Advance Developing Markets Fund Limited
Annual report 2013

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Directors, Investment Manager and advisers inside back cover

Investment objective

The Company's investment objective is to achieve consistent returns for Shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms (the "Benchmark")

Performance

For the year ended 31 October 2013	
Net Asset Value ("NAV") per share[1]	+6.1%
Share price – mid market[2]	+7.7%
MSCI Emerging Markets Net Total Return Index in Sterling terms	+7.1%

As at 31 October 2013	
NAV per share[3]	494.7p
Ordinary share price – mid market	452.5p
Net assets	£317.3m

[1] Measured against a closing NAV at 31 October 2012 of 466.4p

[2] Measured against a closing mid-market ordinary share price at 31 October 2012 of 420.3p

[3] See note 13 in the Notes to the Financial Statements for basis of calculation

Financial calendar

Annual General Meeting	10 April 2014 at 11.00 a.m. 11 New Street St Peter Port Guernsey GY1 2PF

The Annual Report can be downloaded in electronic format from the website of the Investment Manager www.advance-emerging.com

Cover image: Chedi guard in Wat Phra Kaeo temple in Bangkok.

Chairman's statement

Performance

During the financial year to 31 October 2013 the Company's net asset value ("NAV") and share price rose by 6.1% and 7.7% respectively. The benchmark MSCI Emerging Markets Net Total Return Index in Sterling terms rose by 7.1%. The Investment Manager's report provides an analysis of the Company's performance across the areas of fund selection, asset allocation and discount opportunities.

Despite making gains this financial year, the performance of equities in emerging markets compared to developed markets was disappointing, with headwinds provided by the perceived imminence of "tapering" of quantitative easing in the United States, which reduced appetite for emerging markets assets.

Tender offer, conditional tender offers and share repurchases

As reported in the Company's Half-year Report, a total of 11,320,272 Shares were repurchased by the Company on 15 March 2013 via a tender offer, equating to 15% of the Company's ordinary shares in issue at that time (excluding shares held in treasury). The shares were purchased for cancellation at a 1% discount to formula asset value ("FAV"), being the net asset value of the tendered shares less the costs of the tender offer. In addition, a mechanism was put in place for two further conditional tender offers for up to 10% of the ordinary shares in issue at a 1% discount to FAV if either; the Company's shares trade at an average discount of more than 10%, or the Company's NAV performance is behind that of the benchmark index during the six month periods ending 31 October 2013 (which has completed post year end as detailed in the paragraph below) and 30 April 2014.

In the six month measurement period ended 31 October 2013, the Company's shares traded at an average discount of 10.5%. The Company's performance over the same period, as measured by its net asset value total return, was below that of the MSCI Emerging Markets Net Total Return Index in Sterling terms. Consequently, in mid-December the Company conducted a tender offer for 10% of the shares in issue priced at a 1% discount to the FAV on 6 December 2013. A total of 6,412,758 shares were repurchased by the Company under the tender offer and cancelled, equating to 10% of the Company's Shares in issue as at the record date of 7 November 2013. Following the completion of the tender offer the Company has 57,715,696 shares in issue (excluding 2,672,278 shares held in treasury).

It remains the case that the Board will consider judicious use of the Fund's share buyback facility as required. During the financial year 20,228 shares were repurchased by the Company at a discount to net asset value of approximately 10.5%. These shares are held in treasury and can only be resold at a price that represents a premium to the prevailing net asset value per share.

Publication of daily net asset values

With effect from 1 November 2013, with a view to increasing the Company's transparency, the Board resolved to move from weekly to daily publication of its net asset values. This brings the Company in line with its immediate peers and will allow market participants to more accurately gauge the discount and performance on a day to day basis.

Alternative Investment Fund Managers ("AIFM") Directive

As I noted in the Half Yearly Report, the Board has been considering the options available to it under the AIFM Directive. Having taken professional advice, we have decided that the interests of investors would be best served by appointing the Investment Manager, Advance Emerging Capital Limited, as the AIFM. The Investment Manager is applying for the necessary authorisation from the Financial Conduct Authority in the United Kingdom, a process which must be completed by 22 July 2014. The Company must also appoint a depositary in order for the Company's and the AIFM's obligations to be fulfilled under the directive. This will incur an additional cost for the Company. Subject to finalisation of terms, the current intention is for Northern Trust in Guernsey to be appointed as depositary to the Company. The Board and the Investment Manager are currently in the process of finalising the necessary arrangements in this regard.

Outlook

It is inevitable that appetite for different asset classes varies over time. Having been popular for much of the prior decade, emerging markets now are currently out of favour. As the Investment Manager argues, a great deal of negativity relating to emerging markets' future prospects appears to be priced in. While concerns about the speed and scale of "tapering" in the United States will no doubt resume at some point this year, it is important to recognise that this will be contingent on the continued improvement in the economic outlook for the United States. Current wisdom seems to be that positive news in developed markets must be negative for emerging markets. We believe that is unlikely to remain the case over the medium to longer term. The low valuations of emerging markets and the already significant rotation by investors out of the asset class bode well for better relative returns in 2014. The Company's portfolio is well placed to benefit from this trend and strongly reflects the Investment Manager's conviction in individual markets and managers.

As always, I would like to thank the Company's shareholders for their continued support, my fellow directors for their diligence and professionalism and all our advisers for their advice and assistance.

Richard Bonsor
Chairman

30 January 2014

Investment Manager's report

Performance review

Advance Developing Markets Fund Limited's ("ADMF", the "Fund" or the "Company") net asset value per share ("NAV") rose by 6.1% in Sterling terms during the reporting period, compared with a return of 7.1% for the Company's Benchmark (MSCI Emerging Markets Net Total Return Index in Sterling terms). The share price rose by 7.7%, with the discount to net asset value, at which the Company's shares trade, closing the period at 8.5%, having commenced it at 9.9%.

