AFRICA OPPORTUNITY FUND LIMITED

Annual Report and Accounts
For the year ended 31 December 2013

Summary

The Company

Africa Opportunity Fund Limited ("AOF" or the "Company") is a Cayman Islands incorporated closed-end investment company traded on the AIM market of the London Stock Exchange ("LSE"). Effective 17 April 2014 AOF was cancelled from the AIM market and admitted to the Specialist Fund Market of the LSE. AOF's net asset value on 31 December 2013 was US$52.0 million and its market capitalisation was US$48.94 million.

Investing objective

The investing objective of the Company and its subsidiaries (together the "Group") is to achieve capital growth and income through investments in value, arbitrage, and special situations opportunities derived from the continent of Africa. Therefore, the Group may invest in securities issued by companies domiciled outside Africa which conduct significant business activities within Africa or, if listed, listed either on an African stock exchange or a non-African stock exchange. The Group may invest in equity, quasi-equity or debt instruments, debt issued by African sovereign states and government entities, and real estate interests.

The Directors and Africa Opportunity Partners Limited (the "Manager") believe that the diversity and volatility of African economies present opportunities to earn attractive returns when investments are made selectively, across asset classes, and without pre-determined benchmarks or allocations.

By balancing the size and type of investment, the Directors and the Manager believe that attractive returns may be made across asset classes. Whilst the African capital markets can be volatile, by ensuring diversity of investment across industries and countries, the Manager attempts to mitigate such risks.

The Group targets industries rather than countries to exploit valuation discrepancies which can arise among African countries. The Directors and the Manager also believe that Africa's status as a continent containing a large number of reforming countries provides investment opportunities in those countries.

Summary of Investment Strategy

The Group's investment strategy is opportunistic. The Group invests primarily where and when the Manager believes that investments can be made at a material discount to the Manager's estimate of an investment's intrinsic value.

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

Natural resource discounts. The Group 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 Group 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 Group seeks the most favourable risk adjusted point of entry into a capital structure, whether through financing the establishment of a new company or acquiring the debt or listed equity of an established company.

The Group intends to be a passive investor and will generally not control or seek to control or be actively involved in the management of any company or business in which it invests.

Investment Policies and Restrictions

The Manager adheres to the following policies and restrictions:

Geographical focus. The Group makes investments in companies or assets with a material portion of their value derived from or located in Africa. The geographic mix of investments varies over time depending on the relative attractiveness of opportunities among countries and regions.

Type of investment. The Group may invest in real estate interests, equity, quasi-equity or debt instruments, which may or may not represent shareholding or management control, and debt issued by African sovereign states and government entities. Investments may be made directly or through special purpose vehicles, joint venture, nominee or trust structures. The Group may utilise derivative instruments to hedge certain market or currency risks and may from time to time engage in the short sale of securities.

Investment size. At the time of investment, no single investment may exceed 15 per cent of the Net Asset Value without the prior approval of the Board. No one initial investment will exceed 20 per cent of the Net Asset Value at the time of investment.

Number of investments. The Group has, and expects to maintain, a concentrated portfolio of approximately 10 to 20 investments, excluding money market investments.

Borrowing. The Group may use overdraft and other short-term borrowing facilities to satisfy short-term working capital needs, including to meet any expenses or fees payable by the Group. The Manager anticipates that borrowings may be utilised for investment purposes with the prior approval of the Board. There are no limits on the Group's ability to leverage itself.

Cash management. Cash will be placed in bank deposits, investment grade commercial paper, government and corporate bonds and treasury bills, in each case, of US and African issuers.

Distribution policy

The Directors will determine the Company's dividend policy. Subject to having sufficient cash resources available for the purpose, the Company is currently intending to pay an aggregate annual dividend of an amount equal to the product of Net Asset Value on 1 January in each year multiplied by the one year US Dollar LIBOR rate (as derived from Bloomberg) on the same date, which amount will be payable in four equal quarterly installments in March, June, September and December of that year.

Life of the Company

The Company does not have a fixed life, but the directors consider it desirable that its shareholders should have the opportunity to review the future of the Company at appropriate intervals. The Directors will convene a general meeting in 2014 where a 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.

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Africa Opportunity Fund Limited
Chair's Statement

2013 Review

2013 was a buoyant year for world markets and a buoyant year too for the Africa Opportunity Fund Ltd ("the Fund" or "AOF"). AOF's audited net asset value generated a 28% return, including dividends, while the share price of AOF increased 53%.

To provide some basis for comparison, South Africa fell 2%, Nigeria rose 48%, Kenya rose 48%, and Egypt rose 12%. In non-African emerging markets, China fell 1%, Brazil fell 27%, Russia fell 2%, and India fell 2%. In developed markets, Japan rose 31%, the US rose 32%, and the UK rose 21%.[1]

At the end of the year 71% of the portfolio was in equities, 22% was in bonds and 7% was in cash, marking a further shift towards equities that has been underway since 2011. Also of note, our holding in Enterprise Group, a Ghana listed company, appreciated 205% in US Dollar terms and is now our largest holding, representing 19% of the Fund. Importantly, Enterprise is now valued at 7.5x our 2014 earnings estimate, a reasonable valuation despite its strong recent performance. Beyond Enterprise, many of the portfolio companies in which AOF is invested made significant operational progress during the year. Sonatel, for example, increased its subscribers by 22% while earning a 50% Ebitda margin, and Tizir largely completed its mineral sands mine in Senegal.

Outlook

As discussed in past reports, our primary investment focus remains identifying goods and services which consumers will demand regardless of domestic political or economic conditions. Our concerns that commodity investments may represent a derivative of China's aggregate demand have served us well, as mining shares have suffered significantly. Those concerns have expanded to encompass the heightened volatility accompanying the tapering program of the US Federal Reserve. For African investors, a slowing China and a tapering Fed are harbingers of tightening financial conditions, whether via sinking currencies, rising inflation, rising interest rates, or deteriorating terms of trade. Some African governments seem intent on dropping their own domestic spice into this tightening soup via rising budget deficits or arbitrary regulatory actions, as illustrated by the exchange control restrictions imposed by Zambia in the last year. AOF's primary focus on a company's characteristics, rather than the country of operation of that company, implies that it will continue to invest even in countries suffering from poor economic governance so long as we believe that a company's revenues and profits will grow in US Dollars. Often this is accomplished by investing in companies which structurally are short the local currency, but inevitably mark-to-market valuations of these holdings decline with those currencies until published results confirm the ability of those investments to grow their profits in US Dollars. This can increase volatility, and AOF will likely feel this impact in 2014 and 2015 for some of its holdings.

The last few years have witnessed a spate of statistical exercises intended to report more accurately the vibrant Africa economies visible to the occasional visitor to a large African city. To date, the signal event of 2014 has been the announcement of Nigeria's rebased gross domestic product ("GDP") as Africa's largest at $510 billion. Subsequently, Kenya has announced its intention to rebase its GDP, with some of its officials speculating that its GDP could rise by another 20%. Unfortunately, risk-free rates do not necessarily adjust to news about GDP rebasing because rebased GDPs tend not to be matched by higher "rebased" tax revenues. For example, Nigeria's central

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

government revenue to GDP ratio fell from 8.5% (under the old GDP figures) to 4.5% under the new GDP figures. That has to be one of the smallest tax bases on earth, and as a consequence, although Nigeria has tremendous unsatisfied borrowing demand, a tiny tax base necessitates a higher cost of capital than would be required in countries with larger tax bases. Our reaction to the good news about Nigeria's GDP is to become more stringent about what constitutes an acceptable company valuation in Nigeria.

Concluding Thoughts

It is worth noting the passing of Nelson Mandela in 2013. It was largely due to President Mandela's election and subsequent leadership that Francis Daniels decided to move to Johannesburg in 1998, and from there originated AOF. On a large scale, Mr. Mandela's example of principled and courageous struggle to create a non-racial constitutional democracy in South Africa will always be a standard of true statesmanship. All investors in Africa should be grateful that his actions helped place South Africa in the family of democracies governed by the Rule of Law. We hope that Mr. Mandela's legacy will be one of enduring democratic principles which make Africa more secure for Africans and Africa investors alike.

With 2014 came several important developments for AOF. AOF raised new capital in the form of a $29.2 million share offering, the shares moved from AIM to the full list of the LSE, and Dr. Myma Belo-Osagie assumed the role of chairperson. It has been my privilege to serve as chairman of your fund and to work with Francis in managing the portfolio. I will remain a director, continuing my partnership with Francis, and, of course, remain one of the largest shareholders. But I am delighted to welcome Myma to her new role.

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

Robert C. Knapp
Chairman
April 2014

Manager's Report

2013 marked the sixth full year of operation of Africa Opportunity Fund ("the Fund" or "AOF"). The Fund had a return of 27.7%, including dividends. At year-end, the Fund had $43.6 million in equity securities, $11.4million invested in debt securities, $3.4million in cash; and derivative and short sale liabilities equal to $4.9 million. Its underlying end-of-year holdings were in Botswana, Cote d'Ivoire, the Republic of Congo, Egypt, Ghana, Nigeria, Senegal, South Africa, Zambia, and Zimbabwe.

2013 was a good year for the Fund. Interest in Africa as an investment destination continued to rise in the global institutional investment community. Concomitantly, many African markets suffered alongside emerging and frontier markets on other continents when the Federal Reserve announced its tapering program in June 2013. Growing inflows of foreign capital into African markets are likely to increase the correlation between those African markets and the global capital markets at large. Indeed, more caution is required in African investing when new and large foreign capital flows into African capital markets. Heightened volatility usually follows in the wake of those inflows: for example, yields for African sovereign debt, whether denominated in local currencies or US Dollars, tend to fall to unjustifiably low levels only to be succeeded by sharp increases in the event of outflows. In turn, African stock markets rally in response to declining local currency-denominated risk-free rates only to swoon when those rates begin to rise. Dyed-in-the-wool value investors will dismiss the attention we pay to macro-economic risks and global capital flows. However, we are unapologetic in our belief that a healthy respect for macro-economics and electoral cycles and incentives should be part of an African value investor's tool-kit. The primary tool of that tool-kit - a hunt for micro-economic investment opportunity in specific companies and industries - has pride of place. But, the dramatic currency collapses, gargantuan budget deficits, or double-digit inflation which can afflict the availability and cost of finance and operating costs of many an African company mandate an incorporation of those risks into the selection criteria for appropriate investments.

The biggest disappointment of 2013 came from the losses suffered by African Bank Investment Limited ("ABL") in its 2013 financial year. Our failure to anticipate the sheer scale of ABL's losses compels sober reflection on our method for analyzing consumer finance companies. A consumer finance company issues debt of varying terms to investors to provide loans to individuals for personal or household use. ABL specializes in granting unsecured consumer loans. We assess the net cash flow in a year generated by the advances on ABL's books at the beginning of that year as a guide to both the profitability and credit quality of those advances. After all, advances can be repaid only in cash and only cash can be used to repay ABL's outstanding debts. Creating or increasing provisions against the danger of poor or non-performing loans is an exercise in accrual accounting instead of cash-based accounting, therefore ABL's cash flow statement, by itself, could not be a reliable guide to the state of ABL's non-performing loans. In fact, the considerable amounts of cash generated by ABL's performing loans masked the sharp drop in collections from the non-performing loans. One clue to a mushrooming of bad debts was that ABL had not had its ratio of net written off bad debts to average gross advances rise to double digits (11% or higher) since 2005 when it peaked at 19.7%. 2013 witnessed a rise in that ratio from 5.7% in 2012 to 14.9% in 2013. In hindsight, we feel we should have picked up that clue.

The other significant disappointment in 2013 occurred in the natural resource sector, especially the gold mining sector. The steep decline in the gold price decimated the market capitalization of gold producers and our holdings in Anglogold Ashanti and Iamgold suffered in sympathy with their peers.

It is time to turn to more pleasant developments of 2013. We sold last year our entire position in the equity of Nigeria based palm oil and rubber operator-Okomu Oil PLC ("Okomu"). We elected to exit Okomu because its market valuation soared far above our estimates of its long-term value or its appraisal value in April 2013. Okomu announced a dividend of 7 Nairas per share and a one to one bonus issue. In response, its share price rose more than 40% in less than two weeks. Large dividends and bonus issues tend to spark rallies in the share prices of African companies. Sonatel and Standard Chartered Bank benefited from that trend in 2012. Another source of satisfying returns in 2013 was Enterprise Group ("Enterprise") in Ghana. It generated a total return of 205% for AOF in 2013. The primary activities of Enterprise are property and casualty insurance and life assurance. It has expanded into commercial real estate development as well as the new industry of pension fund administration, in response to the new pension laws of Ghana requiring formal sector employers to create private pension schemes for their employees. Ghana is Enterprise's principal jurisdiction, but it has commenced life operations in the Gambia. At 2.39 Cedis per share today, Enterprise trades on a historical Price/Earnings of 10x and a Price/Book ratio of 2.74x. Crucially, its Price/NetCash generated from operating activities ratio of 7.5x-a guide to the recurring cash flow of its business activities-was close to its Price/Earnings ratio, confirming its capacity to maintain after-tax cash flow similar to its 2013 net profits.

