19 June 2012

Africa Opportunity Fund Limited (AOF.L)
Announcement of Annual Results for the year ended 31 December 2011

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 2011.

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 2011 was US$39.8 million and its market capitalization was US$31.3 million.

Chairman's Statement

2011 Review

2011 was a challenging year for both world markets and the Africa Opportunity Fund Ltd ("the Fund" or "AOF"). AOF's audited net asset value generated a 1.6% return, including dividends, while the share price of AOF declined 10.4%.

To provide some basis for comparison, in African markets, South Africa declined 15%, Nigeria fell 19%, Kenya fell 30%, and Egypt fell 52%. In non-African emerging markets, China declined 26%, Brazil fell 27%, Russia fell 20%, and India fell 37%. In developed markets, Japan fell 7%, the US rose 2%, and the UK fell 2%.[1]

On balance AOF managed to preserve capital and position the portfolio for growth. At the end of the year 79% of the portfolio was in equity and 21% was in cash and bonds. This represents a significant change from year-end 2010 when 39% of the portfolio was in cash and bonds. Broadly AOF redeployed its fixed income portfolio into equities as prices declined during 2011. Although AOF is not immune from the growing crisis in the Euro zone, many consumer focused companies in Africa continue to make operational progress and hold attractive return prospects. Sonatel, for example, increased its subscriber base by 29% while earning a 54% EBITDA margin and African Bank grew EPS by 26% while generating an 18% ROE.

Outlook

As discussed last year, we view commodity price movements with some trepidation. While Africa offers a treasure trove of natural resource opportunities, these investments can be viewed as a derivative of Chinese aggregate demand. Our concern led us to trim some holdings and hedge some of our natural resources risk by establishing short positions in natural resource indices and recently in a major South African iron ore producer. Our primary investment focus remains identifying goods and services which consumers will demand regardless of domestic political or global economic conditions.

As we have stated before, Africa today shines as a growing continent. An educated middle class is emerging in numerous countries which experienced decades of infrastructure stagnation and underinvestment. For example, McKinsey Global Institute estimated in various reports that Africa had 75 million households in 2005 that could be classified as middle class, while India had 15 million such households. 42 million of those households resided in Sub-Saharan Africa. African markets offer value that is difficult to find on other continents. Single digit PE multiples and double digit ROEs are common. So too are double digit dividend yields - our plantation investments, in fact, paid yields over 20%.

To investors in Africa, fiscal imbalances and currency depreciations are part of the standard equation. Care and caution are required, especially as economic indicators globally show signs of slowing as 2012 unfolds. But businesses can still flourish in the midst of such imbalances, and in Africa this has always been more the rule than the exception.

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[1] Reference Indexes are calculated in US dollars using: Nigeria Allshare Index, South Africa Allshare Index, Kenya 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.

In closing, we remain optimistic about AOF's prospects, and we thank our shareholders for their support and partnership during the past year.

Robert C. Knapp
Chairman
18 June 2012

Manager's Report

The Fund's major theme of 2011 was to raise its exposure to African equity securities. This trend, visible in 2010, persisted in 2011. The end-of-year allocation of 79% in equities was the largest since the inception of the Fund. AOF had $7.5 million invested in debt securities, $34.9 million in equity securities, $0.8 million in cash; and derivative and short sale liabilities equal to $3.4 million. Holdings were in Angola, Botswana, Cote d'Ivoire, the Democratic Republic of Congo, the Republic of Congo, Ghana, Mauritius, Namibia, 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 $1.16 per share at the end of 2011, in comparison to a closing price of $0.74 and a 2010 appraisal value per share of $1.09.

Regardless of whether the Fund is invested in an equity or debt instrument, one of our objectives is to improve the investment quality of the Fund's holdings. Consequently, in a world of volatile markets, our preference is for returns which are independent of capital market performance. Necessarily, that preference attracts us to companies which possess high real returns on assets. Those companies have the ability to combine high dividend yields, akin in some cases to the running yields of high yield corporate bonds, with growing profits. We want to increase the contribution of dividend and interest income to the annual total returns of the Fund. In turn, that increase should strengthen somewhat the Fund's ability to earn profits even in declining markets.