The period was an unusually testing one for investors in the asset class with markets driven by fund flows and sentiment, which in turn were determined by factors other than fundamentals. Even investors adopting a passive approach will have been disappointed, with the largest emerging market exchange traded funds lagging their benchmarks over the period.

The small underperformance of the Fund relative to the benchmark was not the result of a single standout factor, but due to a combination of asset allocation and underlying manager performance. Manager selection is discussed at a holding level later in this report, but, to summarise, many of our managers had a difficult time, particularly in the second half of the year. The Fund's look-through cash position and underweight position in Asian markets, especially Taiwan, were to blame in asset allocation terms. The positive contribution from discount opportunities was due to a small number of profitable corporate actions combined with a general narrowing of discounts across the closed-ended holdings in the portfolio.

Performance attribution for the financial year to 31 October 2013

Fund selection	**(0.3%)**
Open ended	(0.3%)
Closed ended	0.1%
Other	(0.1%)
Asset allocation	**(0.7%)**
Asia	(1.2%)
EMEA	0.0%
Latin America	0.8%
Cash (direct and underlying)	(0.4%)
Discount opportunities	**1.1%**
Fees and expenses	**(1.2%)**
Relative net asset value performance	**(1.1%)**

Market environment

The performance of the various markets that comprise the benchmark are shown in Sterling terms in Chart 1 of this report. For comparison, we also include the performance of MSCI Indices for the UK (+21.4%), US (+27.5%), Japan (+34.8%), World (+26.5%) and Frontier Markets (+26.3%).

Chart 1. Market performances during the financial year to 31 October 2013

Source: Bloomberg/MSCI. GBP returns for the year ended 31 October 2013.

The period was the worst for many years in terms of the underperformance of emerging markets relative to developed markets. In a sense, this trend became self-fulfilling, with money flowing out of the underperforming emerging markets and into strongly performing developed markets during the year, driving a number of the latter to new all-time highs by the end of the period.

A key contributor to the lacklustre returns of emerging markets was currency weakness, with the Indonesian Rupiah, Indian Rupee, Turkish Lira, Egyptian Pound, South African Rand and Brazilian Real all depreciating significantly against Sterling (the Indonesian Rupiah was worst affected, declining by 14.3%). This weakness was driven by concerns over the ability of these countries to finance current account deficits as monetary policy in the United States becomes less accommodative. Even when "tapering" appeared to be postponed towards the end of the period, there was little respite for emerging market currencies.

The other major headwind during the period remained muted earnings growth which, in aggregate, was just 4.1% over the financial year (Source: MSCI, USD terms). Whilst modest, this is a material improvement on the prior year (when earnings declined by 11.6%) but still insufficient to conclude a sustained recovery in emerging market corporate performance is underway.

Portfolio

Corporate activity continued during the period, with key reconstructions discussed below. These, combined with continued efforts to run a more concentrated portfolio, saw a further decline in the number of holdings from 49 positions to 42 at the end of the period, with the top 20 holdings accounting for 74.2% of net assets.

The balance of investments by structure at the end of the period is shown below. The decline in open ended exposure was the result of two significant redemptions (Tarpon All Equities Fund and Atlantis China Fund). The rise in exposure to market access products (predominantly ETFs) was for asset allocation purposes (largely in Mexico, China and Taiwan) and to increase liquidity in anticipation of the 10% tender offer which was conducted by the Company in December 2013. The increase in closed-end fund exposure reflected allocations to the likes of Templeton Emerging Markets Investment Trust and India Fund Inc, which offered particular value in discount terms during the period. The average discount to net asset value on the closed end portion of the portfolio narrowed over the year to stand at 9.5% at the end of the period, from 11.0% at the end of the previous year.

	October 2013	*October 2012*
Closed ended investment funds	58.9%	*55.6%*
Open ended investment funds	32.5%	*40.7%*
Market access products	6.2%	*3.4%*
Cash and other net assets	2.4%	*0.3%*

The geographic asset allocation at the end of the year is shown on page 7. There was a meaningful reduction in exposure to Brazil, a move we felt was justified based on the continued challenges facing that country. Slowing GDP growth, a retrenching consumer and a currency that remains on the expensive side (despite depreciating by more than 35% relative to Sterling from its 2011 peak) are some of the medium term issues facing the country. The upcoming Presidential election in 2014 will likely deliver little change, but has the potential to inject some uncertainty. Valuations do not necessarily reflect the challenging outlook so, for now at least, we prefer to be underweight.

Conversely, exposure to Asia increased, based on improving fundamentals in Korea and Taiwan and bottom up opportunities in India. The Company's exposure to China (including exposure to Hong Kong listed Chinese companies) remains marginally underweight against a 19.0% benchmark weight. The market itself is attractive, we believe, with concerns over slower growth and the shadow banking industry already reflected in valuations. Thailand has been a rewarding investment destination for ADMF for some time, but with valuations at a premium to other Asian emerging markets and political uncertainty resuming, we decided to reduce exposure and an instruction was placed to partially redeem an open ended fund holding. This trade took place after the end of the financial year.

In Eastern Europe, Middle East and Africa, we retain an overweight position in Russia based on attractive valuations and stronger fundamentals than the market is given credit for. Turkey remains an overweight position due to its superior medium to long term economic growth combined with reasonable valuations. We are, however, cognizant of the fact that, in the short term, external factors may cause some volatility in the market as the current account deficit remains a weakness. In South Africa, the currency was the key consideration during the period and is likely to remain so. In local currency terms, the market recently hit an all-time high despite the significant challenges facing the domestic economy. We continue to run an underweight allocation although that is tempered by an off-index allocation to the rest of the continent, where fundamentals remain superior.

