Advance Frontier Markets Fund Limited
Annual report 2015

Contents

Investment objective

The objective of Advance Frontier Markets Fund Limited (the "Company") is to generate long-term capital growth for its shareholders. The Investment Manager invests predominantly in a diversified portfolio of funds and other investment products which derive their value from Frontier Markets. The proportion of the portfolio invested in each component of Frontier Markets varies according to where the Investment Manager perceives the most attractive investment opportunities to be. Investee funds may include closed and open-ended funds, exchange traded funds, structured products, limited partnerships and managed accounts.

Performance

For the year ended 30 June 2015	
Net asset value ("NAV") per share (in US dollar terms)	-11.2%
Share price (in US dollar terms)	-10.9%

As at 30 June 2015	
NAV per share	$0.9597
Share price (in GB pounds)	£0.5725
Share price (in US dollars)	$0.8991
Net assets	$162.6m

Financial calendar

Annual General Meeting	3 December 2015 at 11:00 a.m. 11 New Street St Peter Port Guernsey GY1 2PF

The Annual Report can be downloaded from www.frontiermarketsfund.com.

Cover image: Karakoram Mountains, Pakistan.

Chairman's statement

On behalf of your Board, I present to you the Annual Report for Advance Frontier Markets Fund Limited ("AFMF", "the Company", "the Fund") for the financial year ended 30 June 2015.

During the period the Company's NAV per share fell by 11.2% and its share price declined by 10.9% with the discount at which the Company's shares trade narrowing from 6.6% to 6.3%. The Investment Manager discusses the issues that affected individual markets in greater detail in its report below, but in broad terms the weakness exhibited by frontier equity markets over the year was widespread with major contributing factors being the sharp declines in energy and hard commodity prices, continued speculation about the likely timing of any action of the US Federal Reserve and the effects of these issues on global currency markets.

Direct equity exposure
At a meeting held in February 2015, the Company's directors approved a modest increase in the proportion of the Fund's net assets that can be directly invested in equity instruments, from 5% of net asset value to 10% of net asset value. In addition, it was agreed that the limit per individual equity holding be raised from 1% to 1.5% of net asset value at the time of purchase. The use of direct equities within the portfolio has been accretive to performance in the past and, the Board believes, will continue to be, as the Investment Manager uses this flexibility to allocate on a selective basis to attractively valued companies in markets that are difficult to access through funds.

Board composition
In line with best corporate governance practices, the Board has planned for succession. In light of this, Helen Green will retire as a director of the Company at the conclusion of the Annual General Meeting due to be held in December 2015 having served as a director from the Company's launch. I would like to extend my sincere gratitude to Helen on behalf of the remaining directors, shareholders, and the Investment Manager for her valuable contribution during her tenure. Helen's insightful input will be missed and we wish her great success in any future endeavours.

In conjunction with this, I am pleased to confirm that David Warr has agreed to join the Board as an independent non-executive director of the Company with effect from 9 September 2015. David brings with him a wealth of experience in the investment funds sector and I am sure he will prove to be a strong and complementary addition to the Board. Following Helen's retirement, David will be appointed as chair of the Audit Committee.

Investment Manager
On 15 September 2015 it was announced that the Company's Investment Manager, Advance Emerging Capital Limited ("AEC") had reached an agreement with Aberdeen Asset Management PLC ("Aberdeen") whereby Aberdeen will acquire 100% ownership of AEC. The transaction is subject, inter alia, to regulatory approval from the UK Financial Conduct Authority and is expected to complete during the fourth quarter of 2015.

The Board of AFMF is supportive of the transaction. The investment management team of AEC will remain unchanged and AEC is expected to benefit from the significant additional resources available from within Aberdeen.

Future prospects
In aggregate, frontier markets stand at a meaningful valuation discount relative to history and to other equity markets and contain many well managed, reasonably valued companies from which AFMF's underlying managers can construct their portfolios. I am confident that by identifying the most attractive markets and selecting the best local fund managers, our investors will be rewarded over the long term.

2016 will be an important year for the Company as shareholders will be afforded an opportunity to fully realise their investment at the prevailing net asset value less costs by way of proposals to be put to shareholders at the time of the Company's Annual General Meeting due to be held in late 2016. We propose to undertake a broad shareholder consultation exercise well in advance of this to garner feedback on this issue and I expect to be in a position to report on our thinking in greater detail in my next report. I note the positive impact the adoption of this bold measure has had on the discount to net asset value at which the Fund's shares trade which stood at 14.9% in December 2012 when it was first announced compared with 6.3% at the end of the current period. The Fund's long-term investment performance record is solid and I hope that shareholders will continue to support the Fund and its manager in 2016.

I would like to thank our shareholders for their continued support and my fellow directors, the Investment Manager and our various advisors for their efforts over the past year.

Grant Wilson
17 September 2015

Investment Manager's report

Performance review[1]

During the year to 30 June 2015 the Company's net asset value per share (NAV) and share price declined by 11.2% and 10.9% respectively. As a point of reference, the MSCI Frontier Markets Net Total Return Index declined by 13.9% over the period. Despite the challenging environment for frontier markets, the discount to NAV at which the Company's shares trade ended the period at 6.3%, narrowing slightly from 6.6% a year earlier.

Figure 1: Advance Frontier Markets Fund Performance Report

	12 Months	3 Years	5 Years	Since inception
AFMF NAV	-11.2%	30.9%	32.2%	-0.9%
AFMF Price	-10.9%	36.0%	44.2%	-10.0%

Source: Advance Emerging Capital Limited, Bloomberg, all figures in US dollar terms to 30 June 2015. Inception was 15 June 2007 (initial NAV per share after share issue expenses was USD 0.9685).

It is pleasing to note that asset allocation, manager selection and discount movements all contributed positively to performance relative to the frontier index. Our strategy of running a generally more diversified portfolio at a geographic level worked to the Fund's advantage. Significant exposures to Vietnam, Qatar and Saudi Arabia, while at the same time maintaining lower allocations than the frontier index in markets such as Nigeria and Kuwait were the main contributors to relative outperformance.

Manager selection was broadly positive, with continued strong relative performance from holdings including EFG-Hermes Saudi Arabia Equity Fund (NAV +17.4% vs S&P Saudi Arabia -4.8%) and Ashmore Middle East Equity Fund (NAV +7.2% vs MSCI Arabia -3.2%). In Africa, the Fund's core holdings performed well in challenging conditions. Ashmore's Africa Emerging Markets Fund benefitted from low exposure to Nigeria throughout the year (NAV -7.0% vs MSCI Frontier Markets Africa Index -21.1%) while SCM Africa enjoyed strong stock selection in Egypt and Nigeria (NAV -8.6%). Sustainable Capital's Africa Consumer Fund proved its defensive qualities in the first two years of its life, outperforming both African equities generally and competitor funds, but was not immune to market weakness. In the period in question its NAV declined by 14.9%. On the negative side, our investment in East Africa managed by PineBridge proved disappointing (NAV -12.0% vs MSCI Kenya +2.9%) on account of poor stock selection in the Kenyan market and the fund's allocation to the weaker performing markets of Rwanda, Mauritius and Zambia, in which the Fund also invests. Sustainable Capital Nigeria underperformed the Nigerian market on account of its high exposure to financials (NAV -38.6% vs MSCI Nigeria -30.9%). Exposure to frontier natural resources and energy companies through Tugela African Resources and selected direct equity investments trended down in line with the fortunes of those sectors globally.

In Vietnam, the Fund's investments in VietNam Holding Limited and PXP Vietnam Fund (which merged into PXP Vietnam Emerging Equity Fund during the period) outperformed the MSCI Vietnam Index while the more diversified VinaCapital Vietnam Opportunity Fund trailed by a small margin. In Eastern Europe, Avaron Emerging Europe Fund and Sturgeon Central Asia Equities Fund both outperformed regional benchmarks in declining markets, with NAV returns of -15.4% and -20.2% respectively. In Romania, the Fund's holding in Fondul Proprietatea underperformed the market (NAV total return -21.3% vs MSCI Romania -13.2%). Fondul's discount stood at 32.9% at period end, a level slightly wider than that at which it commenced the year. This was despite the success of the listing of a depositary receipt on its shares on the London Stock Exchange in April, which makes it accessible to a wider audience of investors and ought to contribute to discount compression over the longer term.

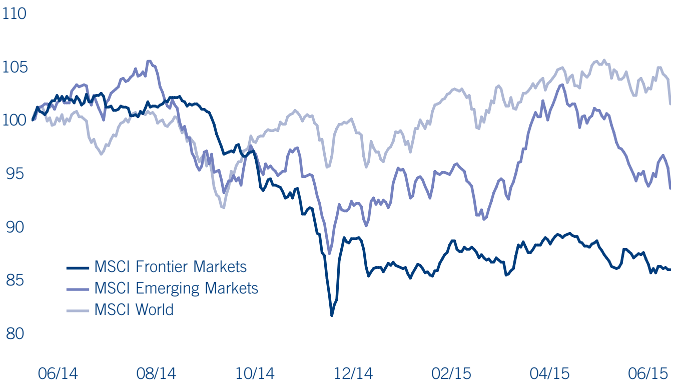
The small positive contribution to performance from discount narrowing was helped once more by corporate activity on the Fund's closed end investments. In mid-December 2014, shareholders in PXP Vietnam Fund voted to approve a merger with the open-ended PXP Vietnam Emerging Equity Fund on an NAV for NAV basis. AFMF benefitted substantially from the elimination of PXP Vietnam Fund's discount which stood at 13.9% at the end of August 2014, prior to the first announcement regarding the merger. In Pakistan, the Fund's two closed end investments (Picic Growth Fund and Picic Investment Fund) continued to pay out significant dividends, with the trailing yield on both funds close to 17% at year-end, despite which they were trading on discounts of 32.0% and 26.3% respectively. The discounts of VietNam Holding Limited (from 23.9% to 12.1% at the end of the period) and VinaCapital Vietnam Opportunity Fund (from 24.0% to 22.0%) both narrowed, as investor appetite for assets in that market improved. Africa Opportunity Fund was one of just a handful of investments to suffer from discount widening with the fund's rating declining from a 2.9% premium to a 10.0% discount in a period in which performance was negatively impacted by investments in Ghana, the natural resources and energy sectors. The NAV total return over the period was -27.3% which was disappointing in the context of the fund's total return objective.

1 All performance numbers quoted in this report are in US dollar terms

Market environment

After two years of positive performance from frontier markets, the year to the end of June 2015 presented an altogether more challenging environment, with frontier markets declining, and underperforming other asset classes globally (see Figure 2).

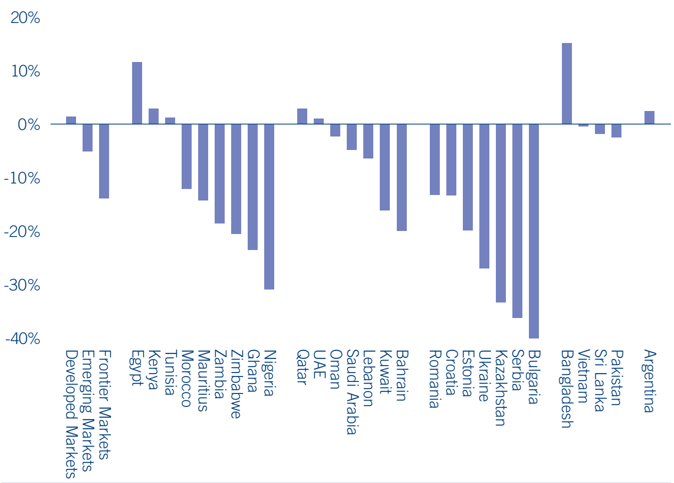
Figure 2: Performance of MSCI Frontier Markets Index compared with Emerging and Developed Markets over year to 30 June 2015



Source: Bloomberg, MSCI, net total returns in US dollar terms, one year to 30 June 2015.

