Proceeds from sale of financial assets	4,057	6,489
Funds held at Brokers	-	(219)
<b>Cash flows used in investing activities</b>	<b>(4,992)</b>	<b>(5,578)</b>
<b>Financing activities</b>		
Purchase of shares	-	(1,000)
Dividends paid	(2,541)	(2,291)
<b>Cash flows used in financing activities</b>	<b>(2,541)</b>	<b>(3,291)</b>
Net decrease in cash and cash equivalents	(4,042)	(6,812)
Adjustment for foreign exchange	(11)	42
Cash and cash equivalents at beginning of period	14,057	29,109
<b>Cash and cash equivalents at end of period</b>	<b>10,004</b>	<b>22,339</b>

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. At that same meeting the shareholders approved a plan to sell off the Company's real estate portfolio and change its investment mandate to investing in equities primarily in the Frontier and Emerging markets. This investment mandate was subsequently refined in an EGM held on the 26<sup>th</sup> January 2015 when the fees paid to the investment manager were also reduced and a potential wind up date for the fund in 2018. To obtain full details, all of the documentation may be found on the Company's website <http://www.terracapitalplc.com/regulatory-news>.

The interim consolidated financial statements of Terra Capital plc as at, and for, the six months ended 30 June 2015 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 2014 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](http://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 in Frontier markets 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 2014.

These condensed consolidated interim financial statements were approved by the Board of Directors on 14 August 2015.

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 2014.

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 2014.

### 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 real estate investment property,(see note 1) 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 2015 US\$'000	Period ended 30 June 2014 US\$'000
Bank interest income	5	17
Finance income	5	17
Bank charges	(2)	(3)
Finance costs	(2)	(3)
<b>Net finance income</b>	<b>3</b>	<b>14</b>

### 5 Net asset value per share

The net asset value per share as at 30 June 2015 is US\$0.97 based on 68,299,236 ordinary shares in issue as at that date (excluding 8,956,423 shares held in treasury) (31 December 2014: US\$0.98 based on 68,299,236 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. It was determined by the Board that this was the most efficient method of obtaining a diversified investment in this market and 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.

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 the immediate predecessor to the current investment manager until the current investment manager, Terra Partners Asset Management, Limited ("TPAM") received its license in Malta and then the Investment Management Contract was assigned to TPAM to be the Group's 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*

Following an EGM held on 26 January 2015, the Manager shall be entitled to receive a management fee equal to 1.25 per cent. *per annum* of the aggregate Net Asset Value of the Company during the relevant fee payment period (previously 2.0 per cent.), 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*

Following the EGM held on 26 January 2015, the Manager is also entitled to receive a performance fee equal to 12 per cent. (previously 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 2015 was US\$ Nil (30 June 2014: US\$1,472,639).

#### *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 2015: 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	554,606	926
Brac Bank Ltd	3,592,039	1,802
Square Pharma	559,764	1,873
Monbat AD	115,000	550
Speedy AD	16,818	302
Bahrain Commercial Facilities	200,000	390
SEEF Properties	1,313,897	704
U-Blox Holding AG	4,999	1,011
Crnogorski Telekom AD Podgoric	222,624	1,002
Gorenje Velenje	175,399	1,134
Polis Bank QF	1,405	1,159
Portucel Empresa Produtora	259,423	997
QF BNL Portfolio	719	385
Silvano Fashion Group	267,000	393
VIB Verboegen	37,042	661
Bank of Georgia Holdings	31,280	958
Qingling Motors	3,042,615	1,024
Hrvatski Telekom	36,228	821
Allami Nyomda	553,679	1,876
Jamaica Money Market Brokers	8,500,000	552
National Commercial Bank Jamaica	5,431,719	1,360
Scotia Group	5,429,031	1,088
Equity Bank Ltd	1,606,000	768
Housing Finance Co Ltd	457,525	126
Hyundai Motor Co Preference Shares	4,880	446
Kumho Petro Chemical -Preference Shares	17,850	632
Lotte Chilsung Beverage Co-Preference Shares	749	781
Shinyoung Securities	8,370	425
Komercijalna Banka AD (Macedonia)	28,845	924
Bank Sohar	2,049,283	985
Oman Cement Company	720,950	989
Oman Refreshment Company	175,000	1,137
Ferreycorp SAA	2,150,387	960
Refineria La Pampilla SA	17,808,102	1,120
Kernal Holdings	86,323	867
Al Meera Consumer Goods	21,218	1,473
Doha Bank	77,678	1,135
Gulf Warehousing	32,600	679
Galenika Fitofarmacija	82,744	1,610
Komercijalna Banka AD (Serbia)	29,895	553

