25 June 2013

Africa Opportunity Fund Limited (AOF.L)
Announcement of Annual Results for the Year ended 31 December 2012

The Board of Africa Opportunity Fund Limited ("AOF", the "Company" or the "Fund") is pleased to announce its audited results for the year ended 31 December 2012.

The Company

AOF is a Cayman Islands incorporated closed-end investment company traded on the AIM market of the London Stock Exchange. Its net asset value on 31 December 2012 was US$41.1 million and its market capitalisation wasUS$32.4 million.

Chairman's Statement

2012 Review

2012 was a buoyant year for world markets and a somewhat muted year for the Africa Opportunity Fund Ltd. AOF's audited net asset value generated a 4.4% return, including dividends, while the share price of AOF declined 10.4%.

To provide some basis for comparison, in Africa South Africa rose 21%, Nigeria rose 45%, Kenya rose 34%, and Egypt rose 37%. In non-African emerging markets, China rose 7%, Brazil fell 2%, Russia rose 15%, and India rose 18%. In developed markets, Japan rose 25%, the US rose 16%, and the UK rose 9%.[1]

At the end of the year 85% of the portfolio was in equities and 15% was in cash and bonds, a further shift towards equities that has been underway since 2011. While it is frustrating to underperform several African indices, it is also the first year of underperformance after several years of outperformance. Most important, most of the portfolio companies in which AOF is invested made significant operational progress during the year and hold attractive return prospects. Sonatel, for example, increased its subscribers by 26% while earning a 54% Ebitda margin. Following on years of steady operational improvements, Okomu Palm Oil announced an intention to double its palm oil milling capacity from 30 tonnes per hour to 60 tonnes per hour in 2014.

Outlook

As discussed previously, our primary investment focus remains identifying goods and services which consumers will demand regardless of domestic political or economic conditions. Our concerns that commodity investments may represent a derivative of China's aggregate demand have served us well, as mining shares have suffered significantly. If only we had eliminated mining investments altogether shareholders would have benefited further. On a happier note, AOF recently built significant holdings in the insurance sector and these have performed superbly.

It has been conventional investing wisdom for investors to seek high returns in Africa to compensate for high levels of volatility and risk. Yet, economies require reasonably priced equity and debt capital to experience rapid growth. Those African economies striving to reduce the degree of uncertainty experienced by investors are likely to be rewarded with lower costs of equity and debt capital. One of the simplest and most effective ways to assess whether uncertainty is increasing or decreasing is in the methods used for resolving national electoral disputes. Are disputes handled in a court of law or by methods of violence? Resort to peaceful means of resolving electoral disputes is a proxy for respect for the rule of law. In that regard, countries like Ghana which use the courts to settle heated electoral disputes are beacons of an improving Africa. Growing numbers of well educated members of Africa's middle class tend to live in those countries. For the investor, lengthening vistas of predictability and peace in a country justify a lower cost of capital for that country.

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[1] Reference Indexes are calculated in US dollars using : Nigeria NSE Index, South Africa Allshare, Nairobi NSE Index, Egypt Hermes Index, Russia MICEX Index, Brazil IBOV Index, the Shanghai composite index, the India SENSEX Index, the S&P 500, the FTSE 100, and the Nikkei 225.

It is worth reiterating that, to investors in Africa, fiscal imbalances and currency depreciations are a feature of everyday life. It is far from axiomatic that local currency-denominated governmental promises or debt instruments should be revered as risk-free obligations. Care and caution are required, especially as emerging market currencies globally are on a weakening trend. But business can flourish despite these factors and in Africa this has been more the rule than the exception.

We remain excited about the attractive opportunities available to us today and optimistic about AOF's prospects. In closing, as always, we thank our shareholders for their support and partnership.

Robert C. Knapp
Chairman
June 2013

Manager's Report

The Fund's major theme of 2012 was increasing its exposure to African equity securities. The end-of-year allocation of 85% in equities was the largest since the inception of the Fund. At year-end, the Fund had $36.9 million in equity securities, $5.2 million invested in debt securities, $3.6 million in cash; and derivative and short sale liabilities equal to $4.5 million. Its underlying end-of-year holdings were in Botswana, Cote d'Ivoire, the Democratic Republic of Congo, the Republic of Congo, Egypt, Ghana, Nigeria, Senegal, South Africa, Zambia, and Zimbabwe. Our lodestar for measuring the Fund's portfolio is our estimate of its appraisal value per share. That somewhat subjective estimate measures the Manager's view of the long-term attractiveness of the portfolio. It was $1.27 per share at the end of 2012, in comparison to a closing price of $0.76 and a 2011 appraisal value per share of $1.16.