The start of the period coincided with the beginning of an eventual 40% decline in the prices of both energy and commodities (the latter as measured by the S&P GSCI Total Return Index). With frontier markets being, in aggregate, exporters of both energy and other hard commodities, the expected impact of declining prices on growth prospects was quickly reflected in currencies and stock markets. The performance of individual frontier markets during the period is as shown in Figure 3.

Figure 3: Market returns over the year to 30 June 2015 in US dollar terms



Source: Bloomberg, MSCI, S&P and local market indices, total return indices where available in US dollar terms, one year to 30 June 2015.

In Africa the Nigerian market declined by 30.9%, with weakness in the naira explaining more than half the loss. The positive outcome of the presidential election in March 2015 prompted a sharp relief rally, but this proved short-lived, with optimism dissipating as President Buhari was slow to form his cabinet and openly lamented the sorry state of the government's finances. Kenya, as an importer of energy and with a more positive growth outlook, was significantly more resilient, rising by 2.9% despite weakness in the shilling towards the end of the period, as tourism receipts and a weak spell for tea exports impacted export earnings. The Egyptian market continued to perform well (+11.5%) helped by attractive valuations, strong local demand for equities and continued economic support from the Gulf States. Returns in Morocco and Tunisia were held back by currency weakness, with the euro (the dominant component of the baskets to which both the dinar and dirham are pegged) depreciating by 18.6% relative to the US dollar over the period. Terrorist attacks in Tunisia late in the period, were a reminder of the continued threat of militant extremism in the region.

In the Middle East, currency pegs to the US dollar and the strength of local sovereign balance sheets proved helpful in limiting losses in what could have been a more difficult period for this oil-dependent region. The Kuwaiti and Bahraini markets fell by 16.1% and 19.9% whilst Saudi Arabia's market proved somewhat more resilient, declining by just 4.8%.

In Eastern Europe, tensions between Russia and Ukraine remained a source of negative sentiment. A 44.1% devaluation of the hryvnia against the US dollar weighed on returns for foreign investors while the lower oil price was the primary driver of losses in Kazakhstan. The Balkan countries all experienced weakness in both local stock markets and currencies. We continue to have limited exposure to the region with the exception of Romania, where the market fell by 13.2%.

Frontier markets in Asia were the best performing, with positive returns generated by the Bangladeshi market, while Pakistan and Vietnam were largely flat. These markets were helped by generally stable currencies, with each country benefitting from lower energy and commodity prices and reasonable performance at a corporate level.

In Latin America, the Argentine market's 2.4% return masks the extreme volatility experienced by investors over the year. Rampant strength in the first nine months of the period gave way to weakness in the final quarter as the outlook for the October 2015 presidential election became less clear, with Peronist Daniel Scioli taking the lead in opinion polls and appointing a hardline supporter of incumbent President Kirchner as his running mate and potential vice-president.

Portfolio

The Fund's asset allocation at the end of the period is shown on page 5. The portfolio is shown on page 6, being composed of 33 holdings, with the top 20 investments representing 89.9% of NAV. At year end, the Fund was 71.0% invested through open ended funds, 27.4% through closed end funds and 3.1% through individual equities. The average discount to NAV at which closed end investments within the portfolio trade was 22.6%.

Material changes were made to the portfolio during the year as a result of the changing investment landscape within frontier markets. Exposure to the Middle East was reduced (from 24.5% to 14.0%) in anticipation of the eventual economic impact of lower oil prices on this energy-dependent region, despite its strong sovereign balance sheets. The reduction was achieved through redemptions across a combination of holdings in the region.

Asia was the primary recipient of new funds, with the majority flowing into the Pakistani market, where we believe the long term macroeconomic outlook is promising and valuations are attractive for companies that continue to deliver high returns on equity and healthy levels of earnings growth. Pakistan's weighting rose to 10.5% at year end from 4.1% a year earlier. The majority of the increase was achieved through a new investment in Tundra Pakistan Fund, managed by a highly competent team split between Stockholm and Karachi. Exposure to Vietnam was maintained at its historic high level as discounts remain attractive on closed end fund investments and the long term outlook for the market remains positive, with sentiment recently boosted by an announcement regarding long-awaited reforms to foreign ownership limits.

The Fund's weighting to Africa remains substantial, but declined over the year largely as a result of disappointing market performance. AFMF's position in the London traded Africa Opportunity Fund was halved with the proceeds used to continue building a position in the more conventionally invested SCM Africa Fund, which holds a portfolio of deeply undervalued companies, selected from across the continent by a talented team based in Cape Town.

There was limited change to the Fund's allocation to Eastern Europe and Central Asia, despite seemingly attractive levels of valuation. For now at least, we believe the discounts at which these markets trade relative to the majority of other frontier markets are justified. Fondul Proprietatea, the Romanian closed end fund, remains our core exposure to the region. We remain convinced of the likelihood that the discount to NAV at which the fund trades will eventually narrow as a result of further privatisations of currently unlisted portfolio holdings, the recent listing of a depositary receipt on the fund in London, an attractive dividend yield, regular tender offers and a suitably incentivised investment manager.

Investment Manager

As noted in the Chairman's statement, it was announced on 15 September that the Company's Investment Manager, Advance Emerging Capital, is being acquired by Aberdeen Asset Management PLC. The AEC team will be based in Aberdeen's London office and will become part of Aberdeen's Alternatives business. Aberdeen is an investment house we have immense respect for, and with which we share a similar investment philosophy and appreciation of the benefits of the closed end fund structure. We are therefore delighted to be joining them, where we will continue to implement our current strategy and process with significant additional support provided by Aberdeen's Closed End Funds team and the operational infrastructure that comes with being part of a FTSE 100 company. Sitting within Aberdeen's rapidly growing Alternatives business will, we believe, enable us to share ideas and best practice to the benefit of the Fund's shareholders.

Market outlook

Frontier markets have endured a challenging period on the back of a combination of factors, some domestic, but the majority international in nature. This period of disappointing performance has coincided with, or perhaps encouraged, indifference towards the asset class. While this may remain the case for some time, such moments have historically made for attractive entry points for those who believe in the long-term rationale for including frontier markets (high growth and attractive valuations) in a diversified portfolio. We believe this rationale remains valid, despite the headwinds presented by low commodity and energy prices, a strong US dollar and (at some point) interest rate increases in the United States.

The valuation argument is particularly strong at present, as can be seen in the table below, with frontier markets trading at a significant discount to both emerging and developed markets.

Figure 4: Frontier market valuations

	Trailing price to earnings	Trailing price to book	Dividend yield
MSCI Frontier Markets	10.9	1.5	3.9
MSCI Emerging Markets	13.6	1.5	2.7
MSCI World	19.6	2.3	2.4

Source: MSCI, data as at 31 July 2015.

When we look at the frontier market asset class, we see a balance of opportunities and risks. We are excited by the opportunity to buy Vietnamese assets at discounts to NAV at a time when the economy is improving and foreign investors are being encouraged to buy through the relaxation of foreign ownership limits. The same is true in Saudi Arabia, where the opening of the market to foreigners has just begun. In Pakistan, a recent upgrade by S&P of the country's sovereign rating, the meeting of key milestones set by the IMF and news of significant investment in infrastructure from China all point to an improving macroeconomic environment. Whilst the opposite may be true in Nigeria, equities in that market are now amongst the most lowly valued in the world, and with many still growing local currency earnings at healthy levels. Holding one's nerve in the face of the headwinds buffeting the country is, we believe, the right thing to do for the long-term given the potential of what is now Africa's largest country by GDP. In Argentina, we believe that political change in October will pave the way for that economy to re-engage with the international financial community after a decade long absence, irrespective of which party secures the presidency. The risks are well known to us (pace of reform, inflation, currency devaluation) and are reflected in AFMF's moderate allocation to that market at present.

In general, further weakness in currencies and persistent weakness in energy and commodity prices appear to be the major risks facing the asset class. All three are inextricably linked to the path of the US dollar and interest rates. As the year ahead now seems highly likely to see the first US rate rise(s) in almost a decade, we will remain prepared for volatility. Any reversal in these trends would probably see frontier markets re-rate significantly, providing the potential for handsome returns for investors that can look beyond the current uncertainties.

At the same time as the investment case unfolds in established frontier markets, excitement is growing regarding the opening up of new markets, with Iran and Cuba generating significant interest at present following a thawing of diplomatic relations and subsequent moves to relax (or remove) sanctions. Both could potentially qualify as frontier markets by our definition should they eventually become investable.

In such a diverse asset class, while some markets may face challenges, others will continue to present opportunities at the same time. We will continue to skew the portfolio towards those parts of the asset class we believe fall into the latter category, accessing these markets at low valuations and discounts to asset value where possible.

Advance Emerging Capital Limited

17 September 2015

Asset allocation

As at 30 June 2015 Country split	Percentage of net assets
Africa	**35.1%**
Botswana	1.3%
Dem. Rep. of Congo	0.0%
Egypt	4.8%
Ghana	1.3%
Ivory Coast	0.6%
Kenya	5.4%
Mauritius	0.5%
Morocco	1.0%
Namibia	0.4%
Nigeria	12.1%
Senegal	0.7%
South Africa	0.0%
Tanzania	0.6%
Tunisia	0.3%
Zambia	2.8%
Zimbabwe	2.0%
Other Africa	1.3%
Asia	**30.8%**
Bangladesh	2.5%
Kazakhstan	2.9%
Pakistan	10.5%
Vietnam	13.5%
Other Asia	1.4%

As at 30 June 2015 Country split	Percentage of net assets
Eastern Europe	**8.7%**
Bulgaria	0.0%
Croatia	0.0%
Estonia	0.0%
Romania	6.7%
Serbia	0.0%
Other Eastern Europe	2.0%
Middle East	**14.0%**
Bahrain	0.5%
Kuwait	1.6%
Oman	0.4%
Qatar	3.2%
Saudi Arabia	6.0%
UAE	1.9%
Other Middle East	0.4%
Latin America	**6.8%**
Argentina	6.4%
Other Latin America	0.4%
Non-specified	**1.9%**
Cash (including cash in the underlying funds) and borrowings	2.7%
Total	**100.0%**

The above analysis has been prepared on a portfolio look-through basis.

Twenty largest investments

Fund name	Asset class	Investment manager	Style	Structure	At 30 June 2015 Valuation $'000	At 30 June 2015 % of net assets
VinaCapital Vietnam Opportunity Fund	Vietnam equities	VinaCapital	Growth and value	Cayman closed-end fund	12,023	7.4
Fondul Proprietatea	Romanian listed and private equities	Templeton AM	Value	Romanian closed end fund	9,995	6.1
Sustainable Capital Nigeria Fund	Nigerian equities	Sustainable Capital	Value	Mauritius OEIC	9,819	6.0
SCM Africa Fund	African equities	Steyn Capital	Deep value	Maltese SICAV	9,610	5.9
Sustainable Capital Africa Consumer Fund	African consumer equities	Sustainable Capital	Value	Mauritius OEIC	9,411	5.8
Advance Copernico Argentina	Argentinian equities	Copernico Capital Partners	Deep value	Cayman OIEC	9,283	5.7
Ashmore EMM Middle East Fund	Middle East equities	Ashmore Group	Bottom up fundamental value and quality	Dublin OEIC	9,230	5.7
Africa Emerging Markets Fund	African equities	Ashmore Group	Value	Cayman OEIC	8,858	5.5
PXP Vietnam Fund	Vietnam listed and private equity	PXP Vietnam AM	Value	Cayman closed end fund	8,119	5.0
PineBridge Sub-Saharan Fund	East African equities & fixed income	PineBridge Investments	Value	Cayman OEIC	8,043	4.9
Sturgeon Central Asia Equities Fund	Central Asian equities	Sturgeon Capital	Value	Luxembourg SICAV	7,542	4.7
EFG Hermes – Saudi Arabia Equity Fund	Saudi Arabian equities	EFG-Hermes KSA	Growth and value	Saudi Open-ended fund	7,135	4.4
iShares MSCI Frontier 100 ETF	Frontier Markets equities	BlackRock Fund Advisors	Index Tracker	US ETF	6,031	3.7
MSCI Pakistan	Pakistani equities	Not applicable	Index Tracker	Participation Note	5,571	3.4
Qatar Investment Fund	Qatari equities	Qatar Insurance Company	Growth and value	Isle of Man closed end fund	4,876	3.0
Tundra Fonder Pakistan Fund	Pakistani equities	Tundra Fonder	Value	Swedish OEIC	4,577	2.8
Picic Growth Fund	Pakistani equities	Picic AMC	Growth	Pakistan closed end fund	4,496	2.8
Africa Opportunity Fund	African equities & debt	Africa Opportunities Partners	Value and arbitrage	Cayman closed end fund	4,406	2.7
Blackrock Frontiers Investment Trust Plc	Frontier Markets equities	BlackRock Fund Managers Ltd	Growth and value	UK investment trust	3,790	2.3
DB MSCI Bangladesh	Bangladeshi equities	DB Platinum Advisors	Index Tracker	Luxembourg SICAV	3,464	2.1
Top twenty holdings					**146,279**	**89.9**
Other holdings					18,703	11.5
Total holdings					**164,982**	**101.4**
Cash and other net assets					(2,357)	(1.4)
Net assets					**162,625**	**100.0**

Directors' report

The directors present their report and accounts for the year ended 30 June 2015.

