30 April 2015

Africa Opportunity Fund Limited (AOF.L and AOFC.L)
Announcement of Annual Results for the Year ended 31 December 2014

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 2014.

Highlights

- AOF's ordinary share net asset value per share of US$1.011 as at 31 December 2014 decreased by 17% from the 31 December 2013 net asset value per share of US$1.221.
- AOF's C share net asset value per share of US$0.912 as at 31 December 2014 decreased by 9% from the 17 April 2014 placing price of US$1.000.
- AOF closed a share placing which raised US$29.2 million through the issue of C shares.
- AOF's Ordinary shares and the C shares were admitted to trading on the London Stock Exchange's Specialist Fund Market ("SFM") effective 17 April 2014. Concurrent with the listing on the SFM, the Ordinary shares were cancelled from admission to trading on AIM.
- As at 31 December 2014, AOF's investment allocation for its Ordinary shares was 76% equities, 20% debt and 4% cash and for its C shares was 40% equities, 14% debt and 46% cash.

The Company

Africa Opportunity Fund Limited ("AOF" or the "Company") is a Cayman Islands incorporated closed-end investment company traded on the SFM market of the London Stock Exchange ("LSE"). Effective 17 April 2014 AOF was cancelled from trading on AIM and admitted to the Specialist Fund Market of the LSE. Additionally, on 17 April 2014 AOF raised US$29.2 million in the form of a "C" share offering. AOF's net asset value on 31 December 2014 was US$69.7 million and its market capitalisation was US$64.9 million.

Chairperson's Statement

2014 Review

2014 was an eventful year for the Africa Opportunity Fund (the "Fund" or "AOF"). Shareholders voted to extend AOF's life until 2019 and, at the same time, AOF also raised new capital in the form of a $29.2 million "C" share offering and moved its shares from AIM to the Specialist Fund Market of the London Stock Exchange. Those corporate decisions of our shareholders endorsed AOF's status and record as a rare Africa-focused, dividend paying, closed-end investment company - and therefore one that positions our investors as patient acquirers of excellent companies on the African continent at reasonable to cheap prices.

2014 was a buoyant year for world markets and a difficult year for the Fund. To provide some basis for comparison, South Africa rose 1%, Nigeria fell 24%, Kenya rose 17%, and Egypt rose 20%. In non-African emerging markets, China rose 54%, Brazil fell 13%, Russia fell 42%, and India rose 35%. In developed markets, Japan fell 4%, the US rose 14%, and the UK fell 5%.[1]

AOF's 2014 results incorporated the effects of tougher financial conditions in some of AOF's investment countries such as Ghana, Nigeria, Zambia, and Zimbabwe. In certain instances such as in Ghana, those conditions included declining currencies and, with nearly 30% of AOF's portfolio invested in Ghana at the beginning of the year, AOF suffered its share of Ghana's tribulations. Ghana's nominal gross domestic product declined 17% from $42.5 billion in 2013 to $35.2 billion in 2014[2] while its currency the Cedi declined 26%. Declines in nominal GDP in the 15%-20% range in a 12 month period hinted at a contraction in economic activity more reminiscent of the Great Depression than even the Great Recession of 2008 and 2009. Although quietly and reluctantly, Ghanaian households have had to accept their straitened circumstances, deferring for many dreams of a middle class life, yet, quietly and persistently, policyholders of Enterprise Life Assurance Company, a subsidiary of Ghana's Enterprise Group in which the Fund is invested, maintained the premium payments for their policies to protect their families and to save for their futures; while modern shopping malls and office towers continued to open in the midst of Ghana's woes. Both these trends pointed to the steady African demand for the amenities of an orderly urban existence, suggesting that Africa should prove no different from other continents like Asia and South America where investing in companies providing services to satisfy that demand has been a reliable path to long-term profits.

Although AOF's audited net asset value for its ordinary shares (or "A shares") declined by 17%, including dividends, while the A share price fell by 25.5% and the net asset value of the "C" shares declined by 9% and its share price fell by 4.9%, the 2014 results must be taken in the context of AOF's long-term orientation. In that context AOF's thesis and strategy of seeking to purchase the strong growth prospects of various African industries without paying too much for them at the time of investment means the Fund remains an excellent investment vehicle for the long term investor.

A long term investor pays much less for the income stream of a profitable African company than he would on almost any other continent.[3] This thesis is supported by the experience of another of AOF's investee companies. Sonatel, a company working in the telecommunications sector – a sector that continues to grow profitably in Africa – was able to more than double its net profits in Guinea to $71 million. Guinea is one of the centers of the Ebola virus epidemic in West Africa. Guinea has lost, tragically, 2365 people to the virus.[4] Despite that epidemic, Sonatel increased its investment in Guinea by 54% and its Guinean subscribers by 39% from 3.2 million subscribers to 4.5 million subscribers at the end of 2014 thereby illustrating the resilience of those industries focused on sating Africa's thirst for modern amenities.

AOF's strategy in 2014 focused on searching for inexpensive entry points into industries with strong growth prospects in Africa – a strategy that drove its regional exposures. One region of Africa which had a strong 2014 was East Africa. AOF's investments in Tanzania and Uganda -Tanzania Breweries, enjoying a total return of 96% in 2014, and Stanbic Uganda - benefited from the benign macro-economic settings of those two countries. This at a time when inflation in Tanzania in 2014 was 4.75%[5] and the Tanzanian shilling depreciated 8% against the US Dollar. Uganda's 2014 inflation was 4.3% while its currency depreciated 9% against the US Dollar.[6] The Fund expanded its North African exposure through purchases of investment-grade debt issued by Moroccan phosphate fertilizer producer and the equity of a Moroccan telecommunications company. Its Southern African additions were in Zimbabwean real estate, consumer finance, and electric utilities.

Outlook

2015 promises to be a challenging year for African investors. The gross export proceeds of Africa, as a primary commodity-exporting continent, are set to decline sharply in tandem with its deteriorating terms of trade. The oil price and iron-ore price collapses of 2014, continuing in 2015, are emblematic of the loss of export earnings. Even if Nigeria's loss as an oil exporter is Botswana's gain, the tightening financial conditions in the United States of America will be felt on African shores. Gradually, but inexorably, many African central banks will raise interest rates, dampening the performance of their capital markets. Three notable exceptions should be the central banks in francophone Sub-Saharan Africa which follow the monetary policy of the European Union, North African countries like Morocco which strive to keep their currencies competitive with the Euro, and net oil importing countries like Egypt and Kenya that are also not major commodity exporters to China. AOF's investment approach in this environment will be to focus even more on identifying goods and services for which African consumers are willing to spend scarce US Dollars or their local currency equivalent, regardless of domestic political or economic conditions. Sectors which have been dominated by the state, but are opening up to private sector participants are of especial interest. Many of those sectors were viewed as "natural monopolies" that have evolved into havens of inefficiency, subsidies, and losses. Pent-up and unsatisfied demand of African companies and consumers has been the inevitable outcome in those havens. Thus, infrastructure and suppliers of services to Africa's infrastructure industries, for example, will be a growing theme in AOF's 2015 investing activities. In the arena of commodities, there are a few commodities which remain in short supply even today in a weak global economy. AOF will seek to gain exposure to those commodities.

In continuance of its strategy, AOF will pay particular attention to situations in which it is able to buy natural resources at steep discounts to their implied net present value based on spot prices.

AOF's C shares are to be converted into ordinary shares of AOF when a minimum of 85% of the C share capital has been invested and a satisfactory outcome has been achieved in the Shoprite matter. The Board has determined that AOF should await developments in the Shoprite case before proceeding with this conversion. It is hoped that this conversion will be consummated in 2015.