Ghana's Cedi depreciated 19% against the US Dollar in 2013, an additional 12% to date in 2014, and has every prospect of continuous depreciation for the balance of 2014. It is rational and natural to wonder whether AOF should have any exposure to a sinking Cedi. Our view is that the business model of a profitable financial institution incorporates an inexpensive hedge against the depreciation of the currency in which it incurs its liabilities. From a US Dollar perspective, the Cedi equivalent of $1 of cover provided by Enterprise under a specific policy at the beginning of 2013 was worth approximately $0.80 by the end of that year. Since the assets purchased with the premium paid by Enterprise's policyholder in early 2013 also depreciated in value, it was the cost of issuing that policy and the return obtained on it that determined whether that policy generated profits in US Dollars, even after adjusting for the translation losses incurred in that year. Ghana government Cedi-denominated bonds have yields between 20% and 24% with 2013 consumer price inflation averaging 11.6%. Thus, Ghanaian financial institutions enjoyed positive real interest rates ranging between 8.4% and 12.4%. Positive real interest rates of that magnitude are uncommon. Indeed, it was the combination of those positive Ghanaian real interest rates with Enterprise's 2.6x leverage ratio that delivered the 2013 outcome for Enterprise of a 31% return on average equity and a 19% return in inflation-adjusted terms.

It should be borne in mind that a country experiencing high positive real interest rates is exhibiting signs of a macro-economic fever. Ghana is no exception! Its budget deficit, as a percentage of its gross domestic product, was 11%. Furthermore, real interest rates exceeding 8% are higher than the growth rate of Ghana's gross domestic product implying that Ghana's government debt ratio, as a percentage of its gross domestic product, is on the rise. Soaring wage increases in Ghana's public sector have been identified as a material weakness and problem by both the International Monetary Fund and the international rating agencies. An equally important contribution to Ghana's fiscal woes, though, is the minuscule amounts of income tax collected from its informal economy. According to the March 2014 Statistical Bulletin of the Bank of Ghana, the entire class of Ghanaian self-employed individuals paid $77 million (182 million Cedis) in personal income taxes while the formally employed workforce handed over $1billion

(2.4 billion Cedis) to the Ghana government. As percentages of Ghana's 2013 gross domestic product, those tax payments constituting, respectively, 0.2% and 2.7%, are pitiful. Collecting even half as much from the informal sector as from the formal sector would bring down Ghana's interest rates. The principal challenge of the Ghana government, like many other African governments, is to collect appropriate amounts of tax from a citizenry accustomed to paying modest amounts of personal tax. Enterprise itself also has some challenges. Its life assurance subsidiary incurred an underwriting loss in 2013 for the first time in years. We shall be monitoring that situation to determine if it is a one-off event or a trend.

The 2013 results of Standard Chartered were announced in late February. Once again, they exceeded our expectations: a return on average equity of 52%, a leverage ratio of 6.1%, a cost-to-income ratio of 31%, and a return on average assets of 8%. In US Dollar terms, Standard Chartered's after tax profits rose 27%, after accounting for the 19% depreciation of the Cedi against the US Dollar in 2013. Once again, its non-interest income alone exceeded its entire operating or non-interest expenses. Unlike the 2012 financial year in which the growth rate of Standard Chartered's non-interest income handsomely outpaced the growth rate of its interest income, 2013 saw a sharp reversal of that pattern. Standard Chartered's net interest income grew by 65% versus a 24% growth rate of non-interest income, illustrating the benefits received by financial service companies from Ghana's high real interest rate environment. One disturbing trend was the rise in Standard Chartered's non-performing loan ratio from 10% to 16%. Admittedly, that trend is an inevitable consequence of rising interest rates and a collapsing Cedi. Fortunately, it is matched by an improvement in Standard Chartered's capital adequacy ratio from 17.5% to 23.5%, as Standard Chartered tilted the mix of its interest-bearing assets towards Ghana government securities. Government securities, as a percentage of total assets, rose from 7.4% in 2012 to 14% in2013 while loans and advances declined from 40% to 38%. Yet, Standard Chartered remains the largest provider of loans and advances in Ghana. Overall, the Ghana Stock Exchange is likely to have a difficult 2014 in an environment of rising interest rates and a sinking Cedi. Financial institutions, though, are likely to enjoy rising interest income from Ghana's woes.

One way of satisfying our orientation to seek absolute positive returns for AOF, regardless of market conditions, is to invest in mispriced securities. Securities are mispriced on a specific exchange when the same security is available at another price on other exchanges. Another form of mispricing occurs when a security with a specific price in the capital structure of a company has a price which is logically inconsistent with the price of another security in that capital structure. One illustration is when a senior security of an issuer is priced for a default with low recovery at the very same time that the equity securities of that issuer sport a multi-billion market capitalization. Mispricing tends to dissolve over time. One example from 2013 was AOF's holding in the ordinary shares of Old Mutual listed on the Zimbabwe Stock Exchange. AOF purchased ordinary shares of Old Mutual listed on the Zimbabwe Stock Exchange in 2012 because those shares were trading at a discount to the Old Mutual share prices quoted on the London and Johannesburg stock exchanges. The discount ranged from 31% at the time of the initial purchases to 47% with the last purchase at the end of 2012. Quite often when a share is listed on multiple exchanges with differing levels of liquidity, the shares on the less liquid exchange periodically trade at prices which are materially lower than the prices quoted on the more liquid exchanges. The causes of the discounts vary: sometimes, the cause is a restriction on the ability of holders of the securities in question on one exchange to move them to other exchanges; other times, it is a consequence of sharp changes in the foreign exchange rate on one market without comparable foreign exchange rate movements on the other exchanges. The discount narrowed dramatically after the 2013 elections in Zimbabwe, as speculation about the restoration of the Zimbabwe Dollar gathered strength. At the time we elected to reduce our Zimbabwe holdings of Old Mutual shares in December 2013, the discount had narrowed to 10%. AOF had a total return of 83% from its Old Mutual holdings in 2013.

Our review of 2013 would be incomplete without a discussion of the Fund's holding of Shoprite. The possibility of litigation about AOF's Shoprite shares which we mentioned briefly in last year's annual report became a reality. Shoprite sued the custodian of the Company in the Lusaka High Court in July to reverse allegedly unauthorized trades in its 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. Shoprite claimed its shares should not have been sold by its agent and that we should have known better than to buy them. Significantly, Shoprite challenged the validity of trades for 543,743 Shoprite shares out of AOF's 679,145 Shoprite shares, representing 11.9% of AOF's end of year net asset value. Shoprite's action was dismissed by the Zambian court, with costs, on the grounds that it constituted an abuse of court process. Shoprite has civil and criminal actions pending against its former agent, Lewis Nathan Associates, in another court in Zambia, so the Lusaka High Court decided it was best for all the actions to be heard by the same court to avoid possible conflicting judgments on the Shoprite claims issuing from different Zambian courts. Shoprite has expressed its intent to join the Fund's custodian and other defendants to its other legal suits in Zambia. To date, it has not appealed that Lusaka High Court judgment and no new lawsuits have been filed by Shoprite. Our view remains unchanged. Shoprite's position has no merit. We will take all steps in our power to defend any legal action that may possibly be taken by Shoprite against AOF and to recover any losses that may arise as a result of Shoprite's conduct.

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

Sonatel. This Senegalese integrated telephone operator listed on the Bourse Regionale de Valeurs Mobiliers is the Fund's second largest investment. Sonatel has operations in Senegal, Mali, Guinea, and Guinea-Bissau. It has 100% of Senegal's fixed line market and 57% of Senegal's mobile telephony market (a decline of 5 percent in market share from last year), 64% of Mali's mobile telephony market, 47% of Guinea's mobile telephony market (an increase of 13 percent), and 47% of the mobile telephony market in Guinea-Bissau (an 8 percent increase). Sonatel surged past MTN to become the largest phone company, by market share, in Guinea. It holds now 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 22% in 2013 to 22.4million. At 23% for the 2013 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 7% to $5.50 from $5.90.But, its operating cash flow per subscriber declined modestly from $39 to $38. Free cash flow per subscriber, after capital expenditure, remained flat at $24. 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's financial results. 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 of2.5%, a debt to total assets ratio of 1.5%; and a return on average equity of 31%. Indeed, as of March 31, 2014, with an enterprise value around $4.6billion 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.

Tizir. The Fund owns US Dollar denominated senior secured bonds issued by a company called Tizir Limited ("Tizir"). 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, $95 million in cash and a commitment to provide a subordinated loan to $45 million to Tizir. Mineral Deposits contributed 90% of its interest in the Grande Cote mineral sands dredging project in Senegal, with the Senegalese government holding the remaining 10%. The strategic basis for the joint venture is that the Senegalese mine will supply feedstock to the Tyssedal smelter. The Grande Cote mineral sands mine is an enormous undertaking. Its dredge and concentrator are the largest ever built in the mineral sands industry. Grande Cote will produce zircon, used mainly for the production of tiles, and ilmenite, used in the production of titanium. Tyssedal, in turn, produces titanium slag which goes into the manufacture of paint, plastics, and paper by titanium dioxide pigment producers and high purity pig iron. The Fund subscribed for the bonds in September 2012. The proceeds of that $150 million debt issue were applied to completing the construction of the Grande Cote mine. Construction was completed in March 2014, so the commissioning of the concentrator is underway. In all likelihood, that stage will end only in 2015. By virtue of Tizir owning an operating smelter and a developing mine, it had operating cash flow to service its debt obligations while Grande Cote was under construction. Consequently, Tizir was able to maintain a 70% loan to value, or equity, ratio and a 4.4x interest coverage.

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.

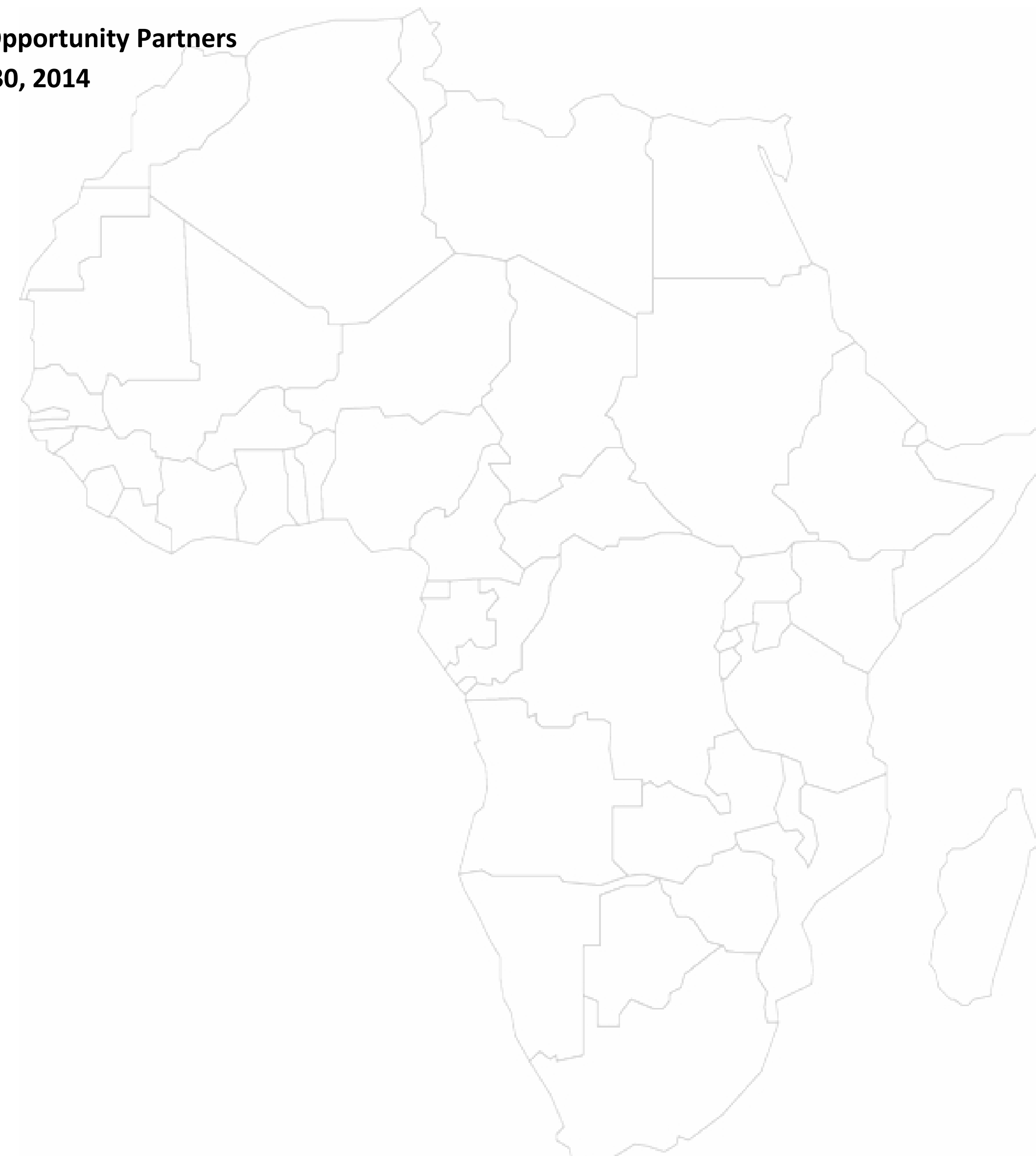
Balkanized investment landscape: The Fund seeks to invest in companies with low valuations in relation to peers across the continent and uses an arbitrage approach to provide attractive investment returns.