Investing policy

Investment objective and policies

The objective of the Company is to generate long-term capital growth for its shareholders. The Investment Manager invests predominantly in a diversified portfolio of funds and other investment products which derive their value from frontier markets. The proportion of the portfolio invested in each component of frontier markets varies according to where the Investment Manager perceives the most attractive investment opportunities to be.

Investee funds may include closed-end and open-ended funds, exchange traded funds, structured products, limited partnerships and managed accounts. The number of investments in the portfolio varies depending on the availability of attractive opportunities but, under normal market conditions, falls within a range of 20 to 50. The Company does not seek to exercise control over investee companies.

The Company may, at the Investment Manager's discretion, hold cash or cash equivalents to protect shareholders' capital although it is envisaged that the value of these will not generally exceed 10% of net asset value.

Investment philosophy, strategy and process

The Investment Manager's investment philosophy is that the high degree of diversity seen across markets creates opportunities that are best exploited by specialist fund managers investing in specific regions, countries or sectors. By using a fund of funds approach to investment, the Investment Manager believes it can access such specialist investment talent, ideas and themes within this asset class.

The strategy employed by the Investment Manager consists of three core components: investee manager selection, geographical asset allocation and participation in special situations.

A. Investee Manager selection

The Investment Manager aims to identify funds and Investee Managers which it considers are likely to deliver consistent capital growth over the long term. The Investment Manager believes that qualitative aspects of a fund are the strongest indicators of the prospects for future performance. The Investment Manager has substantial experience in the appraisal and selection of Investee Managers. The Investment Team also has the benefit of a global network of contacts in the fund industry.

B. Geographical asset allocation

The Investment Manager takes a long-term view on asset allocation and, where a high degree of conviction exists, may position the portfolio aggressively. Investee Managers have a key role to play as they will typically have extensive experience of investing in their respective markets. They will have dedicated resources at their disposal used in the collection and analysis of market information on which they base investment decisions and hence their own asset allocation. The Investment Manager uses its regular contact and good relationships with Investee Managers to benefit from the Investee Manager's experience and knowledge when determining the Company's asset allocation.

The Investment Manager's internal view on market prospects is used to validate and challenge those views expressed by Investee Managers, who may be focused on a single market or region. The Investment Manager aims to identify markets within its investment universe that offer the most attractive combinations of quality, value, growth and change. This helps to temper market bias amongst Investee Managers and therefore, in the identification of the optimum balance of investments, on an inter and intra-regional basis.

The assimilation of these factors combined with the effect of bottom-up decisions relating to individual investment opportunities will determine the actual geographic split of the Company's funds at any one point in time.

C. Special situations

The Investment Manager seeks to identify pricing anomalies in investment products and use such opportunities to add value to the Company's portfolio. Normally, this will involve investing in closed-end funds that are available for purchase at a discount to their net asset value. Discounts usually arise as a result of imbalances in supply and demand for the shares of a fund. The Investment Manager will then implement a strategy to realise value from the special situation.

Investment restrictions

The Investment Manager is required to adhere to the following investment restrictions:

• Geographical Focus. The Company will limit exposure to any individual country to 15% of the Company's Net Asset Value at the time of investment. If, at any time, this limit is exceeded, the Company will seek to rebalance its portfolio of investments so that the restriction is adhered to.

• Investment Size. No single investment position in any fund will exceed 10% of the Company's Net Asset Value at the time of the investment.

Gearing

The Company may borrow up to 10% of its net assets (calculated at the time of draw down) for investment purposes. Furthermore, the Company may use an overdraft and/or other short-term borrowing facilities to meet its working capital needs, including for the payment of any expenses or fees. The same facilities may be used to take advantage of favourable investment opportunities pending the payment of proceeds from the sale or redemption of investments.

Business activities

The Company is a closed-ended investment company incorporated and resident in Guernsey and quoted on the AIM market of the London Stock Exchange and listed on the Channel Islands Securities Exchange.

Memorandum and articles of incorporation

A Special Resolution was passed at the Company's Annual General Meeting held in December 2013 to amend the Company's Memorandum and Articles of Incorporation to take into account changes in applicable law arising from The Companies (Guernsey) Law, 2008 ("the Law").

Results and dividends

The Company's loss on ordinary activities after taxation for the year was $20,579,000 (2014: profit of $33,465,000).

The Company's revenue return on ordinary activities after taxation for the year amounted to a profit of $939,000 (2014: $631,000). In accordance with its statement in the Admission Document of the Company, the directors do not recommend a final dividend.

Investment report and outlook

The Chairman's Statement and Investment Manager's Report incorporate a review of the highlights during the year.

Market information
The net asset value per share is calculated weekly and published through a regulatory information service.

Ordinary shares in issue
During the year and at the year end the Company had 169,460,000 (2014: 169,460,000) ordinary shares in issue.

Purchases of own shares
There were no share re-purchases during the year.

The Company's present authority to make market purchases of its own ordinary shares will expire at the conclusion of the forthcoming Annual General Meeting. As stated in the Company's Admission Document, a renewal of this authority will be sought from shareholders at each annual general meeting of the Company. The timing of any purchase will be decided by the Board. Any shares bought back by the Company will either be cancelled, or if the directors so determine, held in treasury (and may be re-sold). Purchases of own shares will only be made at a price representing a discount to net asset value per share.

The directors recommend that the Company is granted authority to purchase up to a maximum of 25,402,054 ordinary shares (subject to a maximum of 14.99% of the ordinary shares in issue at the date of the Annual General Meeting). A resolution to this effect will be put to the Annual General Meeting.

Further share issues
The directors have authority to issue shares on a non pre-emptive basis up to an amount representing 20% of the issued share capital immediately following the completion of the placing of shares in June 2008 (equivalent to 33,880,000 ordinary shares). Unless authorised by shareholders, the Company will not issue further shares or re-sell shares out of treasury for cash at a price below the prevailing net asset value per share unless they are first offered pro rata to existing shareholders.

Proposals for periodic opportunities for a return of capital
On 10 December 2012, following consultation with major shareholders in the Company, the Board announced that, at the time of the Company's Annual General Meeting in 2016, the Board will put forward proposals to shareholders that will provide them with the opportunity to fully realise their investment in the Company at the then prevailing net asset value less costs. The directors intend to offer shareholders the same opportunity at five yearly intervals thereafter.

Life of the Company
The Company does not have a fixed life. At the Annual General Meeting held in December 2014, a resolution was passed that the Company will continue in existence. It is the Board's intention, as described above, to provide shareholders with an exit opportunity in 2016 and at five yearly intervals thereafter rather than having further periodic continuation votes.

Borrowings
Under the Company's Articles of Association, the Board may exercise all the powers of the Company to borrow provided that the aggregate principal amount of all borrowings does not, at the point of drawdown, exceed 10% of the Company's net assets.

On 11 April 2014, the Company entered into a one year US$9 million revolving loan facility with Investec Bank plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to US$9 million. The loan has been extended until 8 April 2016 on the same terms except that an amendment fee was payable at the time of the loan extension.

Borrowings are used to offset cash held in underlying investments.

Management
The management of the Company's investments is contracted to Advance Emerging Capital Limited ("AECL"), which is authorised and regulated by the FCA.

Fees payable to the Investment Manager
The Investment Manager is appointed under a contract subject to six months' notice and is entitled to remuneration comprised of a basic fee and in certain circumstances a performance fee.

The Investment Manager receives a basic management fee payable by the Company monthly in arrears equal to one twelfth of 1.25% of the lower of Market Capitalisation and Net Asset Value. In addition a risk management fee of £2,500 per month is payable by the Company to the Investment Manager.

The Investment Manager may receive, in addition to the basic fee, a performance fee in respect of each Performance Period equal to a percentage (set forth below) of the excess of the Net Asset Value per share over the Target Net Asset Value per share. Any such fee is paid annually in arrears out of the assets of the Company. A Performance Period is a period in respect of which the Company produces audited accounts and, if different, the final period for which the management agreement subsists.

The Target Net Asset Value per share means the higher of (i) the High Watermark and (ii) Net Asset Value per share at the start of the relevant Performance Period as increased by the Hurdle Rate. The High Watermark is the higher of (i) one US dollar and (ii) the Net Asset Value per ordinary share, after the deduction of the relevant performance fee, as at the end of the latest Performance Period in respect of which the Investment Manager was awarded a performance fee.

The performance fee in respect of a particular Performance Period will be an amount equal to 12% of the amount (if any) by which the Net Asset Value per share at the end of that Performance Period, before the deduction of any performance fee, exceeds the Target Net Asset Value per share multiplied by the weighted average number of shares in issue during the relevant Performance Period.

The performance fee in respect of a particular Performance Period will not exceed 3% of the Company's Net Asset Value, before the deduction of any performance fee, at the end of that Performance Period.

No performance fee was payable in respect of the year ended 30 June 2015 (2014: $1,870,607).

Two thirds of the basic fee and the entirety of any performance fees are allocated to the capital column of the Statement of Comprehensive Income.

On 15 September 2015 it was announced that the Company's Investment Manager, Advance Emerging Capital Limited ("AEC") had reached an agreement with Aberdeen Asset Management PLC ("Aberdeen") whereby Aberdeen will acquire 100% ownership of AEC. The transaction is subject, inter alia, to regulatory approval from the UK Financial Conduct Authority and is expected to complete during the fourth quarter of 2015.

Alternative Investment Fund Managers Directive ("AIFMD")
Advance Emerging Capital Limited received its authorisation as an Alternative Investment Fund Manager ("AIFM") from the FCA with effect from 1 July 2014.

An AIFM must ensure that an annual report for the Company is made available to investors for each financial year, provide the annual report to investors on request and make the annual report available to the FCA. The investment funds sourcebook of the FCA details requirements of the annual report. All the information required by those rules is included in this Annual Report or is or will be made available in due course on the AIFM's website (www.advance-emerging.com).

Leverage (under AIFMD)
Leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

The AIFM is required to set leverage limits as a percentage of net assets for the Company utilising methods prescribed under AIFMD. These methods are known as the gross method and the commitment method. Under both methods the AIFM has set current maximum limits of leverage for the Company of 110%. A leverage percentage of 100% equates to nil leverage. The Company's leverage under each of these methods at its year end is shown below:

	Gross method	Commitment method
Maximum leverage limit	110%	110%
Actual leverage at 30 June 2015	102%	105%

Foreign Account Tax Compliance Act ("FATCA")
The FATCA legislation which has been introduced in the United States places obligations on foreign financial institutions such as the Company. The Company has registered as a reporting financial institution and is subject to ongoing reporting obligations under the legislation.

Depositary and custody services
The appointment of The Northern Trust Company as custodian to the Company was terminated with effect from 26 September 2014. Northern Trust (Guernsey) Limited has been appointed to provide depositary and custody services to the Company with effect from that date. These changes were necessary as a result of AIFMD.