Overall, 2012 was a challenging year for the Fund, insofar as the total return was less than most African regional indices like the Dow Jones Africa Titans Top 40 Index. At the same time, as active managers we do not seek to beat any particular index but rather look for superior value while minimizing risk. It is inevitable that we will experience periods of under-performance, but so long as we outperform the relevant benchmarks over the long term then we will be satisfied.

2012 saw a rise in interest in Africa as an investment destination by the global institutional investment community. The most dramatic illustration of this new trend was evident in the African sovereign debt market. Zambia received $12 billion of bids for a maiden $500 million sovereign debt issue. It ended up issuing $750 million of debt in that issue in 2012. The yields in the secondary market for US Dollar denominated debt of African issuers like Gabon, Ghana, and Nigeria fell to record lows - below 3% for Gabon US Dollar denominated sovereign debt due 2017, as an example. Global emerging market funds, several Africa funds, and other institutional investors evinced a strong interest in the securities of the larger and more liquid African companies, especially when they appeared cheaper than other emerging market peers. Heineken's subsidiary, Nigerian Breweries, illustrates this phenomenon by trading today at a P/E ratio of 33 despite pedestrian revenue and profit results. Furthermore, the Kenyan, Egyptian, and Nigerian markets were recovering from steep declines in 2011. Thus, the bigger African stock markets - South Africa, Nigeria, Kenya, and Egypt - had excellent returns.

AOF's hunt for bargains led it away from those large and liquid issues. There were two other factors behind our modest exposure to markets like Egypt and Kenya. Both the Kenyan Shilling and Egyptian Pound seemed susceptible to sudden and sharp depreciation: because of the high budget deficits, as a percentage of gross domestic product, and disappearing foreign exchange reserves in the case of Egypt; and high current account deficit, as a percentage of gross domestic product, of Kenya in 2011 and 2012. Consequently, exporters or companies with earnings likely to be resilient in US Dollar were our preference as investment targets. Few of them, however, had profitability measures that met our standards. Nevertheless, we continue to look for investment opportunities in those markets.

The biggest disappointment of 2012 came from the bankruptcy of Great Basin Gold ("GBG"). We devoted several paragraphs to GBG in last year's annual report. Our hope that it would increase production at the Burnstone Mine in South Africa proved misplaced. A brief recapitulation is in order. GBG provided 2012 production guidance of 6,000 ounces in Q1 2012 ramping up to approximately 34,000 ounces in Q4. The actual outcome was 6,671 ounces in Q1 and 6,392 ounces in Q2, a shortfall which led to a liquidity squeeze and the rapid collapse of its shares. This collapse occurred in the face of assurances by management that it would meet its production guidance. In short, we suspect the management was at the very least negligent. We will not ever know for certain, and we will always seek every precaution to avoid such an outcome, but it is an unfortunate reality with investing anywhere in the world that mistakes will happen. In our self-assessment afterwards we acknowledge that these sorts of mistakes are more common with mining enterprises, and we will be less likely to pursue them in the future. With some chagrin, we recall the quote attributed to Mark Twain that "a gold mine is a hole in the ground owned by a liar".

It is time to turn to more pleasant developments of 2012. Our best investment last year was in the equity of Nigeria based Okomu Oil PLC ("Okomu"), which enjoyed a total return of 110%. Okomu operates palm oil and rubber plantations, and since the end of 2012 its share price has appreciated by an additional 30%. We expect that Okomu's earnings in 2013 will be materially lower than its earnings in 2012. Both palm oil and rubber prices have been weak since Q3, 2012. Nevertheless, we continue to like Okomu because the productivity of its existing stock of trees will rise as it matures and Okomu is expanding its plantation area under cultivation. Despite the enormous rally, Okomu remains an attractive investment for the Fund.