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 the tapering program of the US Fed. China's slowdown will reduce the terms of trade of many an African exporter to China while the US tapering program will dampen the frenzy with which many institutional investors accepted low yields on African sub-investment grade sovereign bonds. Idiosyncratic factors like budgetary profligacy in Ghana and electoral pressures in Nigeria are exerting, and will continue to exert, additional and material downward pressure on the Cedi and Naira against major currencies. Still, the Fund's own portfolio of undervalued companies exemplifies Africa's appeal. As of the end of March 2014, AOF's combined top 10 holdings juxtaposed high operational returns with sensible valuation ratios, signifying strong earning power. Those holdings had a weighted average dividend yield of 3.6%, a P/E ratio of 15X, a return on assets of 8.1%, and a return on equity of 13.8%. We remain interested in industries which have products in short supply in Africa that rely more on the domestic African demand than the global growth. We are hunting in those terrains for compelling equity investments. We are pleased with the return generated for our shareholders in 2013 and 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, 2014

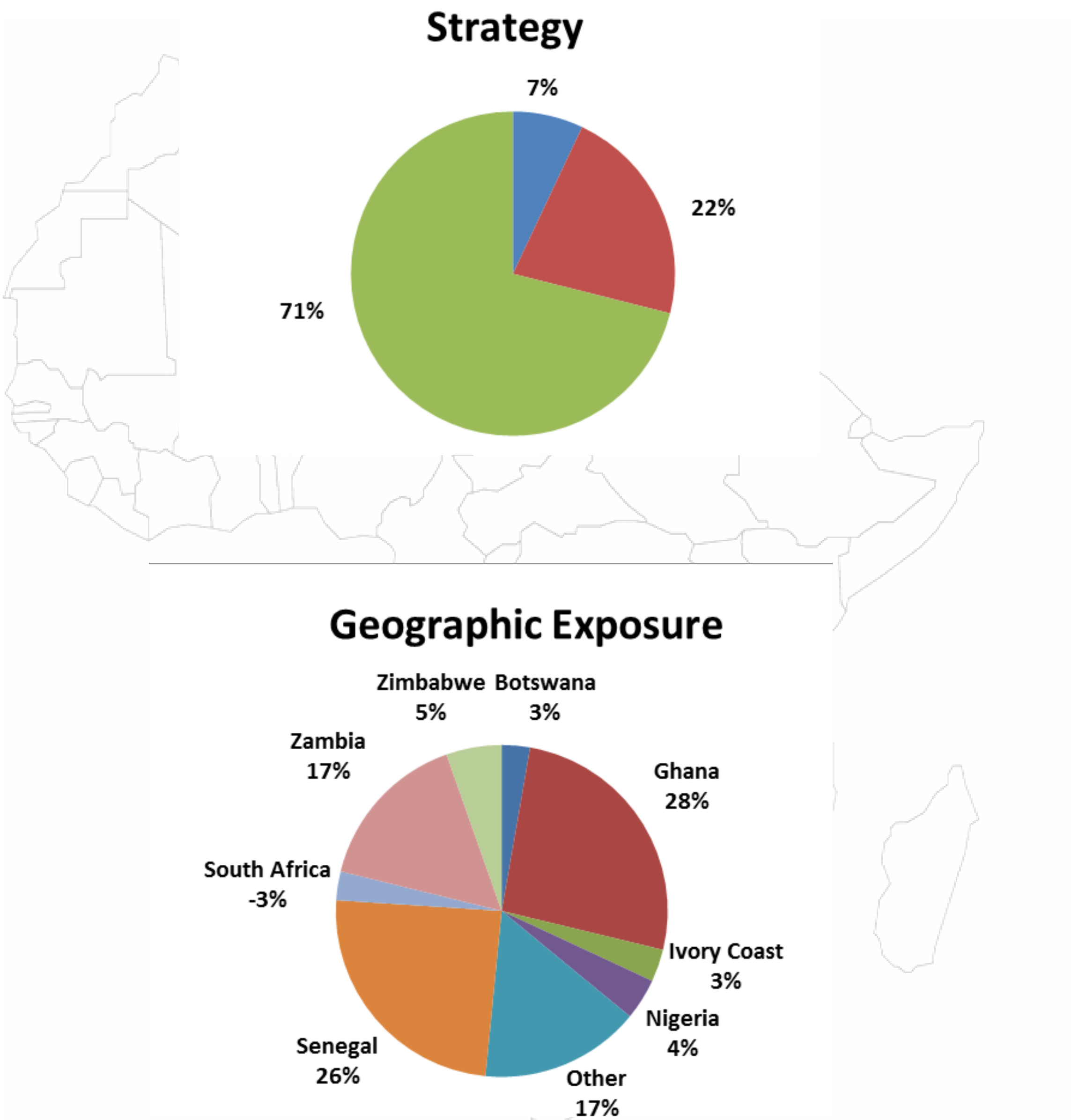


Portfolio Review
(1% of portfolio or greater)
As at 31 December 2013

Issuer	Market Value US$	% of NAV
Enterprise Group Ltd	9,871,580	18.96
Shoprite Holdings - Zambia register	7,716,165	14.82
Sonatel	7,160,143	13.75
Tizir Ltd 9% 09/28/2017	4,579,652	8.79
African Bank Investments Ltd	3,189,381	6.12
IAMGOLD Corporation 6.75% 10/01/20	2,287,980	4.39
PA Resources Sr Unsec 12.25%	2,156,716	4.14
Standard Chartered Bank Ghana	1,998,663	3.84
Letshego	1,461,846	2.81
Continental Reinsurance Plc	1,375,770	2.64
Mineral Deposits LTD	1,282,339	2.46
Societe des Caoutchoucs de Grand-Bereby	1,251,081	2.40
Tanzania Breweries	1,188,708	2.28
Mashonaland Holdings Ltd	1,161,128	2.23
Bayport Management 13% 11/19/15	1,001,931	1.92
Pallinghurst Resources Ltd	976,743	1.88
Kosmos Energy Limited	889,827	1.71
AngloGold Ashanti Ltd	823,561	1.58
Sea Trucks Group 9% 03/26/2018	768,000	1.47
Triton Promissory Note Series G	675,000	1.30
Copperbelt Energy Corporation plc	666,437	1.28
Pearl Properties	537,332	1.03
Massmart Holdings	(1,218,925)	(2.34)
Shoprite Holdings - SA register	(3,175,466)	(6.10)
Cash	3,413,104	6.56

Portfolio Review (continued)
(Strategy and geography graphs)

As at 31 December 2013



Portfolio Review (continued)
(2% of portfolio or greater)

As at 31 December 2013

ENTERPRISE GROUP LTD
Instrument: Ordinary Shares
Listing: Ghana Stock Exchange
Symbol: EGL GN
Shares outstanding: 131.2 million
Market capitalization: 246.7 million GHS
Website: www.eicghana.net
Cost of AOF's holding: US$3,603,416
Value of AOF's holding: US$9,871,580
Principal activity: Property and casualty insurance, life assurance, and ownership of commercial and undeveloped property.

SHOPRITE HOLDINGS LTD (Zambia Register)
Instrument: Ordinary Shares
Listing: Lusaka Stock Exchange, Zambia
Symbol: SHP ZL
Shares outstanding: 570.6 million
Market capitalization: 35.9 billion ZMK = 67.9 billion ZAR
Website: www.shopriteholdings.co.za
Cost of AOF's holding: US$3,639,685
Value of AOF's holding: US$7,716,165
Principal activity: South African investment holding company with subsidiaries operating in the supermarket, produce distribution, furniture retailing and property holding industries in 16 countries.

SONATEL
Instrument: Ordinary Shares
Listing: Bourse Regionale de Valuers Mobiliers, Cote d'Ivoire
Symbol: SNTS BC
Shares outstanding: 100 million
Market capitalization: 2.0 trillion CFA Francs
Website: www.sonatel.sn
Cost of AOF's holding: US$6,580,927
Value of AOF's holding: US$7,160,143
Principal activity: Fixed line and mobile telephony services in Senegal, Mali, and neighbouring countries.

TIZIR LTD 9% 2017
Instrument: Coupon Bond
Currency of bonds: US Dollars
Coupon: 9%
Maturity: 09/28/2017
Website: www.tizir.co.uk

Cost of AOF's holding: US$4,522,120
Value of AOF's holding: US$4,579,652
Principal activity: First priority bond issued by a joint venture of Eramet of France and Mineral Deposits of Australia to develop the Grande Cote Mineral Sands Project in Senegal and the Tyssedal Titanium Upgrading Facility in Norway.

AFRICAN BANK INVESTMENTS LTD

Instrument: Ordinary Shares
Listing: JSE Securities Exchange, Johannesburg, South Africa
Symbol: ABL SJ
Shares outstanding: 1.5 billion
Market capitalization: 18.1 billion ZAR
Website: www.africanbank.co.za
Cost of AOF's holding: US$6,433,557
Value of AOF's holding: US$3,189,381
Principal activity: South African investment holding company with subsidiaries engaged in consumer finance, furniture and electronic appliances retailing.

SHOPRITE HOLDINGS LTD (SA Register)

Instrument: Ordinary Shares
Listing: JSE Securities Exchange, Johannesburg, South Africa
Symbol: SHP SJ
Shares outstanding: 570.6 million
Market capitalization: 67.9 billion ZAR
Website: www.shopriteholdings.co.za
Cost of AOF's holding: (US$1,661,171)
Value of AOF's holding: (US$3,175,466)
Principal activity: South African investment holding company with subsidiaries operating in the supermarket, produce distribution, furniture retailing and property holding industries in 16 countries.

IAMGOLD CORPORATION 6.75% 2020

Instrument: Coupon Bond
Currency of bonds: US Dollars
Coupon: 6.75%
Maturity: 10/01/2020
Website: www.iamgold.com
Cost of AOF's holding: US$2,272,710
Value of AOF's holding: US$2,287,980
Principal activity: IAMGOLD Corporation is a mid-tier gold mining companyand is focused in West Africa, the Guiana Shield of South America and Quebec.

PA RESOURCES 12.25% 2016

Instrument: Coupon Bond
Currency of bonds: Norwegian Krone
Coupon: 12.25%

Maturity: 04/05/2016
Website: www.paresources.se
Cost of AOF's holding: US$2,253,461
Value of AOF's holding: US$2,156,716
Principal activity: PA Resources AB is an upstream oil and gas company focusing on exploration and production in North Sea, West Africa and North Africa.

STANDARD CHARTERED BANK GHANA

Instrument: Ordinary Shares
Listing: Ghana Stock Exchange
Symbol: SCB GN
Shares outstanding: 115.5 million
Market capitalization: 1.7 billion GHS
Website: www.standardchartered.com/gh
Cost of AOF's holding: US$2,715,323
Value of AOF's holding: US$1,992,206
Principal activity: A provider of wholesale and consumer banking services in Ghana.

LETSHEGO

Instrument: Ordinary Shares
Listing: Botswana Stock Exchange
Symbol: LETSHEGO BG
Shares outstanding: 2.2 billion
Market capitalization: 5.0 billion BWP
Website: www.letshego.co.bw
Cost of AOF's holding: US$1,261,917
Value of AOF's holding: US$1,461,846
Principal activity: Letshego provides financial loan products to government, quasi-government and private sector employees.

CONTINENTAL REINSURANCE PLC

Instrument: Ordinary Shares
Listing: Nigerian Stock Exchange
Symbol: CONTINSU NL
Shares outstanding: 10.4 billion
Market capitalization: 12.8 billion NGN
Website: ww.continental-re.com
Cost of AOF's holding: US$1,045,200
Value of AOF's holding: US$1,375,770
Principal activity: Continental Reinsurance PLC offers fire, marine & aviation, bond, auto, engineering, general accident, and life reinsurance services.

MINERAL DEPOSITS LTD

Instrument: Ordinary Shares
Listing: Australian Securities Exchange

Symbol: MDL AU
Shares outstanding: 84 million
Market capitalization: 235.1 million AUD
Website: www.mineraldeposits.com.au
Cost of AOF's holding: $919,098
Value of AOF's holding: US$1,282,339
Principal activity: Mineral Deposits Limited mines and processes heavy mineral sands and is developing the Grande Cote Mineral Sands Project in Senegal, West Africa.