It is fitting to discuss the Fund's largest investment, Shoprite Holdings, at the beginning of this report. It delivered the Fund's highest return, appreciating 79% during the year. The case for the Fund's investment in Shoprite Holdings was set forth in a paper written for a conference in 2010. The paper stated:

> "Shoprite Holdings Ltd. ("Shoprite") is the largest food retailer in Africa. It has outlets in 16 African countries ranging from South Africa to Nigeria in the west and Tanzania in the east and the Indian Ocean islands of Madagascar and Mauritius. It has a market capitalization in South Africa of $7.5 billion, trades on a P/E of 21.3X and a dividend yield of 2.36%. Shoprite is priced on the JSE as a growth stock, par excellence. AOF owns shares of Shoprite listed on the Lusaka Stock Exchange because the same shares that trade on a P/E of 21X are available in Lusaka on a P/E of 9X and a dividend yield of 5%. Shoprite's Lusaka share price offers an entry at a steep discount which brings them squarely into value territory, albeit at the price of poor liquidity. Working capital management and frequency of asset turnover separate the good retailers from the greats. Consequently, we measure retailers by comparing their cash flow from operations against their shareholders equity, return on equity and return on assets.
>
> How does Shoprite compare against a few global icons and some emerging market peers? Shoprite's return on equity in its most recent year was 38%, return on assets was 13%, and return on cash flow from operations was 17%. Whole Foods Market, Inc, purveyor of the organic food retailing experience for which its affluent customers pay a premium has a return on equity of 13%, a return on assets of 6%, and a return on cash flow from operations of 16%. Walmart's respective returns on equity, assets, and cash flow from operations were 21%, 9%, and 15%. Walmart Mexico's comparable ratios were 22%, 14%, and 20%. Tesco and Carrefour are European icons. Tesco's respective returns on equity, assets, and cash flow from operations were 16%, 5%, and 11%. Carrefour's comparable ratios were 5%, 1%, and 7%. How about Asian benchmarks? Dairy Farm International Holdings of Singapore and Guangzhou Friendship Co. of China have some of the finest ratios in Asia. Dairy Farm's return on equity, return on assets, and cash flow from operations are 72%, 14%, and 17%. Guangzhou's were 24%, 14%, and 20%. Clearly, Shoprite is a member of the top class of retailers. Does it have one of the top valuations in Zambia? Shoprite's P/cash flow from operations is 6.8X in Zambia. Whole Foods' is 10.7X, Walmart's is 7.4X, Walmart de Mexico is 21.9X, Tesco's is 6.9X, Carrefour's is 7.2X, Dairy Farm's is 22.3X, and Guangzhou's is 25.9X.

Shoprite in Zambia is valued as if it were a first world retailer; not an agile emerging markets retailer. Therein lies an opportunity for the value investor. Someday, the huge gap between Shoprite in Lusaka and Shoprite in Johannesburg will close."[2]

That gap has diminished slightly. At a share price of 135 Rands per share on the Johannesburg Stock Exchange, Shoprite is not cheap, especially as its financial ratios have weakened slightly in the last few years. Its P/E ratio of 31X is juxtaposed to its most recent return on equity ratio of 32%, return on asset ratio of 11%, and return on cash flow from operations of 19%. The Lusaka Stock Exchange ("Luse") remains a much cheaper entry point into Shoprite. The current Zambian Shoprite share price of 55,000 Zambian Kwacha (or 80.84 Rands), values Shoprite on a P/E ratio of 18X: demanding, but more palatable than a P/E ratio of 31. In the meantime, we continue to believe that Shoprite's presence throughout Africa will continue to grow. Indeed, one of the identified use of proceeds of a recent capital raise of $2 billion was to invest in property in Nigeria to accelerate its expansion in that country.

It must be pointed out that our investment in Shoprite through the Lusaka Stock Exchange comes with the possibility of litigation. The Fund acquired Shoprite's shares on the Luse in the normal course of business through Zambian brokers. Shoprite shares were entrusted to a Zambian law firm, Lewis Nathan Advocates, which served as transfer agent for the Shoprite shares listed on Luse and it served as attorney-in-fact for Shoprite to sell those shares. However, the law firm is now accused by Shoprite of selling the shares against restrictions established by Shoprite. Shoprite further contends that the trades were made without its consent, knowledge or authority. Furthermore, Shoprite claims it did not receive the proceeds from those trades from Lewis Nathan. Shoprite has sued Lewis Nathan to obtain an accounting for those trades. It has also placed dividends due to its shareholders on the Zambian register into an escrow account, pending the outcome of its lawsuit against Lewis Nathan. Shoprite has been quoted in Zambian newspapers asserting that it would like to reverse the allegedly unauthorized trades in its shares. Our view is that the Fund acquired legal title to its Shoprite shares. It is possible that the Fund could be part of the litigation initiated by Shoprite. Based on legal advice we have obtained from both Zambian and South African counsel, we believe that should there be any challenge relating to the Fund's title to the Shoprite shares, any such challenge will be defendable.