Concluding Thoughts

The peaceful and successful conclusion of Nigeria's presidential elections of March 28, 2015 is a cause for great celebration. As the largest economy in Africa, with the biggest population and faced with delivering meaningful economic growth to its ethnically

and religiously diverse population, it serves as a light-house illuminating Africa's political trajectory. The peaceful transfer of power from President Jonathan to President-elect Buhari is positive for Nigeria because it affirms the supremacy of the Nigerian electorate, the Rule of Law, and Nigeria's constitution. In memorable contrast to former Ivorian president, Laurent Gbagbo, President Jonathan's congratulatory call to President-elect Buhari was a statesmanlike gesture that augurs well for Nigeria's future. Yet, the rejection of incumbency by Nigerian voters continues a trend that is becoming more common in Africa. Ghana has changed its parliamentary majority twice in 2000 and 2008. Senegal denied former President Abdoulaye Wade a third term in 2012, replacing him with current President Macky Sall. Most recently in December of 2014 Mauritian voters threw out their former Prime Minister - Navin Ramgoolam - in a landslide to express their displeasure at constitutional proposals to increase the powers of the Mauritius presidency in preparation for his occupying that office. Over the years, the Fund has evinced a strong preference for investments in African countries which are becoming stronger democracies. AOF's view is that the institutional and legal setting in which investment decisions are made becomes more durable and predictable with repeated experiences of peaceful transfers of power in experienced democracies, leading to a wider range of potential investments for AOF. Today, the dominant powers in each Sub-Saharan Africa region are all tested democracies, entrenching relatively predictable and peaceful environments for the conduct of commerce and investments. Therefore, as always, we remain optimistic about AOF's prospects.
In closing, we extend our thanks to our shareholders for their support and partnership and look forward to continuing to work with you in the years to come.

Dr. Myma Belo-Osagie
Chairperson
April 2015

[1] Reference indices are calculated in US Dollars using: Nigeria NSE Allshare Index, South Africa FTSE/JSE Africa Allshare Index, Nairobi NSE Allshare 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.
[2] Ghana's 2014 Bond Prospectus, p. 16. The Budget Statement and Economic Policy of the Government of Ghana for the 2015 financial year, delivered November 19, 2014, Appendix 1C, Nominal GDP for the Medium Term. Ghana's 2014 nominal GDP of 113.4 billion Cedis converted into US Dollars at the end of year rate of 3.22 Cedis/$.
[3] MSCI Africa Index, ex South Africa had a P/E ratio of 12 and a dividend yield of 3.35%; MSCI Africa Index had a P/E ratio of 16.66 and a dividend yield of 2.75%. MSCI Asia, ex Japan had a P/E ratio of 13.42 and a dividend yield of 2.4%. Comparable P/E ratios and dividend yields for MSCI Latam (14.66 and 2.76%), MSCI North America (18.84 and 1.98%), MSCI Emerging Europe and Middle East Index (8.2 and 3.9%), MSCI Emerging Asia (13.9 and 2.18%). Data as of April 20, 2015.
[4] http://www.cdc.gov/vhf/ebola/outbreaks/2014-west-africa/case-counts.html.
[5] Tanzania National Bureau of Statistics, Press Release of January 8, 2015: National Consumer Price Index for December 2014.
[6] Uganda's 2014 Composite Consumer Price Index, Uganda Bureau of Statistics.

Manager's Report

2014 marked the seventh full year of operation of Africa Opportunity Fund ("the Fund" or "AOF"). During the year the Fund issued shares, which trade currently as "C shares" until they are merged with the original issue of the Fund's shares (hereinafter referred to as "A shares"). The A shares had a return of -17.7%, including dividends, while the C shares had a return of -9.0%. At year-end, AOF held $51.7 million in equity securities, $12.1 million in debt securities, $16.8 million in cash; and derivative and short sale liabilities equal to $11.5 million. In class terms, the A shares held $40.6 million in equity securities; $6.7 million in debt securities; $5.7 million in cash; and derivative and short sale liabilities equal to $10.5 million. The C shares held $11 million in equity securities; $5.4 million in debt securities; $11.1 million in cash; and derivative and short sale liabilities equal to $1.0 million. The Fund's underlying end-of-year holdings were in Botswana, Cote d'Ivoire, the Republic of Congo, Egypt, Ghana, Morocco, Nigeria, Senegal, South Africa, Tanzania, Uganda, 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 $1.22 per share at the end of 2014 for the A Shares, in comparison to a closing price of $0.86 and a 2013 appraisal value per share of $1.32; and $1.04 per share for the C Shares.

2014 was a difficult year for the Fund. Not only did the Fund's two classes suffer large losses, but the Fund's performance lagged several Africa indices. This unsatisfying performance has continued in 2015. An amalgam of mark-to-market losses that are the likely concomitants of rising real interest rates in mismanaged economies, losses in our portfolio of commodity producers, errors, and slow progress on the Shoprite front were the ingredients for our humble pie. AOF's 2014 performance notwithstanding, we remain optimistic because the underlying free cash flow in the Fund's major holdings continues to grow at a decent pace in US Dollars. Many of AOF's companies are continental leaders in their industries, whether measured by profitability or balance sheet quality or market position. Sooner or later, AOF will enjoy the market's acknowledgement of those underlying financial data.

We are steadfast in believing that Africa's own secular prospects remain undimmed, positive, and powerful.

The 2014 performances of different African capital markets were molded by the worsening terms of trade of most African exporters caused by a decelerating Chinese economy, the end of the US Fed's QE program, and displays of fiscal profligacy by some African governments. This triple cocktail of macro causes undermined the living standards of African consumers, reduced the profitability of the African corporate sector, and lowered the external value of most African currencies. It was brutal. In order of depreciation against the US Dollar: the Ghanaian Cedi fell by 26%; the Zambian Kwacha by 14%; the Naira by 13%; the CFA Franc by 11%; the Moroccan Dirham by 10%; the Rand by 9%; the Ugandan shilling by 9%; the Tanzanian shilling by 8%; the Botswana Pula by 8%; the Kenyan shilling by 5%; the Egyptian Pound by 3%; and the Guinean Franc by 1%[7]. The depth of the respective drops in the external value of those African currencies depended on a few variables: the sobriety of a government's budget; whether a country was an oil, precious metals, or base metals exporter; whether a country was a net importer of oil; whether a country exported other goods or services enjoying rising prices; whether bilateral or multilateral donor inflows to a country were rising or falling; and the degree to which a country's currency was pegged to the Euro. Ghana had the complete set of poisonous variables: huge budget deficits; net exports of both oil and gold; and declining donor inflows. Botswana was the opposite: sober government finances; a net oil importer; and an exporter of diamonds, a commodity which bucked the general pattern of declining commodity prices. Interest rates and inflation tend to rise in the typical African open economy experiencing a fall in the external value of its currency, leading to a tightening of its domestic monetary conditions. Tightening monetary conditions, in turn, repress the valuations of listed securities while easing monetary conditions lead to buoyant markets. Thus, the stock markets of net oil importers like Egypt and Kenya, swaddled in loose monetary conditions, soared in 2014 while oil and metals exporters like Ghana, deficient in fiscal discipline, suffered steep falls.

We owe AOF's shareholders an explanation for AOF being underweight in soaring markets and overweight in sinking markets. We hunt for the best African opportunity in a specific industry. An ideal industry has a product or service in short supply. If the best opportunities are in one region of Africa, so be it, in our view. Having found an investment prospect, we study the macro-economic and macro-political patterns in its country (or countries) of operation to estimate an appropriate cost of capital, or discount rate, for the selected prospect. The enterprise value of that investment prospect may be less than the intrinsic value of that prospect, applying the selected discount rate, in which case we acquire securities of that prospect. Alternatively, that intrinsic value of that prospect may be less than its enterprise value, forcing us to ignore that prospect. One of the more subjective aspects in assessing a country's patterns is understanding how its electoral cycles shape the quality of its political and economic governance. We tend to overestimate the dangers in a country recovering from political calamities, such as Cote d' Ivoire, Egypt, or Kenya, thus imposing an unduly high cost of capital screen for potential investments. Furthermore, in some cases, strong companies in soaring markets were less attractive than competitors in other markets. For example, AM Best, the leading credit rating agency for the American insurance industry, preferred the catastrophe assessment system of Continental Reinsurance listed in Nigeria over that of Kenya Re listed in Kenya. We paid a performance price for owning Continental Reinsurance instead of Kenya Re since Kenya Re's total return in US Dollars was positive in 2014 while Continental Reinsurance posted a negative total return.