SOCIETE DES CAOUTCHOUCS DE GRAND-BEREBY

Instrument: Ordinary Shares
Listing: Bourse Regionale de Valuers Mobiliers, Cote d'Ivoire
Symbol: SOGC BC
Shares outstanding: 2.2 million
Market capitalization: 115.6 billion CFA
Cost of AOF's holding: US$742,087
Value of AOF's holding: US$1,251,081
Principal activity: Ivory Coast rubber and palm oil plantation operator.

TANZANIA BREWERIES

Instrument: Ordinary Shares
Listing: Dar es Salaam Stock Exchange
Symbol: TBL TZ
Shares outstanding: 294.9 million
Market capitalization: 2.4 trillion TZS
Website: www.sabmiller.com/
Cost of AOF's holding: US$265,822
Value of AOF's holding: US$1,188,708
Principal activity: Tanzania Breweries Limited brews and distributes malt beer while operating breweries in Dar es Salaam, Arusha and Mwanza.

MASHONALAND HOLDINGS LTD

Instrument: Ordinary Shares
Listing: Zimbabwe Stock Exchange
Symbol: MASH ZH
Shares outstanding: 1.9 billion
Market capitalization: 60.4 million USD
Website: www.masholdings.co.zw
Cost of AOF's holding: US$813,202
Value of AOF's holding: US$1,161,128
Principal activity: Mashonaland Holdings Limited owns commercial property in the retail and office sectors and undeveloped land, and is a property developer (pulled from 2012)

MASSMART HOLDINGS LTD

Instrument: Ordinary Shares
Listing: JSE Securities Exchange, Johannesburg, South Africa
Symbol: MSM SJ
Shares outstanding: 219.3 million
Market capitalization: 28.5 billion ZAR
Website: www.massmart.co.za
Cost of AOF's holding: (US$1,889,643)
Value of AOF's holding: (US$1,218,925)
Principal activity: Massmart Holdings Limited distributes and retails general merchandise, food, and liquors to customers in southern Africa.

Qualitative risk disclosures for the Company

Introduction
Investment in Africa contains elements of risk. The qualitative risk disclosures section describes how the Company manages the risk of loss of capital of the Group. Loss of capital may arise from market risk, credit risk, liquidity risk, or operational risk. Market risk comprises the possibility of loss of capital arising from movements in interest rates, equity prices, or currencies against the US Dollar, the reporting currency of the Group. Credit risk, in turn, is the possibility of loss of capital of the Group arising from a failure of the issuer of a debt instrument to repay the principal or interest of that instrument in accordance with its contractual terms. Liquidity risk is the risk that the Group, even if it has adequate capital resources, does not have enough financial resources to meet its obligations as they fall due or can secure them at a high cost. Operational risk is the possibility of the Group suffering from inadequate or failed internal processes, people, systems or external events.

Market risk
African capital markets have suffered from high inflation, extreme depreciations (or appreciation) of African currencies against the US Dollar, the effects of huge changes in the gross domestic product of a country because of that country's dependence on the export of one or two commodities, adverse weather conditions, severe power outages, unpredictable regulatory frameworks and political disasters. It is difficult for the Company to design systems to protect itself against such potential calamities. But, caution, judgment, experience and knowledge of the political economies of the different African countries can mitigate the susceptibility of the Group to those dangers.

Where possible the Company does seek to limit its market risk. However, the menu of options are limited, as foreign exchange controls, double digit nominal interest rates, small and illiquid stock markets, prohibitions on foreign participation in local government debt markets, and the illegal nature of short selling characterize several African economies. Consequently, the Company invests where possible in a variety of investment instruments and currencies spread across the continent, and focuses upon nominal high yielding debt instruments, preferably with a real inflation-adjusted return, and undervalued equities.

Although the Company seeks to create a concentrated investment portfolio, it has limits on the degree of concentration of the portfolio as part of its market risk management strategy. At the time of an investment, no single investment may exceed 15 percent of the net asset value of the Group without the prior approval of the Board. The Group may not make an initial investment which will exceed 20 percent of the Company's net asset value at the time of investment.

Credit risk
The Company aims to minimize its credit risk. The Company, through the Manager, seeks to manage credit risk by ensuring that no single investment exceeds 15 percent of the net asset value of the Group without the prior approval of the Board. In addition, the Manager seeks to extend credit to either credit worthy issuers or issuers issuing instruments supported by adequate collateral.

Liquidity risk
The Company considers its current liquidity risk to be modest because it has sufficient financial resources to meet any obligations and has not incurred any debt.

Operational risk
The Company seeks to limit the operational risks of the Group by dispersing oversight and control of its assets among different institutions with a contractual duty to check each other. The records of the Company are maintained by an administrator independent of the Manager, each director of the Manager, and each director of the Company. The assets of the Group are entrusted to custodians which are independent of the Manager and the Company's administrator. Instructions to the custodian must be in writing and signed by a representative of the administrator and a representative of the Manager. The administrator prepares written instructions for the disbursement of funds only after the submission of actual invoices, in the case of expenses, by service providers to the Company or trade instructions in the case of investments. Authorized trade instructions implemented by the administrator and the custodian lead to either the receipt of securities by a custodian or the receipt of cash by a custodian when the Group sells a security. The custodian has backup plans and offsite places to ensure an ability to conduct operations in the event of a disaster.

Directors' details

Robert C. Knapp-Chairman (47 years) (Non-independent, non-executive Chairman).
Mr. Knapp is a principal of Ironsides Partners LLC, a firm he founded in 2007. He worked for 10 years as a fund manager at Millennium Partners, L.P. in New York. Mr. Knapp is a director of Africa Opportunity Partners, the investment manager of AOF. He is also the lead independent director of MVC Capital, Inc., an investment company listed on the New York Stock Exchange. Mr. Knapp specializes in emerging markets, natural resources, distressed debt, and closed end fund arbitrage. He holds a BSc degree in engineering from Princeton University and a BA degree in Philosophy, Politics, and Economics from Oxford University.

Francis Daniels (55 years) (Non-independent, non-executive director).
Mr. Daniels is a director of Africa Opportunity Partners, the investment manager of AOF. Mr. Daniels has more than 10 years of investing experience in Africa. He is a member of the boards of directors of TA Holdings Ltd., a Zimbabwean stock-exchange listed company and Masawara PLC, an investment company traded on the AIM market of the London Stock Exchange. Mr. Daniels is an attorney admitted to practice in the State of New York. He holds a LL.B degree from the University of Ghana, a LL.M degree from the University of Toronto, a LL.M degree and a LL.M (Corporations) degree from New York University Law School.

Christopher John Agar (53 years) (Non-executive director).
Mr. Agar is an executive director of Laxey Partners (UK) Limited. Laxey Partners is a regulated hedge fund specialising in global discount arbitrage strategies and special situations. Mr. Agar's career began when he joined de Zoete and Bevan in 1981 specialising in Research and Sales of Investment Trusts. De Zoete's merged into BZW Ltd where he served as a director before moving to UBS Limited in 1992. Mr. Agar held various positions at UBS Limited: Executive Director of Closed End Funds, Head of Sales, Research and IT prior to leaving in 2005. Mr. Agar is also currently a director of the Care Company (SE) Limited and Swift Argent Limited, a non-executive director of Trading Emissions PLC, LPL UK 1 – 100 Ltd, and a partner in Spring Farm Partnership, a farming and livestock company.

Myma Adwowa Belo-Osagie (60 years) (Non-executive director).
Dr Belo-Osagie is a member of the New York, Ghana and Nigeria Bars She is a practicing attorney and the former Managing Partner in Udo, Udoma & Belo-Osagie, a leading Nigerian corporate law firm. Dr. Belo-Osagie is a director of FSDH Merchant Bank Limited, Boston Investments Limited and several other African companies including African Fabrics BV and Ghana Airport City Development Limited. Dr. Belo-Osagie graduated from the University of Ghana with a LLB degree. She obtained a LLM degree and a SJD degree from Harvard Law School.

Christopher Marcus Gradel (43 years) (Non-executive director).
Mr. Gradel is a Founder of Asian alternative investment management group PAG, and Managing Partner and CIO of PAG's Absolute Return business.Mr. Gradel has over 15 years of investment experience across Asia. Prior to founding PAG, Mr. Gradel led several investments for the Marmon Group in China and was an engagement manager for McKinsey & Co. based in Hong Kong.Mr. Gradel has a joint Masters in Engineering, Economics and Management from Oxford University.

Shingayi Stanley Mutasa (55 years) (Non-executive director).
Mr. Mutasa is the CEO of Masawara PLC, an investment company focused on acquiring interests in companies and projects based in Zimbabwe and the southern Africa region. Mr Mutasa was previously the chairman of TA Holdings, a Zimbabwean stock-exchange listed company and a member of the board of directors of Masawara PLC. TA Holdings is a holding company with insurance, insurance brokerage, hotels, and fertilizer operations. Mr. Mutasa graduated from the University of London with a BA degree in Economics.

Report of the Directors
The Directors present their report and the audited financial statements for the year ended 31 December 2013.

Principal activity
The principal activity of the Company is that of an investment company. A review of the business of the Company is set forth in the Manager's Report.

Results and dividend
The after tax gain for the period was US$11.4 million. The results of the Company for the period ended 31 December 2013 are set forth on page FS4. Subject to having sufficient cash resources available for the purpose, AOF intends to pay an aggregate annual dividend of an amount equal to the product of its net asset value on January 1 in each year multiplied by the one year US Dollar London Interbank Offered Rate (as derived from Bloomberg) on that date, which amount will be payable in four equal quarterly instalments in March, June, September and December of that year. During 2013 AOF paid an aggregate dividend of $341,073 at a rate of $0.0020 per quarter or $0.008 annually.

Status
The Company was incorporated with limited liability on 21 June 2007 and is registered in the Cayman Islands as an exempted company, under registration number MC-188243. As a closed-ended investment company, the Company is not regulated as a mutual fund in the Cayman Islands and is not otherwise subject to regulatory review in its place of incorporation. However, the Company is subject to the AIM Rules for Companies as published by the London Stock Exchange from time to time.

Subsidiary companies and affiliates
The Company is the ultimate holding company of Africa Opportunity Fund (GP) Limited, a company incorporated in the Cayman Islands on 22 June 2007 under registration number MC-189739, and is the principal limited partner of the Africa Opportunity Fund L.P., an exempted limited partnership registered in the Cayman Islands on 25 June 2007 under registration number MC-20466 ("the Limited Partnership").

Share interests

Save as set out below, pursuant to notices delivered to us by such persons, the Directors are not aware of any person, directly or indirectly, jointly or severally, interested in ten percent or more of the issued share capital of the Company:

Name	Number of Shares	Percentage
Advance Frontier Markets Fund Limited	10,692,212	25.08%
Robert Knapp	8,313,000	19.50%
Lazard Asset Management LLC	5,153,844	12.09%

Directors

The present members of the board of directors are listed on pages 22-23**.**

The interests (all beneficial) of the current Directors and their connected persons in the ordinary shares of the Company on 31 December 2013 are set out below:

Name	Number of Ordinary Shares	Percentage
Robert Knapp	8,313,000	19.50%
Francis Daniels	2,112,827	4.96%
Christopher Gradel	250,000	0.59%
Christopher Agar	100,000	0.23%
Myma Belo-Osagie	100,000	0.23%

There have been no changes to the interests disclosed above between the year end and the date of this report.

The Manager

Africa Opportunity Partners Ltd. is the Company's manager. It has been engaged under the terms of a management agreement (the "Management Agreement"), effective from 18 July 2007. Robert Knapp and Francis Daniels (the "Executive Team") are directors of the Manager and are beneficially interested in the Manager. The Management Agreement is terminable by either party on a minimum of one year's notice expiring on or at any time after the fourth anniversary of the effective date of the Management Agreement.

The Manager is entitled to a management fee equal to ¼ of 2 percent of the quarterly net asset value of the Company payable in US Dollars quarterly in advance. In addition, through their beneficial interests in AOF CarryCo Ltd., one of the limited partners of the Limited Partnership, the Executive Team is entitled to an annual aggregate carried interest from the Limited Partnership equivalent to 20 percent of the excess of the net asset value (as at December 31 in each year) over the sum of (i) the annual management fee for that year and (ii) a non-compounding hurdle amount equal to the net asset value as at 31 December in the previous year, as increased by the one year US Dollar London Interbank Offered Rate (as derived from Bloomberg) calculated on that date. The carried interest is subject to a "catch up" and a "high watermark" requirement.

Details of fees paid and payable can be found in note 14 in the Notes to the Accounts on page FS27-28.

Corporate Governance

There is no applicable regime of corporate governance to which directors of a Cayman Island company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Cayman Island law. However, the directors recognize the value of the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 and will take appropriate measures to ensure that the Company complies, as far as is practicable and to the extent appropriate given the Company's assets, liabilities and other relevant information.