The next subject of comment is an agricultural investment in Nigeria. The Fund's agricultural portfolio constituted 18.4% of its net asset value at the end of 2011. Comparable ratios for 2010, 2009, and 2008 were, respectively, 6.48%, 2.21%, and 4.57%. By contrast, our mining and oil and gas portfolio on the long side accounted for 11.6% of the Fund's end-of-year net asset value, a much lower proportion than its 29.6% share of the Fund's 2008 net asset value. A major factor behind this switch in relative share of the Fund's portfolio has been our experience that African tropical plantation operators are among the most generous dividend payers in our investing universe.

Okomu Oil PLC ("Okomu") is an example of our favorite type of investment on the long side: a company with minimal debt, available to the Fund at historically low valuations, that sells a good in short supply in Africa - crude palm oil and ancillary products. It also exports rubber. Palm oil is used for the manufacture of soap and other cosmetics, edible oil, and biodiesel. Okomu has been profitable since at least 1991, demonstrating an ability to thrive through even the 2001 low point of the palm oil cycle when the price of crude palm oil was $185 per ton. The Fund's first purchase of Okomu equity securities took place in May 2011 at a price of 14.69 Nairas (or $0.0936) per share. At that time, trading at 66% discount to its 2007 high of 43 Nairas per share, it was the cheapest of the profit-generating companies in our rubber and palm oil plantation universe, having a valuation per hectare which was less than the $5,000 cost of developing a hectare *de novo* on its own plantation. Better still, 29% of its 2010 revenues came from a revenue source – rubber - that was less than 4% of revenues in 2007. Best of all, the gross profit margin for rubber in 2010, 66%, is higher than palm oil's gross profit margin of 63%. Rubber's superior gross profit margins, 87% versus 74% for palm oil, were even more accentuated in Okomu's recent 2011 results. Okomu's share had last traded in the 16 Naira range in June 2006 when the world palm oil price was approximately $400 per ton, a far cry from its May 2011 and current levels exceeding $1,000 per ton. Our universe comprises 25 companies operating in Indonesia, Malaysia, Sri Lanka, Cameroon, Cote d'Ivoire, Democratic Republic of the Congo, Ghana, and Nigeria. At 16 Nairas per share in the middle of 2011, Okomu's enterprise value per hectare was $3,645 and its PE ratio was 4.7X. So, buying Okomu on the Lagos Stock Exchange was much cheaper than developing the Fund's own plantation. Yet, Okomu's 21% earnings yield handsomely surpassed all Naira-denominated government debt yields at the same time that its 2010 20% return on assets

[2] Francis Daniels, *Reflections of a Value Investor in Africa,* p.17 (Paper written for the October 2010 Grant's Interest Rate Observer Conference, New York).

placed Okomu squarely in the high return on assets class of companies. As a price-taking cyclical commodity producer, Okomu's margins and returns fluctuate. Nevertheless, its long record of annual profits over quite a few cycles signify that it is a low cost producer unlikely to shower the Fund with losses at the low end of the palm oil and rubber cycles. Okomu's attributes as a deeply undervalued company was hidden by its relatively tiny size. Although its market capitalization of $44.3 million, does make it the largest company in the modest agricultural sector of the Lagos Stock Exchange. However, despite its size, Okomu served as both an inflation and currency hedge while retaining strong growth prospects. Why?

Palm oil is sold in Nigeria at a price above the global US Dollar denominated price. If the Naira depreciates, the local palm oil price rises. West African plantation operators use less fertilizer than South East Asian plantation operators. Consequently, natural inputs like sunlight and rainfall play a greater role in production. If money supply in Nigeria rises and a fraction of a company's inputs are natural inputs that are impervious to a rising money supply, then expenses should rise at a lower rate than the then prevailing inflation rate, thus insulating that company's profit margins. Indeed, Okomu's production costs since 2008 have risen at an average annual rate of 11%, slightly below the 11.4% average annual inflation rate over the same period. Furthermore, as palm oil and rubber prices have risen sharply since 2009, Okomu's revenues and earnings have also risen sharply. Gross profit margins have climbed steadily: 55% in 2007, 60% in 2008, 53% in 2009, 62% in 2010, and 79% in 2011. Net margins over the same period: 5% in 2007, 26% in 2008, 12% in 2009, 27% in 2010, and 35% in 2011. It is unsurprising that its dividend has multiplied 20X since 2008 and Okomu sports a dividend yield of 18% today. In sum, a company expanding its annual output, diversifying its products, limiting increases in its cost of production below inflation, and enjoying significant unit price increases is in the midst of a perfect storm of profitability. A logical outcome of that storm: a steadily rising Okomu share price even as the Lagos Stock Exchange declined in 2011.