One of the intermittent conundrums we face as long-term African investors is whether to invest in, or divest from, a profitable company blessed with strong prospects and an attractive valuation because it operates in a country suffering severe macro-economic or political difficulties. The sheer ubiquity of African economies reliant on one or two primary commodities such as cotton or copper for export earnings exposes investors to the dangers of gyrating interest rate cycles or steep decelerations in economic activity in any one of those economies. "Severe" refers to national problems like Mali plunging into civil war in 2012 or Zimbabwe devoting more than 70% of its current government budget to wages for its civil servants or the Arab Spring or Nigeria losing half its export proceeds in a year from the plunge in oil prices. One solution to those conundrums is to avoid all companies located in severely troubled countries. In other words, "better safe than sorry". We prefer to focus on whether an industry in a country has a capacity to maintain or grow its profits in US Dollars over a 3 to 5 year period. Enterprise Group in Ghana presented that dilemma to AOF in 2014, as we suffered a total return of -23% in US Dollars. So did Copperbelt Energy in Zambia, Continental Reinsurance in Nigeria, and Sonatel in Mali and Guinea to name a few other AOF investments. Ghana's sovereign debt was downgraded in March six rungs below investment grade to B3, with a negative outlook, by Moody's. The Ghana government was running budget deficits of "Greek" proportions even before the collapse of the oil price in the second half of 2014. As a percentage of Ghana's gross domestic product, its budget deficit was 4.0, in 2011, 11.5 in 2012, 10.1 in 2013, 9.5 in 2014, and is forecast to be 7.5[8] in 2015. Current account deficits, as a percentage of gross domestic product over the same period, were 9.0, 12.3, 13.4, and 9.9 (for 2014)[9]. Those percentages can be explained partially by the 28% decline in the gold price since the beginning of 2013, the 50% decline in the oil price since June 2014, power outages, and the steady reduction in donor funding over the last few years. Thus, heading into 2014, it was predictable that the Cedi would suffer a crisis of confidence manifest in its losing value against the US Dollar. We were taken aback, though, by the 25% depreciation of the Cedi against the Dollar. Unfortunately, 2015 and 2016 suggest that the Cedi will continue its depreciating fall. Why should AOF's shareholders own the securities of a Ghanaian company? Two reasons. The first reason is that, since the trauma of Ghana's economic difficulties is not spread evenly among the industries and companies in Ghana, some industries and companies will emerge stronger from those difficulties. Private power generation is one such industry. Property and casualty insurance constitutes a second example as the rising replacement value of existing assets raises the cost of self-insurance and under-insurance. The second reason is that a few Ghanaian companies continue to report some of the strongest returns within their respective African industries, in the midst of Ghana's woes and despite their own subdued results. For example, Standard Chartered Bank Ghana's return on equity declined to 41% in nominal terms (and 25% in real terms) and its return on assets was 6.4%. It should struggle to maintain those return ratios in 2015 as non-performing loans climb in a tough Ghanaian operating environment. Still, it should remain one of the most profitable banks on the African continent. Investing over the long haul in the best African companies should be rewarding, in US Dollar terms, despite storms of national difficulties that have to be navigated periodically.

Enterprise's 2014 revenue was 203.9 million Cedis ($66.5 million) versus 157.8 million Cedis ($76.3 million) in 2013. Reported cash flow from operations plummeted from $20.1 million in 2013 to $5 million in 2014. However, after adding back investments made by Enterprise in those periods and recognizing the profits belonging to Enterprise shareholders disclosed in its embedded value statement, but yet to be recognized in its financial statements, Enterprise's gross operating cash flow before investments attributable to shareholders declined 8% from $18.3 million in 2013 to our estimate of $16.8 million in 2014. Furthermore, it is deepening its US Dollar earning capacity by entering the commercial office real estate market. It also remains the largest private insurance group in a country with an insurance penetration rate slightly above 1% of its gross domestic product, much less than Kenya's approximate 3% of GDP. As per capita income rises, the consumption of savings and insurance products in a country rises more rapidly until a country's insurance penetration rate reaches global norms. Ghana is far from global norms, therefore investing in Enterprise should prove to be an investment in a company facing vistas of rapid and profitable growth in real terms for several years. Should AOF divest from Enterprise because of the lowly credit rating of its sovereign? Our answer is to take advantage of Ghana's abysmal sovereign credit status to add to our Enterprise holdings so long as we believe that Enterprise is both materially undervalued and will be able to increase its profits in US Dollars at a decent clip in the next 3 to 5 year. Through its partnership with Santam - South Africa's largest property and casualty insurance company - in property and casualty insurance, Sanlam - South Africa's second largest life assurance company -, its focus on introducing new insurance products, and its top position in Ghana's new private pension administration industry, it should be able to meet our expectations. Collateral confirmation of the potential of Ghana's insurance industry comes from the entry of all the top South African insurance groups into Ghana, as well as the arrival of Allianz from Germany, Prudential from the United Kingdom, and the recent announcement of Axa of France about its intent to enter Ghana. It must be admitted, though, that we are assuming that a peaceful democratic Ghana will accept the sober fiscal straitjacket of the International Monetary Fund to strengthen its capacity to raise rapidly its per capita income and economy in the future.

Another sector guaranteed to enjoy years of rapid profitable growth in Africa is the electric utility industry. Almost every African country today is busy fashioning its own lexicon to describe the unpredictable interruptions in the supply of electricity from its national electricity grid. The sound of diesel generators can be heard in all regions of sub-Saharan Africa. Yet, all of Africa consumes less electricity than Spain. For years, the sale of electricity at tariffs which were too low to support continuous reinvestment to keep up with African population and industrial growth has been the continental norm. That norm is under assault because of the constraints on economic activity and social well-being imposed by the insufficient electricity generation, transmission, and distribution facilities. The days of state-owned electricity monopolies are ending. Therein lies a type of investment opportunity which appeals to AOF: regulatory regimes in transition clouding over several years the eventual emergence of a profitable private industry. Copperbelt Energy PLC in Zambia presented AOF with the same dilemma as Enterprise. Our Copperbelt investment experienced an 18% decline in value in 2014. Zambia's economy has been under stress, as its principal export-copper-suffers from the declining appetite of China for infrastructure and real estate investment. Copper prices dropped 17% in 2014. Yet, Copperbelt Energy is a conduit not only into electricity transmission to Zambian and Congolese copper mines, but also an electricity distribution company for Nigeria's capital city – Abuja - and an investor in Nigeria's newest hydroelectric dam - the Shiroro Dam. Its product-a kilowatt/hour of electricity-is denominated in US Dollars or the local currency equivalent of US Dollars. Copperbelt invested $200 million in Nigeria. What is intriguing is that, as a consequence of the large amount of debt assumed by Copperbelt to make its Nigerian investments and its $198 million loss incurred in 2014 in Nigeria, the Zambian markets accords a negative value to its Nigerian portfolio. The market is willing to pay for only its profitable Zambian operations, despite its Nigerian operations generating $4 million of cash flow from operations.

We elected to increase AOF's holding in Copperbelt Energy, despite Zambia's macro-economic difficulties.