Further details on the largest ten holdings at 31 October 2013 are as follows:

Korea Fund Inc (6.2% of net asset value)

The US listed closed end Korea Fund Inc is managed by the team at Allianz Global Investors in Hong Kong which invests with a fundamental growth mindset. Performance was somewhat lacklustre over the year with a share price total return of 6.7% and net asset value return of 7.1%, lagging the 13.3% gain in the MSCI Korea Index. The underperformance was in part attributable to poor stock picking in the consumer discretionary and information technology sectors. The fund ended the year trading on a discount to net asset value of 9.8%, slightly wider than the 8.0% level targeted by its share repurchase programme.

Templeton Emerging Markets Investment Trust (5.3% of net asset value)

ADMF's holding in Templeton Emerging Markets Investment Trust fluctuated over the year in tandem with the widening and narrowing of the discount to net asset value, which ranged from 5.9% to 11.3%. The trust continues to offer liquid and diversified exposure to emerging market large cap companies with Templeton's trademark long term, value oriented approach. The net asset value underperformed emerging markets marginally over the year, not helped by aggressive positioning in Brazil, India and Turkey.

BlackRock Latin American Investment Trust (5.1% of net asset value)

The trust achieved a small outperformance of the benchmark MSCI Latin American Index during the period in net asset value terms, but suffered from discount widening as the underlying region fell out of favour. The discount to net asset value widened from 7.3% to 10.5% over the period.

BlackRock Latin American Investment Trust's board of directors undertook several measures during the period to address structural issues facing the trust. In August 2013 changes were announced to the trust's discount control mechanisms. Discretionary semi-annual tenders were discontinued, replaced with a one off 24.99% tender in April 2016 if certain performance and discount related hurdles are not achieved over the next two financial years. In September 2013 a tender offer was conducted for the entirety of the trust's convertible unsecured loan stock, thus simplifying the capital structure.

We believe that these changes are in the best interests of shareholders over the long term. Over the short term however, they have had no impact on the discount to net asset value at which the trust's shares trade. A more pressing consideration is the disappointing performance since BlackRock took over as investment manager in 2006. In a region with a proliferation of talented local stock pickers, the opportunity cost of continuing to hold an illiquid regional generalist with an uninspiring portfolio has, in our opinion, become too high, even if it does trade on an apparently attractive discount to NAV. As such, we elected to reduce the position materially following the end of the period, reallocating the proceeds to locally based best of breed managers with more focussed portfolios.

JP Morgan Russian Securities (5.0% of net asset value)
JP Morgan Russian Securities is a core holding that provides almost half of ADMF's Russian exposure. During the year to 31 October 2013, the trust's net asset value and share price appreciated by 12.4% and 12.5%, respectively, while MSCI Russia gained 11.5%. The discount to net asset value averaged 11.0% over the year as Russia remained out of favour among emerging markets and global investors. The trust maintains a high exposure to consumer oriented sectors, while it is underweight energy, utilities and telecoms, which are more exposed to political interference.

Neuberger Berman – China Equity Fund (4.9% of net asset value)
Over the course of ADMF's financial year the fund delivered a return of 13.5% compared with MSCI China's return of 9.9%. The key attractions of this fund remain the quality and depth of the investment team and the exacting nature of the investment process. Neuberger's well resourced China team operates from offices in Hong Kong and Shanghai. The fund is focussed on the large to mid cap segment of the market and is run on a relatively concentrated basis with a distinct value bias.

Coronation Top 20 Fund (4.7% of net asset value)
Cape Town based Coronation continues to deliver consistent performance from a portfolio of their highest conviction South African stock picks. The NAV return for the year was 14.1%, some 8.4% ahead of the benchmark index. The fund has been ADMF's core exposure to the South African market for over 7 years.

Edinburgh Dragon Trust (4.2% of net asset value)
Edinburgh Dragon Trust invests across the Asia ex Japan markets and is managed by Aberdeen Asset Management with a bottom up "quality at the right price" investment approach. Over the year, the trust's net asset value rose by 8.3% and its share price by 9.5% compared with a gain of 10.8% in the MSCI AC Asia ex Japan Index and 10.3% in the MSCI Emerging Asia Index.

China Fund Inc (4.1% of net asset value)
RCM Asia Pacific manages the fund's investments with a fundamental growth approach which seeks to identify high-quality companies capable of delivering superior earnings growth. During ADMF's financial year the fund outperformed its MSCI Golden Dragon Index benchmark by 7.3% on an NAV total return basis and 6.6% on a price return basis. The fund's discount to net asset value widened marginally over the year to stand at 12.1% at year end.

Schroder Asia Pacific Fund (3.6% of net asset value)
The expiry of Schroder Asia Pacific Fund's subscription shares at the end of 2012 provided an opportunity for ADMF to acquire a meaningful stake on a discount to net asset value of 11.0%. This UK listed investment trust draws on the resources of Schroders' significant Asian equity research capabilities. We continued to add to the position throughout the year. During ADMF's financial year the trust's net asset value total return was 6.9% and its share price return was 6.4% compared with a gain of 10.8% in the MSCI AC Asia ex Japan Index and 10.3% in the MSCI Emerging Asia Index.

Aberdeen Latin America Equities Fund (3.6% of net asset value)
After an excellent showing in the first 6 months of the period, the performance of this US listed closed end fund trailed off in the second half. For the period as a whole, the NAV return was still comfortably ahead of the benchmark index, up 2.8% whilst MSCI Latin America declined by 2.1%. Performance was driven by stock picking across underlying markets and a perennial underweight to resources and materials companies.