Since all Directors are non-executive, the principles of the Combined Code in respect of executive directors' remuneration are not applicable and, accordingly, the Board of Directors of the Company has not appointed a remuneration committee as it is satisfied that any relevant issues can be properly considered by the Board as a whole.

However, the Company has established a Management Engagement Committee which meets formally at least on an annual basis to consider the performance and the remuneration of the Manager. The Management Engagement Committee comprises all the members of the Board other than Robert Knapp and Francis Daniels. Christopher Agar is the chairman of this committee.

The Company has also established an Audit Committee which comprises all the members of the Board other than Robert Knapp and Francis Daniels. Chris Gradel has been appointed the chairman of the audit committee. The Audit Committee meets at least three times in each twelve month period.

The Management Agreement sets out the matters over which the Manager has authority and the limits above which Board approval must be sought.

The Board meets at least four times a year and receives full details of the Company's assets, liabilities, and other relevant information in advance of meetings. Directors may seek independent professional advice on any matter that concerns them, at the expense of the Company, in furtherance of their duties.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group's financial statements in accordance with applicable Cayman Islands law and regulations. Cayman Island company law requires the Directors to prepare Group financial statements for each financial year. Pursuant to the AIM Rules for Companies, the Group is required to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") and have elected to prepare the Group financial statements on that basis.

The financial statements are required by law and IFRS to present fairly the financial position of the Group and the financial performance and cash-flows of the Group for the relevant period.

In preparing the Group financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates which are reasonable and prudent;
- State whether the financial statements have been prepared in compliance with IFRS, subject to any material departures disclosed and explained therein;
- Present information, including accounting policies, in a manner which provides relevant, reliable, comparable, and understandable information;
- Provide additional disclosures where compliance with the specific requirements of IFRS are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance;
- Prepare financial statements on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with IFRS and all applicable company law. The Directors also have a general responsibility for taking such steps as are reasonably available to them, and for ensuring their third party service providers take similar reasonable steps, to safeguard the assets of the Group and to prevent or detect fraud and other irregularities.

Directors' Confirmation

The Directors listed on pages 22-23, being the persons responsible within the Company, hereby confirm to the best of their knowledge:

- That the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- The Chairman's Statement and Manager's Report collectively comprise the Management Report and includes a fair review of the development and performance of the business and the position of the Company, together with the principal risks and uncertainties faced by the Company.

AFRICA OPPORTUNITY FUND LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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			Appointed on
CHAIRPERSON	:	Myma Belo-Osagie	28 February 2014
NON EXECUTIVE DIRECTORS	:	Christopher Agar Shingayi Mutasa Robert Knapp Peter Mombaur Vikram Mansharamani	
REGISTERED OFFICE	:	PO Box 309 GT Ugland House South Church Street George Town Grand Cayman Cayman Islands	
REGISTRAR	:	Anson Registrars Limited Anson Place, Mill Court La Charroterie, St. Peter's Port Guernsey GY1 3WX Channel Islands	
NOMINATED ADVISER	:	Grant Thornton UK LLP 30 Finsburg Square London EC2P 2YU United Kingdom	
CORPORATE BROKER	:	LCF Edmond de Rothschild Securities Limited 5 Upper St. Martin's Lane London WC2H 9EA United Kingdom	

ADMINISTRATOR	:	International Proximity Fifth Floor, Ebene Esplanade 24 Cybercity, Ebene Mauritius
INVESTMENT MANAGER	:	Africa Opportunity Partners Limited PO Box 309 GT Ugland House South Church Street George Town Grand Cayman Cayman Islands
AUDITORS	:	Ernst & Young 9th Floor, Tower 1 NeXTeracom Cybercity, Ebene Mauritius
PRIME BROKER	:	Credit Suisse Securities (USA) LLC Eleven Madison Avenue 3rd Floor New York, NY 10010 United States
CUSTODIAN	:	Standard Chartered Bank (Mauritius) Ltd Units 6A and 6B, 6th Floor Raffles Tower, Lot 19 Cyber City, Ebene Mauritius
LEGAL ADVISER *(as to English Law)*	:	Lawrence Graham LLP 4 More London Riverside London SE1 2AU United Kingdom
LEGAL ADVISER *(as to Cayman Islands Law)*	:	Maples & Calder P.O. Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
TAX ADVISER	:	Grant Thornton UK LLP Grant Thornton House Melton Street London NW1 2EP United Kingdom

Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

AFRICA OPPORTUNITY FUND LIMITED

Report on the Financial Statements

We have audited the consolidated financial statements of Africa Opportunity Fund Limited and its subsidiaries (the "Group") on pages 4 to 41 which comprise the consolidated statement of financial position as at December 31 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements on pages 4 to 41 give a true and fair view of the financial position of the Group as at December 31, 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

This report, including the opinion, has been prepared for and only for the Company's members, as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

ANDRE LAI WAN LOONG, A.C.A.
Licensed by FRC

Date: 28 APR 2014

	Notes	2013	2012
		USD	USD
Income			
Interest revenue	6	**936,925**	499,088
Dividend revenue		**1,520,373**	2,290,379
Net gains on financial assets and liabilities at fair value through profit or loss	7 (c)	**13,330,102**	1,179,622
Other income	12	**180,000**	-
Net foreign exchange gain		**40,928**	-
		16,008,328	3,969,089
Expenses			
Performance fee	5	**2,361,064**	-
Management fee	5	**933,052**	783,329
Brokerage fees and commissions		**570,495**	394,126
Net foreign exchange loss		**-**	302,410
Custodian, secretarial and administration fees		**286,545**	268,509
Dividend expense on securities sold not yet purchased		**70,710**	190,792
Other operating expenses		**73,660**	130,766
Directors' fees		**80,000**	80,000
Audit fees		**32,840**	51,003
		4,408,366	2,200,935
Profit before tax		**11,599,962**	1,768,154
Less withholding tax		**(154,652)**	(54,798)
Profit after tax		**11,445,310**	1,713,356
Other comprehensive income		**-**	-
Total comprehensive income for the year		**11,445,310**	1,713,356
Attributable to:			
Equity holders of the Company		**11,333,272**	1,692,704
Non-controlling interest		**112,038**	20,652
		11,445,310	1,713,356
Basic and diluted earnings per share attributable to the equity holders of the Company during the year	13	**0.2659**	0.0397

The notes on pages 8 to 41 form an integral part of these financial statements.
Independent Auditors' report is on page 3.

AFRICA OPPORTUNITY FUND LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Notes	2013	2012
		USD	USD
ASSETS			
Cash and cash equivalents	9	**3,413,104**	3,633,587
Trade and other receivables	8	**1,114,001**	600,158
Financial assets at fair value through profit or loss	7(a)	**55,473,931**	42,159,300
Total assets		**60,001,036**	46,393,045
EQUITY AND LIABILITIES			
LIABILITIES			
Trade and other payables	11	**2,497,233**	385,910
Dividend payable	17	**85,291**	110,839
Financial liabilities at fair value through profit or loss	7(b)	**4,963,864**	4,545,885
Total Liabilities		**7,546,388**	5,042,634
EQUITY			
Share capital	10	**426,303**	426,303
Share premium		**37,921,452**	38,262,525
Retained earnings		**13,701,196**	2,367,924
Equity attributable to equity holders of parent		**52,048,951**	41,056,752
Non-controlling interest		**405,697**	293,659
Total equity		**52,454,648**	41,350,411
Total equity and liabilities		**60,001,036**	46,393,045

Approved by the Board on 28 April 2014 and signed on its behalf by:

Director

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Notes	Share capital	Share premium	Retained earnings	Total	Non-controlling interest	Total equity
		USD	USD	USD	USD	USD	USD
At 1 January 2012		426,303	38,705,880	675,220	39,807,403	273,007	40,080,410
Profit for the year		-	-	1,692,704	1,692,704	20,652	1,713,356
Other comprehensive income		-	-	-	-	-	-
Dividend	17	-	(443,355)	-	(443,355)	-	(443,355)
At 31 December 2012		**426,303**	**38,262,525**	**2,367,924**	**41,056,752**	**293,659**	**41,350,411**
Profit for the year		**-**	**-**	**11,333,272**	**11,333,272**	**112,038**	**11,445,310**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
Dividend	17	**-**	**(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**

The notes on pages 8 to 41 form an integral part of these financial statements.
Independent Auditors' report is on page 3.

	Notes	2013 USD	2012 USD
Operating activities			
Profit for the year		**11,445,310**	1,713,356
Adjustment for non-cash items:			
Unrealised gain on financial assets at fair value through profit or loss	7(a)	**(9,760,083)**	(402,503)
Realised gain on sale of financial assets at fair value through profit or loss	7(a)	**(1,364,934)**	(1,794,594)
Unrealised (loss)/ gain on financial liabilities held for trading	7(b)	**(1,757,400)**	616,120
Realised (loss)/ gain on financial liabilities held for trading	7(b)	**(447,685)**	401,355
Effect of exchange rate on cash and cash equivalents		**(40,928)**	302,410
Cash (used in)/ generated from operating activities		**(1,925,720)**	836,144
Net changes in operating assets and liabilities			
Purchase of financial assets at fair value through profit or loss		**(25,490,028)**	(9,901,868)
Proceeds on disposal of financial assets at fair value through profit or loss		**23,300,414**	12,489,663
Proceeds on derecognition of financial liabilities held for trading		**4,927,383**	2,612,418
Purchase of financial liabilities held for trading		**(2,304,319)**	(2,496,748)
Increase in trade and other receivables		**(513,843)**	(76,070)
Increase in trade and other payables		**2,111,323**	97,756
Net cash generated from operating activities		**2,030,930**	2,725,151
Financing activities			
Dividend paid		**(366,621)**	(409,251)
Net cash flow used in financing activities		**(366,621)**	(409,251)
Net (decrease)/ increase in cash and cash equivalents		**(261,411)**	3,152,044
Effect of exchange rate on cash and cash equivalents		**40,928**	(302,410)
Cash and cash equivalents at the start of the year		**3,633,587**	783,953
Cash and cash equivalents at the end of the year		**3,413,104**	3,633,587

The notes on pages 8 to 41 form an integral part of these financial statements.
Independent Auditors' report is on page 3.

1. GENERAL INFORMATION

Africa Opportunity Fund Limited (the "Company") was launched with an Alternative Market Listing "AIM" in July 2007.

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

The Company aims to achieve capital growth and income through investment in value, arbitrage, and special situations investments in the continent of Africa. The Company 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 Investment Management Agreement dated 18 July 2007.

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

The consolidated financial statements for the Company for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 28 April 2014.

Presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied from the prior year to the current year for items which are considered material in relation to the consolidated financial statements.

Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities at fair value through profit or loss that have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's and its subsidiaries' (referred to as the "Group") accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2013.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and gains and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within equity in the statement of changes in equity from parent shareholders' equity.

Foreign currency translation

(i) Functional and presentation currency

The consolidated financial statements are presented in USD which is the Company's functional currency. That is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of the entities within the Group is USD. The Group chose USD as the presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of the exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Financial instruments

(i) Classification

The Group classifies its financial assets and liabilities in accordance with IAS 39 into the following categories:

Financial assets and liabilities at fair value through profit or loss

The category of the financial assets and liabilities at fair value through the profit or loss is subdivided into:

Financial assets and liabilities held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. This category includes equity securities, investments in managed funds and debts instruments. These assets are acquired principally for the purpose of generating a profit from short term fluctuation in price. All derivatives and liabilities from the short sales of financial instruments are classified as held for trading.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(i) Classification (Continued)

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells put and call options through regulated exchanges and OTC markets. Options purchased by the Company provide the Company with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Company the underlying asset at an agreed-upon value either on or before the expiration of the option.

Options are generally settled on a net basis.

Financial instruments designated as at fair value through profit or loss upon initial recognition

These include equity securities and debt instruments that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group, as set out in the Group's offering document. The financial information about the financial assets is provided internally on that basis to the Investment Manager and to the Board of Directors.

Loans and receivables

Loans and receivables are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Other financial liabilities

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Group includes in this category amounts relating to trade and other payables and dividend payable.

(ii) Recognition

The Group recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised directly on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(iii) Initial measurement

Financial assets and liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated at fair value though profit or loss. Embedded derivatives separated from the host are carried at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

(iii) Initial measurement (Continued)

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

After initial measurement, the Group measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in 'Net gain or loss on financial assets and liabilities at fair value through profit or loss'. Interest earned and dividend revenue elements of such instruments are recorded separately in 'Interest revenue' and 'Dividend revenue', respectively. Dividend expenses related to short positions are recognised in 'Dividends on securities sold not yet purchased'.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Determination of fair value

The Group measures its investments in financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measured is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

Where the Company has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or ask price to the net open position as appropriate.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible. An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 7.

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.

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as ’Credit loss expense’.