## Notes to the consolidated financial statements continued

### 7 Financial assets at fair value through profit or loss continued

Artes SA	246,934	967
One Tech Holding	248,305	920
Tunisie Leasing	87,818	900
Blom Bank GDS	144,872	1,449
City of Kiev Ukraine 06/11/2015	844,000	432
X5 Retail	29,846	497
Kcell	95,844	832
Copa Holdings	11,165	922
IRSA SP-ADR	87,133	1,564
JSC Acron	308,792	1,175
Lebanese GDS Class A	87,753	996
Terra Argentina Fund LP	1,360,000	1,549
Hau Giang Pharmaceutical	75,853	255
Hung Vuong Corporation	1,115,188	996
Imexpharm Pharmaceutical	802,158	1,671
Umeme	2,940,000	418
UAC of Nigeria	2,547,886	544
Onatel BF	84,477	1,359
Holdsport	202,501	874
Onelogix Group	2,281,292	928
XDE Put options	345	109
		<b>55,935</b>

## Notes to the consolidated financial statements continued

**8 Trade and other receivables**

	30 June 2015 US\$'000	31 December 2014 US\$'000
Prepayments and other receivables	176	161
	<b>176</b>	<b>161</b>

**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 2015	Period ended 30 June 2014
Profit attributable to equity holders of the Company (US\$'000)	1,750	5,835
Weighted average number of ordinary shares in issue (thousands) (excluding 8,956,423 held in treasury (2014: excluding 8,956,423 held in treasury))	68,299	69,021
<b>Earnings per share (cent per share)</b>	<b>2.56</b>	<b>8.45</b>

**10 Share capital**

	30 June 2015 US\$'000	31 December 2014 US\$'000
Authorised:		
400,000,000 Ordinary shares of US\$0.10 each	40,000	40,000
Allotted, Called-up and Fully-Paid:		
68,299,236 (31 December 2014: 68,299,236) Ordinary shares of US\$0.10 each in issue, with full voting rights	6,830	6,830
8,956,423 (31 December 2014: 8,956,423) Ordinary shares of US\$0.10 each in issue, held in treasury	896	896
	<b>7,726</b>	<b>7,726</b>

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 2015, 8,956,423 Ordinary shares are retained in treasury (31 December 2014 8,956,423). The Ordinary shares held in treasury have no voting rights and are not entitled to dividends

**11 Taxation**

	30 June 2015 US\$'000	31 December 2014 US\$'000
Balance at 1 January	1,939	2,286
Withholding taxes on dividends received	155	232
Tax paid	(155)	(579)
<b>Balance at 31 December</b>	<b>1,939</b>	<b>1,939</b>

## Notes to the consolidated financial statements continued

### 11 Taxation continued

Following disposal of the AIA Tower in Macau in 2011 the local authorities imposed a tax liability which the Directors and Investment Manager felt was wrongly calculated. This liability remains outstanding until confirmation of the final tax assessment from the Macau authorities, but it has been fully provisioned for in the accounts and does not affect the calculation of the Net Assets of the Group.

#### Isle of Man taxation

The Company is resident in the Isle of Man which means that it pays income tax at 0%. The Company pays a corporate charge of £390 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 2015 US\$'000	31 December 2014 US\$'000
Sundry creditors and accruals	375	449
<b>Total</b>	<b>375</b>	<b>449</b>

### 14 Contingent liabilities and capital commitments

The Company has committed to invest a total \$3,400,000 in Terra Argentine Fund L.P. A total of \$1,360,000 has been called and paid as at 30 June 2015 leaving a total commitment outstanding of \$2,040,000. It is not known whether this amount will be called up during the limited life of this investment.

### 15 Post balance sheet events

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