Company secretary and administrators
Orangefield Legis Fund Services Limited ("Orangefield Legis") is appointed as Administrator and Secretary to the Company. Orangefield Legis is appointed under a contract subject to six months written notice. Orangefield Legis receives a fee at a rate of £30,000 per annum, as well as the fees payable to the UK Administration Agent, Cavendish Administration Limited. The UK Administration Agent receives from the Administrator a monthly fee equal to one twelfth of 0.1% of the Company's net assets subject to a current maximum fee cap for the year ended 30 June 2015 of £124,000.

Cavendish Administration Limited is appointed by Orangefield Legis to act as administration agent in the United Kingdom. Cavendish is appointed under a contract subject to six months written notice. The aggregate amount payable to Orangefield Legis and Cavendish is detailed in note 3 of the accounts.

Settlement of share transactions
Transactions in the Company's shares can be settled through CREST share settlement system.

Donations
The Company did not make any donations during the year under review.

Anti-bribery and corruption
It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Going concern
The directors have adopted the going-concern basis in preparing the financial statements. The Board formally considered the Company's going concern status at the time of the publication of these financial statements and a summary of the assessment is provided below.

The directors have a reasonable expectation that the Company has adequate operational resources to continue in operational existence for at least twelve months from the date of approval of this document. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. The Company has substantial operating expenses cover. The Company's net assets at 30 June 2015 were $163m and at 31 August 2015 were $145m.

The directors are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements and, after due consideration, the directors consider that the Company is able to continue in the foreseeable future.

Auditors
In accordance with The Companies (Guernsey) Law, 2008, a resolution for the re-appointment of Grant Thornton Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The Annual General Meeting will be held on 3 December 2015.
The notice of Annual General Meeting is included in this document.

Corporate governance
The corporate governance statement on pages 11 to 13 forms part of this report.

Statement of directors' responsibilities
The statement of directors' responsibilities on page 10 forms part of this report.

Helen Green
Director

Grant Wilson
Director

17 September 2015

Statement of directors' responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for the year and are in accordance with The Companies (Guernsey) Law, 2008. In preparing these accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;

- Make judgements and estimates which are reasonable and prudent;

- State whether applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with The Companies (Guernsey) Law, 2008, there is no relevant audit information of which the Company's auditor is unaware. The directors also confirm that they have taken all steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The financial statements are published on the Company's website (website address: www.frontiermarketsfund.com) and on the Investment Manager's website (website address: www.advance-emerging.com). The maintenance and integrity of the Investment Manager's website, so far as it relates to the Company, is the responsibility of the Investment Manager. The work carried out by the auditor does not involve consideration of the maintenance and integrity of these websites and accordingly, the auditor accepts no responsibility for any changes that have occurred to the financial statements since they were initially presented on these websites. Visitors to the websites need to be aware that legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

The directors confirm that to the best of their knowledge and belief the annual report and accounts taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's position and performance, business model and strategy.

Corporate governance

This corporate governance statement forms part of the Directors' Report.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide") as issued in February 2013. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code ("UK Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Guernsey Financial Services Commission ("GFSC") Finance Sector Code of Corporate Governance (the "Guernsey Code") applies to all companies which hold a licence from the GFSC under the regulatory laws of Guernsey or are registered or authorised as collective investment schemes by the GFSC. Companies which report under the UK Code or the AIC Code are deemed to meet the requirements of the Guernsey Code.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below:

The UK Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations.

The Board

Composition

All of the directors of the Company were appointed with effect from 25 April 2007 with the exception of John Whittle who was appointed on 1 February 2012 and David Warr who was appointed on 9 September 2015 and hold their office in accordance with the Company's Articles of Incorporation.

The Board believes that during the year ended 30 June 2015 its composition was appropriate for an investment company of its nature and size. The directors have a broad range of relevant experience which meets the Company's requirements.

Grant Wilson, aged 53, is Chairman of the Company.
Grant Wilson is the Chief Investment Officer of Asset Risk Consultants Limited, based in Guernsey. He was an institutional fund manager for over twenty years and has been a director of several fund management companies including Martin Currie Investment Management Limited and Gartmore Investment Trust Management Limited. He is also a Trustee of the Church of Scotland Investors Trust and a director of China Absolute Fund Limited. Grant is a member of the CFA Society of the UK and an associate of the Institute of Chartered Secretaries and Administrators.

Helen Green, aged 52, is a non-executive director of the Company.
Helen Green is a Chartered Accountant. She has been employed by Saffery Champness, a UK top 20 firm of chartered accountants since 1984. She qualified as a chartered accountant in 1988 and became a partner in the London office in 1997. Since 2000 she has been based in the Guernsey office where she is client liaison director responsible for trust and company administration. Helen serves on the boards of a number of companies in various jurisdictions.

Richard Hotchkis, aged 64, is a non-executive director of the Company.
Richard Hotchkis has 30 years' investment experience. Until October 2006, he was an investment manager at the Co-operative Insurance Society, where he started his career in 1976. Richard has wide experience of equity investment in both the UK and overseas and also of the externally managed funds industry, including investment trust and other closed-ended funds, offshore funds and hedge funds.

David Warr, aged 61, is a non-executive director of the Company.
David Warr is a Chartered Accountant. In 1981 David was appointed a partner in Reads & Co, a Guernsey based firm of chartered accountants which he helped develop into a more broadly based financial services business leading up to its sale at the end of 1998. David's experience at Reads & Co included audit, trust and company administration. He now acts as a non-executive director on a number of UK listed companies and combines those responsibilities with charitable work most notably as Vice-Chairman of the Guernsey Community Foundation LBG and the Chairman of the Ray Lowe Sporting Foundation.

John Whittle, aged 60, is a non-executive director of the Company.
John Whittle is a Chartered Accountant and was Finance Director of Close Fund Services where he successfully initiated a restructuring of client financial reporting services and was a key member of the business transition team. He was at Price Waterhouse in London before embarking on a career in business services, predominantly in telecoms. He co-led the business turnaround of Talkland International (now Vodafone Retail). He is a non-executive director of a number of offshore investment funds and other companies.

The Chairman is independent, in accordance with principle 1 of the AIC Code. The Chairman has extensive knowledge of the investment management industry and his background provides the foundation for his role as Chairman.

The structure of the Board is such that it is considered unnecessary to identify a senior non-executive director other than the Chairman.

All of the directors of the Company are independent of the Investment Manager, AECL. There were no contracts subsisting during or at the end of the year in which a director was or is materially interested.

The Board does not consider that the service tenure of directors should be strictly limited to a maximum of nine years. The Board recognises the benefits to the Company of having longer serving directors together with progressive refreshment of the Board. Helen Green will retire from the role of director at the Company's Annual General Meeting and will not seek re-election. David Warr has been appointed by the Board as a director with effect from 9 September 2015 and will be put forward for election by shareholders at the Company's Annual General Meeting.

A policy of insurance against directors' and officers' liabilities is maintained by the Company.

At 30 June 2015 and at the date of this report the directors had the following shareholdings in the Company.

	Ordinary shares At 30 June 2015 and at the date of this report	*Ordinary shares At 1 July 2014*
(James) Grant Wilson	200,000	*200,000*
Helen Green	18,664	*18,664*
Richard Hotchkis	80,000	*80,000*
David Warr	–	–
John Whittle	–	–

A procedure has been adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

In the year ended 30 June 2015 there were four full meetings of the Board. All of the directors during the year attended all of those meetings.

Re-election and election of directors
The services of each of the directors are provided under the terms of letters of appointment between each of them and the Company and appointment is subject to termination upon three months' notice.

In accordance with the Company's Articles of Incorporation one third of the directors will put themselves forward for election or re-election on an annual basis. John Whittle will retire and put himself forward for re-election at the Annual General Meeting. Having been appointed by the Board, David Warr will put himself forward for election by shareholders at the Company's Annual General Meeting.

The Board recommends John Whittle for re-election and David Warr for election for the reasons highlighted above and in the performance evaluation section of this report.

Board committees
The Company has established an Audit Committee, a Management Engagement Committee and a Nominations Committee. Since all the directors are non-executive, the Board has not formed a Remuneration Committee as it is satisfied that any relevant issues can be properly considered by the Board as a whole. Other committees of the Board may be formed from time to time to deal with specific matters.

Audit Committee
A report on page 14 provides details of the role, composition and meetings of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

The Audit Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

Management Engagement Committee
The Company has established a Management Engagement Committee which meets formally at least on an annual basis to consider the appointment and remuneration of the Investment Manager. The Management Engagement Committee also considers the appointment and remuneration of other main suppliers of services to the Company. The Management Engagement Committee currently comprises Helen Green, Richard Hotchkis, John Whittle and Grant Wilson. Helen Green is the Chairman of the Management Engagement Committee.

During the year ended 30 June 2015 there was one meeting of the Management Engagement Committee. This was attended by all the Management Engagement Committee members.

At its most recent meeting, the Management Engagement Committee recommended the continuing appointment of the Investment Manager.

Nominations Committee
The Company has established a Nominations Committee, which currently comprises Helen Green, Richard Hotchkis, John Whittle and Grant Wilson. The Nominations Committee has been established for the purpose of identifying and putting forward candidates for the office of director of the Company. The Nominations Committee meets as and when it is required. Grant Wilson is Chairman of the Nominations Committee.

During the year ended 30 June 2015 there was one meeting of the Nominations Committee. This was attended by all the Nominations Committee members.

Following the year end, upon the recommendation of the Nominations Committee, the Board appointed David Warr as a director of the Company. The process included a careful consideration of the future requirements of the Company and the necessary skills and experience required from prospective directors. A third party recruitment agent was not used by the Company.

Board diversity
The Company's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

Performance evaluation
A formal annual performance appraisal process is performed. The Chairman appraises the performance of the individual directors and the Board. The results are discussed so that any necessary action can be considered and undertaken. A separate appraisal of the Chairman is carried out and the results are reported back to the Board and the Chairman.

The results of the most recent performance appraisal demonstrated that the structure of the Board and diverse experience of the directors are appropriate to meet the Company's requirements.

Risk management and internal controls
The AIC Code requires the Board to review the effectiveness of the Company's system of risk management and internal controls. The Board recognises its ultimate responsibility for the Company's system of risk management and internal controls and for monitoring its effectiveness. The system of risk management and internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable assurance against material misstatement or loss. The Board has undertaken a review of the aspects covered by the Financial Reporting Council ("FRC") guidance on internal controls and has identified risk management controls in the key areas of business objectives, accounting, compliance, operations and secretarial as being matters of particular importance upon which it requires reports. The Board believes that the existing arrangements, set out below, represent an appropriate framework to meet the internal control requirements. By these procedures the directors have kept under review the effectiveness of the systems of risk management and internal controls throughout the year and up to the date of this report.

The Board and the Audit Committee use a risk assessment programme to consider the main risks and controls for the Company. The programme is reviewed and updated on at least an annual basis.

The Board has contractually delegated to external agencies, including the investment manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the registration services and the accounting and company secretarial requirements. Each of these contracts was entered into after full and proper consideration of the quality and cost of services offered, including the financial control systems in operation in so far as they relate to the affairs of the Company.

Financial aspects of internal control
The directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but they are fully informed of the internal control framework established by the Investment Manager, the administrator and the UK administration agent to provide reasonable assurance on the effectiveness of internal financial controls. The Board does not consider that an internal audit function would be appropriate to the nature and circumstances of the Company.

The key procedures include monthly production of management accounts and weekly NAV calculations, monitoring of performance at regular board meetings, review by directors of the valuation of securities, segregation of the administrative function from that of securities and cash custody and of both from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures. In addition, the Board keeps under its own direct control all material payments out of the Company other than for investment purposes. Payment of management fees is authorised only by directors after they have studied the financial data upon which those fees are based.

The Statement of Directors' Responsibilities in respect of the financial statements is on page 10 and a statement of going concern is on page 9. The Independent Auditor's Report is on pages 17 to 18.