Another source of satisfying returns in 2012 was Standard Chartered Bank Ghana ("Standard Chartered"). Its life in the AOF portfolio exemplifies some of the conundrums of investing in Africa, as well as our constant search for the best African operators in specific industries endowed with business models that can withstand dramatic inflationary outbursts or currency collapses. AOF started buying in January 2010. By the end of 2011, it had acquired 65% of its closing 2012 position. AOF acquired the balance of its Standard Charted holdings in the second half of 2012. AOF had an unrealized loss of 17% on its closing 2011 position when it started adding to its Standard Chartered holdings in 2012. Most of that loss was from the decline of the Ghana Cedi as government bonds soared to 24% yields despite a Ghanaian inflation rate of 9%. For us, a Cedi-denominated risk-free rate of 24% implied that only Ghanaian companies with earnings yields of 24% or higher (corresponding to Price/Earnings ratios of 4.2X or lower) were suitable investment targets. Yet, at the end of July, Standard Chartered traded on a P/E ratio of 11.3X (corresponding to an earnings yield of 8.9%) and, even worse from a valuation perspective, a Price/Book ratio of 3.7X. Despite its alluring financial metrics - a 33% return on equity, a 4% return on assets, a 17% capital adequacy ratio, and a 43% cost-to-income ratio - it did not appear to fit our screening criteria. Furthermore, other Ghanaian banks, and banks in other African markets like Mauritius, Kenya, and Nigeria appeared to be cheaper than Standard Chartered. Banks listed on the Kenyan and Nigerian markets had the additional virtues arising from the superior size and liquidity of their markets when compared to the size and liquidity of the Ghana Stock Exchange, plus declining nominal interest rates to ignite those markets. However, there were some other facts suggesting that Standard Chartered did indeed fit our screening criteria.

The first fact was that Standard Chartered had a record of growing its earnings per share, over time, in US Dollars, despite dramatic collapses of the Cedi. It's US Dollar denominated earnings and dividends per share rose 429% and 1,062% respectively between 1992 and 2011, despite the Cedi depreciating by 4,357% against the US Dollar over the same period. That long-term record suggested that Standard Chartered's business model was hedged against the risk of a collapsing Cedi. The second fact was that the Ghana government had an outstanding medium-term US Dollar denominated government bond - its 8.5% 10/04/2017 bond. It was priced to yield 5.5% at the end of July 2012. That pricing for that US dollar denominated Ghana government issue could be interpreted to mean that the subset of Ghanaian companies with a history, and ability, of maintaining or increasing their earnings in US Dollars deserved to be valued against that Dollar-denominated bond rather than the Cedi-denominated government bonds. An earnings yield of 5.5% suggested maximum P/E ratios of 18X. By that measure, Standard Chartered fell within our screening criteria. Better still, its financial metrics were superior to those of banks in almost all other African markets. Best of all, at 14% in real or inflation-adjusted terms in 2012, Ghanaian banks had one of the most lucrative markets in which to earn interest income anywhere in the world. While Ghana's leading financial analysts advised clients to refrain from adding to their Standard Chartered Bank holdings, we resumed our purchases of Standard Chartered.

The 2012 results of Standard Chartered were announced in late February. They exceeded our expectations: a return on equity of 50% on a leverage ratio of 7.5%, a cost-to-income ratio of 37%, and a return on assets of 6%. In US Dollar terms, Standard Chartered's after tax profits rose 51%, after accounting for the 16% depreciation of the Cedi against the US Dollar in 2012. In addition, its non-interest income alone exceeded its entire operating or noninterest expenses. Put another way, Standard Chartered in 2012 combined the income statement of a property and casualty insurance company generating underwriting profits with the leverage ratios of a commercial bank. Net interest income, after credit losses, fell straight to its bottom line and its shareholders. There are two noteworthy features of Standard Chartered's business model: low branch maintenance costs because it has a modest national network of only 23 branches; and high non-interest income as a percentage of its net interest income. Non-interest income equaled 66% of net interest income in 2012. We are confident that Standard Chartered Bank's current profitability ratios represent a plateau of some sort. Growing competition is the ineluctable reward for such results. There can be little doubt, though, that Standard Chartered will remain an excellent bank.

