

**TERRA CAPITAL PLC**

**Consolidated Interim Report**

30 June 2017

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## Directors and advisers

<b>Directors</b>	Dirk Van den Broeck (Non-executive Chairman) Peter Bartlett (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>	Gowling WLG (UK) 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 2017 stood at \$1.085 against \$1.016 at the end of 2016. This NAV represents a total return for the six month period of 6.79%.

The Company's holdings at June 30 comprised 57 positions with exposure to 26 currencies and continues to perform well.

In accordance with the revisions to the discount control policy approved by shareholders in 2015, a tender offer was undertaken in February returning 10% of shareholder's funds. As a result of making the tender offer the Board of Directors decided that no dividend would be paid for 2016.

The Investment Manager has continued to maintain a diverse portfolio of undervalued assets.

Further details can be found on the Company's website <http://terracapitalplc.com/>.

Sincerely yours,

Dirk Van den Broeck

Chairman

26 September 2017

## Report of the Investment Manager

The Fund's NAV increased to \$1.085 at June 30, 2017 from \$1.076 at March 31, 2017, a net total return of 1.4% for the quarter.

The Fund's investment level (equity, fixed income and hedging) decreased from 98.5% at March 31 (including commitment to Terra Argentine Fund, L.P.) to 85.9% at June 30. The large decrease in invested level is the result of sales in the portfolio as well as the removal of the Terra Argentine Fund, L.P. commitment following this fund's letter of August 2, 2017 explaining that the Uncalled Capital Commitments shall be cancelled upon final distribution of the investment.

### **Specific Areas of Investment**

#### **Europe**

The Fund's exposure to Europe increased from 21.7% to 22.8% and is the largest regional allocation. The Fund increased its positions KCELL (Kazakhstan) and Speedy (Bulgaria). It decreased its positions in Crnogorski Telekom (Montenegro) and X5 Retail Group (Russia).

#### **Americas**

The allocation to the Americas decreased from 30.9% to 20.8% and is the Fund's second largest regional allocation. The Fund increased its position in Refineria La Pampilla (Peru) and decreased its positions in Copa Holdings (Panama), IRSA (Argentina), Terra Argentine Fund (Argentina), and National Commercial Bank (Jamaica). It liquidated its position in Scotia Group (Jamaica).

#### **Middle East**

The Fund's exposure to the Middle East decreased on the quarter from 17.4% to 16.6%. The Fund increased its positions in Blom Bank (Lebanon), Bank Muscat (Oman), Gulf Warehousing (Qatar), BBK (Bahrain), Gulf Hotels Group (Bahrain), Ooredoo (Oman), Amanat Holdings (UAE), and Oman Cement (Oman). It decreased its position in Al Meera (Qatar) and liquidated its position in Air Arabia (UAE).

#### **Africa**

The Fund's exposure to Africa decreased from 14.0% to 12.9%. The Fund increased its positions in Emaar Misr (Egypt), Holdsport (South Africa), African Oxygen (South Africa), and Onatel (Burkina Faso). It decreased its position in Coop Bank (Kenya) and liquidated its position in Onelogix (South Africa).

#### **Asia**

The allocation to Asia decreased from 14.5% to 12.8%. The Fund increased its positions in Travellers Hotels (Philippines), Belle Corporation (Philippines), and Qingling Motors (China). It decreased its position in Great Wall Motor Company (China) and liquidated its position in Bank of Georgia (Georgia).