Other aspects of internal control
The Board holds at least four regular meetings each year, plus additional meetings as required. Between these meetings there is regular contact with the Investment Manager, the administrator and the UK administration agent.

The Investment Manager and the Company Secretary report in writing to the Board on operational and compliance issues prior to each meeting, and otherwise as necessary.

Directors receive and consider regular monthly reports from the UK administration agent, giving full details of all holdings in the portfolio and of all transactions and of all aspects of the financial position of the Company. The administrator and UK administration agent report separately in writing to the Board concerning risks and internal control matters within their purview, including internal financial control procedures and secretarial matters. Additional ad hoc reports are received as required and directors have access at all times to the advice and services of the Corporate Company Secretary, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

This contact with the Investment Manager, administrator and UK administration agent enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. These matters are assessed on an ongoing basis through the year.

Shareholder relations
The Company invites all shareholders to attend the Annual General Meeting and seeks to provide twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the Annual General Meeting and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue.

The Board welcomes feedback from shareholders and the Chairman may be contacted via the Company's registered office. All other directors are available to shareholders if they have concerns over issues they feel have not been dealt with through the normal mode of communication with the Chairman.

Exercise of voting powers
The Company nearly always exercises its voting powers in respect of general meetings of investee companies. The Company considers shareholder voting to be an important issue in the pursuance of its investment objective. The Company and the Investment Manager support the principles of the UK Stewardship Code issued by the FRC in September 2012. The Investment Manager's proxy voting policy and a statement of the compliance with the principles of best practice of the Stewardship Code are available on the Investment Manager's website.

Social and environmental policy
The Company is a closed-end investment company and therefore has no staff, premises, manufacturing or other operations. The Investment Manager takes into account the environmental social and governance policies of potential investee funds as part of its investment process.

Report of the Audit Committee

Role of the Audit Committee
The AIC Code recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies two, independent non-executive directors. The Board is required to satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the AIC Code. The Company complies with the AIC Code.

The Audit Committee meets at least twice a year and its main functions include, inter alia, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim accounts and audit reports, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The Committee is responsible for the development and implementation of a policy on the supply of any non-audit services provided by the auditor.

During the year, the Audit Committee performed a review of the internal financial control framework applicable to the Company and no matters of concern were noted.

Composition
During the year, the Audit Committee comprised Helen Green, Richard Hotchkis, John Whittle and Grant Wilson. Helen Green is the Chairman of the Audit Committee. The Audit Committee has formal written terms of reference and copies of these are available on request from the Company Secretary. All members of the audit committee have recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the need for an internal audit function under periodic review. David Warr has been appointed as a member of the Audit Committee since the Company's year end and will be appointed as Chairman of the Audit Committee at the time of Helen Green's retirement as a director of the Company.

Meetings
During the year ended 30 June 2015 there were three meetings of the Audit Committee. All of the meetings were attended by Helen Green, Richard Hotchkis, John Whittle and Grant Wilson.

Financial statements and significant accounting matters
The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 30 June 2015.

Valuation and existence of investments
The Company, as an investment company, invests virtually all of its assets into funds invested in frontier markets. As at 30 June 2015, investments represented approximately 101% of the Company's net assets. The valuation and existence of investments is therefore the most material factor in the preparation of the financial statements. Over 99% of the portfolio at the year end consisted of investments in quoted investment companies, other quoted companies or open ended funds with observable independent values. Further information on the basis of valuation of investments is included in the notes to the financial statements.

The Audit Committee reviewed the procedures in place for ensuring accurate valuation and existence of investments. The Audit Committee discussed the valuation and existence of the Company's investments at the year end with the Administrator, UK Administration Agent and the Investment Manager and received confirmation that the Company's investments had been valued in accordance with the Company accounting policies and that the investments had been reconciled to the Company's custodian's records.

Conclusion with respect to the annual report and financial statements
The Audit Committee has concluded that the annual report for the year ended 30 June 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Provision of non-audit services
The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. The only non-audit service provided by Grant Thornton Limited during the year was advice on FATCA to the Company.

Audit tenure
Grant Thornton Limited has been the external auditor to the Company for 8 years. The appointment of the external auditor is reviewed annually by the Audit Committee and the Board and is subject to approval by shareholders. The last audit partner rotation took place in 2013.

Effectiveness of external audit
The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the review, the Audit Committee agreed that the re-appointment of the Auditors should be recommended to the Board and the shareholders of the Company.

Helen Green
Audit Committee Chairman

Directors' remuneration report

Since all directors are non-executive, a remuneration committee has not been formed as the directors are satisfied that any relevant issues can be properly considered by the Board as a whole.

Policy on directors' fees

The Board's policy is that the remuneration of non-executive directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. It is intended that this policy will continue for the year ending 30 June 2016 and for subsequent years.

The maximum amount currently payable in aggregate to the directors is £200,000 per annum. This amount may be changed by the passing of an ordinary resolution of the Company. The current maximum amount was approved by shareholders at the Company's Annual General Meeting held in December 2013.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 30 June 2015.

Directors' service contracts

The directors do not have service contracts. The directors have appointment letters subject to termination upon three months' notice. The directors are all subject to re-election by shareholders at a maximum interval of three years.

Directors' emoluments for the year

The directors' fees are payable in sterling.

Until 31 December 2014, fees were payable at a rate of £30,000 per annum to the Chairman and £22,500 per annum for Helen Green, Richard Hotchkis and John Whittle. An additional fee of £5,000 per annum was payable to Chairman of the Audit Committee.

With effect from 1 January 2015, fees have been payable at a rate of £35,000 per annum to the Chairman and £25,000 per annum for Helen Green, Richard Hotchkis and John Whittle. An additional fee of £5,000 per annum is payable to the Chairman of the Audit Committee.

The following emoluments in the form of fees, which were paid in sterling, were payable in the year ended 30 June 2015 to the directors who served during that year.

	Fees 2015 $	*Fees 2014 $*
Grant Wilson	50,543	*49,882*
Helen Green	44,742	*45,725*
Richard Hotchkis	36,953	*37,412*
John Whittle	36,953	*37,412*
	169,191	***170,431***

Depositary report

Northern Trust (Guernsey) Limited has been appointed as Depositary to Advance Frontier Markets Fund Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "AIFM Directive").

We have enquired into the conduct of Advance Emerging Capital Limited (the "AIFM") for the period 26 September 2014 to 30 June 2015, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the "AIFMD legislation").

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates are or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Basis of Depositary Review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Fund, the assets in which a Fund invests and the processes used, or experts required, in order to value such assets.

Review

In our view, the Company has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document and the AIFMD legislation.

For and on behalf of

Northern Trust (Guernsey) Limited

17 September 2015

Independent auditor's report

To the shareholders of Advance Frontier Markets Fund Limited
We have audited the financial statements of Advance Frontier Markets Fund Limited (the "Company") for the year ended 30 June 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities on page 10, the directors are responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (ISA) (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Auditor commentary
An overview of the scope of our audit
Our audit approach was based on a thorough understanding of the Company's business and is risk-based. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by the third-party service providers. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks.

Our application of materiality
We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the financial statements or related disclosures that would make it probable that the judgement of a reasonable person relying on the information would have been changed or influenced by the misstatement or omission. Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements. We established a materiality for the financial statements taken as a whole to be US$1,626,250 which is 1% of the Company's total assets less current liabilities or net asset value (NAV). This benchmark is considered the most appropriate because the Company provides information to its shareholders and monitors its performance through its NAV.

We have determined the threshold at which we communicate misstatements to the Audit Committee to be US$81,313, being 5% of materiality. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our assessment of risk
Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, account balances or disclosures.

Financial assets designated at fair value through profit or loss (FVTPL)
The principal activity of the Company is to invest in a portfolio of funds and other investment products invested in frontier markets with a view to generate long-term capital growth for its shareholders. Accordingly, the investment portfolio is a significant and material item. The recognition and measurement of the investment portfolio is therefore a significant risk that requires particular audit attention.

Our audit work included, but was not restricted to, understanding management's process to recognise and measure investments including ownership of those investments, obtaining a confirmation of investments held at the year-end directly from the independent custodian, testing the reconciliation of the custodian records to the records maintained by the Company's administrator, testing a selection of investment additions and disposals shown in the Company's records to supporting documentation and agreeing the valuation of quoted investments to an independent source of market prices.

For unquoted investments, our audit work included obtaining an understanding of how valuations are performed, assessment of whether the valuations were made in accordance with published guidance, discussions with management and challenging the valuation, inputs and methodology.

The Company's accounting policy and other disclosures on financial assets designated at FVTPL are included in Notes 1(b) and 9.

Revenue recognition
Under ISAs (UK & Ireland), there is a presumed risk that revenue may be misstated due to improper recognition of revenues. Due to the nature of this risk we are required to assess it as a significant risk requiring special audit considerations.

Our audit work included, but was not restricted to, assessing whether the revenues are recognised in accordance with the Company's revenue recognition policies and with International Accounting Standard 18 'Revenues' and checking significant dividends and other investment income to supporting documents to determine whether they have been accounted for in accordance with that policy.

The Company's accounting policy in respect of revenue recognition is included in Note 1(c).

Management override of internal control
Under ISAs (UK & Ireland), for all our audits we are required to consider the risk of management override of financial controls. Due to the unpredictable nature of this risk we are required to assess it as a significant risk requiring special audit consideration.

Our audit work included, but was not restricted to, specific procedures relating to this risk that are required by ISA 240 'The Auditors Responsibilities relating to Fraud in an Audit of the Financial Statements'. This includes tests of journal entries, the evaluation of judgments and assumptions in management's estimates and determining whether there are significant transactions outside the normal course of business. These tests were also performed in the context of the functions provided by, and the controls designed and implemented at, the relevant third-party service providers.

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2015 and of its loss for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that were communicated to the Audit Committee which we consider should have been disclosed.

Under The Companies (Guernsey) Law, 2008 we are required to report to you, if in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey
Channel Islands

17 September 2015

Statement of comprehensive income

For the year ended 30 June 2015	Notes	Revenue $'000	Capital $'000	2015 Total $'000	*Revenue $'000*	*Capital $'000*	*2014 Total $'000*
(Losses)/gains on investments	12	–	(19,811)	(19,811)	*–*	*36,018*	*36,018*
Capital losses on currency movements		–	(76)	(76)	*–*	*–*	*–*
Net investment (losses)/gains		**–**	**(19,887)**	**(19,887)**	***–***	***36,018***	***36,018***
Investment income	2	2,797	–	2,797	*2,123*	*–*	*2,123*
Total (loss)/income		**2,797**	**(19,887)**	**(17,090)**	***2,123***	***36,018***	***38,141***
Investment management fees	3	(669)	(1,363)	(2,032)	*(646)*	*(3,136)*	*(3,782)*
Other expenses	3	(816)	–	(816)	*(721)*	*–*	*(721)*
Net (loss)/profit from operations before finance costs and taxation		**1,312**	**(21,250)**	**(19,938)**	***756***	***32,882***	***33,638***
Finance costs	4	(136)	(268)	(404)	*(23)*	*(48)*	*(71)*
Net (loss)/profit before taxation		**1,176**	**(21,518)**	**(20,342)**	***733***	***32,834***	***33,567***
Taxation	7	(237)	–	(237)	*(102)*	*–*	*(102)*
Net (loss)/profit after taxation		**939**	**(21,518)**	**(20,579)**	***631***	***32,834***	***33,465***
(Loss)/earnings per ordinary share	8	0.55c	(12.70)c	(12.14)c	*0.37c*	*19.38c*	*19.75c*

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared under IFRS as adopted by the European Union. The revenue and capital columns, including the revenue and capital earnings per share data, are supplementary information prepared under guidance published by the Association of Investment Companies. The Company does not have any income or expenses that are not included in the profit/(loss) for the year and therefore the "Net Profit/(loss) after taxation" is also the total comprehensive income for the year, as defined by IAS 1 (revised).