Key sales or exits achieved as a result of corporate actions during the year include the following:

Henderson Asian Growth Trust (5.6% of net asset value as of 28 February 2013)
As stated in the Half Yearly Report, ADMF was able to exit substantially all of this holding with a significant uplift in March 2013 following a 50% tender offer. The discount to net asset value at the beginning of the period was 9.7%. The tender offer was conducted at net asset value less costs.

Tarpon All Equities Fund (4.6% of net asset value as at 31 March 2013)
This Brazil focused holding was redeemed in March 2013. From the time of ADMF's initial investment in November 2008 to redemption, the headline NAV of the fund gained 240.5% (33.4% annualised). This reflects substantial outperformance of the MSCI Brazil Index which gained 93.9% (16.8% annualised) over the same period. The outperformance was generated by aggressive stock selection focused on small and mid cap domestic growth companies combined with a number of successful private equity deals. ADMF retains a 0.6% exposure to side pockets in Tarpon All Equities Fund which represent private equity investments that have yet to be realised. The redemption was justified on the basis of rapid growth in the underlying manager's assets under management and continued headwinds facing the Brazilian economy.

India Fund Inc (3.2% of net asset value)
The fund conducted a regular repurchase offer in September 2013 for 5% of outstanding shares at a 2% discount to net asset value. We submitted all ADMF's shares for repurchase and received cash in respect of 14.1% of our holding, benefitting from a scaling up as not all other holders tendered their shares. The discount at the time of the tender offer was 15.6%. The fund has achieved a modest outperformance of the Indian portion of our benchmark in net asset value terms since we invested in May 2013.

Atlantis China Fund (2.7% of net asset value as of July 2013)
The position was initially trimmed in mid-June as we rotated out of a number of open-ended funds into closed-ended equivalents on attractive discounts. On 31 July we redeemed the remaining holding following discussions with Atlantis about their investment in China Metals Recycling which was the subject of a report by a short seller in January and was subsequently suspended from trading. The Hong Kong regulator acted to wind up the company in July and the Chairman was subsequently arrested for false accounting in August. During our discussions Atlantis made a robust defence of their investment and while they could be excused for poor judgment (and it will certainly take time to get to the bottom of what actually occurred), we were concerned over their poor communication on this issue during the prior six months. For that reason, we chose to exit the holding in its entirety despite our long standing relationship with, and high regard for, the manager.

BlackRock Emerging Europe plc (2.1% of net asset value)
In June 2013 shareholders approved a change of name (from The Eastern European Trust) and a revised investment policy, under which the investment manager will run a more concentrated, less benchmark oriented portfolio. At the same time, the company introduced a conditional tender offer for up to 25 per cent of the company's shares in issue which will be triggered if, over the next 3 years, the trust underperforms its benchmark by in excess of 3 per cent on a cumulative basis. Furthermore, at the fifth annual meeting following the introduction of the revised investment policy, shareholders will have the opportunity to elect to exit at NAV less costs. We were supportive of these changes believing them to align the fortunes of investors and the manager and provide the potential for superior performance over the coming years.

At the same time as the above proposals were passed, shareholders also approved a smaller tender offer for 7.5% of outstanding shares in issue at formula asset value less 1%. ADMF's holding was tendered and cash received back in respect of 11.5% of the holding. The prevailing discount to net asset value at the time of the tender offer in July was 7.7%. The discount to net asset value ended the period at 7.3%.

Impax Asian Environmental Markets plc (1.8% of net asset value as of July 2013)
In May 2013 the board of Impax Asian Environmental Markets plc announced plans to wind up the company, offering shareholders the choice of rolling into an open-ended investment entity with an identical investment policy, or realising all or part of their investment for cash. We elected, on behalf of ADMF, for the cash exit and received the proceeds in August. This represented a significant uplift to an investment that was originally acquired in January 2012 at a discount to net asset value in excess of 20%.

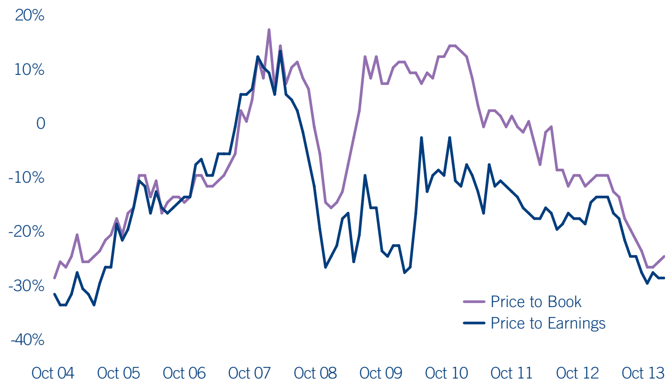
Prosperity Voskhod Fund (1.0% of net asset value)
In early 2013, the board of this Russia focused closed end fund put forward proposals to adopt a new investment objective and policy with the aim of realising the somewhat illiquid portfolio within 3 years. Good progress has been made by the manager towards this end, with substantial realisations or above at carrying value. An initial distribution of USD54 million (representing 20.7% of net asset value) was made to shareholders in September. Shortly after the end of the period, plans for a second distribution (for a similar proportion of net asset value as the first) were announced. Unfortunately, the fund underperformed the Russian portion of ADMF's benchmark index by a little over 10% during the period, offsetting the benefit of the distributions. At the end of the period the discount to net asset value was in excess of 10%.

Market outlook

Over the last 3 years, emerging markets have made the transition from "darlings" to "underdogs" in the collective mind of global investors. Moderating growth at both a macro and corporate level has come at the same time developed markets have begun to generate growth of their own. Our sense is that this reversal has gone too far, with bearish sentiment towards emerging markets now rife. Predictions that the emerging market story is over are overstated, with no foundation in reality.