It is time to make some observations about AOF's portfolio of commodity producers. 2013's steep decline in the gold price was exceeded in 2014 by an even steeper collapse of the oil price in 2014. Crude oil declined 50% in 6 months. In US Dollar terms, platinum fell 12%; copper fell 17%, manganese fell 14%; rubber fell 41%; and palm oil fell 18%. The underlying reason? Somnolent global growth, in spite of an awakening US economy, encountered surging supplies stimulated by several years of high commodity prices. It is painful irony to recite commodity price declines since AOF's chairman expressed misgivings about the dangers faced by African commodity producers from a weakening China as far back as 2010 and we expressed some anxiety in last year's report. It has taken longer than we expected for the harsh price implications of those misgivings to mature into low export earnings for African companies and countries. The A Shares had a 28% allocation to the commodity sector at the beginning of 2014, primarily in bonds. We elected to keep our equity holdings of low cost producers like Zimplats and Societe de Caoutchoucs de Grand-Bereby ("SOGB") because of their record of generating profits even in a low price environment. They have not disappointed us in that regard. But, their valuations have been crushed. SOGB was acquired in 2010 and 2011 at an average share price of 30,717 CFA Francs or $67. It is a rubber and palm oil plantation subsidiary in the Bollore Group. A few years ago, we owned also shares of its Nigerian affiliate - Okomu Oil Palm Company PLC , and Societe Africaine de Plantations d'Heveas. SOGB was the lowest cost plantation operator in our plantation portfolio. Like many other companies listed on the Bourse Regionale de Valeurs Mobiliers in Abidjan, average daily trading volume is miniscule. Accumulating shares of African companies with average daily trading volumes under $10,000 is difficult and of unpredictable duration. Selling those shares, with the expectation of reacquiring disposed shares at reasonable prices, is fraught with as much peril because shares may not be waiting to be summoned on to the market at reasonable prices when one wants to own those shares. Thus, our approach is to ask whether we are willing to be long-term owners of those companies. If we are so willing, then we try to take advantage of mark-to-market losses to add to our holdings over time instead of selling our holdings in times of low prices. SOGB is one of the most productive of the African rubber or palm oil plantations. Its palm oil yields per hectare are higher than West African yields and approximate to Malaysian and Indonesian yields because its palm oil trees grow in water-logged troughs. Palm oil plantation productivity is higher in South East Asia than in West Africa whereas rubber plantation productivity is higher in West Africa than in South East Asia. SOGB's rubber output began to rise in 2013 as rubber trees replanted in 2005 and 2006 delivered their first wet cups of latex. SOGB has also been encouraging small scale farmers living around its plantation to expand their rubber tree holdings. Several years of generally rising output lie ahead for SOGB, but probably insufficient to compensate for the continuing drop in rubber prices. An additional negative fact is that the Ivorian government has increased the tax burden on plantations. What did we miss in the global rubber industry? We failed to link the controversial Thai payment schemes under which Thai small scale farmers sold their agricultural produce above world prices to the Thai government with a probable dumping of those stocks on to the world market when the Thai government ran out of money. Those schemes were harbingers of declining prices.

The 2014 journey of our senior secured Tizir bonds showed how we reacted to the deteriorating revenues of a mining investment. Tizir is a joint venture of Eramet of France and Mineral Deposits of Australia. The joint venture was established by Eramet contributing 100% of its ilmenite processing plant in Tyssedal, Norway (one of 5 such smelters in the world and the only one in Europe), $95 million in cash, and a commitment to provide a subordinated $45 million loan to Tizir. Mineral Deposits contributed its 90% interest in the Grande Cote mineral sands dredging project in Senegal, (the Senegalese government holding the remaining 10%). Tizir had spent $783 million on building the Grande Cote mine by the end of 2014. The strategic basis for the joint venture is that the Senegalese mine will supply the feedstock of the Tyssedal smelter. Tyssedal currently smelts ilmenite to produce 200,000 tonnes of high TiO_2 sulphate titanium slag sold to pigment producers and 100,000 tonnes of high purity pig iron sold to ductile iron foundries. Grande Cote's nameplate capacity contemplates annual production of 85,000 tonnes of zircon and 575,000 tonnes of ilmenite, plus minuscule quantities of rutile and leucoxene for a minimum period of 25 years. In fact, the current mineral resource statement of Grande Cote discloses 21.7 million tonnes of heavy mineral sands sufficient to support a 40 year life of mine. The Tyssedal smelter is to be closed for 3 months in Q4 2015 for the relining of its electric furnace, a 15% expansion of its smelting capacity, and upgrading to allow Grande Cote's ilmenite to be smelted into chloride titanium slag. Then, Tyssedal will be able to oscillate between supplying sulphate titanium slag and chloride titanium slag in response to market conditions. At Grande Cote's nameplate capacity, Tizir will account for 7% of both global zircon and titanium feedstock supply. Commissioning of the Grande Cote mine commenced in Q2 of 2014. Despite delays caused by problems with impellors and mining seals, the first shipment of ilmenite from Senegal to Norway occurred in October and Grande Cote achieved 51% of its nameplate capacity in Q4 2014, moving Tizir closer to its goal of becoming a vertically integrated operation. That strategic progress occurred amidst weakening zircon and ilmenite prices which slashed Tizir's cash flows, forced it to increase its debt levels, impaired the economic value of its mineral rights, and diminished its asset and interest coverage ratios. Notwithstanding Tizir's operational progress, it lost $156 million in 2014 and wrote down to zero the entire $108.4 million value accorded to its mineral rights in 2013. Tizir's 2014 book value was $502 million.

Anemic residential construction activity in China and Europe have cast a pall over the mineral sands industry. The A shares had 8.8% of their December 2013 net asset value invested in Tizir bonds priced at 104. That pricing dropped to 81 by December 2014. A 22% drop in price for a bond is material bad news because it is the equivalent of losing a few years' worth of interest. We sold half of the A shares' Tizir bonds in August and September 2014 above 100. By the end of the year the bonds declined to 75% of par, delivering significant mark-market losses. Including mark-to-market losses and interest income, the A shares had lost 8.25% on their Tizir bond holdings and constituted 4.3% of the net asset value of the A shares. Two errors are obvious in retrospect. The first one is that our valuation of the creditworthiness of Tizir's bonds accorded excessive weight to the successful end of the Grande Cote mine construction and insufficient weight to the downward glide of mineral sands prices. The second one was investing more than 5% of AOF's capital in one high yield debt issue around par. Profit is capped in bonds priced at par and downside can be substantial. We reduced our holdings as it become evident that Tizir's cash flows were weakening. Nevertheless, we remain optimistic about the soundness of the Tizir bonds.

One of AOF's rewarding commodity investments in 2014 was its holdings in Pallinghurst Resources ("Pallinghurst"). Pallinghurst is a specialist natural resources investment company which has invested in new long life and low cost mines in emeralds and rubies, manganese, and platinum. Pallinghurst owns indirectly 48% of Gemfields. Gemfields extracts one quarter of the world's emeralds from the Kagem mine in Zambia and mines Mozambican rubies. It owns also 100% of Faberge, a small but iconic name in the luxury jewelry segment. Pallinghurst entered the colored gemstones industry because of a belief that the demand for colored gemstones outstripped supply. Supply is constrained by a lack of uniformity in the classification of rough gemstones that inhibits sales. Gemfields introduced a proprietary grading system akin to that of De Beers in the diamonds industry, coupled with auctions of its graded rough gemstones. Its grading innovations have led to gradually rising volumes and prices of rough gemstones sold at its auctions. Faberge, by contrast, continues to bleed losses. Overall, Gemfields has served as a profitable catalyst of a growing colored gemstones industry. Pallinghurst's manganese and platinum mines are shallow operations in South Africa. Pallinghurst's platinum mine in South Africa incurred a loss for the 9 month period ended September 30, 2014 of $21 million. Its new manganese mine - Tshipi Borwa in the northern Cape - doubled its annual mine production to 2.4 million tonnes in 2014 to become the 5th largest manganese mine in the world. We chose to become shareholders of Pallinghurst from March 2012 because it traded at a substantial discount to the value of underlying mines and development projects, allowing AOF to get exposure to new low cost and large mining assets at steep discounts to the enterprise values of those assets. That discount gave AOF a margin of safety. Subsequently, the underlying manganese and platinum operations have moved from development into production, reducing the risk-profile of Pallinghurst and leading to a rise in its market capitalization.