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

The notes on pages 23 to 32 form part of these financial statements.

Statement of financial position

At 30 June 2015	Notes	2015 $'000	*2014 $'000*
Non-current assets			
Investments designated as fair value through profit or loss	9	164,982	*187,270*
Current assets			
Financial commitments paid	9	–	*1,250*
Other receivables		1,388	*643*
Cash and cash equivalents		5,573	*2,854*
		6,961	*4,747*
Total assets		**171,943**	***192,017***
Current liabilities			
Loans payable	10	9,000	*6,500*
Other payables		318	*2,313*
		9,318	*8,813*
Total assets less current liabilities		**162,625**	***183,204***
Capital and reserves attributable to equity holders			
Share premium account		88,788	*88,788*
Share purchase reserve		82,319	*82,319*
Capital reserve	12	(9,904)	*11,614*
Revenue reserve		1,422	*483*
Total equity		**162,625**	***183,204***
Net assets per ordinary share (US cents)	13	95.97c	*108.11c*
Exchange rate GBP/USD (mid market)		0.6368	*0.5846*
Net assets per ordinary share (pence)		61.11p	*63.20p*

Approved and authorised for issue by the Board of directors on 17 September 2015 and signed on their behalf by:

Helen Green
Director

Grant Wilson
Director

The notes on pages 23 to 32 form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2015	Share premium account $'000	Share purchase reserve $'000	Capital reserve $'000	Revenue reserve $'000	Total $'000
Opening shareholders' funds	88,788	82,319	11,614	483	183,204
(Loss)/profit for the year	–	–	(21,518)	939	(20,579)
Closing equity	**88,788**	**82,319**	**(9,904)**	**1,422**	**162,625**

For the year ended 30 June 2014	*Share premium account $'000*	*Share purchase reserve $'000*	*Capital reserve $'000*	*Revenue reserve $'000*	*Total $'000*
Opening shareholders' funds	*88,788*	*82,319*	*(21,220)*	*(148)*	*149,739*
Profit for the year	–	–	*32,834*	*631*	*33,465*
Closing equity	***88,788***	***82,319***	***11,614***	***483***	***183,204***

The notes on pages 23 to 32 form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2015	Note	2015 $'000	*2014 $'000*
Operating activities			
Cash inflow from investment income and bank interest		2,648	*2,410*
Cash outflow from management expenses		(4,881)	*(2,486)*
Cash inflow from disposal of investments		53,001	*42,209*
Cash outflow from purchase of investments		(49,965)	*(48,766)*
Cash outflow from foreign exchange costs		(76)	*–*
Cash outflow from taxation		(237)	*(104)*
Net cash flow provided by/(used in) operating activities	14	**490**	***(6,737)***
Financing activities			
Increase in bank borrowings		2,500	*6,500*
Finance charges and interest paid		(271)	*(201)*
Net cash flow from financing activities		**2,229**	***6,299***
Net increase/(decrease) in cash & cash equivalents		**2,719**	***(438)***
Cash and cash equivalents opening balance		2,854	*3,292*
Cash inflow/(outflow)		2,719	*(438)*
Cash and cash equivalents balance at 30 June		**5,573**	***2,854***

The notes on pages 23 to 32 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), approved by the International Accounting Standards Board and as adopted by the European Union.

The financial statements give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for the year and are in accordance with The Companies (Guernsey) Law, 2008.

Under IFRS, the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies has no formal status, but the Company has taken the guidance of the 2009 SORP into account to the extent that it is deemed appropriate and compatible with IFRS and the Company's circumstances.

The particular accounting policies adopted are described below:

(a) Accounting convention

The accounts are prepared under the historical cost convention, except for the measurement at fair value of investments.

(b) Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as fair value through profit or loss on initial recognition in accordance with International Accounting Standard (IAS) 39. These investments are recognised on the trade date of their acquisition. At this time, fair value is the cost of investment.

After initial recognition such investments are valued at fair value which is determined by reference to:

(i) market bid price for investments quoted on recognised stock exchanges;

(ii) net asset value per individual investee funds' administrators for unquoted open-ended funds; and

(iii) by using other valuation techniques to establish fair value for any other unquoted investments.

Investments are derecognised on the trade date of their disposal. Gains or losses are recognised in the capital column of the Statement of Comprehensive Income.

(c) Income from investments

Dividend income from ordinary shares and units in open-ended funds deemed equivalent to ordinary shares is accounted for on the basis of ex-dividend dates. Income from fixed interest shares and securities is accounted for on an accruals basis using the effective interest method. Special dividends are assessed on their individual merits and are credited to the capital column of the Statement of Comprehensive Income if the substance of the payment is a return of capital; with this exception all other investment income is taken to the revenue column of the Statement of Comprehensive Income. Bank interest receivable is accounted for on a time apportionment basis.

(d) Capital reserves

Profits and losses on disposals of investments and gains and losses on investments held are allocated to the capital reserve via the capital column of the Statement of Comprehensive Income.

(e) Revenue reserves

The balance of all items allocated to the revenue column of the Statement of Comprehensive Income in each year is transferred to the Company's revenue reserves. Any dividends paid by the Company would also be allocated against the revenue reserves of the Company.

(f) Investment management fees

Two thirds of the basic investment management fee is allocated to the capital column of the Statement of Comprehensive Income. The entirety of any performance fee is allocated to the capital column of the Statement of Comprehensive Income. Fees allocated to the capital column are taken to the capital reserve.

(g) Foreign currency

The Company's shares were issued in US dollars and the majority of the Company's investments are priced in US dollars and this is considered to be the functional currency of the Company. Therefore, it is the Company's policy to present the accounts in US dollars. The Company's shares are traded in Sterling on AIM and the Channel Islands Securities Exchange.

Assets and liabilities held in currencies other than US dollars are translated into US dollars at the market rates of exchange prevailing at the reporting date. Currency gains and losses arising on retranslating investments are allocated to the capital column of the Statement of Comprehensive Income. All other currency gains and losses are allocated to the capital or revenue columns of the Statement of Comprehensive Income depending on the nature of the transaction.

(h) Finance costs
Finance costs include interest payable and direct loan costs. In line with the Company's policy for investment management fees, two thirds of finance costs are allocated to the capital column of the Statement of Comprehensive Income. Fees allocated to the capital column are taken to the capital reserve. Loan arrangement costs are amortised over the term of the loan.

(i) Financial liabilities
Financial liabilities (including bank loans) are classified according to the substance of the contractual arrangements entered into. Loans payable are valued at amortised cost.

(j) Cash and cash equivalents
Cash and Cash Equivalents in the Statement of Cash Flow comprise cash held at the bank or by the custodian.

(k) Operating segments
IFRS 8, 'Operating segments' requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Board, as a whole, has been determined as constituting the chief operating decision maker of the Company. The Board has considered the requirements of the standard and is of the view that the Company is engaged in a single segment of business, which is to generate long-term capital growth for its shareholders by investing in a diversified portfolio of funds and other investment products which derive their value from frontier markets.

The Board of directors is responsible for ensuring that the Company's investment objective is followed. The day-to-day implementation of this has been delegated to the Investment Manager but the Board retains responsibility for the overall direction of the Company. The Board reviews the investment decisions of the Investment Manager at regular Board meetings. The Investment Manager has been given full authority to make investment decisions on behalf of the Company in accordance with the investment objective.

(l) Unconsolidated structured entities
A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company holds shares, units or partnership interests in the funds or investment products held in the Company's portfolio. The Company does not consider its investments in listed funds to be structured entities but does consider its investments in unlisted funds to be investments in structured entities because the voting rights in such entities are limited to administrative tasks and are not the dominant factor in deciding who controls those entities.

Changes in fair value of investments, including structured entities, are included in the Statement of Comprehensive Income.

(m) New standards, interpretations and amendments
The following new standards which became effective and have been applied for the current period, are relevant to the Company's operations:

• IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2014, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, structured entities and other off balance sheet vehicles.

IFRS 12 requires disclosure of interests in unconsolidated structured entities. As a result of the adoption of this new standard, additional disclosures have been made and these can be found in note 17.

• IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2014, introduces a new control model that is applicable to all investees, by focusing on whether a company has power over an investee, exposure or rights to variable returns from its involvement in the investee and the ability to use its power to affect those returns. The amendments to IFRS 10 provide an exemption to consolidation requirements in IFRS 10, for controlled "investment entities" meeting IFRS 10's exemption criteria, and require "investment entities" to measure particular subsidiaries at fair value through profit or loss, rather than consolidating them. There are currently no relevant matters to disclose.

At the date of approval of these financial statements, the following standards, which have not been applied in these financial statements, were in issue but not yet effective:

• IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria.

The Board is currently considering the impact of the above standard.

(n) Critical accounting estimates and judgements in applying accounting policies
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates. These financial statements have been prepared on a going concern basis which the directors of the Company believe to be appropriate.

The most critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are the functional currency of the Company (see note 1(g)) and the fair value estimation of financial assets designated as at fair value through profit or loss (see notes 1(b) and 17).

(o) Going concern
As described in the Directors' Report, the directors have adopted the going-concern basis in preparing the financial statements.

2 Investment income

	2015 $'000	*2014 $'000*
Income from investments		
Dividends from investments	2,797	*2,100*
Interest receivable from investments	–	*23*
Total income	**2,797**	***2,123***

3 Investment management fees and other expenses

	Revenue $'000	Capital $'000	2015 Total $'000
Investment management fees – basic	669	1,337	2,006
Performance fee*	–	26	26
Total investment management fees	**669**	**1,363**	**2,032**
Administration fees	221	–	221
Directors' fees	169	–	169
Depository and custody fees	126	–	126
Legal fees	67	–	67
Broker fees	40	–	40
Registrar's fees	34	–	34
Auditor's fees	32	–	32
Nominated adviser fees	32	–	32
Other expenses	95	–	95
Total other expenses	**816**	**–**	**816**
Total expenses	**1,485**	**1,363**	**2,848**

	Revenue $'000	*Capital $'000*	*2014 Total $'000*
Investment management fees – basic	*646*	*1,292*	*1,938*
Performance fee*	–	*1,844*	*1,844*
Total investment management fees	***646***	***3,136***	***3,782***
Administration fees	*222*	–	*222*
Directors' fees	*170*	–	*170*
Depository and custody fees	*63*	–	*63*
Legal fees	*8*	–	*8*
Broker fees	*40*	–	*40*
Registrar's fees	*30*	–	*30*
Auditor's fees	*32*	–	*32*
Nominated adviser fees	*32*	–	*32*
Other expenses	*124*	–	*124*
Total other expenses	***721***	**–**	***721***
Total expenses	***1,367***	***3,136***	***4,503***

Further details on the management agreement are provided in the directors' report on page 8.

The Company's ongoing charges for the year ended 30 June 2015 calculated in accordance with the AIC methodology were 1.64% (2014: 1.58%). The ongoing charges figure does not include performance fees or finance costs.

*There was no performance fee payable in respect of the year ended 30 June 2015 (2014: $1,870,607). The charge of $26,000 for the year ended 30 June 2015 relates to the performance fee payable for the year ended 30 June 2014.

4 Finance costs

In accordance with directors' expectations of the split of future returns being mostly of a capital nature, two thirds of finance costs are charged as capital items in the Statement of Comprehensive Income.

	Revenue $'000	Capital $'000	2015 Total $'000
Facility costs and arrangement fees	49	98	147
Interest charges	87	170	257
Total finance costs	**136**	**268**	**404**

	Revenue $'000	*Capital $'000*	*2014 Total $'000*
Facility costs and arrangement fees	*14*	*30*	*44*
Interest charges	*9*	*18*	*27*
Total finance costs	***23***	***48***	***71***

5 Directors' fees

The fees paid or accrued were $169,191 (2014: $170,431). There were no other emoluments. Full details of the fees of each director are given in the Directors' Remuneration Report on page 15.