Our review of 2012 would be incomplete without a discussion of the Fund's holding of Shoprite. The possibility of litigation about AOF's Shoprite shares which we mentioned briefly in last year's annual report is becoming a certainty. Shoprite has conveyed to us its intention to seek to reverse the allegedly unauthorized trades in its shares. In its briefest form, we bought shares on the Lusaka Stock Exchange via open market purchases only to learn later that some of the shares sold were apparently treasury shares of Shoprite. The Company now claims its shares should not have been sold and that we should have known better than to buy them. The argument to us is absurd. Anonymity is a cornerstone of stock market trading and we had no knowledge of the identities of the different sellers of Shoprite shares. Furthermore, it is one thing to know that Shoprite is the seller of shares in Zambia (which we did not); it is another thing, totally unrelated, to deduce from that knowledge that the seller of Shoprite shares is allegedly engaged in unauthorized or fraudulent transactions. We cannot think of any reason why we should have suspected, let alone known, as reasonable stock market traders, that Shoprite was a victim of such transactions. Apparently Shoprite has a claim against its agent; however, based on legal advice obtained from Zambian, South African, and English counsel, we believe any claims against AOF will be successfully defended. To date nothing has been filed at Court by Shoprite though we have been advised by Shoprite that the filing of court papers is imminent. We believe that our title to the Shoprite shares is valid and that we will be able to rebut the arguments that we believe are being advanced by Shoprite. In the meantime, unsurprisingly, Shoprite's conduct has had the effect of discouraging trading of Shoprite shares in Zambia and harming the interests of legitimate shareholders like AOF. We will take all steps in our power to defend any legal action that may possibly be taken by Shoprite against AOF and to recover any losses that may arise as a result of Shoprite's conduct.

The remainder of this report comprises commentary on two of the Fund's largest equity investments and a restatement of the Manager's investment philosophy.

> *Sonatel*. This Senegalese integrated telephone operator listed on the Bourse Regionale de Valeurs Mobiliers is the Fund's largest investment. Sonatel has operations in Senegal, Mali, Guinea, and Guinea-Bissau. It has 100% of Senegal's fixed line market and 63% of Senegal's overall telephony market, 64% of Mali's mobile telephony market, 34% of Guinea's mobile telephony market, and 39% of the mobile telephony market in Guinea-Bissau. Despite the civil war which erupted in Mali in 2012, Sonatel's subscribers grew by 26% in 2012 to 18.3 million. At 23% for the 2012 financial year, Sonatel's net margin remains among the highest in Africa. Sonatel's impressive growth in subscriber numbers, coupled with the 7.6% depreciation in the average rate of the CFA Franc against the US Dollar in 2012 versus 2011 exacted a cost through a decline in operating cash flow per telephone subscriber from $50 to $39. Free cash flow per subscriber, after capital expenditure, remained flat at $24. Measures of Sonatel's profitability and financial sobriety continue to be

exemplary: a debt to equity ratio of 4%, a debt to total assets ratio of 3%; and a return on average equity of 29%. Yet, as of March 27, 2013, with an enterprise value around $2.9 billion and a market capitalization of $3.1 billion, Sonatel had one of the cheaper African telephone operator valuations with a PE ratio of 11.7X and an enterprise value per subscriber of $159.

African Bank. African Bank Investments Limited ("ABIL") is the largest consumer finance company in South Africa and Africa. It is the holding company for African Bank ("African Bank"), a bank, and Ellerines Brothers, a furniture retailing company. Its subsidiaries grant unsecured loans to individuals and sell furniture and various electronic household appliances. Its customers are members of the emerging middle class and its average loan size is 12,650 Rands (or $1,509). It turns out that 2012 was a year of bad publicity for ABIL. Consumer finance companies were accused of gouging striking miners. In some quarters, they were cited as a factor behind the terrible Marikana strikes. To compound its publicity woes, South Africa's National Credit Regulator accused it of reckless lending in early February 2013 in a case where African Bank was the victim of a fraud committed by its customers and a few of its employees. All the while ABIL continued to make loans and operate its business. ABIL's funding strategy is rare. It funds itself long term to make loans of shorter duration. As of Sept 30, 2012, its ratio of tangible shareholders equity to tangible assets declined from 17.3% in 2011 to 15.2%. Its tier 1 capital adequacy ratio declined also from 23.2% to 21.4%. Those high capital ratios permit African Bank to incur high non-performing loans and bad debts in its market. African Bank has strong liquidity ratios, with maturing liabilities at any one time being half of maturing assets. ABIL's return on average assets declined from 5.1% in 2011 to 4.5% in 2012. But, its return on average equity increased from 18% to 20% and its return on average tangible equity was 36%. ABIL had a market capitalization on March 27 of $2.63 billion. It traded on a PE ratio of 8.9X, a Price/Book ratio of 1.7X, and a Price/Tangible Book of 2.8X.