One way of satisfying our orientation to seek absolute positive returns for AOF, regardless of market conditions, is to invest in mispriced securities. Early in 2014, the Fund bought shares of Naspers, the South African print, pay-tv, and internet company, and sold short its proportionate interest in Tencent, the spectacularly successful Chinese mobile internet company. The pay-tv Africa business of Naspers is a de facto monopoly and a generous source of cash flow. Our goal was to accentuate the Fund's exposure to Naspers' cash-generating Africa operations at a time when the market accorded them a negative valuation. The Africa operations of Naspers was overshadowed by the tilt of Naspers towards loss-making e-commerce and the Internet. The Fund's gross long and short positions in this paired trade constituted 14.6% of its end-of-year net asset value. By the end of the year, this paired trade had earned a gross return on capital of 10.6% and a 21x return on its modest quantum of equity. It began to dawn on the markets that the non-Tencent and Mail.Ru Internet investments of Naspers had a private market value materially higher than what the stock markets had been willing to recognize. The stock markets went from temperamental pessimism to tepid optimism about the Internet investments of Naspers and AOF obtained decent returns. It was the initial mispricing of this paired trade which enabled the Fund to prosper as a shareholder of Naspers.

Our review of 2014 would be incomplete without an update about the Shoprite litigation. AOF sued Shoprite in the Western Cape High Court of South Africa for its failure to pay dividends due to AOF since August 2011. It sued in its capacity as a beneficial owner of the Shoprite shares because Standard Chartered Bank, custodian of those shares, refused to sue Shoprite in its capacity as the registered owners of those Shoprite shares. Unsurprisingly, Shoprite has challenged AOF's standing as beneficial owner, to institute legal proceedings against it, acknowledging the right of Standard Chartered, but not AOF. It will be a matter of first impression under South Africa's new Companies Act whether beneficial owners have a standing to enforce shareholder rights. Shoprite requested that both parties submit their dispute to arbitration in South Africa. We have in principle agreed to that request because arbitration is more flexible and time efficient so that it is highly likely that the arbitration will be concluded in 2015. Furthermore, in arbitration, the parties would usually agree on a senior legal practitioner, with expert commercial background in the subject matter, to sit as the arbitrator versus a court process where parties do not have any control over which judges should preside over their dispute. Meanwhile, the background of judges on the bench is diverse and many of them do not have an expert commercial background. Shoprite has civil and criminal actions pending against its former transfer agent, Lewis Nathan Associates, in another court in Zambia. The Lusaka High Court decided that it was best for all the actions to be heard by the same court to avoid possible conflicting judgments on the Shoprite claims. Shoprite has joined the Fund's custodian and other defendants to its other legal suits in Zambia. Shoprite has conceded in its pleadings in our South Africa lawsuit, as well as in its new statement of claims in the Zambian litigation, that title to Shoprite shares acquired through stockbrokers other than Stockbrokers Zambia was legally acquired. The effect of Shoprite's concession is that AOF's title to 240,402 shares out of AOF's 679,145 Shoprite shares are no longer subject to challenge and dispute. Shoprite is however insisting in its pleadings that it is entitled to withhold unilaterally the payment of dividends in respect of all of AOF's shares until the dispute in respect of title has been settled. According to Shoprite, 438,743 of AOF's shares, representing 10% of the year-end net asset value of the A shares, were acquired in allegedly unauthorized trades in Shoprite shares. To recap, we bought shares on the Lusaka Stock Exchange via open market purchases only to learn later that some of the shares sold were allegedly treasury shares of Shoprite and allegedly sold in breach of Shoprite's mandate to its transfer agent. As a result, Shoprite argues that valid title did not transfer to the Fund. Our view remains unchanged. We are confident that AOF's action against Shoprite will have a favorable outcome and title to all of the Fund's shares will be confirmed.

The remainder of this report comprises commentary on two of the Fund's largest 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 largest investment of the A Shares. Sonatel has operations in Senegal, Mali, Guinea, and Guinea-Bissau. It has 100% of Senegal's fixed line market and 58 of Senegal's mobile telephony market (a gain of 1 percent in market share from last year), 54% of Mali's mobile telephony market (a decline of 10% in market share from last year), 51% of Guinea's mobile telephony market (an increase of3 percent), and 48% of the mobile telephony market in Guinea-Bissau (a 2 % increase). Sonatel continues to hold the number 1 position in all its markets, except for Guinea-Bissau where it is the second out of three operators. Its subscribers grew by 18% in 2014 to 26.3 million. At 27% for the 2014 financial year, Sonatel's net margin remains among the highest in Africa. Sonatel's average revenue per user ("arpu"), a monthly revenue statistic, declined by 5% to $5.20 from $5.50. Its operating cash flow per subscriber declined modestly from $39 to $38. Free cash flow per subscriber, after capital expenditure, declined to $22. Data accounts for only 5% of Sonatel's revenues; therefore, the pattern of rising arpu associated with telephone operators with large consumers of data services through smartphones, is yet to appear in Sonatel. Nevertheless, it is encouraging that Sonatel has begun to test 4G services in Senegal. Measures of Sonatel's profitability and financial sobriety continue to be exemplary: a debt to equity ratio of 0.5%, a debt to total assets ratio of 0.3%; and a return on average equity of 33%. Indeed, as of March 31, 2015, with an enterprise value around $4.6 billion and a market capitalization of $4.8 billion, Sonatel had a valuation, with a PE ratio of 14.5X and an enterprise value per subscriber of $210, which acknowledged its superb financial characteristics.

Stanbic Uganda. This is the largest bank in Uganda and a subsidiary of Standard Bank of South Africa. It is the second largest investment of the C Shares. Uganda is an inland oil importing country which has discovered a couple of billion barrels of crude oil. It is expected to become an oil exporter within the next 5 years. Today, it benefits handsomely from the collapse in crude oil prices. Years ago, Stanbic Uganda was owned by the Ugandan government. Consequently, it has an extensive national branch network which is useful in the retail banking sphere. Control by Standard Bank of South Africa, as well as its own strong balance sheet, qualify it as one of the best corporate banking operations in Uganda. Inflation in Uganda is 1.5%, although it is expected to rise to about 5% in the next 12 months. Based on its H1 2014 results, Stanbic Uganda's return on average equity is 33% and its return on average assets is 4%. Stanbic's cost-to-income ratio is on the high side at 52%, but it has a wide net interest spread of 10%. Uganda's currency depreciated by 20% in 2011, when inflation rose to 27%. Stanbic's impairment charges rose, in response to the 2011 macro-economic stresses, and only started to decline in 2014. Unsurprisingly, Stanbic's loans to customers rose by 16% in H1 2014 versus H1 2013, as impairment charges diminished in size. Equity capital, as a percentage of total assets, stood at 12.5% on June 30, 2014 while its loans to deposits ratio was 80%. Stanbic's valuation is reasonable. Its market capitalization of $574 million places it on a Price/Book ratio of 3.5x and a Price/Earnings ratio of 12.4x. An investment in Stanbic Uganda gives AOF diversified exposure to a current African oil importer before its transformation into an oil exporter. There are two principal drawbacks to an investment denominated in Ugandan shillings. The first one is that the Ugandan shilling is depreciating quite rapidly. It has depreciated by 9% against the US Dollar since the beginning of this year. The second is that Uganda's exports have been harmed by the civil war in southern Sudan because that country imports many of its goods from Uganda. Nevertheless, it seems axiomatic that Stanbic Uganda will be one of the major banking beneficiaries of Uganda's strong economic growth.