6 Transaction charges

	2015 $'000	*2014 $'000*
Transaction costs on purchases of investments	84	*27*
Transaction costs on sales of investments	20	*55*
Total transaction costs included in (losses)/gains on investments held at fair value through profit or loss	**104**	***82***

7 Taxation

The Company is resident for tax purposes in Guernsey.

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 and was charged an annual exemption fee of £1,200 (2014: £600) during the year.

During the year, the Company suffered foreign withholding tax on income from investments totalling in aggregate $237,451 (2014: $101,862).

8 (Loss)/earnings per ordinary share

(Loss)/earnings per share is based on the net loss of $20,579,000 (2014: profit of $33,465,000) attributable to the weighted average of 169,460,000 (2014: 169,460,000) ordinary shares of no par value in issue during the year to 30 June 2015.

Supplementary information is provided as follows: revenue per share is based on the net revenue profit of $939,000 (2014: profit of $631,000) and capital (loss)/earnings per share is based on the net capital loss of $21,518,000 (2014: net capital gain of $32,834,000) attributable to the above ordinary shares.

9 Investments designated as fair value through profit or loss

	2015 $'000	*2014 $'000*
Quoted closed-end fund shares and warrants	44,487	*64,559*
Other quoted holdings	5,020	*–*
Open-ended fund and limited liability partnership investments	115,475	*122,711*
Total fixed asset investments at fair value	**164,982**	***187,270***
Investments at cost		
Opening balance of investments, at cost	152,095	*134,344*
Additions, at cost	51,196	*48,766*
Disposals, at cost	(47,685)	*(31,015)*
Cost of investments at 30 June	**155,606**	***152,095***
Revaluation of investments to fair value		
Opening balance	35,175	*10,829*
Investment holding (losses)/gains, taken to capital reserve	(25,799)	*24,346*
Balance at 30 June	**9,376**	***35,175***
Fair value of investments at 30 June	**164,982**	***187,270***

Financial commitments paid at 30 June 2015 totalled $nil (2014: $1,250,000). This represents amounts paid prior to the year end for investments with trade dates after the year end.

The Company held more than 10% of the share capital of the following funds:

Fund	Number of shares held	% ownership	Cost ($'000)	Value ($'000)
Africa Opportunity Fund	5,324,212	12.5%	3,798	4,406

10 Loans payable

On 11 April 2014, the Company entered into a one year US$9 million revolving loan facility with Investec Bank plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to US$9 million. The rate of interest on each loan is calculated at LIBOR plus a margin of 3.25% per annum. An arrangement fee of US$72,000 was payable at the commencement of the facility and a commitment fee calculated at the rate of 1.2% per annum is payable on any undrawn amounts. The loan is secured through a charge on the Company's assets (including its investments). The loan has been extended until 8 April 2016 on the same terms except that an amendment fee of $72,000 was payable at the time of the loan extension.

11 Share capital

At 30 June		2015	*2014*
Authorised			
Ordinary shares of no par value	Number	Unlimited	*Unlimited*
Allotted, issued and fully paid			
Ordinary shares of no par value	Number	169,460,000	*169,460,000*

Voting rights
At General Meetings of the Company every member present in person or proxy shall have one vote for every ordinary share of which they are the registered holder.

12 Capital reserve

Disposal of investments

	2015 $'000	*2014 $'000*
Opening balance	(23,561)	*(32,049)*
Gains from disposal of investments	5,988	*11,672*
Investment management fees charged to capital	(1,363)	*(3,136)*
Finance charge to capital	(268)	*(48)*
Foreign exchange losses	(76)	*–*
Balance at 30 June	**(19,280)**	***(23,561)***

Investments held

	2015 $'000	*2014 $'000*
Opening balance	35,175	*10,829*
Movement on valuation of investments held	(25,799)	*24,346*
Balance at 30 June	**9,376**	***35,175***
Capital reserve balance at 30 June	**(9,904)**	***11,614***

(Losses)/gains on investments (per statement of comprehensive income)

	2015 $'000	*2014 $'000*
Gains on disposal of investments	5,988	*11,672*
Movement on valuation of investments held	(25,799)	*24,346*
	(19,811)	***36,018***

13 Net assets per ordinary share

Net assets per ordinary share is based on net assets of $162,625,000 (2014: $183,204,000) divided by 169,460,000 (2014: 169,460,000) ordinary shares in issue at the Statement of Financial Position date.

14 Reconciliation of operating profit to net cash flow from operating activities

	2015 $'000	*2014 $'000*
Operating profit	(19,938)	*33,567*
Less: Tax deducted at source on income from investments	(237)	*(102)*
Add: Realisation of investments at book cost	47,685	*31,015*
Less: Purchase of investments	(51,196)	*(48,766)*
Less: Adjustment for unrealised losses/(gains)	25,799	*(24,346)*
Decrease/(increase) in debtors	431	*(341)*
(Decrease)/increase in creditors	(2,054)	*2,236*
Net cash flow provided by/(used in) operating activities	**490**	***(6,737)***

15 Related party transactions

Details of the management contract can be found in the Directors' Report on page 8. Fees payable to the Investment Manager are detailed in note 3 on page 25. Other payables include accruals of basic management fees of $162,630 (2014: $351,220) and a performance fee provision of $nil (2014: $1,844,000).

The directors' fees are disclosed in note 5 and the Directors' Remuneration Report on page 15.

16 Financial instruments – risk profile

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market risks

(i) Risks associated with Frontier Markets

The Company invests in Frontier Markets. Investing in Frontier Markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) the risk of nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war and revolution; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) controls on foreign investment and limitations on repatriation of invested capital and a fund manager's ability to exchange local currencies for US dollars; (h) a higher degree of governmental involvement and control over the economies; (i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; (m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in Frontier Markets.

(ii) Currency risk

As stated under (i) above the Company invests in Frontier Markets. It is therefore exposed to currency risks which affect both the performance of its investee funds and also the value of the Company's holdings against the Company's base currency, the US dollar. Currency exposures are not hedged by the Company. An analysis of investee funds by reference to the currencies in which the funds are priced is provided at the end of this note.

(iii) Interest rate risk

The Company is normally fully invested in funds but holds interest bearing assets from time to time and whilst investing proceeds from share issues and redemptions. The Company's interest bearing assets are typically bank deposits.

The funds that the Company invests in may invest in Frontier Market debt securities. These securities may be unrated or rated in lower rating categories by various credit rating agencies. These securities are subject to greater risk of loss of principal and interest than higher rated securities.

The Company has a US$9 million revolving loan facility with Investec Bank plc. Due to the loan being of a relatively short tenure and its revolving nature it has not been considered appropriate to fix the finance costs relating to the loan for the entire period of the loan availability. Finance costs are, however, kept under frequent review.

(iv) Other price risk

Investor returns
Investors contemplating an investment in the ordinary shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the funds in which the Company's assets are invested. No guarantee is given, express or implied, that Shareholders will receive back the amount of their investment in the ordinary shares.

Due to the overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through funds selected by the Investment Manager), the value at which its investments can be liquidated may differ, sometimes significantly, from the valuations calculated by the Investment Manager. In addition, the timing of liquidations of investments may also affect the values obtained at liquidation. Securities held indirectly by the Company may routinely trade with bid-offer spreads that may be significant.

Diversification
Although the Investment Manager seeks to obtain diversification by investing with a number of different funds with different strategies or styles, it is possible that the selected funds may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

(v) Management of market risks

As stated above the Investment Manager seeks to obtain diversification within the Company's portfolio. The Company has imposed a restriction so that no single position in any fund will exceed 10% of the Company's net asset value at the time of the investment.

The Investment Manager's strategy consists of three core components: investee manager selection, geographical asset allocation and participation in special situations.

Investee Manager selection
Using both qualitative and quantitative techniques, the Investment Manager aims to identify funds and Investee Managers which it considers are likely to deliver consistent capital growth over the long term.

Geographical asset allocation
The Investment Manager takes a long term view in this area. The Company has an investment restriction which states that exposure to any individual country will be limited to 15% of the Company's net asset value at the time of investment. If, at any time, this limit is exceeded, the Company will seek to rebalance its portfolio of investments so that this restriction is adhered to.

The geographical asset allocation is analysed on a look through basis.

Special situations
The Investment Manager seeks to identify pricing anomalies in investment products and use such opportunities to add value to the Company's portfolio. Normally this will involve investing in closed-end funds that are available for purchase at a discount to their net asset value.

(vi) Quantitative analysis

The twenty largest investments are shown on page 6 and a breakdown of the pricing denominations of the funds in which the Company is invested is below.

The Company's financial assets and liabilities at 30 June 2015 comprised:

	Cash flow interest rate risk $'000	No interest rate risk $'000	2015 Total $'000
Non-current investments at fair value:			
US dollar denominated	–	140,035	140,035
Canadian dollar denominated	–	1,461	1,461
Euro denominated	–	2,826	2,826
GB pound denominated	–	7,148	7,148
Pakistan rupee denominated	–	6,377	6,377
Saudi Arabian Riyal denominated	–	7,135	7,135
Tunisian dinar denominated	–	–	–
Cash at bank			
Floating rate – US$	5,573	–	5,573
Short term debtors	–	1,388	1,388
Short term creditors	(9,000)	(318)	(9,318)
	(3,427)	**166,052**	**162,625**

	Cash flow interest rate risk $'000	*No interest rate risk $'000*	*2014 Total $'000*
Non-current investments at fair value:			
US dollar denominated	*148*	*153,682*	*153,830*
Canadian dollar denominated	–	–	–
Euro denominated	–	*3,981*	*3,981*
GB pound denominated	–	*1,770*	*1,770*
Pakistan rupee denominated	–	*7,495*	*7,495*
Saudi Arabian Riyal denominated	–	*16,696*	*16,696*
Tunisian dinar denominated	–	*3,498*	*3,498*
Cash at bank			
Floating rate – US$	*2,854*	–	*2,854*
Short term debtors	–	*1,893*	*1,893*
Short term creditors	*(6,500)*	*(2,313)*	*(8,813)*
	(3,498)	***186,702***	***183,204***

(vii) Sensitivity analysis

The Company had borrowings of $9,000,000 at the year end (2014: $6,500,000). A 1% per annum increase or decrease in LIBOR would result in an increase or decrease of $90,000 in the annual interest charge on a loan of $9,000,000.

A 10% increase or decrease in the valuation of the investment portfolio at the end of June 2015 would have resulted in a $16,498,000 (2014: $18,727,000) corresponding increase or decrease to the Company's Statement of Comprehensive Income, all other things being equal.

	30 June 2015	*30 June 2014*	Change
Trade weighted US dollar Index*	95.5	*79.8*	19.7%
Federal Funds Target Rate	0.25%	*0.25%*	–
Advance Frontier Markets Fund NAV US$	$0.96	*$1.08*	-11.2%
Advance Frontier Markets Share Price (expressed in US dollars)	$0.90	*$1.01*	-10.9%

*The US dollar Index indicates the general international value of the US dollar. It is calculated by averaging the exchange rates between the US dollar and 6 major world currencies.

Neither the value of the US dollar nor the level of domestic interest rates within the United States of America are considered to be primary drivers of returns to investors in the Company. The returns to investors in the Company are more dependent on the prospects for economic growth, corporate profitability and socio-political developments within the countries in which the Company is ultimately invested.

Credit risk

Frontier Market debt securities

The funds selected by the Investment Manager may invest in Frontier Market debt securities, including short-term and long-term securities denominated in various currencies. These securities may be unrated or rated in the lower rating categories by the various credit rating agencies. These securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for Frontier Market debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for Frontier Market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about emerging market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

The estimated amount invested in Frontier Market debt securities on a look through basis at the year end was $1,012,000 (2014: $4,334,000).

Other credit risk

The Company's' direct credit risk is the risk of default on cash held at the bank. Cash at bank at 30 June 2015 included $5,424,000 (2014: $2,765,000) held by the Company's custodian, The Northern Trust Company. Interest is based on the prevailing money market rates.