It is time to turn to a disappointment. Ironically, it came from a company about which we wrote with approval last year: Great Basin Gold ("Great Basin"), an emerging mining producer with operations in Nevada and South Africa - the Hollister Mine in Nevada and the Burnstone Mine in Mpumalanga, South Africa. As we expected last year, Great Basin started to extract gold from its Burnstone Mine. The Fund held debentures issued by Great Basin. The Fund lost 37% of its investment in those debentures in 2011. Its scant consolation that an investment in the common stock of Great Basin would have declined by 67.8% over the same period. What was the source of those losses?

Great Basin revealed in the second half of 2011 that the ore-bearing rocks at Burnstone from which it had planned to mine gold ounces in 2011 were not in the underground locations anticipated by Great Basin's geologists and engineers. Great Basin's management explained that its drilling program, which had been intense and detailed by South African standards, could not have picked up the underground faults that led to the displacement of the gold from the anticipated locations. Great Basin proceeded to compound the market's shock by failing to meet its constantly revised and constantly declining annual production targets for the Burnstone Mine. Great Basin had announced in December 2010 that it expected to produce 110,000 gold ounces from Burnstone in 2011. That target was lowered to 96,794 ounces in March 2011, followed by a reduction to 58,413 ounces in June 2011 and 30,000 ounces as of September 2011. Burnstone's actual 2011 production was 21,989 ounces! Failing to meet three progressively lower production targets in the space of twelve months is one of the more obvious ways of destroying market confidence in a company's management. Great Basin is no exception. Regardless of whether this displacement of gold-bearing rocks was foreseeable - the senior management of Great Basin claimed it was not foreseeable - its financial consequences were predictable. Great Basin had to spend more money than expected to find out the exact contours and locations of its ore-bodies while Burnstone produced far less gold in 2011 than planned. Burnstone's actual 2011 output, by comparison to the original target, deprived Great Basin of more than $120 million in revenue. Revenue loss of that magnitude for a mining development company begged the question whether its balance sheet remained prudently financed to endure any more negative vagaries of mining.

The prudent financing policy for companies operating in the capital-intensive mining and oil and gas industries was enunciated in a biography of Sir Ernest Oppenheimer published in 1962. Sir Theodore Gregory, author of that biography, wrote: "Ernest Oppenheimer throughout his business life insisted on the necessity of 'liquidity', in the sense of always having available a margin of uncommitted resources; this implied, among other things, a cautious dividend policy and large reserve funds."[3] "The supreme need of a mining house, he held, was to maintain, at all times, an adequate margin of liquidity, not only so as to be able to take advantage of new

[3] Sir Theodore Gregory, *Ernest Oppenheimer and the Economic Development of Southern Africa* (Oxford University Press, 1962), 519.

opportunities, if and when they arose, but to prevent dependence on the vagaries of the money market…"[4] Great Basin Gold experienced a misfortune that forced it to breach Sir Ernest's financing policy, a failing all too common among the mining and oil and gas exploration and development industries. As this breach became more obvious and it lowered repeatedly its planned output from the Burnstone Mine, its share price lost 50% of its value from August 2011 to December 2011. The price of the Fund's debentures fell by 24% over the same period from 125.5% of par to 95% of par, vindicating the respect paid to risk of loss evident in our selection of the debentures over Great Basin's equity. If Great Basin Gold's equity becomes sufficiently cheap, the balance of risk and reward might tilt in favor of reward; then, the Fund would accumulate the common stock of Great Basin.

What of the future? Great Basin has issued both more shares to strengthen its balance sheet in March 2012 and more debt in December 2011. This new infusion of cash will be insufficient to protect its balance sheet against more failures to attain the planned output of gold. However, it has more knowledge about the nature of the ore body of Burnstone. On the strength of its current knowledge, it has published a new set of 2012 production targets for both the Burnstone and Hollister mines. Much the most crucial attribute to assess for the future is whether the management of Great Basin Gold are congenital optimists, prone to announcing covertly unrealistic mine plans. In that regard, production at Hollister has been very close to Great Basin's published 2011 targets, thus suggesting that Burnstone's disappointments were not caused by unjustified optimism.