Subject to such low expectations, we believe there is now scope for positive surprises. Aggregate valuations are low in emerging markets at a time when valuations in all other geographies have risen significantly, pricing in a sustained and problem free recovery. The discount in emerging market valuations relative to developed markets is back to levels last seen in the depths of the financial crisis, as can be seen in the chart below. Based on the Price to Book ratio, the valuation discount in the former relative to the latter is back to levels last seen in 2004.

Chart 2. Discount of emerging markets to developed markets on trailing Price to Earnings and Price to Book ratios.



Source: MSCI / Bloomberg.

Of course, the asset class is not without risk. The impact of "tapering" is a legitimate concern, but one that has been discussed and extensively analysed. It is a "known unknown", with the only real uncertainty being the speed and scale. If 2004 (when emerging market equities entered a bull market as soon as the Fed started hiking rates) is any guide, then it is possible that the anticipation of "tapering" will have proven more challenging than the reality. Emerging markets may have seen their seeming monopoly on GDP growth eroded, but they will, in aggregate, continue to grow faster than developed markets in absolute terms for the foreseeable future. Investors should simply be more selective in picking those areas with healthy levels of growth and where this growth is being translated into earnings and stock market returns.

In such a diverse asset class, there are always opportunities that are overlooked and misunderstood by the broader investment community. At present, China, Russia, Korea and Africa (ex South Africa) continue to look particularly attractive. Mexico and Peru are receiving more of our attention now than previously. We are happy to be investing in unloved assets once again and confident that 2014 may be the year when value investing again begins to trump "paying up for growth" and judicious, active stock picking comfortably outperforms passive strategies.

If the above assumptions prove correct, then emerging markets are due a period of catch up, and our underlying best of breed, locally based managers are well placed to outperform. Discounts on the Fund's closed-ended holdings should continue to narrow in such an environment.

Advance Emerging Capital Limited

30 January 2014

Asset allocation

As at 31 October 2013 Country split	ADMF %	Benchmark %
Asia		
China	12.3	19.0
India	7.1	6.2
Indonesia	3.0	2.4
Korea	14.2	15.9
Malaysia	0.5	3.8
Philippines	0.6	0.9
Taiwan	7.1	11.4
Thailand	5.1	2.5
Hong Kong	4.1	–
Singapore	1.8	–
Other	0.7	–
	56.5	**62.1**
EMEA		
Czech Republic	0.1	0.3
Egypt	0.3	0.2
Hungary	0.2	0.2
Morocco	0.1	0.1
Poland	0.4	1.7
Russia	11.9	6.2
South Africa	4.8	7.4
Turkey	3.9	1.7
Other	1.6	–
	23.3	**17.8**
Latin America		
Brazil	10.5	11.7
Chile	0.5	1.7
Columbia	0.3	1.2
Mexico	3.5	5.1
Peru	0.1	0.4
Other	0.2	–
	15.1	**20.1**
Non-specified	(0.2)	–
Indirect cash	2.9	–
Portfolio cash	2.4	–
Total	**100.0**	**100.0**

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

Benchmark: MSCI Emerging Markets Net Total Return Index in Sterling terms

Investments

At 31 October 2013 Company	Value £'000	% of net assets
Korea Fund Inc	19,772	6.2%
Templeton Emerging Markets Investment Trust	16,927	5.3%
Blackrock Latin American Investment Trust	16,114	5.1%
JPMorgan Russian Securities	15,788	5.0%
Neuberger Berman – China Equity Fund	15,670	4.9%
Coronation Top 20 Fund	15,033	4.7%
Edinburgh Dragon Trust	13,271	4.2%
China Fund Inc	13,127	4.1%
Schroder Asia Pacific Fund	11,473	3.6%
Aberdeen Latin America Equity Fund	11,417	3.6%
Top ten holdings	**148,592**	**46.7%**
Advance Brazil Leblon Equity Fund	10,234	3.2%
India Fund Inc	10,125	3.2%
Taiwan Fund Inc	9,547	3.0%
Lazard Emerging World Fund	8,974	2.8%
iShares MSCI China Index	8,790	2.8%
Turkish Investment Fund Inc	8,771	2.8%
Ton Poh Emerging Thailand Fund	8,666	2.7%
Baring Korea Trust	8,529	2.7%
Weiss Korea Opportunity Fund	7,085	2.2%
Blackrock Emerging Europe plc	6,628	2.1%
Next ten holdings	**87,349**	**27.5%**
Top twenty holdings	**235,941**	**74.2%**

At 31 October 2013 Company	Value £'000	% of net assets
Coupland Cardiff Asian Evolution	6,608	2.1%
iShares MSCI Taiwan Index	6,590	2.1%
Komodo Fund	6,423	2.0%
Kospi Electronics Index	6,418	2.0%
Verno Capital Growth Fund	5,775	1.8%
Africa Emerging Markets Fund	5,321	1.7%
Baring Emerging Europe	5,203	1.6%
iShares MSCI Mexico Index	4,398	1.4%
GSI Asian Capital Growth Fund	3,507	1.1%
JPMorgan Indian Investment Trust	3,049	1.0%
Prosperity Voskhod Fund	3,039	1.0%
Templeton Russia and Eastern European Fund	2,745	0.9%
Aberdeen New Thai Investment Trust	2,609	0.8%
Baring Vostok Investments Limited	2,593	0.8%
JPMorgan Emerging Markets Investment Trust sub shares	2,187	0.7%
India Capital Growth Fund	2,174	0.7%
Templeton Emerging Markets Fund	2,054	0.6%
Tarpon All Equities Fund	1,805	0.6%
New India Investment Trust	738	0.2%
Yatra Capital	492	0.2%
Renaissance Russian Infrastructure Equities	28	0.0%
Impax Asian Environmental Markets	0	0.0%
Total holdings	**309,697**	**97.5%**
Cash and other net assets	7,566	2.5%
Total	**317,263**	**100.0%**

Directors' report

The directors of Advance Developing Markets Fund Limited (the "Company") present their report and financial statements for the year ended 31 October 2013.