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Net gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior year's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the Average Cost (AVCO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Due to and due from brokers

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to the accounting policy for financial liabilities, other than those classified as at fair value through profit or loss for recognition and measurement.

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Refer to accounting policy for loans and receivables for recognition and measurement.

Interest revenue and expense

Interest revenue and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method.

Dividend revenue and expense

Dividend revenue is recognised when the Group's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in profit or loss. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Share capital

Ordinary shares are classified as equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Group has adopted some of the following new and revised accounting standards:

- IAS 1 Presentation of Financial Statements
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value Measurement
- Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

The adoption of the above standards is described below:

IAS 1 *Presentation of Financial Statements*

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. The amendment has not impacted the Group's accounts as the Group has no other comprehensive income.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. This standard has not impacted the financial statements of the Group.

IFRS 7 Financial instruments – Disclosures

This standard amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment has not impacted the Group's accounts.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control; irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the returns.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 10 Consolidated Financial Statements (Continued)

The amendment has not impacted the Group's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

This standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined;
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on;
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information); and
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required. The amendment has not impacted the Group's financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures.

Additional disclosures where required, are provided in the individual notes related to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 7.

Amendments to standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt applicable standards when they become effective.

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Group has not early adopted them:

New or revised standards and interpretations:

	Effective for accounting period beginning on or after
- IFRS 9 Financial Instruments	Not yet confirmed
- IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	January 1, 2014

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

New or revised standards and interpretations: (Continued)

	Effective for accounting period beginning on or after
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) – effective 1 January 2014	January 1, 2014
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	January 1, 2014
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	July 1, 2014
- Annual Improvements 2010-2012 Cycle	July 1, 2014
- Annual Improvements 2011-2013 Cycle	July 1, 2014
- IFRIC 21 Levies	January 1, 2014
- IFRS 14 Regulatory Deferral Accounts	January 1, 2016

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition

IFRS 9 Financial Instruments – no stated effective date

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Amendments in 2009
- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

Amendments in 2010
- A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.
- The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities..

Amendments in 2013
- Introduces a new chapter to IFRS 9 on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss
- Permits the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss
- Removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

These amendments are not expected to impact the Group’s financial statement position or performance.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – effective January 1, 2014

This amendment to IAS 32 Financial Instruments: Presentation was made to clarify certain aspects because of diversity in application of the requirements on offsetting thereby focusing on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

These amendments are not expected to impact the Group's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) – effective January 1, 2014

These amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements were made to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement

- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries

- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

These amendments are not expected to impact the Group's financial position or performance.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) – effective January 1, 2014

IAS 36 Impairment of Assets was amended to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. These amendments are not expected to impact the Group's financial position or performance.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) – effective January 1, 2014

The amendments to IAS 39 Financial Instruments: Recognition and Measurement were made to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. These amendments are not expected to impact the Group's financial position or performance.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) - effective July 1, 2014

This amendment to IAS 19 Employee Benefits clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. These amendments are not expected to impact the Group's financial position or performance.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Annual Improvements 2010-2012 Cycle - effective July 1, 2014

The annual improvements 2010-2012 Cycle make amendments to the following standards:

- **IFRS 2** - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition';
- **IFRS 3** - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
- **IFRS 8** - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;
- **IFRS 13** - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- **IAS 16 and IAS 38** - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and
- **IAS 24 -** Clarify how payments to entities providing management services are to be disclosed.

These amendments are not expected to impact the Group's financial position or performance.

Annual Improvements 2011-2013 Cycle - effective July 1, 2014

The annual improvements 2011-2013 Cycle make amendments to the following standards:

- **IFRS 1** - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
- **IFRS 3** - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- **IFRS 13** - Clarify the scope of the portfolio exception in paragraph 52; and
- **IAS 40** - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These amendments are not expected to impact the Group's financial position or performance.

IFRIC 21 Levies - effective January 1, 2014

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time; and

- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

These amendments are not expected to impact the Group's financial position or performance.

IFRS 14 Regulatory Deferral Accounts - effective January 1, 2016

The Interpretation was issued to provide first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities as completed by the IASB. This interim standard is intended to encourage rate-regulated entities to adopt IFRS while bridging the gap with entities that already apply IFRS, but do not recognize regulatory deferral accounts. The standard will have no impact on the financial position or performance of the Group.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Determination of functional currency

The determination of the functional currency of the Group is critical since recording of transactions and exchange differences arising thereon are dependent on the functional currency selected. As described in Note 2, the directors have considered those factors therein and have determined that the functional currency of the Group is the United States Dollar.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data. An analysis of fair values of financial instruments and further details as to how they are measured is provided in Note 7.

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety as provided in Note 7.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis or stress testing techniques.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Investment in Shoprite Holdings (SHP ZL)

The Company (through its subsidiary Africa Opportunity Fund L.P) has 14.7% of its net assets in Shoprite Holdings (SHP ZL) ("Shoprite") on the Zambian Register. The value of the investment as at 31 December 2013 amounted to USD 7,716,165 (2012: USD 8,105,292) and the original cost of the investment was USD 3,639,685 (2012: USD 3,639,685). Shoprite has conveyed its intention to seek to reverse certain trades made on the Lusaka Stock Exchange which includes 543,743 or 80.06% of the shares held by Africa Opportunity Fund L.P. To date, the filing to the courts made by Shoprite against the Company (through the custodian as nominee on behalf of the fund) has been dismissed as an abuse of Process of Court on account of multiplicity of action with costs awarded to the defendants. The multiplicity of action refers to an existing case in a separate jurisdiction that has been filed by Shoprite against its agent and transfer agent Messrs Lewis Nathan Advocates. Shoprite has to date not appealed the decision, and no further filing has been made. Management has fair valued the investment in Shoprite at the price prevailing on the Lusaka stock exchange. Additionally, Shoprite has been placing dividend payments into escrow rather than distributing these amounts to shareholders. These dividends are reflected as a receivable amounting to USD 435,223 (2012: USD 307,300) in the Group's assets.

Management has assessed these facts and consulted with their legal advisors, who consider such action by Shoprite to be devoid of merit. Therefore, management believe that the correct judgement is to continue to account for the investment at fair value and accrue for the dividends on this investment.

5. AGREEMENTS

Investment Management Agreement

Under the Investment Management Agreement, the Company appointed Africa Opportunity Partners Limited (the "Investment Manager"), an investment management company incorporated in the Cayman Islands, to manage the operations of the Group subject to the overall supervision of the Group's board as specified in the AIM admission document of the Company.

Under the Investment Management Agreement, the Manager is paid a management fee which is equal to one quarter of 2 per cent of the quarterly NAV which is payable in US Dollars quarterly in advance on the first Business Day of each Quarter.

Under the Partnership Agreement, the Manager is entitled to a performance fee equal to 20 per cent of the excess of the Net Asset Value (as at 31 December in each year) over the sum of (i) the annual management fee for the year and (ii) a non-compounding annual hurdle amount equal to the Net Asset Value as at 31 December in the previous year, as increased by the one year US Dollar LIBOR rate (as derived from Bloomberg) calculated at same date.

The management fee for the financial year under review amounts to **USD 933,052** (2012: USD 783,329) and the performance fees for the financial year under review amounts to **USD 2,361,064** (2012: Nil).

Administrative Agreement

International Proximity has been appointed to provide various administrative services to the Company and received an aggregate fee of **USD 48,373** (2012: USD 43,568) payable by the Company for administrative and certain secretarial services for the Group.

Custodian Agreement

A Custodian Agreement has been entered into by the Company and Standard Chartered Bank (Mauritius) Ltd, whereby Standard Chartered Bank (Mauritius) Ltd would provide custodian services to the Company and would be entitled to a custody fee of between 18 and 25 basis points per annum of the value of the assets held by the custodian and a tariff of between 10 and 45 basis points per annum of the value of assets held by the custodian. The custodian fees for the financial year under review amounts to **USD 105,794** (2012: 123,853).

5. AGREEMENTS (CONTINUED)

Prime Brokerage Agreement

Under the Prime Brokerage Agreement, the Company appointed Credit Suisse Securities (USA) LLC as its prime broker for the purpose of carrying out the Company's instructions with respect to the purchase, sale and settlement of securities. The fees charged for the financial year under review amounts to **USD 219,490** (2012: 197,234).

Broker Agreement

Under the Broker Agreement, the Company appointed LCF Edmond Rothschild Securities Limited ("LCFR"), a company incorporated in England and Wales to act as Broker to the Group.

Under the Broker Agreement, the Company paid to LCFR a fee of **USD 48,728** (2012: USD 60,914) for the financial year under review. The broker fee is payable in advance at six month intervals.

Nominated Advisor

Under the engagement letter, Grant Thornton UK LLP is engaged to act as Nominated Advisor to the Group.

A retainer fee amounting to **USD 35,304** (2012: USD 27,190) was paid to the nominated advisor for the financial year ended 31 December 2013. The retainer fee is payable quarterly in advance.

6. INTEREST REVENUE

	2013	2012
	USD	USD
Interest on bonds	**936,355**	496,968
Other interest income	**570**	2,120
Total interest revenue	**936,925**	499,088

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

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

	2013	2012
	USD	USD
Designated at fair value through profit or loss:		
At 1 January	**42,159,300**	42,449,714
Additions	**25,490,028**	10,002,153
Disposals	**(21,935,480)**	(10,695,070)
Net gains on financial assets at fair value through profit or loss	**9,760,083**	402,503
At 31 December (at fair value)	**55,473,931**	42,159,300

	2013	2012
	USD	USD
Analysed as follows:		
- Listed equity securities[1]/[2]	**43,574,212**	35,919,415
- Listed debt securities	**10,949,719**	4,403,959
- Unlisted equity securities	**-**	1,025,12
- Unlisted debt securities	**950,000**	810,804
	55,473,931	42,159,300

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

[2] Included in the "Listed equity securities" is an investment in Shoprite Holdings (SHP) ZL with a fair value of USD 7,716,165 (2012: USD 8,105,292). Refer to Note 4.

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

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

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

	2013	2012
	USD	USD
Realised	**1,364,934**	1,794,594
Unrealised	**9,760,083**	402,503
Total gains	**11,125,017**	2,197,097

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

	2013	2012
	USD	USD
Written call options	**141,400**	153,200
Written put options	**428,072**	472,580
Listed equity securities sold short	**4,394,392**	3,920,105
Financial liabilities at fair value through profit or loss	**4,963,864**	4,545,885

	2013	2012
	USD	USD
Net changes on fair value of financial liabilities at fair value through profit or loss		
Realised	**447,685**	(401,355)
Unrealised	**1,757,400**	(616,120)
Total gains/ (losses)	**2,205,085**	(1,017,475)

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

	2013	2012
	USD	USD
Net gains/(losses) on fair value of financial assets at fair value through profit or loss	**11,125,017**	2,197,097
Net gains/(losses) on fair value of financial liabilities at fair value through profit or loss	**2,205,085**	(1,017,475)
Net gains/ (losses)	**13,330,102**	1,179,622

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

7(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 - 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**	**-**

Recurring fair value measurement of assets and liabilities - 2012

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

Valuation techniques

Quoted debt securities

The investment manager calculates an average price from various quotes received from brokers as it represents the most appropriate estimate of fair value of the debt securities.

Unlisted equity and debt investments

The Company invests in private equity companies which are not quoted in an active market. The Company has invested in both equity and debt in a private equity company which it deems to be a level three investment. Transactions in such investments do not occur on a regular basis. The Company uses a market based valuation technique for these positions.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

7(d) Fair value hierarchy (Continued)

Unlisted equity and debt investments (Continued)

The Company's investment manager determines comparable public companies based on industry, size, leverage and strategy to determine fair value where possible. For investments with limited comparable companies, the investment manager determines the fair value via a determination of the enterprise value of the investment. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. AOF has one asset deemed to be level three, AOF's equity investment in Triton Logging, Inc. ("Triton"). The investment manager deems this investment to be unique in that intangible assets (logging and harvesting rights) create a significant portion of the investment's enterprise value. However, the investment manager has elected to conduct the valuation from the perspective of a seller of a company in distress, and has analysed the valuation in terms of Triton's ability to meet existing liabilities. Therefore, the enterprise value has been used to determine the fair value of the debt securities while the equity shares have a nil value as the company is in distress. The investment in Triton is currently being considered in talks and negotiations with regard to its sale to potential buyers.

Triton's assets consist of physical assets (a) property plant and equipment; and (b) intangible assets (i) tree harvesting concessions or rights and other harvesting agreements; and (iii) the intellectual property of underwater tree harvesting and operational knowledge and application abilities.

The investment manager conducted a sensitivity analysis of the investment by applying a haircut or discount to both the replacement value of the Triton'sequipment and the intangible assets.

Valuation process for Level 3 valuations

Valuations are the responsibility of the board of directors of the Company.