We end with a statement of our investing philosophy. The key elements of the investment strategy for the Fund are:

Material discounts to intrinsic value: The Fund invests primarily where and when an investment can be made at a material discount to the Manager's estimate intrinsic value.

Company preference: The Fund prefers companies which demonstrate both high real returns on assets and an earnings yield higher than the yield to maturity of local currency denominated government debt.

Industry focus rather than country focus: The Fund seeks to invest in industries it finds attractive with little regard to national borders.

National resource discounts: The Fund seeks natural resource companies whose market valuations reflect a discount to the spot and future world market prices for those natural resources.

"Turnaround" countries: The African continent is home to a large number of reforming or "turnaround" countries. "Turnaround" countries combine secular political reform with the opening of industries to private sector participation.

Balkanized investment landscape: The Fund seeks to invest in companies with low valuations in relation to peers across the continent and uses an arbitrage approach to provide attractive investment returns.

Point of entry: The Fund seeks the most favorable risk adjusted point of entry into a capital structure, whether through financing a new company or acquiring the debt or listed equity of an established company.

Africa offers several attractive investment opportunities. The Fund's own portfolio of undervalued companies exemplifies Africa's appeal. As of the end of March 2013, AOF's combined top 10 holdings juxtaposed high operational returns with low valuation ratios, signifying strong earning power. Those holdings had a weighted average dividend yield of 5.7%, a P/E ratio of 7.5X, a return on assets of 13%, and a return on equity of 27%. We remain interested in industries which have products in short supply in Africa that rely more on the domestic African demand than the global growth. We are hunting in those terrains for compelling equity investments. We shall continue to build a portfolio that delivers both capital growth and income to the shareholders of the Fund.

Francis Daniels

Africa Opportunity Partners
June 2013

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012	2011
		USD	USD
Income			
Interest revenue		**499,088**	623,513
Dividend revenue		**2,290,379**	1,765,815
Net gains on financial assets and liabilities at fair value through profit or loss	2 (c)	**1,179,622**	-
Other income		**-**	270,728
Net foreign exchange gain		**-**	294,353
		3,969,089	2,954,409
Expenses			
Management fee	5	**783,329**	797,020
Net loss on financial assets and liabilities at fair value through profit or loss	2 (c)	**-**	590,098
Brokerage fees and commissions		**394,126**	311,590
Net foreign exchange loss		**302,410**	-
Custodian, secretarial and administration fees		**268,509**	204,383
Dividend expense on securities sold not yet purchased		**190,792**	47,865
Other operating expenses		**130,766**	49,345
Directors' fees		**80,000**	80,000
Audit fees		**51,003**	43,861
		2,200,935	2,124,162
Profit before tax		**1,768,154**	830,247
Withholding tax		**54,798**	120,075
Profit after tax		**1,713,356**	710,172
Other comprehensive income		**-**	-

Total comprehensive income for the year		**1,713,356**	710,172
Attributable to:			
Equity holders of the Company		**1,692,704**	697,435
Non controlling interest		**20,652**	12,737
		1,713,356	710,172
Basic and diluted earnings per share attributable to the equity holders of the Company during the year	4	**0.0397**	0.0164