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, albeit planted in a briar of deepening doubts emanating from a slowing China and a tightening US Fed. China's slowdown will reduce the terms of trade of many an African exporter to China while rising US interest rates will dissolve the enthusiasm with which many institutional investors accepted low yields on African sovereign bonds. Still, the Fund's own portfolio of undervalued companies exemplifies Africa's appeal. As of the end of March 2015, AOF's combined top 10 holdings juxtaposed high operational returns with reasonable valuation ratios, signifying strong earning power. Those holdings had a weighted average dividend yield of 3.8%, a P/E ratio of 16X, a return on assets of 6.6%, and a return on equity of 13.4%. We remain interested in industries which have products in short supply in Africa that rely more on domestic African demand than global growth. We are hunting in those terrains for compelling equity investments. We are unhappy about the losses inflicted on our shareholders in 2014, but shall continue to build a portfolio that delivers both capital growth and income to the shareholders of the Fund.

Francis Daniels
Africa Opportunity Partners
March 30, 2015

[7] Bloomberg
[8] Ghana Minister of Finance Statement to Parliament on the Implications of the Fall in Crude Oil Prices on the 2015 Budget on March 12, 2015.
[9] September 2014 Bond Prospectus for the Republic of Ghana 8.125% Bond

Responsibility Statements

The Board of Directors confirm that, to the best of their knowledge:
a. The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
b. The Interim Investment Manager Report, and Condensed Notes to the Financial Statements include: i. a fair review of the information required by DTR 4.2.7R (indication of important events that have occurred during the first six months and their impact on the financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
ii. a fair review of the information required by DTR 4.2.8R (confirmation that no related party transactions have taken place in the first four months of the year that have materially affected the financial position or performance of the Company during that period).

Per Order of the Board
30 April 2015

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		USD	USD
Income			
Interest revenue		**1,047,599**	936,925
Dividend revenue		**2,388,453**	1,520,373
Net gains on financial assets and liabilities at fair value through profit or loss	2 (c)	**-**	13,330,102
Other income		**333,657**	180,000
Net foreign exchange gain		**1,059,102**	40,928
		4,828,811	16,008,328
Expenses			
Net gains on financial assets and liabilities at fair value through profit or loss	2 (c)	**12,092,559**	-
Placing agent fee	8	**937,987**	-
Performance fee	5	**-**	2,361,064
Management fee	5	**1,196,481**	933,052
Brokerage fees and commissions		**681,880**	570,495
Net foreign exchange loss		**-**	-
Custodian, secretarial and administration fees		**343,193**	286,545
Dividend expense on securities sold not yet purchased		**178,917**	70,710
Marketing fees		**25,137**	-
Other operating expenses	8	**452,009**	73,660
Directors' fees		**144,422**	80,000
Audit fees		**40,265**	32,840
		16,092,850	4,408,366
Profit before tax		**(11,264,039)**	11,599,962
Less withholding tax		**(238,339)**	(154,652)
Decrease in net assets attributable to shareholders from operations/ Total Comprehensive Income for the year		**(11,502,378)**	11,445,310
Attributable to:			
Shareholders/Equity holders of the parent		**(11,436,911)**	11,333,272
Non-controlling interest		**(65,467)**	112,038
		(11,502,378)	11,445,310
Basic and diluted earnings per share attributable to the equity holders of the Company during the year 2013		**-**	0.266

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014	2013
		USD	USD
ASSETS			
Cash and cash equivalents		**16,848,480**	3,413,104
Trade and other receivables		**1,036,802**	1,114,001
Financial assets at fair value through profit or loss	2(a)	**63,822,689**	55,473,931

Total assets		**81,707,971**	60,001,036
EQUITY AND LIABILITIES			
LIABILITIES			
Trade and other payables		**131,467**	2,497,233
Dividend payable		**-**	85,291
Financial liabilities at fair value through profit or loss	2(b)	**11,501,094**	4,963,864
Total Liabilities		**11,632,561**	7,546,388
TOTAL LIABILITIES (excluding net assets attributable to shareholders)		**70,075,410**	-
EQUITY			
Ordinary share capital	3	**-**	426,303
Ordinary share premium		**-**	37,921,452
Retained earnings		**-**	13,701,196
Equity attributable to equity holders of parent		**-**	52,048,951
Non-controlling interest		**340,230**	405,697
Total equity		**340,230**	52,454,648
Net assets attributable to shareholders	3	**69,735,180**	-
Total equity attributable to equity holders of parent and total net assets attributable to shareholders		**70,075,410**	-
Net assets attributable to:			
- Ordinary shares	3	**43,099,112**	-
- Class C shares	3	**26,636,068**	-
Net assets attributable to shareholders		**69,735,180**	-
Net assets value per share:			
- Ordinary shares	3	**1.011**	1.221
- Class C shares	3	**0.912**	-

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Notes	Share capital USD	Share Premium USD	Retained earnings USD	Total USD	Non-controlling interest USD	Total equity USD
At 1 January 2013		426,303	38,262,525	2,367,924	41,056,752	293,659	41,350,411
Profit for the year		-	-	11,333,272	11,333,272	112,038	11,445,310
Dividend	7	-	(341,073)	-	(341,073)	-	(341,073)
At 31 December 2013		426,303	37,921,452	13,701,196	52,048,951	405,697	52,454,648
Profit for the period		**-**	**-**	**282,153**	**282,153**	**1,711**	**283,864**
Dividend	7	**-**	**(76,859)**	**-**	**(76,859)**	**-**	**(76,859)**
At 17 April 2014		**426,303**	**37,844,593**	**13,983,349**	**52,254,245**	**407,408**	**52,661,653**
Transfer to consolidated statement of changes in net assets (note 10)		**(426,303)**	**(37,844,593)**	**(13,983,349)**	**(52,254,245)**	**-**	**(52,254,245)**
Loss for the period		**-**	**-**	**-**	**-**	**(67,178)**	**(67,178)**
At 31 December 2014		**-**	**-**	**-**	**-**	**340,230**	**340,230**

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Number of units	Ordinary Share	Class C shares	Net assets attributable to shareholders
	USD	USD	USD	USD
At 17 April 2014 – transfer from equity (refer to note 10)	**42,630,327**	**52,254,245**	-	**52,254,245**
CAPITAL TRANSACTIONS:				
Issue of C shares	**29,200,000**		**29,200,000**	**29,200,000**
OPERATIONS:				
Decrease in net assets attributable to shareholders from operations for the period	-	**(9,155,133)**	**(2,563,932)**	**(11,719,065)**
At 31 December 2014	**71,830,327**	**43,099,112**	**26,636,068**	**69,735,180**

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		USD	USD
Operating activities			
Decrease in net assets attributable to shareholders from operations/ Total Comprehensive Income for the year		**(11,502,378)**	11,445,310
Adjustment for non-cash items:			
Unrealised loss/(gain) on financial assets at fair value through profit or loss	2(a)	**10,339,284**	(9,760,083)
Realised loss/(gain) on sale of financial assets at fair value through profit or loss	2(a)	**2,132,906**	(1,364,934)
Unrealised loss/(gain) on financial liabilities held for trading	2(b)	**135,784**	(1,757,400)
Realised gain on financial liabilities held for trading	2(b)	**(515,415)**	(447,685)
Effect of exchange rate on cash and cash equivalents		**(1,059,102)**	(40,928)
Cash (used in)/ generated from operating activities		**(468,921)**	(1,925,720)
Net changes in operating assets and liabilities			
Purchase of financial assets at fair value through profit or loss		**(32,760,408)**	(25,490,028)
Proceeds on disposal of financial assets at fair value through profit or loss		**11,939,459**	23,300,414
Proceeds on derecognition of financial liabilities held for trading		**6,916,861**	4,927,383
Purchase of financial liabilities held for trading		**-**	(2,304,319)
Increase in trade and other receivables		**77,198**	(513,843)
Increase in trade and other payables		**(2,365,766)**	2,111,323
Net cash (used)/generated from operating activities		**(16,192,656)**	2,030,930

Financing activities

Proceeds from issue of redeemable shares	**29,200,000**	-
Dividend paid	**(162,149)**	(366,621)
Net cash flow generated/(used in) financing activities	**29,037,851**	(366,621)
Net increase/(decrease) in cash and cash equivalents	**12,376,274**	(261,411)
Effect of exchange rate on cash and cash equivalents	**1,059,102**	40,928
Cash and cash equivalents at the start of the year	**3,413,104**	3,633,587
Cash and cash equivalents at the end of the year	**16,848,480**	3,413,104

1. GENERAL INFORMATION

Africa Opportunity Fund Limited (the "Company") was launched with an Alternative Market Listing "AIM" in July 2007 and moved to the Specialist Funds Market "SFM" on 17 April 2014.