The valuation of unlisted equity and debt securities is performed on a quarterly basis by the investment team of the investment manager or more frequently as new information is made available. These valuations are also subject to quality assurance procedures in the form of portfolio reviews where significant inputs, assumptions and estimates are vetted by the investment team. The latest valuation is also compared with the valuations in the four preceding quarters. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further discussed by the investment committee and/or the board of directors. On a quarterly basis, after the checks above have been performed the investment committee presents the valuation results to the board of directors. This includes a discussion of any changes to the major assumptions used in the valuations, with an emphasis on the more significant investments and investments with fair value changes outside of the relevant thresholds set out above. Any changes in valuation methods are discussed and agreed with the Company's board of directors.

Quantitative information of significant unobservable inputs – Level 3

Description	**2013**	**Valuation techniques**	**Unobservable input**	**Range**
	USD			
Triton Logging Inc.				
16% Convertible Promissory Note 30/06/2015	**200,000**	Discounted enterprise value	Discount rate	-50% to +30%
16% Secured Promissory Note 30/06/2014 Series F	**75,000**	Discounted enterprise value	Discount rate	-50% to +30%
28% Secured Promissory Note 06/04/2018 Series G	**675,000**	Discounted enterprise value	Discount rate	-50% to +30%
	950,000			

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2013 are as shown below:

Description	**Input**	**Sensitivity used**	**Effect on profit or loss**
			USD
Triton Logging Inc.			
16% Convertible Promissory Note 30/06/2015		-30%	-68,767
16% Secured Promissory Note 30/06/2014 Series F		-30%	-25,788
28% Secured Promissory Note 06/04/2018 Series G		-30%	-232,090
16% Convertible Promissory Note 30/06/2015		-50%	-147,114
16% Secured Promissory Note 30/06/2014 Series F		-50%	-55,168
28% Secured Promissory Note 06/04/2018 Series G		-50%	-496,510
16% Convertible Promissory Note 30/06/2015		+30%	44,421
16% Secured Promissory Note 30/06/2014 Series F		+30%	16,658
28% Secured Promissory Note 06/04/2018 Series G		+30%	149,921

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.

	2013	2012
Financial assets at fair value through profit or loss	**USD**	USD
At 1 January	**535,804**	200,000
Additions	**750,000**	-
Disposals	**-**	-
Total losses in profit or loss	**(535,804)**	-
Net transfers out of level 3	**-**	(200,000)
Net transfers in level 3	**200,000**	535,804
At 31 December	**950,000**	535,804
Total unrealised losses included in profit or loss for assets held at the end of the reporting period	**(535,804)**	(890,421)

In the current year, the transfer from level 1 to level 2 (amounting to USD 7,716,165**)** relates to the Shoprite Holdings (SHP ZL) as due to the decrease volume of trades, the market is no longer considered to be active.

In the prior year, the transfer from level 3 to level 2 was made given that recent transaction price has been used to arrive at the fair value.

In the current year, the transfer from level 2 to level 3 was made due to a change in valuation methodology from an observable market transaction as described above to unobservable market inputs. The valuation method used has been described in the valuation technique paragraph.

Fair value would not vary significantly if changing one or more of the inputs. Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	USD	USD
Interest receivable on bonds	**460,870**	275,874
Dividend receivable	**466,389**	317,359
Other receivable	**186,742**	6,925
	1,114,001	600,158

Interest receivable on bonds, dividend receivable and other receivable are due within six months. Included in the dividend receivable is an amount of USD 435,223 (2012: USD 307,300) due from Shoprite Holdings (SHP) ZL. Refer to Note 4.

9. CASH AND CASH EQUIVALENTS

	2013	2012
	USD	USD
Account with Custodian	**1,453,080**	130,876
Other cash accounts	**15,324**	108,824
Call deposit accounts	**2,934**	6,528
Other bank accounts	**1,941,766**	3,387,359
	3,413,104	3,633,587

10. SHARE CAPITAL

	2013	**2013**	2012	2012
	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 and 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.

11. TRADE AND OTHER PAYABLES

	2013	2012
	USD	USD
Accrued expenses	**2,497,233**	285,625
Other payables	**-**	100,285
	2,497,233	385,910

Other payables and accrued expenses are non-interest bearing and have an average term of six months.

12. OTHER INCOME

Other income for the current year is USD **180,000** (2012: Nil) and relates to fee income receivable from Triton Logging Inc.

13. EARNING PER SHARE

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

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

	2013	2012
	USD	USD
Earnings attributable to equity holders of the Group	**11,333,272**	1,692,704
Weighted average number of ordinary share in issue	**42,630,327**	42,630,327
Basic and diluted earnings per share	**0.2659**	0.0397

14. 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 2013**	% equity interest 2012
Africa Opportunity Fund (GP) Limited	Cayman Islands	100	100
Africa Opportunity Fund L.P.	Cayman Islands	99.09	99.05

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**

14. RELATED PARTY DISCLOSURES (CONTINUED)

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

Name of related parties	Type of relationship	Nature of transaction	Volume USD	Balance at 31 Dec 2012 USD
Africa Opportunity Partners Limited	Investment Manager	Management fee expense	783,329	189,785

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 directors are entitled to carry interest computed in accordance with the rules set out in the Admission Document. The total carried interest is 20%.

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

	No of shares held	Direct interest held %
2013	**10,875,827**	**25.51**
2012	10,875,827	25.51

15. TAXATION

Under the current laws of Cayman Islands, there is no income, estate, transfer sales or other Cayman Islands taxes payable by the Company. As a result, no provision for income taxes has been made in the financial statements.

Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Withholding taxes are not separately disclosed in statement of cash flows as they are deducted at the source of the income.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Group's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Group's activities. It is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Group's continuing profitability. The Group is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure

The Group's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach of the Group.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair value

The carrying amount of financial assets and liabilities at fair value through profit or loss are restated to fair value at the reporting date. The carrying amount of trade and other receivables, cash and cash equivalents other payables and accrued expenses approximates their fair value due to their short term nature.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and includes interest rate risk, foreign currency risk and equity price risk.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their fair value.

Short selling involves borrowing securities and selling them to a broker-dealer. The Group has an obligation to replace the borrowed securities at a later date. Short selling allows the Group to profit from a decline in market price to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities, while the gain is limited to the price at which the Fund sold the security short.

Possible losses from short sales may be unlimited as the Group has an obligation to repurchase the security in the market at prevailing prices at the date of acquisition.

With written options, the Group bears the market risk of an unfavourable change in the price of the security underlying the option. Exercise of an option written by the Group could result in the Group selling or buying a security at a price significantly different from its fair value.

The Group's financial assets are susceptible to market risk arising from uncertainties about future prices of the instruments. Since all securities investments present a risk of loss of capital, the Investment Manager moderates this risk through a careful selection of securities and other financial instruments. The Group's overall market positions are monitored on a daily basis by the Investment Manager.

The directors have based themselves on past and current performance of the investments and future economic conditions in determining the best estimate of the effect of a reasonable change in equity prices, currency rate and interest rate.

Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of the equity indices and the values of individual stocks. The trading equity risk arises from the Group's investment portfolio.

The equity price risk exposure arises from the Group’s investments in equity securities, from equity securities sold short and from equity-linked derivatives (the written options). The Group manages this risk by investing in a variety of stock exchanges and by generally limiting exposure to a single industry sector to 15% of NAV.

Management’s best estimate of the effect on the profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the table below. There is no effect on ‘other comprehensive income’ as the Group has no assets classified as ‘available-for-sale’ or designated hedging instruments. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite impact.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity Price Risk – 2013

Stock	Change in equity price 2013	Effect on profit for the year	Effect on Other comprehensive income
		USD	USD
Africa Bank Investments Ltd	30%	956,814	-
	-30%	(956,814)	-
Anglogold Ashanti Ltd	30%	247,068	-
	-30%	(247,068)	-
Continental Reinsurance Plc	30%	412,731	-
	-30%	(412,731)	-
Copperbelt Energy Corporation Plc	30%	199,931	-
	-30%	(199,931)	-
Enterprise Group Ltd	30%	2,961,474	-
	-30%	(2,961,474)	-
Kosmos Energy Limited	30%	266,948	-
	-30%	(266,948)	-
Letshego BG	30%	438,554	-
	-30%	(438,554)	-
Mashonaland Holdings Ltd	30%	348,338	-
	-30%	(348,338)	-
Massmart Holdings	30%	(365,678)	-
	-30%	365,678	-
Mineral Deposits Ltd	30%	384,702	-
	-30%	(384,702)	-
Pallinghurst Resources Ltd	30%	293,023	-
	-30%	(293,023)	-
Pearl Properties	30%	161,200	-
	-30%	(161,200)	-
Shoprite Holdings – SA register	30%	(952,640)	-
	-30%	952,640	-
Shoprite Plc (SHP ZL)	30%	2,314,849	-
	-30%	(2,314,849)	-
Societe des Caoutchoucs de Grand-Bereby (SOGB)	30%	375,324	-
	-30%	(375,324)	-
Sonatel	30%	2,148,043	-
	-30%	(2,148,043)	-
Standard Chartered Bank	30%	599,599	-
	-30%	(599,599)	-
Tanzanian Breweries	30%	356,612	-
	-30%	(356,612)	-

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity Price Risk - 2012

Stock	Change in equity price 2012	Effect on profit for the year	Effect on Other comprehensive income
		USD	USD
Africa Bank Investments Ltd	30%	722,254	-
	-30%	(722,254)	-
Continental Reinsurance Plc	30%	137,378	-
	-30%	(137,378)	-
Copperbelt Energy Corporation Plc	30%	198,785	-
	-30%	(198,785)	-
Enterprise Group Ltd	30%	862,758	-
	-30%	(862,758)	-
iShare South Africa Index Fund	30%	322,110	-
	-30%	(322,110)	-
Kosmos Energy Limited	30%	133,380	-
	-30%	(133,380)	-
Kumba Iron Ore	30%	201,150	-
	-30%	(201,150)	-
Letshego BG	30%	417,153	-
	-30%	(417,153)	-
Mashonaland Holdings Ltd	30%	278,671	-
	-30%	(278,671)	-
Offshore Accommodation IS	30%	125,652	-
	-30%	(125,652)	-
Okomu Oil Palm Plc	30%	1,357,207	-
	-30%	(1,357,207)	-
Old Mutual Plc	30%	315,056	-
	-30%	(315,056)	-
Pallinghurst Resources Ltd	30%	176,448	-
	-30%	(176,448)	-

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity Price Risk – 2012 (Continued)

Stock	Change in equity price 2012	Effect on profit for the year USD	Effect on Other comprehensive income USD
Pearl Properties	30%	173,600	-
	-30%	(173,600)	-
Societe Africaine de Plantations d'Heveas	30%	403,170	-
	-30%	(403,170)	-
Shoprite Holdings – SA register	30%	598,720	-
	-30%	(598,720)	-
Shoprite Plc (SHP ZL)	30%	2,431,587	-
	-30%	(2,431,587)	-
Societe des Caoutchoucs de Grand-Bereby (SOGB)	30%	436,295	-
	-30%	(436,295)	-
Sonatel	30%	1,486,313	-
	-30%	(1,486,313)	-
Standard Chartered Bank/ Ghana (SCB GN)	30%	571,285	-
	-30%	(571,285)	
Tanzania Breweries	30%	133,898	-
	-30%	(133,898)	-
Triton Class B Preferred Shares	30%	174,380	-
	-30%	(174,380)	-
Zimplats Holdings	30%	179,562	-
	-30%	(179,562)	-

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk

The Group's investments are denominated in various currencies as shown in the currency profile below. Consequently, the Group is exposed to the risk that the exchange rate of the United States Dollar (USD) relative to these various currencies may change in a manner which has a material effect on the reported values of its assets denominated in those currencies. To manage its risks, the Company may enter into currency arrangements to hedge currency risk if such arrangements are desirable and practicable.

The following table shows the offsetting of financial assets:

As at 31 December 2013

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral	Net amount
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Cash and cash equivalents	**12,478,726**	**(9,065,622)**	**3,413,104**	**-**	**-**	**3,413,104**
Total	**12,478,726**	**(9,065,622)**	**3,413,104**	**-**	**-**	**3,413,104**

As at 31 December 2012

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral	Net amount
	USD	USD	USD	USD	USD	USD
Cash and cash equivalents	12,956,640	(9,323,053)	3,633,587	-	-	3,633,587
Total	12,956,640	(9,323,053)	3,633,587	-	-	3,633,587

Cash and cash equivalents are offset as the Company has current bank balances and bank overdraft with the same counterparty which the Company has the current legally enforceable right to set off the recognised amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (Continued)

The currency profile of the Group's financial assets and liabilities is summarised as follows:

	2013 Financial assets	2013 Financial liabilities	2012 Financial assets	2012 Financial liabilities
	USD	USD	USD	USD
Australian Dollar	**986,858**	**-**	862,813	-
Botswana Pula	**1,461,846**	**-**	1,390,509	-
Canadian Dollar	**-**	**-**	586,329	-
CFA Franc	**8,840,923**	**-**	8,148,861	-
Euro	**(7,774,263)**	**-**	(8,802,056)	-
Egyptian Pound	**227,986**	**-**	137,465	-
Ghanaian Cedi	**11,931,300**	**-**	4,788,161	-
Great Britain Pound	**48,864**	**49,181**	59	-
Hong Kong Dollar	**(4)**	**-**	(2,682)	-
Nigerian Naira	**1,375,771**	**-**	4,981,950	-
Norwegian Kroner	**1,781,925**		162,261	-
South African Rand	**6,128,125**	**4,394,391**	2,532,762	2,846,405
Swedish Kroner	**3,157,045**	**-**	1,218,309	-
Tanzanian Shilling	**1,188,708**	**-**	446,328	-
United States Dollar	**22,263,349**	**3,102,816**	20,866,769	2,196,229
Zambian Kwacha	**8,382,603**	**-**	9,075,207	-
	60,001,036	**7,546,388**	46,393,045	5,042,634

The sensitivity analysis shows how the value of a financial instrument will fluctuate due to changes in foreign exchange rates against the US Dollar, the functional currency of the Group.