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	**2012**	2011
		USD	USD
ASSETS			
Cash and cash equivalents		**3,633,587**	783,953
Trade and other receivables		**600,158**	524,088
Financial assets at fair value through profit or loss	2(a)	**42,159,300**	42,449,713
Total assets		**46,393,045**	43,757,754
EQUITY AND LIABILITIES			
LIABILITIES			
Trade and other payables		**385,910**	187,869
Dividend payable	6	**110,839**	76,735
Financial liabilities at fair value through profit or loss	2(b)	**4,545,885**	3,412,740
Total Liabilities		**5,042,634**	3,677,344
EQUITY			
Share capital	3	**426,303**	426,303
Share premium		**38,262,525**	38,705,880
Retained earnings		**2,367,924**	675,220
Equity attributable to equity holders of parent		**41,056,752**	39,807,403
Non controlling interest		**293,659**	273,007
Total equity		**41,350,411**	40,080,410
Total equity and liabilities		**46,393,045**	43,757,754

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Notes	Share capital	Share premium	Retained Earnings	Total	Non controlling interest	Total equity
		USD	USD	USD	USD	USD	USD
At 1 January 2011		426,303	39,012,818	(22,215)	39,416,906	260,270	39,677,176
Profit for the year		-	-	697,435	697,435	12,737	710,172
Other comprehensive income		-	-	-	-	-	-
Dividend	6	-	(306,938)	-	(306,938)	-	(306,938)
At 31 December 2011		426,303	38,705,880	675,220	39,807,403	273,007	40,080,410
Profit for the year		-	-	1,692,704	1,692,704	20,652	1,713,356
Other comprehensive income		-	-	-	-	-	-
Dividend	6	-	(443,355)	-	(443,355)	-	(443,355)
At 31 December 2012		**426,303**	**38,262,525**	**2,367,924**	**41,056,752**	**293,659**	**41,350,411**

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 USD	2011 USD
Operating activities			
Profit for the year		1,713,356	710,172
Adjustment for non cash items:			
Unrealised (gain)/loss on financial assets at fair value through profit or loss	2(a)	(402,503)	1,354,903
Realised gain on sale of financial assets at fair value through profit or loss	2(a)	(1,794,594)	(8,607)
Unrealised loss/(gain) on financial liabilities held for trading	2(b)	616,120	(597,169)
Realised loss/(gain) on financial liabilities held for trading	2(b)	401,355	(159,029)
Effect of exchange rate on cash and cash equivalents		302,410	(231,549)
Cash generated from operating activities		836,144	1,068,721
Net changes in operating assets and liabilities			
Purchase of financial assets at fair value through profit or loss		(9,901,868)	(13,113,900)
Proceeds on disposal of financial assets at fair value through profit or loss		12,489,663	10,641,593
Proceeds on derecognition of financial liabilities held for trading		2,612,418	1,504,345
Purchase of financial liabilities held for trading		(2,496,748)	(3,386,809)
(Increase)/decrease in trade and other receivables		(76,070)	168,220
Increase/(decrease) in trade and other payables		97,756	(1,514,942)
Net cash generated from/(used in) operating activities		2,725,151	(5,701,493)
Financing activities			
Dividend paid	6	(409,251)	(306,938)
Net cash flow used in financing activities		(409,251)	(306,938)
Net increase/(decrease) in cash and cash equivalents		3,152,044	(4,939,710)
Effect of exchange rate on cash and cash equivalents		(302,410)	231,549
Cash and cash equivalents at the start of the year		783,953	5,492,114
Cash and cash equivalents at the end of the year	9	3,633,587	783,953

1. GENERAL INFORMATION

Africa Opportunity Fund Limited (the "Company") was admitted to trading on the AIM Market of the London Stock Exchange plc in July 2007.

Africa Opportunity Fund Limited is a closed-ended fund incorporated with limited liability and registered in Cayman Islands under the Companies Law on 21 June 2007, with registered number MC-188243.

The Company aims to achieve capital growth and income through investment in value, arbitrage, and special situations investments in the continent of Africa. The Company therefore may invest in securities issued by companies domiciled outside Africa which conduct significant business activities within Africa. The Company has the ability to invest in a wide range of asset classes including real estate interests, equity, quasi-equity or debt instruments and debt issued by African sovereign states and government entities.

The Company's investment activities are managed by Africa Opportunity Partners Limited, a limited liability company incorporated in the Cayman Islands and acting as the investment manager pursuant to an Investment Management Agreement dated 18 July 2007.