Investment policy

Objectives

The Company's investment objective is to achieve consistent returns for shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms (Bloomberg ticker: NDUEEGF Index) (the "Benchmark").

(i) Asset allocation

The Investment Manager invests in a portfolio of funds and products which give diversified exposure to emerging market economies and those of the Pacific Rim. The Investment Manager does not seek to replicate the Benchmark's geographical distribution. The Company's geographic asset allocation is derived from the Investment Manager's analysis of prospects for regions and countries and of the underlying opportunities for investment.

The Board does not believe that it should impose prescriptive limits on the Investment Manager for the geographic breakdown and distribution by type of fund as this could have a negative impact on the Company's performance and accordingly the Company does not have any prescribed investment limits in this regard.

The Investment Manager has discretion to enter into hedging mechanisms where it believes that this would protect the performance of the Company's investment portfolio in a cost effective manner. To date, the Company has never entered into any such hedging mechanisms.

(ii) Risk diversification

Individual investments are selected for their potential to outperform as a result of one or more of the following: the performance of the region, market or asset class in which they invest; the skill of the underlying fund manager; and, in the case of closed end funds, through the narrowing of discounts at which their shares trade to net asset value.

No holding in the Company in any other company will represent, at the time of the investment, more than 15% by value of the Company's net assets. The diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive.

(iii) Gearing

The Company does not use gearing as a tool to enhance performance but short term borrowing is permitted to assist in the management of liquidity. However the directors reserve the right to borrow up to a maximum of 15% of the Net Asset Value of the Company at the time of drawdown.

Business activities

The Company is a closed-ended investment company incorporated and resident in Guernsey and holds a Premium Listing on the London Stock Exchange.

Results and dividends

The Company's total comprehensive income for the year was a profit of £25,929,000 (2012: loss £1,164,000)

In accordance with its statement in the prospectus of the Company, the directors reserve the right but are not required to provide dividend distributions. The directors' intention is for the Company to retain its earnings to finance growth for the foreseeable future. The Company's operating revenue loss after taxation for the year amounted to a loss of £969,000 (2012: loss of £907,000). Therefore the Board does 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 and the outlook.

Key Performance Indicators (KPIs)

The Company's success in attaining its objectives is measured by reference to the following KPIs:

(a) The Company seeks to generate consistent relative returns ahead of those generated by its Benchmark Index.

(b) The Company seeks to achieve a positive absolute return over the longer term through its exposure to the emerging market asset class.

Performance

An overview of the Company's performance can be seen in the Chairman's Statement and Investment Manager's Report.

(a) The Benchmark Index in Sterling terms increased by 7.1% over the year against an increase of 6.1% in the Company's Net Asset Value ("NAV") per ordinary share.

(b) The Company has achieved a NAV return of 201.0% over a ten year period (this figure incorporates the performance of Advance Developing Markets Trust plc to provide a ten year comparison). Dividends amounting to, in aggregate, 4.6p per ordinary share were paid over the ten year period. Shareholders also benefitted from a bonus issue of subscription shares in October 2008. The subscription shares had a subscription price of 291p per ordinary share on a one-for-one basis and the undiluted net asset value per ordinary share immediately prior to the final subscription date of 31 October 2011 was 493.8p per ordinary share.

Principal risks and uncertainties

Together with the issues discussed in the Chairman's Statement and the Investment Manager's Report, the Board considers that the main risks and uncertainties faced by the Company fall into the following categories.

(i) General market risks associated with the Company's investments

Changes in economic conditions, interest rates, foreign exchange rates and inflationary pressures, industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the net asset value.

The Company's investments, although not made into developed economies, are not entirely sheltered from the negative impact of economic slowdown, decreasing consumer demands and credit shortages in such developed economies which, amongst other things, impact the demand for the products and services offered by the companies in which the Company directly or indirectly invests.

A proportion of the Company's portfolio may be held in cash or cash equivalent investments from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from positive stock market movements, but may give some protection against negative stock market movements.

(ii) Developing markets
The funds selected by the Investment Manager invest in developing markets. Investing in developing markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. In particular there may be (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 pounds Sterling; (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 economies 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 developing markets.

(iii) Other portfolio specific risks

(a) Small cap stocks

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.

(b) Liquidity of the portfolio

The fact that a share is traded does not guarantee its liquidity and the Company's investments may be less liquid than other listed and publicly traded securities. The Company may invest in securities that are not readily tradable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments. Investors should not expect that the Company will necessarily be able to realise its investments, within a period which they would otherwise regard as reasonable, and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices. The Company has an overdraft facility in place which may be utilised to assist in the management of liquidity. The borrowing facility is described later in this Directors' Report.

Liquidity of the portfolio is further discussed in note 16 to the financial statements.

(c) Foreign exchange risks

It is not the Company's present policy to engage in currency hedging. Accordingly, the movement of exchange rates between Sterling and the other currencies in which the Company's investments are denominated or its borrowings are drawn down may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company.

Movements in the foreign exchange rate between Sterling and the currency applicable to a particular shareholder may have an impact upon that shareholder's returns in their own currency of account.