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 may therefore 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 Amended and Restated Investment Management Agreement dated 12 February 2014.

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 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2015.

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

	2014	2013
	USD	USD
Designated at fair value through profit or loss:		
At 1 January	**55,473,931**	42,159,300
Additions	**32,760,408**	25,490,028
Disposals	**(14,072,366)**	(21,935,480)
Net (losses)/ gains on financial assets at fair value through profit or loss	**(10,339,284)**	9,760,083
At 31 December (at fair value)	**63,822,689**	55,473,931

Analysed as follows:

- Listed equity securities	**50,685,167**	43,574,212
- Listed debt securities	**11,887,510**	10,949,719

	2014	2013
- Unlisted equity securities	**1,000,012**	-
- Unlisted debt securities	**250,000**	950,000
	63,822,689	55,473,931

Net changes on fair value of financial assets at fair value through profit or loss

	2014	2013
	USD	USD
Realised	**(2,132,906)**	1,364,934
Unrealised	**(10,339,284)**	9,760,083
Total (losses)/ gains	**(12,472,190)**	11,125,017

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

	2014	2013
	USD	USD
Written call options	**-**	141,400
Written put options	**132,883**	428,072
Listed equity securities sold short	**11,368,211**	4,394,392
Financial liabilities at fair value through profit or loss	**11,501,094**	4,963,864

	2014	2013
	USD	USD
Net changes on fair value of financial liabilities at fair value through profit or loss		
Realised	**515,415**	447,685
Unrealised	**(135,784)**	1,757,400
Total gains	**379,631**	2,205,085

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

	2014	2013
	USD	USD
Net (losses)/gains on fair value of financial assets at fair value through profit or loss	**(12,472,190)**	11,125,017
Net gains on fair value of financial liabilities at fair value through profit or loss	**379,631**	2,205,085
Net gains	**(12,092,559)**	13,330,102

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) market prices in active markets for identical assets and liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Recurring fair value measurement of assets and liabilities - 2014

	31 December 2014	**Level 1**	**Level 2**	**Level 3**
	USD	**USD**	**USD**	**USD**
Financial assets at fair value through profit or loss:				
Equities	**51,685,179**	**43,999,833**	**7,685,346**	**-**
Debt securities	**12,137,510**	**-**	**12,137,510**	**-**
	63,822,689	**43,999,833**	**19,822,856**	**-**
Financial liabilities at fair value through profit or loss	**11,501,094**	**11,368,211**	**132,883**	**-**

Recurring fair value measurement of assets and liabilities - 2013

	31 December 2013	Level 1	Level 2	Level 3
	USD	USD	USD	USD
Financial assets at fair value through profit or loss:				
Equities	43,574,212	35,858,047	7,716,165	-
Debt securities	11,899,719	-	10,949,719	950,000
	55,473,931	35,858,047	18,665,884	950,000
Financial liabilities at fair value through profit or loss	4,963,864	4,394,392	569,472	-

3(a) ORDINARY SHARE CAPITAL

	2014	**2014**	2013	2013
	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
Reclassification	**(42,630,327)**	**(426,303)**	-	-
At 31 December	**-**	**-**	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.

3(b) NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	Ordinary Shares	Class C Shares	Total
	USD	USD	USD
Reclassification from equity at 17 April 2014	52,254,245	-	52,254,245
Changes during the year:			
Issue of shares	-	29,200,000	29,200,000
Redemption of shares	-	-	-
Loss for the period	(9,155,133)	(2,563,932)	(11,719,065)
At 31 December 2014	43,099,112	26,636,068	69,735,180
Net assets value per share in 2014	1.011	0.912	
Net assets value per share in 2013	1.221	-	

C shares

AOF closed a Placing of 29.2 million C shares of US$0.10 each at a placing price of US$1.00 per C share, raising a total of $29.2 million before the expenses of the Issue. The placing was closed on 11 April 2014 with the shares commencing trading on 17 April 2014.

AOF's Ordinary Shares and the C Shares from the April placing were admitted to trading on the LSE's Specialist Fund Market ("SFM") effective 17 April 2014. Simultaneous with the listing on the SFM, the Ordinary shares were cancelled from admission to trading on the AIM.

C Shares are a transient class of shares: the assets representing the net proceeds of any issue of C Shares will be maintained, managed and accounted for as a separate pool of capital of the Company until those C Shares convert into Ordinary Shares (which will occur once 85 per cent. of all of the assets representing the Net Placing Proceeds have been invested in accordance with the Company's existing investment policy (or, if earlier, six months after the date of issue of the C Shares)). Under the Articles the Directors have discretion to make such adjustments to the timing of Conversion as they consider reasonable having regard to the interests of all Shareholders. In this regard, although Conversion was anticipated to occur no later than six months after Admission, the Directors considered it is in the best interests of all Shareholders (being at that time Ordinary Shareholders and C Shareholders) to extend the Conversion Date beyond the six month period as the Shoprite case was still unresolved as at year end. On such conversion, each holder of C Shares will receive such number of Ordinary Shares as equals the number of C Shares held by them multiplied by the Net Asset Value per C Share and divided by the Net Asset Value per Ordinary Share (subject to a discount of 5 per cent.), in each case as at a date shortly prior to Conversion. As at 31 December 2014, the dispute with Shoprite is still unresolved and the Conversion has not yet been made.

The Net Placing Proceeds is the aggregate value of the C Shares issued under the Placing at the Placing Price less the applicable fees and expenses of the Placing.

The Company does not have a fixed life but, as stated in the Company's admission document published in 2007, the Directors consider it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, Shareholders passed an ordinary resolution at an extraordinary general meeting of the Company on 28 February 2014 that the Company continues in existence.

In 2019, the Directors will convene another general meeting where an ordinary resolution will be proposed that the Company will continue in existence. If the resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, reconstruct or wind up the Company. If the resolution is passed, the Company will continue its operations and a similar resolution will be put to Shareholders every five years thereafter.

At the same time as the continuation vote in 2019, the Company will provide Shareholders with, without first requiring a Shareholder vote to implement this policy, an opportunity to realise all or part of their shareholding in the Company for a net realised pro rata share of the Company's investment portfolio.

The directors have the discretion to defer the conversion indefinitely. Hence, there could be two classes of shares (the

Ordinary and the C Class shares) that could be realised in a forced liquidation by the shareholders, and then the requirements of IAS 32.16C and 16D would need to be applied to both classes. Due to the fact that there are two separate pools of assets and liabilities attributable to the C Class and Ordinary shareholders respectively, the requirements of IAS 32.16C(a) would not be met. Therefore both the classes have been classified as financialliabilities as from April 17, 2014 upon issuance of a Class C shares.

The equity attributable to ordinary shareholders (classified as equity) amounting to USD 52,254,245 have been reclassified to ‘’net assets attributable to shareholders’’ as from 17 April 2014 (reclassified now as ‘’financial liabilities’’ under IAS 32) upon issue of C shares where two separate pools are now being managed (note 6).

3(c) FAIR VALUE OF NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

Recurring fair value measurement of financial liabilities

The below table shows the fair value hierarchy of the Net assets attributable to shareholders. This has been presented for 2014 only as the shares were classified as equity instruments and not financial liabilities in 2013.

	Level 1	**Level 2**	**Level 3**
	USD	**USD**	**USD**
Ordinary shares	-	43,099,112	-
C Class shares	-	26,636,068	-
At 31 December 2014	**-**	**69,735,180**	**-**

The Ordinary and C Class shares are quoted on the SFM of the LSE. The shares are traded on the exchange at the quoted price as determined by the participants on the LSE. In a liquidation scenario or if investors elect to initiate their opportunity to realise all or part of the shareholding at the time of the continuation vote in 2019, the proceeds to the shareholders would be determined by the net realisation of the net asset value.