### **Fund Details**

Details of the Company's holdings may be found in note 8 on pages 13 to 14

### **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 2017 to 30 June 2017 US\$'000	For the period from 1 January 2016 to 30 June 2016 US\$'000
<b>Income</b>			
Net changes in fair value on financial assets at fair value through profit or loss		(1,151)	2,291
Realised gain on sale of financial assets at fair value through profit or loss		4,192	174
Interest income on cash balances		6	8
Interest income on bonds		-	-
Dividend income on quoted equity investments		2,405	1,884
<b>Total net income</b>		<b>5,452</b>	<b>4,357</b>
Manager's fees	6	(409)	(364)
Audit and professional fees		(70)	(59)
Other expenses		(807)	(538)
<b>Administrative and other expenses</b>		<b>(1,286)</b>	<b>(961)</b>
<b>Profit before tax</b>		<b>4,166</b>	<b>3,396</b>
Taxation	12	(174)	(229)
<b>Profit for the period</b>		<b>3,992</b>	<b>3,167</b>
Basic and diluted earnings per share (cents per share) for the period	10	<b>6.26</b>	<b>4.64</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 2017 to 30 June 2017 US\$'000	For the period from 1 January 2016 to 30 June 2016 US\$'000
<b>Profit for the period</b>	<b>3,992</b>	<b>3,167</b>
<b>Other comprehensive income</b>		
Foreign exchange differences	-	-
<b>Total comprehensive profit for the period</b>	<b>3,992</b>	<b>3,167</b>

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

## Unaudited consolidated balance sheet

	Note	Unaudited At 30 June 2017 US\$'000	Audited At 31 December 2016 US\$'000
Financial assets at fair value through profit or loss	8	57,276	58,143
Trade and other receivables	9	451	208
Cash and cash equivalents		10,452	12,430
<b>Total current assets</b>		<b>68,179</b>	<b>70,781</b>
<b>Total assets</b>		<b>68,179</b>	<b>70,781</b>
Issued share capital	11	6,830	7,726
Retained earnings		53,676	56,377
Capital redemption reserve		6,170	5,274
<b>Total equity</b>		<b>66,676</b>	<b>69,377</b>
<b>Total current liabilities</b>			
Taxation	12	422	373
Trade and other payables	14	1,081	1,031
<b>Total current liabilities</b>		<b>1,503</b>	<b>1,404</b>
<b>Total liabilities</b>		<b>1,503</b>	<b>1,404</b>
<b>Total equity and liabilities</b>		<b>68,179</b>	<b>70,781</b>
<b>Net Asset Value per share</b>	5	<b>1.09</b>	<b>1.02</b>

Approved by the Board of Directors on 26 September 2017

Ian Dungate

Director

Dirk van den Broeck

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 2017

	Share capital	Retained earnings	Capital redemption reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2017	7,726	56,377	5,274	<b>69,377</b>
Profit for the period	-	3,992	-	<b>3,992</b>
Other comprehensive income				
Total comprehensive profit	-	3,992	-	<b>3,992</b>
Dividends paid				
Shares in treasury cancelled	(896)	-	896	-
Shares subject to tender offer		(6,693)	-	<b>(6,693)</b>
Total contributions by and distributions to owners	(896)	(6,693)	896	(6,693)
<b>Balance at 30 June 2017</b>	<b>6,830</b>	<b>53,676</b>	<b>6,170</b>	<b>66,676</b>

For the six months ended 30 June 2016

	Share capital	Retained earnings	Capital redemption reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2016	7,726	50,177	5,274	<b>63,177</b>
Profit for the period	-	3,167	-	<b>3,167</b>
Other comprehensive income				
Total comprehensive profit	-	3,167	-	<b>3,167</b>
Dividends paid	-	(2,212)	-	<b>(2,212)</b>
Shares repurchased to be held in treasury	-	-	-	-
Total contributions by and distributions to owners	-	(2,212)	-	(2,212)
<b>Balance at 30 June 2016</b>	<b>7,726</b>	<b>51,132</b>	<b>5,274</b>	<b>64,132</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 2017 to 30 June 2017 US\$'000	For the period from 1 January 2016 to 30 June 2016 US\$'000
<b>Operating activities</b>		
Profit before tax	4,166	3,396
Adjustments for:		
Net changes in fair value on financial assets at fair value through profit or loss	(3,041)	(2,291)
Finance income	(6)	(8)
Finance costs	-	-
<b>Operating gain before changes in working capital</b>	<b>1,119</b>	<b>1,097</b>
(Increase)/decrease in trade and other receivables	(243)	(294)
Increase/(decrease) in trade and other payables	50	161
	(193)	(133)
Taxation paid	(174)	(230)
Net finance costs paid	-	-
Interest received	6	8
<b>Cash flows generated from operating activities</b>	<b>758</b>	<b>742</b>
<b>Investing activities</b>		
Net purchase of financial assets	-	(3,016)
Net sale of financial assets	3,957	-
Funds held at Brokers	-	-
<b>Cash flows used in investing activities</b>	<b>3,957</b>	<b>(3,016)</b>
<b>Financing activities</b>		
Purchase of shares	(6,693)	-
Dividends paid	-	(2,212)
<b>Cash flows used in financing activities</b>	<b>(6,693)</b>	<b>(2,212)</b>
Net decrease in cash and cash equivalents	(1,978)	(4,486)
Adjustment for foreign exchange	-	(18)
Cash and cash equivalents at beginning of period	12,430	11,182
<b>Cash and cash equivalents at end of period</b>	<b>10,452</b>	<b>6,678</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 2017 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 2016 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 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 September 2017.