The other noteworthy disappointment was the depreciation of the Cedi. It depreciated by 10% against the US Dollar in 2011 and by an additional 8.4% in the first quarter of 2012. Translation losses are an ineluctable risk for foreign investors. An outbreak of high inflation is the other risk requiring constant assessment in Africa. An investor in African securities has to supplement the usual range of causes of foreign exchange movements with other causes that are of considerable importance. For example, drought, triggering a need for diesel imports into Kenya, was a factor behind the decline of the Kenyan shilling in 2011. Ghana's Cedi is notorious for collapsing in Presidential election years. We had expected that the Cedi would become an appreciating currency against the US Dollar with the commencement of oil production from the Jubilee Field. In fact, oil production started on schedule, but production failed to meet the targets set by Tullow Oil, the operator of that field. As the Cedi begun to depreciate, many foreign holders of Cedi denominated government debt securities elected to withdraw from the Ghana market, thus exerting additional pressure on the Cedi. In fact, the Bank of Ghana has been forced to raise interest rates. High nominal interest rates render it costly to attempt to hedge against many an African currency's depreciation risk. Thus, we did not hedge the Fund's Cedi exposure and had to bear the full brunt of that depreciation. The remainder of this report comprises commentary on two of AOF'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 AOF's second largest investment. Its subscribers grew by 29% in 2011 to 14.5 million. Sonatel has operations in Senegal, Mali, Guinea, and Guinea-Bissau. It has 100% of Senegal's fixed line market, 90% of Senegal's internet market, 61% of Senegal's mobile telephony market, 60% of Mali's mobile telephony market, 30% of Guinea's mobile telephony market, and 37% of the mobile telephony market in Guinea-Bissau. At 21% for the 2010 financial year, Sonatel's net margin is the third highest in Africa. In addition, Sonatel has the 3rd highest operating cash flow per telephone subscriber in Africa of $50, the 2nd lowest debt to equity ratio in the telecoms industry of 8%, a debt to total assets ratio of 4%; and a return on average equity of 27%. Yet, as of March 30 2012, with an enterprise value around $2.4 billion and a market capitalization of $2.6 billion, Sonatel has the 3rd lowest African telephone operator valuation with a PE ratio of 9X and an enterprise value per subscriber of $166.

> *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, loans secured by furniture to individuals, and sells furniture and various electronic household appliances. Its customers are members of the emerging middle class and its average loan size is 10,071 Rands (or approximately $1,350). Furniture sales by Ellerines continue to rise as the restructuring efforts start to bear fruit in an economy recovering from recession. A simple comparison of Ellerines' sales per square meter against the sales per square meter of its major competitors - the Lewis Group and the JD Group - reveal the significant capacity for improvement. Ellerines' statistic of 6,662 Rands per square meter stands far below the 9,906 Rands per square meter figure for the Lewis Group and the 11,634 Rands per square meter for the JD Group. Nevertheless, ABIL's 1,702 branches and stores remains one of the largest

[4] *Ibid*, p.21.

financial branch networks in South Africa. The strategic rationale for the acquisition of Ellerines is starting to play out as planned. The company sold R1.7 billion in loans from Ellerines' infrastructure. Unlike the four major commercial South African banks, it has no exposure to the mortgage market. Its funding strategy is rare. It funds itself long term to make loans of shorter duration. As of Sept 30, 2011, its ratio of tangible shareholders equity to tangible assets was 17.3% and its tier 1 capital adequacy ratio was 23.2%. That high capital ratio permits 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 has remained at 5.2% and 5.1% between 2010 and 2011 and its return on average equity increased from 16% to 18%. But, its return on average tangible equity was 32%. ABIL had a market capitalization on March 30 of $4.2billion. It traded on a PE ratio of 13.5X, a Price/Book ratio of 2.4X, and a Price/Tangible Book of 4.1X.

Once again, we end with a restatement of our investing philosophy. The key elements of the investment strategy for AOF are:

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

Company preference: AOF 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: AOF seeks to invest in industries it finds attractive with little regard to national borders.

National resource discounts: AOF 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: AOF 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: AOF 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. We remain interested in industries which have products in short supply in Africa that rely more on the domestic African economy than the global economy. 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 AOF.

Francis Daniels
Africa Opportunity Partners
18 June 2012

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011	2010
		USD	USD
Income			
Interest revenue	6	**623,513**	1,076,886
Dividend revenue		**1,765,815**	1,270,249
Net gains on financial assets and liabilities at fair value through profit or loss	7 (c)	**-**	7,528,764
Other income	12	**270,728**	7,862
Net foreign exchange gain		**294,353**	120,466
		2,954,409	10,004,227
Expenses			
Management fee	5	**797,020**	669,238
Net loss on financial assets and liabilities at fair value through profit or loss	7 (c)	**590,098**	-
Brokerage fees and commissions		**311,590**	286,092
Custodian, secretarial and administration fees		**204,383**	257,195
Directors' fees		**80,000**	98,928
Other operating expenses		**49,345**	169,475
Dividend expense on securities sold not yet purchased		**47,865**	33,694
Audit fees		**43,861**	22,675
		2,124,162	1,537,297
Profit before tax		**830,247**	8,466,930
Withholding tax		**120,075**	60,928
Profit after tax		**710,172**	8,406,002
Other comprehensive income		**-**	-
Total comprehensive income for the year		**710,172**	8,406,002
Attributable to:			
Equity holders of the Company		**697,435**	8,344,751
Non controlling interest		**12,737**	61,251
		710,172	8,406,002
Basic and diluted earnings per share attributable to the equity holders of the Company during the year	13	0.0164	0.1957

Comment [D.R.1]: Question
Were there no realised exchange gains?