(iv) Internal risks
Poor allocation of the Company's assets to both markets and investee funds by the Investment Manager, poor governance, compliance or administration, could potentially result in shareholders not making acceptable returns on their investment in the Company.

The control of internal risks is described in detail in the corporate governance statement on pages 14 to 16.

Market information
During the year, the net asset value per ordinary share was calculated weekly and published through a regulatory information service. With effect from 1 November 2013, with a view to increasing the Company's transparency, the Board has resolved to move from the publication of a weekly net asset value per share to publishing the Company's net asset value per share through a Regulatory Information Service on a daily basis.

Ordinary shares in issue
As at 31 October 2013 the Company had an issued share capital of 64,128,454 ordinary shares (excluding the 2,672,278 ordinary shares held in treasury).

Discount management policy
The Board considers it desirable that the Company's shares do not trade at a significant discount to net asset value and believes that, in normal market conditions, the shares should trade at a price which on average represents a discount of less than 10 per cent. to the diluted net asset value. To assist the Board in taking action to deal with a material increase in the discount it seeks authority from shareholders annually to buy back shares. Shares may be repurchased when, in the opinion of the Board and taking into account factors such as market conditions and the discounts of comparable funds, the Company's discount is higher than desired and shares are available to purchase in the market. The Board is of the view that the principal purpose of share repurchases is to enhance net asset value for remaining shareholders, although it may also assist in addressing the imbalance between the supply of and demand for the Company's shares and thereby reduce the scale and volatility of the discount at which the shares trade in relation to the underlying net asset value.

Tender offer
In conjunction with the continuation vote put forward to shareholders at its last Annual General Meeting, the Company announced proposals on 20 December 2012 for a tender offer for up to 15 per cent of the Company's shares in issue (excluding shares held in treasury) which enabled shareholders to tender all or part of their ordinary shares for cash at a price reflecting a 1% discount to formula asset value ("FAV"), being the net asset value of the tendered shares less the costs and expenses of the tender offer. The Board also put forward proposals for two further conditional tender offers. The formal details of these proposals were contained in a circular published on 8 February 2013. The proposals were approved by shareholders at an EGM held on 15 March 2013. On 20 March 2013 a total of 11,320,272 Shares were repurchased by the Company under the tender offer and cancelled, equating to 15% of the Company's ordinary shares in issue as at 21 December 2012. The tender price, calculated in accordance with the Circular to Shareholders dated 8 February 2013, was 531.1576 pence per ordinary share. The aggregate cost of the tender offer was £60,533,000.

Conditional tender offers
As described above, on 15 March 2013 shareholders approved proposals for the Company to conduct two further conditional tender offers. These conditional tender offers are in respect of the six month periods ended 31 October 2013 and the six months ending 30 April 2014. Such conditional tender offers would be made for up to 10% of ordinary shares in issue at a 1% discount to FAV if either (i) the ordinary shares trade at an average discount of more than 10% over the period from 1 May 2013 to 31 October 2013 and 1 November 2013 to 30 April 2014 or (ii) the Company's performance over those periods, as measured by its net asset value total return, is less than that of the MSCI Emerging Markets Net Total Return Index in Sterling terms.

Following the Company's year end, on 4 November 2013, the Company announced that a tender offer would be conducted in respect of the six month period ended 31 October 2013. On 11 December 2013 a total of 6,412,758 ordinary shares were repurchased by the Company under the tender offer and cancelled, equating to 10% of the Company's ordinary shares in issue (excluding treasury shares) as at that date. The tender price was 466.4036 pence per share. The aggregate cost of the tender offer was £30,082,000.

Other purchases of own shares
On 10 May 2013, the Company purchased 20,228 ordinary shares, at a price of 476.2p per share. The shares are held in treasury.

The Company's discount management policy is described above.

The Company's present authority to make market purchases of its own ordinary shares will expire at the conclusion of the Annual General Meeting at which time a new authority to buy back shares will be sought. 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.

Further share issues and sale of treasury shares
Unless authorised by shareholders, the Company will not issue further ordinary shares or re-sell ordinary shares out of treasury for cash at a price below the prevailing net asset value per ordinary share unless they are first offered pro rata to existing shareholders.

Significant shareholders
As at 31 October 2013, the Company had been notified of the following interests in the ordinary shares (excluding treasury shares) of the Company.

	Holding	%
City of London Investment Management Company Limited	16,573,400	25.84
Lazard Asset Management LLC	14,810,423	23.01
Derbyshire County Council	3,700,000	5.77

Since 31 October 2013, the notified interest of City of London Investment Management Company Limited has changed to 13,639,671 ordinary shares and Lazard Asset Management LLC has changed to 14,368,589 ordinary shares.

Non-mainstream pooled investments ("NMPIs")
New FCA rules determining which investment products can be promoted to ordinary retail investors have taken effect from 1 January 2014. As a result of the new rules, certain investment products will be classified as NMPIs and as a result will face restrictions on their promotion to retail investors. The Association of Investment Companies issued guidance in October 2013 recommending that investment companies which conclude that the distribution of their shares will not be restricted as a result of the new rules should make a statement to that effect.

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by Independent Financial Advisers ("IFAs") to ordinary retail investors in accordance with the FCA's rules in relation to NMPIs and intends to continue to do so for the foreseeable future.

The Board has been advised that the Company's shares are excluded from the FCA's restrictions which apply to NMPIs because they are shares issued by a non-UK company which would qualify as an investment trust if resident in the UK.