The Group has one segment focusing on achieving capital appreciation while attempting to 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 2016.

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 2016.

### 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.

Certain investments are in illiquid/inactive markets and classified as Level 2 in the IFRS 7 fair value Hierarchy (see note 7).

## Notes to the consolidated financial statements continued

### 4 Finance income and costs

	Period ended 30 June 2017 US\$'000	Period ended 30 June 2016 US\$'000
Bank interest income	6	8
Finance income	6	8
Bank charges	(3)	(5)
Finance costs	(3)	(5)
<b>Net finance income</b>	<b>3</b>	<b>3</b>

### 5 Net asset value per share

The net asset value per share as at 30 June 2017 is US\$1.09 based on 61,469,312 ordinary shares in issue as at that date (excluding 6,829,924 shares held in treasury) (31 December 2016: US\$0.94 based on 68,299,236 ordinary shares (excluding 8,956,423 shares held in treasury)).

### 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 was 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. Following some realisations and return of funds, at 30 June 2017, the value of the investment In TAF stood at \$442,000 with no further commitments outstanding.

### 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 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 until his resignation on 16 December 2015.

Mr Dungate is a director of the administrator.

Directors remuneration is disclosed in note 13

## 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

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, 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 12 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 2017 was US\$ Nil (30 June 2016: US\$ Nil).

#### 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 shall be paid by the Company a fixed fee of US\$100,000 per annum, payable quarterly in arrears.

For the preparation of the financial statements the Administrator shall be paid by the Company US\$3,000 per set.

In the event that the Administrator provides secretarial services to the Company, the Administrator shall be paid an annual fee of US\$8,000. The Administrator shall be entitled to additional fees for such general secretarial services based on time and charges where the number of board meetings or general meetings exceeds for per annum. The Administrator shall be entitled to an attendance fee of US\$750 per day or part thereof where the Administrator attends a board meeting or general meeting which is not held in the Isle of Man.

## Notes to the consolidated financial statements continued

### 7 Fair value hierarchy

IFRS 7 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

US\$50,541,000 (31 December 2016: US\$49,328,000) of the Company's investments are classed as level 1 investments and US\$6,735,000 (31 December 2016: US\$8,815,000) of the Company's investments are classed as level 2 investments.

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

#### Group

30 June 2017: Financial assets at fair value through profit or loss (all quoted equity securities, except Terra Argentina Fund LP):

Security name	Number	US\$'000
ABU DHABI Commercial Bank (ADCB UH)	558,000	1,066
Amanat Holdings	2,430,000	754
Square Pharma	522,707	1,871
Summit Power	2,596,398	1,307
Speedy EAD-Sofia	47,518	1,191
Bank of Bahrain and Kuwait	980,000	1,017
Gulf Hotel Group	704,700	970
BB Votorantim (B65JNX7)	54,300	999
FDO S F Lima 2188023	589,582	390
Fi Projecto Agua Branca	1,800	171
Fii BM Edificio Galeria B8C2Zb5	39,200	569
Fii Torre Almirante B0B23L6	1,020	536
Fii Vila Olimpia Cor	34,000	838
SDI Logistica Rio	25,244	682
Emaar Misr for Development	7,361,000	1,105
Crnogorski Telekom	217,624	534
Gorenje Velenje	175,399	1,262
Polis Banc QF	1,789	1,189
QF BNL Portfolio	845	433
Silvano Fashion Group	148,299	473
Great Wall Motor Company	548,600	677
Qingling Motors Co Ltd	3,362,615	1,126
Allami Nyomda (Hungarian Printing Co)	558,238	2,830
JMMB Group Limited	8,500,000	1,316
National Commercial Bank Jamaica Ltd	5,066,649	2,750
Co-operative Bank of Kenya	5,290,700	840
Residences Dar Saada	60,083	1,096
Komercijalna Banka	28,845	1,413