Response: Yes, there is.

Comment [FL2]: Are there no tax or even withholding taxes applicable?

Response: Withholding tax is shown separately. Accounting policies for withholding tax under dividend revenue accounting policies

Comment [D.R.3]: Error
Doesn't agree to note 13

Response: Changed from 0.0163 to 0.0164 (round to 4 decimal place)

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011	2010
		USD	USD
ASSETS			
Cash and cash equivalents	9	**783,953**	5,492,114
Trade and other receivables	8	**524,088**	692,307
Financial assets at fair value through profit or loss	7(a)	**42,449,713**	41,323,702
Total assets		**43,757,754**	47,508,123
EQUITY AND LIABILITIES			
LIABILITIES			
Trade and other payables	11	**187,869**	1,702,811
Dividend payable	17	**76,735**	76,735
Financial liabilities at fair value through profit or loss	7(b)	**3,412,740**	6,051,401
Total liabilities		**3,677,344**	7,830,947
Equity			
Share capital	10	**426,303**	426,303
Share premium		**38,705,880**	39,012,818
Retained earnings/(accumulated loss)		**675,220**	(22,215)
Equity attributable to equity holders of parent		**39,807,403**	39,416,906
Non controlling interest		**273,007**	260,270
Total equity		**40,080,410**	39,677,176
Total equity and liabilities		**43,757,754**	47,508,123

Comment [FL4]: IFRS wording is 'accumulat
loss'

Response: Amended

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
	Notes	Issued capital USD	Share premium USD	Retained Earnings/ (Accumulated loss) USD	Total USD	Non controlling interest USD	Total equity USD
At 01 January 2010		426,303	39,319,756	(8,366,966)	31,379,093	199,019	31,578,112
Profit for the year		-	-	8,344,751	8,344,751	61,251	8,406,002
Other comprehensive income		-	-	-	-	-	-
Dividend	17	-	(306,938)	-	(306,938)	-	(306,938)
At 31 December 2010	10	426,303	39,012,818	(22,215)	39,416,906	260,270	39,677,176
At 01 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	17	-	(306,938)	-	(306,938)	-	(306,938)
At 31 December 2011	**10**	**426,303**	**38,705,880**	**675,220**	**39,807,403**	**273,007**	**40,080,410**

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 USD	2010 USD
Operating activities			
Profit for the year		**710,172**	8,406,002
Adjustment for non cash items:			
Unrealised (loss)/gain on financial assets at fair value through profit or loss	7(a)	**1,354,903**	(5,837,946)
Realised gain on sale of financial assets at fair value through profit or loss	7(a)	**(8,607)**	(893,590)
Unrealised (gain) / loss on financial liabilities held for trading	7(b)	**(597,169)**	683,823
Realised profit on financial liabilities held for trading	7(b)	**(159,029)**	(1,481,051)
Effect of exchange rate on cash and cash equivalents		**(231,549)**	(33,754)
Cash generated from operating activities		**1,068,721**	843,484
Net changes in operating assets and liabilities			
Purchase of financial assets at fair value through profit or loss		**(13,113,900)**	(17,500,722)
Proceeds on financial assets at fair value through profit or loss		**10,641,593**	13,701,515
Proceeds on financial liabilities held for trading		**1,504,345**	9,958,704
Purchase of financial liabilities held for trading		**(3,386,809)**	(5,881,476)
Increase in interests received		**350,301**	-
Decrease in dividends received		**(182,081)**	(16,307)
Decrease in trade and other receivables		**-**	43,068
(Decrease) / Increase in trade and other payables		**(1,514,942)**	977,789
Net cash (used in)/ generated from operating activities		**(4,632,772)**	2,126,055
Financing activities			
Dividend paid	17	**(306,938)**	(341,043)
Net cash flow used in financing activities		**(306,938)**	(341,043)
Net (decrease)/increase in cash and cash equivalents		**(4,939,710)**	1,785,012
Effect of exchange rate on cash and cash equivalents		**231,549**	33,754
Cash and cash equivalents at the start of the year		**5,492,114**	3,673,348
Cash and cash equivalents at the end of the year	9	**783,953**	5,492,114

1. GENERAL INFORMATION

Africa Opportunity Fund Limited (the "Company") was admitted to trading on AIMin 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.