Substantially all of the assets of the Company at the year end were held by Northern Trust (Guernsey) Limited (the "depositary") to provide depositary services (including custody of assets). Bankruptcy or insolvency of the depositary or any sub-custodian used by the depositary may cause the Company's rights with respect to securities held by the custodian to be delayed or limited. The Board monitored the credit quality of the depositary's parent, The Northern Trust Company and at the time of this report it had a short-term deposit credit rating of A-1+ per Standard & Poor.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions with brokers is considered to be low as trading is almost always done on a delivery versus payment basis. When investments are made in open-ended funds, the Investment Manager performs due diligence on those funds before making any investment.

The Company had no interest bearing investments at 30 June 2015 (2014: $148,090).

Liquidity risks

The underlying investee funds selected by the Investment Manager may have significant investments in smaller to medium sized companies of a less seasoned nature whose securities are traded in an "over-the-counter" market. These "secondary" securities often involve significantly greater risks than the securities of larger, better-known companies, due to shorter operating histories, potentially lower credit ratings and, if they are not listed companies, a potential lack of liquidity in their securities. As a result of lower liquidity and greater share price volatility of these "secondary" securities, there may be a disproportionate effect on the value of the investee funds and, indirectly, on the value of the Company's portfolio.

The fact that the Company may invest in funds that are not traded on investment exchanges or do not permit frequent redemptions including funds that may have "lock-up" periods or "gateways", or otherwise do not permit redemptions for significant periods of time, means that an investment in the Company may be a relatively illiquid investment.

As a result of liquidation or redemption of a holding in a fund, limited partnership or other investment vehicle, or due to the creation of an illiquid investment or receipt of an illiquid asset in lieu of an existing holding, the Company's portfolio may contain illiquid assets.

The Investment Manager reports to the directors on the liquidity of the Company's quoted investments on a monthly basis.

The Investment Manager has estimated the percentages of the portfolio that could be liquidated within various timescales under normal market conditions. The results are shown below.

	2015	*2014*
One month	80.4%	*53.3%*
Three months	92.2%	*85.4%*
One year	98.4%	*94.5%*
Greater than one year	100.0%	*100.0%*

At the year end, the Company had bank loans drawn from its bank loan facility which represented approximately 6% of the Company's total assets at that time. Loans are usually drawn for three month periods and, subject to the facility availability period, can be rolled over at maturity. Repayment of loans is financed either through cash or realisation of investments.

All financial liabilities are due within one year.

Capital management

The Company considers that its capital consists of its share capital and reserves and the bank loan.

The Company's authorised share capital consists of an unlimited number of ordinary shares of no par value. At 30 June 2015 there were 169,460,000 (2014: 169,460,000) ordinary shares in issue.

The Company is permitted to borrow, at the point of drawdown, up to 10% of its net assets. The Company has a US$9 million revolving loan facility with Investec Bank plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to US$9 million. The loan is secured through a charge on the Company's assets. The Company is required to comply with various covenants contained in the facility documentation. The Company provides monthly compliance certificates to Investec Bank plc.

The Investment Manager and the Company's broker monitor the demand for the Company's shares and the directors review the position at Board meetings. Details on the Company's policies for issuing further shares can be found in the Directors' Report.

17 Fair value estimation

The Company complies with IFRS 13. The Company's financial assets and liabilities are valued at fair value.

IFRS 13 requires the Company to classify its investments in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 13 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under IFRS 13 are as follows:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy 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. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's investments measured at fair value:

	2015 Investments designated as fair value through profit or loss $'000	*2014* *Investments designated as fair value through profit or loss* *$'000*
Level 1	59,876	*59,514*
Level 2	104,334	*126,077*
Level 3	772	*1,679*
Total	**164,982**	***187,270***

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. The Company does not adjust the quoted price for these instruments.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include monthly priced funds.

Investments classified within level 3 have significant unobservable inputs as they trade infrequently. The level 3 figure consists of limited partnerships investing in distressed debt and Global MENA Financial Assets. Global MENA was delisted from the London Stock Exchange on 27 January 2010 and the entity publishes its net asset value on a quarterly basis. The directors apply a discount formula to the net asset value as an alternative valuation technique, which they believe better reflects its fair value.

Reconciliation of the Level 3 classification investments during the year to 30 June 2015 is shown below:

	2015 $'000	2014 $'000
Opening balance at 1 July	1,679	1,864
Additions during the year	–	23
Valuation adjustments*	(907)	(208)
Closing balance at 30 June	**772**	**1,679**

*These adjustments form part of the "(Losses)/gains on Investments" figure in the Statement of Comprehensive Income.

The valuation policies used by the Company are explained in the Accounting Policies Note 1(b) on page 23.

Investments in unconsolidated structured entities
The Company invests in a portfolio of funds and products which give diversified exposure to developing and emerging market economies. The Company does not consider its investments in listed funds to be structured entities but does consider its investments in unlisted funds to be investments in structured entities because the voting rights in such entities are limited to administrative tasks and are not the dominant factor in deciding who controls those entities.

The investments in structured entities are subject to the terms and conditions of offering documents and/or constitutional documents. These investments are subject to market price and other risks arising from their underlying portfolios. Investee funds are managed by portfolio managers who are compensated by the respective funds for their services. Such compensation generally may consist of an asset based fee and/or a performance based fee. The structured entities in which the Company is invested are financed through the issue of units to investors or shares in limited partnerships and the interests held by the Company are in the form of such units or shares in limited partnerships.

The investments in structured entities are financial assets which are designated as fair value through profit or loss in the Company's financial statements.

During the year, the Company did not provide, and does not intend to provide, financial or other support to structured entities.

The exposure to investments in investee funds and products at fair value by strategy employed is disclosed in the following table.

Strategy	Number of investee funds	Fair Value range $'000	Weighted average fair value $'000	Investment at fair value $'000	% of net assets
Equity long-only	17	297-9,819	7,973	105,106	64.6%

Equity long-only
Portfolio managers implementing equity long-only strategies generally take long positions in equity related instruments such as ordinary shares, preferred shares, convertible bonds, depositary receipts, exchange traded funds and market access products such as index futures with the expectation that the asset will rise in value.

18 Ultimate controlling party
The Company has no controlling party.

19 Post balance sheet events
On 15 September 2015 it was announced that the Company's Investment Manager, Advance Emerging Capital Limited ("AEC") had reached an agreement with Aberdeen Asset Management PLC ("Aberdeen") whereby Aberdeen will acquire 100% ownership of AEC. The transaction is subject, inter alia, to regulatory approval from the UK Financial Conduct Authority and is expected to complete during the fourth quarter of 2015.

There have been no post balance sheet events other than as disclosed in this Annual Report.

Notice of meeting

Notice is hereby given that the Annual General Meeting of Advance Frontier Markets Fund Limited ("the Company") will be held at 11 New Street, St Peter Port, Guernsey at 11:00 a.m. on 3 December 2015, for the following purposes:

Ordinary resolutions

1 To receive and adopt the financial statements for the year ended 30 June 2015, with the reports of the directors and auditors thereon.

2 To re-elect John Whittle as a director of the Company, who retires by rotation.

3 To elect David Warr as a director of the Company, having been appointed by the Board of directors.

4 To re-appoint Grant Thornton Limited as auditor to the Company.

5 To authorise the directors to determine the remuneration of Grant Thornton Limited for the forthcoming year.

6 That the Company acting through its Board of directors be and is hereby generally and unconditionally authorised in accordance with Section 315 of the Companies (Guernsey) Law, 2008 to make market purchases as defined in that Law of its ordinary shares (either for retention as treasury shares for future reissue and resale or transfer, or cancellation), PROVIDED THAT:

(i) the maximum number of ordinary shares hereby authorised to be purchased shall be 25,402,054 (subject to a maximum of 14.99% of the Company's issued share capital at the time of this Annual General Meeting);

(ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is $0.01;

(iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be the lower of (a) 5% above the average of the middle market quotation for a share for the 5 business days immediately preceding the day on which that ordinary share is purchased and (b) the last published diluted net asset value per ordinary share;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2016 or, if earlier, on the anniversary of the passing of this resolution; and

(v) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract.

Notes

1 A Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude members from attending or voting at the meeting, if they so wish. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A member may appoint more than one proxy provided each proxy is appointed to exercise voting rights in respect of a different share or shares held by him.

2 To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of attorney) must be deposited at the UK office of the Company's Registrar, Capita Asset Services, PXS , 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time for holding the Meeting.

3 CREST members may utilise the CREST proxy appointment service by following the directions set out on the form of proxy. Completion and return of the form of proxy will not prevent a Shareholder from subsequently attending the meeting and voting in person if he so wishes.

4 A holder of Shares must first have his or her name entered on the register of members not later than 11:00 a.m. on 1 December 2015. Changes to entries in that register after that time shall be disregarded in determining the rights of any holders to attend and vote at such meeting.

Form of proxy

I/We ______________________________ of ______________________________ (BLOCK CAPITALS PLEASE)

being (a) member(s) of Advance Frontier Markets Fund Limited ("the Company") appoint the chairman of the meeting

or (see note 1) ______________________________ of ______________________________

as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at 11 New Street, St Peter Port, Guernsey, on 3 December 2015 at 11:00 a.m. and at any adjournment thereof.

Please indicate with an X in the spaces provided how you wish your votes to be cast on the resolutions specified.

Resolution	For	Against	Withheld
Ordinary resolutions			
1 To receive and adopt the financial statements for the year ended 30 June 2015, with the reports of the directors and auditors thereon.	☐	☐	☐
2 To re-elect John Whittle as a director.	☐	☐	☐
3 To elect David Warr as a director.	☐	☐	☐
4 To re-appoint Grant Thornton Limited as auditors to the Company.	☐	☐	☐
5 To authorise the directors to determine the remuneration of Grant Thornton Limited for the forthcoming year.	☐	☐	☐
6 To renew authority for the Company to purchase its own shares.	☐	☐	☐

Subject to any voting instructions so given the proxy will vote, or may abstain from voting, on any resolution as he may think fit.

Signature ______________________________ Dated this ______________ day of ______________ 2015

Notes

1 If you so desire you may delete the words 'chairman of the meeting' and insert the name of your own choice of proxy, who need not be a member of the Company. Please initial such alteration.

2 The proxy form must be lodged at the Company's registrars, Capita Registrars, not less than 48 hours before the time fixed for the meeting. In default the proxy cannot be treated as valid.

3 Alternatively, in the case of CREST members, voting may be effected by using the CREST electronic proxy appointment service. CREST members who wish to utilise the CREST service may do so by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Capita Registrars (whose CREST ID is RA10) by the specified latest time for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

4 A corporation must execute the proxy under its common seal or under the hand of an officer or attorney duly authorised.

5 If this proxy form is executed under a power of attorney or other authority, such power of attorney or other authority or a notarially certified copy thereof must be lodged with the Registrars with the proxy form.

6 In the case of joint holders the vote of the senior shall be accepted to the exclusion of the other joint holders, seniority being determined by the order in which the names stand in the register in respect of the joint holding.

Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, so as to arrive before 11:00 a.m. on 1 December 2015 (48 hours prior to the Annual General Meeting).

Cut along dotted rule

Directors, Investment Manager and advisers

Directors
(James) Grant Wilson (Chairman)
Helen Green
Richard Hotchkis
David Warr (appointed 9 September 2015)
John Whittle

Company secretary and administrator
Orangefield Legis Fund Services Limited
11 New Street
St Peter Port
Guernsey GY1 2PF

Nominated adviser
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Auditor
Grant Thornton Limited
Lefebvre House
Lefebvre Street
St Peter Port
Guernsey GY1 3TF

Registrar
Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampson
Guernsey GY2 4JN

Registered office*
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St Peter Port
Guernsey GY1 2PF

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Telephone: 020 7016 0030
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CISE listing sponsor
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St Peter Port
Guernsey GY1 4HP

UK administration agent
Cavendish Administration Limited
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London EC1V 4RU

Solicitors as to English law
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4 More London Riverside
London SE1 2AU

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London EC2A 2EG

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Depositary services and custodian
Northern Trust (Guernsey) Limited
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