## Notes to the consolidated financial statements continued

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

Security name	Number	US\$'000
Nigerian Breweries (6637286)	244,747	112
Bank Muscat	1,104,454	1,072
Oman Cement Company	601,950	696
Oman Refreshment Company	175,000	908
Ooredoo (OMAN)	699,000	816
Ferreycorp SAA	2,107,381	1,174
Refineria La Pampilla SA	15,133,411	1,048
Belle Corp 6090180	15,700,000	1,191
RFM Corporation	11,003,750	970
Travellers International Hot BFG0SX7	19,782,000	1,355
Fabryki Mebli Forte	58,000	1,289
Kernel Holdings	61,923	1,084
Al Meera Consumer Goods	6,119	223
Gulf Warehousing	79,577	1,025
Galenika Fitofarma	79,115	1,972
Artes SA	246,934	828
One Tech Holding	248,305	1,004
Tunisie Leasing	84,522	536
Tunisie Leasing Rights	3,296	21
Blom Bank GDS	137,672	1,666
Copi Holdi NPV	15,154	1,773
IRSA SP ADR	49,498	1,194
KCell JT	397,630	1,471
Lebanese GDS	114,499	870
Terra Argentina Fund	275,774	442
X5 Retail Group	2,478	86
Onatel BF	60,809	984
African Oxygen	692,000	1,030
Holdsport Limited	230,501	1,031
<b>Total</b>		<b>57,276</b>

## Notes to the consolidated financial statements continued

**9 Trade and other receivables**

	30 June 2017 US\$'000	31 December 2016 US\$'000
Prepayments and other receivables	451	208
	<b>451</b>	<b>208</b>

**10 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 2017	Period ended 30 June 2016
Profit attributable to equity holders of the Company (US\$'000)	3,992	3,167
<i>Weighted average number of ordinary shares in issue (thousands) (excluding 6,829,924 held in treasury (2015: excluding 8,956,423 held in treasury))</i>	63,809	68,299
<b>Earnings per share (cent per share)</b>	<b>6.26</b>	<b>4.64</b>

**11 Share capital**

	30 June 2017 US\$'000	31 December 2016 US\$'000
Authorised:		
400,000,000 Ordinary shares of US\$0.10 each	40,000	40,000
Allotted, Called-up and Fully-Paid:		
61,469,312 (31 December 2015: 68,299,236) Ordinary shares of US\$0.10 each in issue, with full voting rights	6,147	6,830
6,829,924 (31 December 2015: 8,956,423) Ordinary shares of US\$0.10 each in issue, held in treasury	683	896
	6,830	7,726

As at 1 March 2017 6,829,924 shares were repurchased and placed in treasury and 8,623,423 shares previously held in treasury were cancelled. The Ordinary shares held in treasury have no voting rights and are not entitled to dividends

**12 Taxation**

	30 June 2017 US\$'000	31 December 2016 US\$'000
Balance at 1 January	373	229
Withholding taxes on dividends received	174	565
Tax paid	(125)	(421)
<b>Closing Balance</b>	<b>422</b>	<b>373</b>



## Notes to the consolidated financial statements continued

### 12 Taxation continued

#### 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.

### 13 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 Bartlett are each entitled to remuneration of US\$30,000 per annum from the respective dates of their appointments.

### 14 Trade and other payables

	30 June 2017 US\$'000	31 December 2016 US\$'000
Sundry creditors and accruals	1,503	1,031
Total	1,503	1,031

### 15 Contingent liabilities and capital commitments

The Company has no outstanding capital commitments as at 30 June 2017.

### 16 Post balance sheet events

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