Comment [FL5]: Should this not be liabilities fair value through P/L?

Response: Amended to financial liabilities held fo trading

Comment [FL6]: Should this not be liabilities fair value through P/L?

Response: Amended to financial liabilities held fo trading

Comment [D.R.7]: Question
Why is this amount equal to the carrying amount the financial assets sold per note 7? Were the asse sold at a proceeds equal to their carrying amounts Can only be if sold short after the comparative yea end or acquisition.

Response: Note 7(a) amended accordingly

Comment [D.R.8]: Error
This doesn't agree to the note 7

Response: The reconciliation is not shown but it does tally.
Acquisition = 3,386,809
Disposal =(1,345,316) →(1,504,345 – 159,029
Unrealised = 597,169
Movement = 2,638,662 → (6,051,401 – 3,412,740)

Comment [D.R.9]: Question
Interest is already taken into account in profit abo So why is it being taken into account again?
Also, why is the *movement* in interest received shown? The total actual interest received should b shown.

Response: This relates to actual interest received while the interest in the profit is interest received accrued for the year

Comment [D.R.10]: Question
Dividends are already taken into account in profit above. So why are they being taken into account again?
Also, why is the *movement* in dividends received shown? The total actual dividends received should be shown.

Response: Same reasoning as above

Comment [FL11]: Was a comment on why no movement as there is a movement in the SFP. Wh was comment deleted without explanation?

Response: Comment was deleted upon cancelling and re-including the line.
This line is shown as zero because trade and other receivable consisted of interest and dividend receivable only, which are shown in the two lines above.

Comment [FL12]: This adjustment is the same the amount above adjusted under the operating activities.
The IAS 7 requirement is that only the portion of exchange difference relating to cash and cash equivalents should be adjusted here and not the to movement. The rest must be adjusted against the underlining assets and liabilities. Therefore only c and cash equivalents denominated in a foreign currency should result in an adjustment here.

Response: Amendment made accordingly

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 will have 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 will be 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 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 18 June 2012.

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

	2011	2010
	USD	USD
Designated at fair value through profit or loss:		
At 1 January	**41,323,702**	30,792,960
Additions	**13,113,900**	17,500,722
Disposals	**(10,632,986)**	(12,807,926)
Net gains on financial assets at fair value through profit or loss	**(1,354,903)**	5,837,946
At 31 December (at fair value)	**42,449,713**	41,323,702
Analysed as follows:		
- Listed equity securities[5]	**32,435,424**	30,175,364
- Listed debt securities	**7,514,040**	9,559,422
- Unlisted equity securities	**2,300,249**	46,469
- Unlisted debt securities	**200,000**	1,542,447
	42,449,713	41,323,702

Net changes on fair value of financial assets at fair value through profit or loss	**2011**	2010
	USD	USD
Realised	**8,607**	893,590
Unrealised	**(1,354,903)**	5,837,946

[5] including securities lent and securities pledged as collateral under repurchase agreements

Comment [D.R.13]: Question
Has the audit team considered whether this is a jo venture and should be accounted for as such?

Response: AOF Limited holds 99.12% of AOF L while CarryCo holds 0.65% of AOF LP and AOF GP holds 0.23% of AOF LP. This is not a joint venture

Comment [FL14]: Are there none held for trading as stated in the policies?

Response: Note 7(a) is designated at FVTPL whi note7(b) are held for trading

FL: 7(b) is liabilities @FVTPL. Just want to kno whether this table are all designated or whether pa of it is held for trading?

Total (losses)/ gains	**(1,346,296)**	6,731,536

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

	2011 USD	2010 USD
Written call options	**-**	113,870
Written put options	**46,250**	91,958
Listed equity securities sold short	**3,366,490**	5,845,573
Financial liabilities held for trading	**3,412,740**	6,051,401

	2011 USD	2010 USD
Net changes on fair value of financial liabilities at fair value through profit or loss		
Realised	**159,029**	1,481,051
Unrealised	**597,169**	(683,823)
Total gains	**756,198**	797,228

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

	2011 USD	2010 USD
Net (loss)/ gain on fair value of financial assets at fair value through profit or loss	**(1,346,296)**	6,731,536
Net gain on fair value of financial liabilities at fair value through profit or loss	**756,198**	797,228
Net (losses)/ gains	**(590,098)**	7,528,764

2(d). Fair value hierarchy

As at 31 December 2011, the Group held the following instruments recognised at fair value:

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.

Comment [FL15]: Should also include a recor the movement during the year as for the @FVTPI note 7(a)

Response: Client does not wish to disclose the reconciliation. Good investment fund does not sho the reconciliation.either.