To ensure that investments to be made by the Company, and the returns generated on the realisation of investments, are both effected in the most tax efficient manner, the Company has established Africa Opportunity Fund L.P. as an exempted limited partnership in the Cayman Islands. All investments made by the Company are made through the limited partnership. The limited partners of the limited partnership are the Company and AOF CarryCo Limited. The general partner of the limited partnership is Africa Opportunity Fund (GP) Limited.

The consolidated financial statements for the Company for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 24 June 2013.

Presentation currency

The consolidated financial statements are presented in United States dollars ("USD").

2. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

2(a) Financial assets at fair value through profit or loss

	2012	2011
	USD	USD
Designated at fair value through profit or loss:		
At 1 January	**42,449,714**	41,323,702
Additions	**10,002,153**	13,113,900
Disposals	**(10,695,070)**	(10,632,986)
Net gains/(losses) on financial assets at fair value through profit or loss	**402,503**	(1,354,903)
At 31 December (at fair value)	**42,159,300**	42,449,713
Analysed as follows:		
- Listed equity securities	**35,919,415**	32,435,424
- Listed debt securities	**4,403,959**	7,514,040
- Unlisted equity securities	**1,025,122**	2,300,249
- Unlisted debt securities	**810,804**	200,000
	42,159,300	42,449,713

Net changes on fair value of financial assets at fair value through profit or loss	**2012**	2011
	USD	USD

Realised	**1,794,594**	8,607
Unrealised	**402,503**	(1,354,903)
Total gains/(losses)	**2,197,097**	(1,346,296)

2(b) Financial liabilities at fair value through profit or loss

	2012	2011
	USD	USD
Written call options	**153,200**	-
Written put options	**472,580**	46,250
Listed equity securities sold short	**3,920,105**	3,366,490
Financial liabilities held for trading	**4,545,885**	3,412,740

	2012	2011
	USD	USD
Net changes on fair value of financial liabilities at fair value through profit or loss		
Realised	**(401,355)**	159,029
Unrealised	**(616,120)**	597,169
Total (losses)/gains	**(1,017,475)**	756,198

2(c) Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

	2012	2011
	USD	USD
Net gains/(losses) on fair value of financial assets at fair value through profit or loss	**2,197,097**	(1,346,296)
Net (losses)/gains on fair value of financial liabilities at fair value through profit or loss	**(1,017,475)**	756,198
Net gains/(losses)	**1,179,622**	(590,098)

2(d) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value - 2012

	31 December 2012	Level 1	Level 2	Level 3
	USD	USD	USD	USD
Financial assets at fair value through profit or loss:				
Equities	**36,944,537**	**35,919,415**	**1,025,122**	**-**
Debt securities	**5,214,763**	**-**	**4,678,959**	**535,804**
	42,159,300	**35,919,415**	**5,704,081**	**535,804**
Financial liabilities at fair value through profit or loss	**4,545,885**	**3,920,105**	**625,780**	**-**

Assets measured at fair value - 2011

	31 December 2011	Level 1	Level 2	Level 3
	USD	USD	USD	USD
Financial assets at fair value through profit or loss:				
Equities	34,735,673	32,435,424	2,300,249	-
Debt securities	7,714,040	-	7,514,040	200,000
	42,449,713	32,435,424	9,814,289	200,000
Financial liabilities at fair value through profit or loss	3,412,740	3,366,490	46,250	-

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	2012	2011
Financial assets at fair value through profit or loss	**USD**	USD
Opening balance	**200,000**	1,588,916
Additions	**-**	-
Disposals	**-**	(1,263,933)
Net transfers out of level 3	**(200,000)**	(124,983)
Net transfers in level 3	**535,804**	-
Closing balance	**535,804**	200,000
Total gains and losses included in profit or loss for assets held at the end of the reporting period	**(890,421)**	(21,486)

3. SHARE CAPITAL

	2012	**2012**	2011	2011
	Number	**USD**	Number	USD
Authorised share capital				
Ordinary shares with a par value of USD 0.01	**1,000,000,000**	**10,000,000**	1,000,000,000	10,000,000

Share capital				
At 1 January	**42,630,327**	**426,303**	42,630,327	426,303
At 31 December	**42,630,327**	**426,303**	42,630,327	426,303

The directors have the general authority to repurchase the ordinary shares in issue subject to the Company having funds lawfully available for the purpose. However, if the market price of the ordinary shares falls below the Net Asset Value, the directors will consult with the Investment Manager as to whether it is appropriate to instigate a repurchase of the ordinary shares.