Therefore, the Directors have concluded that the most appropriate estimate of fair value of both classes of shares is their net asset value per share, without adjustment, at the reporting date. This price is calculated by taking the net assets attributable to shareholders and dividing by the number of shares in issue.

4. EARNING PER SHARE

In the prior year, the ordinary shares were classified as equity and as such the earnings per share have been disclosed on the face of the consolidated statement of comprehensive income for 2013 as required by IAS 33.

Following the classification of the ordinary and C shares as financial liabilities during the current year, the disclosure of the earning per share on the face of the consolidated statement of comprehensive is not required in terms of IAS 33 as the instruments are no longer classified as equity. However, the Company has voluntarily disclosed the earnings per share as per below.

Earnings per share is the prior year was 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.

In the current year, following the classification of the ordinary and C shares as financial liabilities, the earnings per share is calculated by dividing the decrease in net assets attributable to shareholders by the weighted average number of ordinary and C 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 are the same as basic earnings per share, since the Company has not issued any instrument with dilutive potential.

		Ordinary shares		**C shares**	
		2014	2013	**2014**	2013
Decrease in net assets attributable to shareholders (2014)/Earnings attributable to	USD	**(8,872,979)**	11,333,272	(2,563,932))	-

equity holders of the Group (2013)					
Number of shares in issue (2014)/Weighted average number of shares in issue(2013)		42,630,327	42,630,327	**20,640,000**	-
Change in net assets attributable to shareholders per share (2014)/Basic and diluted earnings per share (2013) (Note 17)	USD	**(0.208)**	0.266	**(0.124)**	-

5. RELATED PARTY DISCLOSURES

The Directors consider Africa Opportunity Fund Limited (the "Company") 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 2014**	% equity interest 2013
Africa Opportunity Fund (GP) Limited	Cayman Islands	100	100
Africa Opportunity Fund L.P.	Cayman Islands	99.09	99.09

During the year ended 31 December 2014, 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**	**USD**	**Balance at 31 Dec 2014**
				USD
Africa Opportunity Partners Limited	Investment Manager	Management fee expense	**1,196,481**	**-**
Africa Opportunity Partners Limited	Investment Manager	Performance fee expense	**-**	**36,532**

During the year ended 31 December 2013, 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 2013 USD
Africa Opportunity Partners Limited	Investment Manager	Management fee expense	933,052	-
Africa Opportunity Partners Limited	Investment Manager	Performance fee expense	2,361,064	2,361,064

The Investment Manager is considered to be key management personnel as it plans, directs and controls the operations of the fund.

Key Management Personnel (Directors' fee)

Except for Robert Knapp who has waived his fees, each director has been paid a fee of USD 20,000 per annum plus reimbursement for out-of pocket expenses through the placing on 17 April and a fee of USD 35,000 per annum plus reimbursement for out-of pocket expenses thereafter

Francis Daniels (resigned 28 February 2014) and Robert Knapp who are directors of the Company are also shareholders of the Investment Manager.

Robert Knapp who is a director of the Company also forms part of the executive team of the Investment Manager. Details of the agreement with the Investment Manager are disclosed in Note 5. He has 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.

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

	No of shares held	Direct interest held %
2014	**9,113,000**	**12.69**
2013	10,875,827	25.51

The decrease in director shares in 2014 is a result of Francis Daniels resigning from the board. Mr Daniels remains a shareholder of the Investment Manager.

6. ANALYSIS OF SHARE OF PROFIT AND LOSSES ATTRIBUTABLE TO ORDINARY SHARE AND C SHARES

6(a) STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Ordinary shares	C shares
	USD	USD
ASSETS		
Financial assets at fair value through profit or loss	**47,402,194**	**16,420,495**
Trade and other receivables	**895,714**	**141,088**
Cash and cash equivalents	**5,742,924**	**11,105,556**
Total assets	**54,040,832**	**27,667,139**

	Ordinary shares	C shares
	USD	USD
EQUITY AND LIABILITIES		
Liabilities		
Financial liabilities at fair value through profit or loss	**10,516,966**	**984,128**
Trade and other payables	**84,524**	**46,943**
Total liabilities	**10,601,490**	**1,031,071**
Equity		
Non-controlling interest	**340,230**	**-**
Total equity	**340,230**	**-**
Net assets attributable to shareholders	**43,099,112**	**26,636,068**

6 (b) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 2014

	Ordinary shares	C shares
	USD	USD
Revenue		
Income	**4,110,811**	**718,000**

Net gains on financial assets at fair value through profit or loss	**-**	**-**
Net gains on financial liabilities at fair value through profit or loss	**408,605**	**-**
	4,519,416	**718,000**
Expenses		
Management fees	**863,898**	**332,583**
Net losses on financial assets at fair value through profit or loss	**10,752,965**	**1,719,225**
Net losses on financial liabilities at fair value through profit or loss	**-**	**28,974**
Other expenses	**1,631,757**	**1,172,053**
	13,248,620	**3,252,835**
Loss before taxation	**(8,729,204)**	**(2,534,835)**
Taxation	**(209,242)**	**(29,097)**
Decrease in net assets attributable to shareholders from operations	**(8,938,446)**	**(2,563,932)**
Attributable to:		
Equity holders of the Company	**(8,872,979)**	**(2,563,932)**
Non-controlling interest	**(65,467)**	**-**
	(8,938,446)	**(2,563,932)**
Decrease in net assets attributable to shareholders per share attributable to the equity holders of the parent during the year	**(0.208)**	**(0.124)**

7. DIVIDEND PAYMENT

The Company expressed in the Admission Document for the Alternative Investment Market of the London Stock Exchange on which it was 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 2013 and 2014 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. This was the dividend policy when the Fund was listed on the AIM.

As from 17 April 2014 subject to the Fund's admission and listing on the Specialist Fund Market of the London Stock Exchange, the new amended Private Placement Memorandum stated that subject to market conditions, compliance with the Companies Law and having sufficient cash resources available for the purpose, the Company intends to pay the following dividends on the Ordinary Shares at an amount equal to the total comprehensive income of the Company as that expression is used in international accounting standard (excluding net capital gains/losses in accordance with Investment Management Association Statement of Recognised Practice), such amount to be paid annually

Investors in C Shares should note that it is not currently envisaged that any dividend will be paid on the C Shares to be issued pursuant to the Placing prior to their Conversion into Ordinary Shares.

		2014	2013
Dividend – payable		**USD**	USD
Dividend declared and paid		**76,859**	255,782
Dividend payable		**-**	85,291
		76,859	341,073
Dividend per share	US cents	**0.17**	0.80

8. PLACING AND ADMISSION EXPENSES

The Company incurred costs associated with the April 2014 C share placing and with the admission of the ordinary shares and the C shares to the SFM of the London Stock Exchange. The total costs incurred were USD 1,246,441 of which USD 937,987 related to placing agent fees and expenses and USD 308,454 related to admission fees and expenses. The placing agent fees are shown separately on the Consolidated Statement of Comprehensive Income. The admission fees and expenses are shown within the Other operating expenses line.

9. EVENTS AFTER REPORTING DATE

Shoprite filed a revised consolidated statement of claims in the Kitwe High Court in Zambia in March 2015. Shoprite's revised statement of claim reduced the number of AOF shares subject to challenge by Shoprite to the numbers set forth in Shoprite's various pleadings following legal actions brought by AOF. AOF sought to clarify which shares are affected by the trades disputed by Shoprite. The disputed number of Shoprite shares is now 438,743 shares out of a total number of 643,759 Shoprite shares owned by AOF.

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". C share class shares began trading 17 April 2014 and trade under Reuters symbol "AOFC.L" and Bloomberg symbol "AOFC 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

For further information please contact:

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Francis Daniels