FL: should try for next year to include. Good Fun is not perfect.

Assets measured at fair value - 2011

	31 December 2011 USD	Level 1 USD	Level 2 USD	Level 3 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**	**3,412,740**	**-**	**-**

Assets measured at fair value - 2010

	31 December 2010 USD	Level 1 USD	Level 2 USD	Level 3 USD
Financial assets at fair value through profit or loss				
Equities	30,221,833	30,175,364	-	46,469
Debt securities	11,101,869	-	9,659,422	1,542,447
	41,323,702	30,175,364	9,659,422	1,588,916
Financial liabilities at fair value through profit or loss	6,051,401	6,051,401	-	-

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.

Financial assets at fair value through profit or loss	**2011 USD**	2010 USD
Opening balance	**1,588,916**	785,283
Additions	**-**	300,000
Disposal	**(1,242,447)**	(608,952)
Net transfers in/(out) of Level 3	**(124,983)**	-
Total (losses)/ gains in profit or loss	**(21,486)**	1,112,585
Closing balance	**200,000**	1,588,916

Comment [FL16]: The SRM states:
We noted that the Company acquired 401.6 shares Class B Preferred Shares at 0.75 per shares in Tritton (USD 301,266).The purchas was made in August 2011 which is within 6 months prior to AOF Financial year. The mos recent transaction being the above purchase has been taken as best indication of fair valu and we are satisfied that the value of the clas B Preferred shares are fairly stated at year er This seems to indicate that there is no active market and should rather be level 2 or that these instruments are not really at fair value.

What is the position on this, why not adjusted at y end?

Response: The USD 301,266 for Tritton Class B classified in the Level 2. The USD 32M in level 1 consists of quoted equity shares only.

Comment [FL17]: Are the written options also quoted on the market? Else it should be in level 2

Response: Yes, the option is quoted

Comment [FL18]: As above

Response: Same as above

3. STATED CAPITAL

	2011 Number	**2011 USD**	2010 Number	2010 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

Earning 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 period 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.

		2011	2010
Earnings attributable to equity holders of the Group	USD	**697,435**	8,344,751
Weighted average number of ordinary share in issue		**42,630,327**	42,630,327
Earnings per share	USD	**0.0164**	0.1957

5. RELATED PARTY DISCLOSURES

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

Comment [D.R.19]: Required
Please also include disclosure of key managemen compensation in the categories outlined in IAS 24.17, i.e. short term benefits, etc.

Response: Only directors fees paid. No other benefits

Comment [D.R.20]: Required
Also disclose the holding company and ultimate holding company of the entity.

Response: AOF Limited is the ultimate holding company

FL: is this stated somewhere? If not, then should least state here.

Response: Ok. Included here.

The financial statements include the financial statements of Africa Opportunity Fund Limited and the subsidiaries in the following table:

Name	**Country of incorporation**	**% equity interest 2011**	% equity interest 2010
Africa Opportunity Fund (GP) Limited	Cayman Islands	**100**	100
Africa Opportunity Fund L.P.	Cayman Islands	**99.12**	99.12

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**	**-**

During the period ended 31 December 2010, 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 2010 USD
Africa Opportunity Partners Limited	Investment Manager	Management fee expense	669,238	-

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%.

Comment [D.R.21]: Required
Also include the terms and conditions of the transactions (such as whether they are at arm's length

Response: The terms and conditions are disclosed already in note 5. The table below relates solely to management fees

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

	No of shares held	Direct interest held %
2011	**10,875,827**	**25.51**
2010	10,875,827	25.51

Comment [D.R.22]: Required
Please indicate in the note which company these shares relate to.

Response: They are shares in AOF Limited

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 2010 and 2011 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 2011 USD	Dividend 2010 USD
Dividend declared and paid		**230,203**	230,203
Dividend payable		**76,735**	76,735
		306,938	306,938
Dividend per share	US cents	**0.72**	0.72
Opening balance - dividend payable		**76,735**	110,838
Additions		**306,938**	306,938
Payment		**(306,938)**	(341,041)
Closing balance		**76,735**	76,735

7. SHARE BUY BACK – TENDER OFFER

The Company announced a tender offer in early February 2009 which closed on 26 February 2009. Shareholders were given the option to submit 100% of their holdings for redemption. 37% of holders chose to remain invested.

The Company's assets and liabilities were divided into a Tender offer pool for exiting shareholders and a continuing pool for continuing shareholders on 27 February 2009, the calculation date.

During 2011 all remaining investments of the Tender pool were realised and a final distribution was made to the exited shareholders effective 19 December 2011.

8. 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

For further information please contact:

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