4. EARNING PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

The Company's diluted earnings per share is the same as basic earnings per share, since the Company has not issued any instrument with dilutive potential.

		2012	2011
Earnings attributable to equity holders of the Group	USD	**1,692,704**	697,435
Weighted average number of ordinary share in issue		**42,630,327**	42,630,327
Earnings per share	USD	**0.0397**	0.0164

5. RELATED PARTY DISCLOSURES

The Directors consider Africa Opportunity Fund Limited as the ultimate holding company of Africa Opportunity Fund (GP) Limited and Africa Opportunity Fund L.P.

The financial statements include the financial statements of Africa Opportunity Fund Limited and its subsidiaries as follows:

Name	**Country of incorporation**	**% equity interest 2012**	% equity interest 2011
Africa Opportunity Fund (GP) Limited	Cayman Islands	**100**	100
Africa Opportunity Fund L.P.	Cayman Islands	**99.05**	99.12

During the period ended 31 December 2012, the Company transacted with related entities. The nature, volume and type of transactions with the entities are as follows:

Name of related parties	**Type of relationship**	**Nature of transaction**	**Volume USD**	**Balance at 31 Dec 2012 USD**

Africa Opportunity Partners Limited	Investment Manager	Management fee expense	**783,329**	**189,785**

During the period ended 31 December 2011, the Company transacted with related entities. The nature, volume and type of transactions with the entities are as follows:

Name of related parties	Type of relationship	Nature of transaction	Volume USD	Balance at 31 Dec 2011 USD
Africa Opportunity Partners Limited	Investment Manager	Management fee expense	797,020	-

Key Management Personnel (Directors' fee)

Except for Francis Daniels and Robert Knapp who have waived their fees, each director has been paid a fee of USD 20,000 per annum plus reimbursement for out-of pocket expenses.

Francis Daniels and Robert Knapp who are directors of the Company are also shareholders of the Investment Manager.

Francis Daniels and Robert Knapp who are directors of the Company also form part of the executive team of the Investment Manager. Details of the agreement with the Investment Manager are disclosed in Note 5. They have a beneficiary interest in AOF CarryCo Limited. The latter is entitled to carry interest computed in accordance with the rules set out in the Admission Document. The total carried interest is 20%.

Details of investments in the Company by the Directors are set out below:

	No of shares held	Direct interest held %
2012	**10,875,827**	**25.51**
2011	10,875,827	25.51

6. DIVIDEND PAYMENT

The Company expressed in the Admission Document for the Alternative Investment Market of the London Stock Exchange on which it is listed an intention, subject to having sufficient cash resources, to pay an aggregate annual dividend of an amount equal to the product of the net asset value of the Company on January 01 in each year multiplied by the three month US Dollar London Interbank Offered Rate (derived from Bloomberg) on the same date, payable in four equal quarterly installments. However, the dividend payments made in 2011 and 2012 were in excess of the basis stated in the Admission Document, as the Company utilises the one year US Dollar London Interbank Offered Rate for the calculation of the dividend rate.

Dividend - payable		**2012 USD**	2011 USD
Dividend declared and paid		**332,516**	230,203
Dividend payable		**110,839**	76,735
		443,355	306,938
Dividend per share	US cents	**1.04**	0.72
Opening balance - dividend payable		**76,735**	76,735
Additions		**443,355**	306,938

Payment	**(409,251)**	(306,938)
Closing balance	**110,839**	76,735

7. EVENTS AFTER THE REPORTING DATE

There was no event after the reporting date which requires disclosures or adjustments to the financial statements.

Share Price

Prices of Africa Opportunity Fund Limited are published daily in the Daily Official List of the London Stock Exchange. The shares trade under Reuters symbol "AOF.L" and Bloomberg symbol "AOF LN".

Manager

Africa Opportunity Partners Limited.

Copies of the annual report are being posted to the shareholders and copies will be available from the Company's registered office and also from the Company's website.

Website

www.africaopportunityfund.com

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