The following table details the Group's sensitivity to a possible change in the USD against other currencies. The percentage applied as sensitivity represents management's assessment of a reasonably possible change in foreign currency denominated monetary items by adjusting the translation at the year-end for the change in currency rates. A positive number below indicates an increase in profit where the USD weakens against the other currencies. In practice, actual results may differ from estimates and the difference can be material.

	Change in currency	**Effect on profit**	**Effect on Other comprehensive income**
Currency	**2013**	**USD**	**USD**
Botswana Pula	**30%**	**(337,349)**	**-**
	-30%	**337,349**	**-**
Ghana Cedi	**30%**	**(2,753,377)**	**-**
	-30%	**2,753,377**	**-**
Nigerian Naira	**30%**	**(317,485)**	**-**
	-30%	**317,485**	**-**

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (Continued)

Currency	Change in currency 2013	Effect on profit USD	Effect on Other comprehensive income USD
Norwegian Krona	**30%**	**(411,214)**	-
	-30%	**411,214**	-
South African Rand	**30%**	**(400,092)**	-
	-30%	**400,092**	-
Tanzanian Shilling	**30%**	**(274,317)**	-
	-30%	**274,317**	-
Zambian Kwacha	**30%**	**(1,934,447)**	-
	-30%	**1,934,447**	-
CFA Franc	**10%**	**(803,720)**	-
	-10%	**803,720**	-
Egyptian Pound	**10%**	**(20,726)**	
	-10%	**20,726**	-
Australian Dollar	**5%**	**(46,993)**	-
	-5%	**46,993**	-
Euro	**5%**	**370,203**	-
	-5%	**(370,203)**	-
Great Britain Pound	**5%**	**(15)**	-
	-5%	**15**	-
Hong Kong Dollar	**5%**	**-**	-
	-5%	**-**	-
Swedish Krona	**5%**	**(150,335)**	-
	-5%	**150,335**	-

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Currency risk (Continued) -Year 2012

	Change in currency	Effect on profit	Effect on Other comprehensive income
Currency	2012	USD	USD
Botswana Pula	30%	417,153	-
	-30%	(417,153)	-
Ghana Cedi	30%	1,436,448	-
	-30%	(1,436,448)	-
Nigerian Naira	30%	1,494,585	-
	-30%	(1,494,585)	-
Norwegian Krona	30%	48,732	-
	-30%	(48,732)	-
South African Rand	30%	(94,903)	-
	-30%	94,903	-
Tanzanian Shilling	30%	133,898	-
	-30%	(133,898)	-
Zambian Kwacha	30%	2,722,562	-
	-30%	(2,722,562)	-
CFA Franc	10%	814,886	-
	-10%	(814,886)	-
Egyptian Pound	10%	13,752	
	-10%	(13,752)	-
Australian Dollar	5%	43,141	-
	-5%	(43,141)	-
Canadian Dollar	5%	29,316	-
	-5%	(29,316)	-
Euro	5%	(440,103)	-
	-5%	440,103	-
Hong Kong Dollar	5%	(134)	-
	-5%	134	-
Swedish Krona	5%	60,906	-
	-5%	(60,906)	

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The fair values of the Group's debt securities fluctuate in response to changes in market interest rates. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments.

The investments in debt securities have fixed interest rate and the income and operating cash flows are not exposed to interest rate risk. The change in fair value of investments based on a change in market interest rate (a 50 basis points change) is not significant and has not been disclosed.

Credit Risk

Financial assets that potentially expose the Group to credit risk consist principally of investments in debt securities, cash balances and interest receivable. The extent of the Group's exposure to credit risk in respect of these financial assets approximates their carrying values as recorded in the Group's statement of financial position.

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group's main credit risk concentration is its debt securities which is classified as financial assets at fair value through profit or loss.

With respect to credit risk arising from financial assets which comprise of financial assets at fair value through profit or loss, other receivables and cash and cash equivalents, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**2013 Carrying amount USD**	2012 Carrying amount USD
Financial assets at fair value through profit or loss	7(a)	**11,899,719**	5,214,763
Other receivables	8	**1,114,001**	600,158
Cash and cash equivalents	9	**3,413,104**	3,633,587

The financial assets are neither past due nor impaired at reporting date. The cash and cash equivalent assets of the Group are maintained with Standard Chartered Bank (Mauritius) Ltd. Standard Chartered Bank has an A1- issuer rating from Moody’s long term rating agency, a P-1 short term rating from Moody’s rating agency, an AA- issuer rating from Standard and Poor’s rating agency, and an A-1+ short term rating from Standard and Poor’s rating agency. All other issuers of debt instruments owned by the Group are unrated. The issuers of the unrated debt instruments owned by the Group are reputable companies which do not envisage obtaining ratings, and have the ability to repay any debt or redeem any security as it falls due or when required.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Concentration risk

At 31 December 2013, the Group held investments in Africa which involves certain considerations and risks not typically associated with investments in other developed countries. Future economic and political developments in Africa could affect the operations of the investee companies.

Analysed by geographical distribution of underlying assets:

Bond & Notes	**2013**	2012
	USD	USD
Senegal	**4,579,652**	701,169
Equatorial Guinea	**2,312,156**	226,397
Burkina Faso	**2,287,980**	-
Mauritius	**1,001,931**	1,124,433
Ghana	**950,000**	275,000
Nigeria	**768,000**	2,115,750
South Africa	**-**	535,804
Angola	**-**	236,210
Total	**11,899,719**	5,214,763

Equity Securities	**2013**	2012
	USD	USD
Ghana	**12,802,126**	5,839,012
Zambia	**9,359,346**	9,356,068
Senegal	**8,442,482**	4,954,376
South Africa	**4,012,942**	3,496,905
Zimbabwe	**2,877,104**	2,437,986
Ivory Coast	**1,680,781**	3,194,485
Botswana	**1,461,846**	1,390,509
Nigeria	**1,375,770**	4,981,950
Tanzania	**1,188,708**	446,328
Egypt	**212,662**	148,133
Democratic Republic of Congo	**113,823**	-
Burkina Faso	**46,620**	-
Angola	**-**	418,874
Republic of Congo	**-**	279,911
Total	**43,574,212**	36,944,537

Analysed by industry of underlying assets:

Bond and notes	**2013**	2012
Analysed by industry:	**USD**	USD
Mining industry	**6,867,632**	1,236,973
Oil exploration and production	**2,312,156**	226,396
Consumer finance	**1,001,931**	1,124,433
Forestry	**950,000**	275,000
Oil services industry	**768,000**	2,351,961
Total	**11,899,719**	5,214,763

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Concentration risk (Continued)

Equity Securities Analysed by industry:	2013 USD	2012 USD
Financial services	**11,765,437**	4,383,975
Consumer products and services	**9,768,489**	9,427,903
Telecommunications	**7,160,143**	4,954,376
Consumer finance	**6,649,890**	5,710,323
Mining industry	**3,682,391**	1,505,818
Real estate	**1,698,460**	1,507,567
Plantations	**1,251,081**	7,322,238
Oil exploration and production	**931,884**	444,600
Electricity transmission and generation	**666,437**	662,615
Forestry	**-**	606,249
Oil services industry	**-**	418,873
Total	**43,574,212**	36,944,537

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows. The table below illustrates the maturity profile of the Group's financial liabilities based on undiscounted payments.

The vast majority of the financial assets are expected to be realised within 12 months of the reporting date.

Year 2013 **Financial liabilities**	**Due on demand** **USD**	**Due within 3 Months** **USD**	**Due Between 3 and 12 Months** **USD**	**Total** **USD**
Dividend payable	**85,291**	**-**	-	**85,291**
Other payables	**-**	**2,497,233**	**-**	**2,497,233**
Financial liabilities at fair value through profit or loss	**-**	**302,715**	**4,661,149**	**4,963,864**
Total liabilities	**85,291**	**2,799,948**	**4,661,149**	**7,546,388**

Year 2012 Financial liabilities	Due on demand USD	Due within 3 months USD	Due Between 3 and 12 Months USD	Total USD
Dividend payable	110,839	-	-	110,839
Other payables	-	385,910	-	385,910
Financial liabilities at fair value through profit or loss	-	94,105	4,451,780	4,545,885
Total liabilities	110,839	480,015	4,451,780	5,042,634

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital Management

Total capital is treated as 'equity' as shown in the consolidated statement of financial position.

The Company is a closed end fund and repurchase of shares in issue can be done with the consent of the Board of Directors. The Company is not subject to externally imposed capital requirements.

The objectives for managing capital are:

- To invest the capital in investment meeting the description, risk exposure and expected return indicated in the Admission document.
- To achieve consistent capital growth and income through investment in value, arbitrate and special situations opportunities derived from the African continent.
- To maintain sufficient size to make the operation of the Group cost effective.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

17. 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 2012 and 2013 were in excess of the basis stated in the Admission Document, as the Company utilises the one year US Dollar London Interbank Offered Rate for the calculation of the dividend rate.

Dividend - payable	**2013 USD**	2012 USD
Dividend declared and paid	**255,782**	332,516
Dividend payable	**85,291**	110,839
	341,073	443,355
Dividend per share (US cents)	**0.80**	1.04
Opening balance - dividend payable	**110,839**	76,735
Additions	**341,073**	443,355
Payment	**(366,621)**	(409,251)
Closing balance	**85,291**	110,839

Dividend – declared and paid after reporting date

	2013 USD	2012 USD
Dividend declared and paid	**76,735**	85,291
Dividend per share (US Cents)	**0.18**	0.20

18. SEGMENT INFORMATION

For management purposes, the Group is organised in one main operating segment, which invests in equity securities, debt instruments and relative derivatives. All of the Group's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

19. PERSONNEL

The Group did not employ any personnel during the year (2012: the same).

20. COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies at the reporting date.

21. EVENTS AFTER THE REPORTING DATE

AOF has had a number of significant subsequent events occur since the year ended as at 31 December 2013. Namely:

- AOF held an extraordinary general meeting ("EGM") on 28 February 2014. The continuation of the Company was voted in favor by 100% of the shareholders who elected to vote. As a result of this vote, the Company will continue in existence for a further five years, at which point a further resolution will be put to Shareholders at an EGM in 2019, and every five years thereafter.
- Further as part of the EGM, two special resolutions to (i) approve the adoption of amended and restated memorandum and articles of association of the Company to incorporate new C share rights and (ii) to authorize the increase in share capital to allow for the issuance and conversion of the C shares, were both approved by 100% of the shareholders electing to vote.
- In accordance with the new corporate governance policies adopted by the Company, Mr. Francis Daniels and Mr. Christopher Gradel have stepped down as non-executive directors of the Company and Mr. Robert Knapp has stepped down as Chair of the Company. The new Chair of the Company is Ms. Myma Belo-Osagie and the Audit Committee (formally chaired by Mr. Gradel) will be chaired by Mr. Shingayi Mutasa.
- 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 on the LSE's Specialist Fund Market ("SFM"). 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, AOF's ordinary shares were cancelled from admission to trading on the AIM.
- Effective 17 April 2014, Mr. Vikram Mansharamani and Mr. Peter Mombaur have joined the AOF board of directors as non-executive directors.

Shareholder Information

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.

Company Information

Africa Opportunity Fund Limited is a Cayman Islands incorporated closed-end investment company admitted to trading on the AIM market operated by the London Stock Exchange and listed on the Channel Islands Stock Exchange.

Capital structure

The Company has an authorized share capital of 1,000,000,000 ordinary shares of US$0.01 each of which 42,630,327 are issued and fully paid.

Life of the Company

The Company does not have a fixed life, but the directors consider it desirable that its shareholders should have the opportunity to review the future of the Company at appropriate intervals. The Directors will convene a general meeting in 2014 where a 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 reorganize, 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.

Registered Number

Registered in the Cayman Islands number MC-188243

Website

www.africaopportunityfund.com