Continuation vote
The Company does not have a fixed life but the directors consider it desirable that shareholders have the opportunity to review the future of the Company at appropriate intervals. At the Annual General Meeting held on 15 March 2013, a resolution was approved by shareholders that the Company will continue in existence in its current form until the Annual General Meeting to be held in 2018. If the resolution is not passed at the Annual General Meeting to be held in 2018 then, within 4 months of the vote to continue failing, the directors will be required to formulate and put to Shareholders proposals relating to the future of Company, having had regard to, inter alia, prevailing market conditions and the applicable regulations and legislation. If the resolution is passed, the Company will continue its operations and a similar resolution will be put to shareholders every fifth annual general meeting thereafter.

Custodian and depositary
Custody of the Company's investments has been contracted to The Northern Trust Company since business operations commenced. Subject to finalisation of terms, the Company is intending to appoint Northern Trust in Guernsey as its depositary on or before 22 July 2014. A depositary is required to be appointed in order for obligations to be fulfilled under the Alternative Investment Fund Managers Directive.

Borrowings
The Company is permitted to borrow, at the point of drawdown, up to 15% of its net assets.

On 27 February 2013, the Company entered into an overdraft credit facility agreement with The Northern Trust Company. The facility is an uncommitted facility and is repayable on demand. The maximum amount that may be drawn down under the facility is £10 million and any amounts drawn down must be repaid within 90 days of the making of a drawing under the facility. No amount was drawn down from the facility at 31 October 2013.

The Company had no borrowings at 31 October 2013 (2012: nil).

Management
The management of the Company's investments is contracted to Advance Emerging Capital Limited (the "Investment Manager"), which is authorised and regulated by the Financial Conduct Authority.

Further details on the key terms of the agreement and fees payable to the Investment Manager can be found in Note 5 to the financial statements.

Management engagement
In accordance with the requirements of the Listing Rules of the London Stock Exchange, the directors have reviewed whether to retain AECL as the Investment Manager of the Company. The directors have agreed that, given the long-term performance of the Company and the specialist knowledge of AECL, it is in the best interests of shareholders as a whole to continue with AECL's appointment as Investment Manager to the Company.

Company secretary and administrators
Legis Fund Services Limited ("Legis") is appointed as Administrator and Secretary to the Company. Cavendish Administration Limited ("Cavendish") is appointed by Legis to act as administration agent in the United Kingdom. Further details on the fees payable under these agreements can be found in Note 5 to the financial statements.

Payment of suppliers
It is the Company's payment policy to obtain the best terms for all business and therefore there is no consistent policy as to the terms used. The Company contracts with its suppliers the terms on which business will take place and abides by such terms; a high proportion of expenses, including management and administration fees, are paid within the month when invoiced. There were no invoices outstanding to trade creditors at 31 October 2013.

Settlement of share transactions
Transactions in the Company's ordinary shares are settled by the CREST share settlement system.

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

Memorandum and articles of incorporation
The Notice of the Annual General Meeting includes a Special Resolution 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").

A number of administrative and substantive changes to the Memorandum and Articles of Incorporation are proposed, in particular, without prejudice the generality of the foregoing:

- The provisions regarding uncertificated securities issued through CREST or any other Relevant System have been updated and shortened.

- As the Company has no further Subscription Shares in issue, all references to them have been deleted.

- There have been minor administrative changes, to conform better to the Alternative Investment Markets Fund Directive of the European Union, in particular, specific reference has been made to depositories.

- Article 46 expands upon certain requirements re reporting to Members.

A draft of the proposed Memorandum and Articles of Incorporation is being sent to shareholders with this document.

A black line of the proposed Memorandum and Articles of Incorporation marked against the current Memorandum and Articles of Association may be obtained from the Administrator, Legis Fund Services Limited, by email on fund.enquiries@legisgroup.com or by telephone on +44 (0) 1481 726034 or can be found on the Manager's website www.advance-emerging.com.

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. As at 31 October 2013, the Company held £5.4m in cash and £309.7m in investments. It is estimated that approximately 85.1% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended 31 October 2013 were £3.6m, which represented approximately 1.1% of average net assets during the year. At the date of approval of this document, based on the aggregate of investments and cash held, the Company has substantial operating expenses cover. The Company's net assets at 31 December 2013 were £272m.

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.

Auditor
KPMG Channel Islands Limited was re-appointed as auditors of the Company at the Annual General Meeting held on 15 March 2013. A resolution for the re-appointment of KPMG Channel Islands Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
The AGM will be held on 10 April 2014. The notice of AGM is included in this document.

Corporate governance
The corporate governance statement on pages 14 to 16 forms part of this report.

Statement of directors' responsibilities
The statement of directors' responsibilities on page 18 forms part of this report.

John Hawkins
Director

William Collins
Director

30 January 2014

Corporate governance

This Corporate Governance statement forms part of the Directors' Report.

The Board of Advance Developing Markets Fund Limited (the "Company") 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, 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 issued its Code of Corporate Governance (the "Guernsey Code") in September 2011. Companies which report under 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 Corporate Governance 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 in the preamble to the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

The Board

The Board aims to provide effective leadership so the Company has the platform from which it can achieve its investment objective. Its role is to guide the overall business strategy for the benefit of shareholders and stakeholders, ensuring that their interests are its primary consideration. Their intention is to create a supportive working environment which allows the Investment Manager the opportunity to manage the portfolio in accordance with the investment policy, through a framework of effective controls which enable risks to be assessed and managed.

Composition

Mr Bonsor, Mr Hawkins and Mr Mahony were appointed as directors of the Company with effect from its commencement on 16 September 2009. Mr Hadsley-Chaplin was appointed by the Board on 26 April 2012 and Mr Collins was appointed by the Board on 14 June 2012. All the directors hold their office in accordance with the Company's Articles of Incorporation.

The Company's policy is that the Board should have a broad range of skills and diversity. The Board performs an annual review on its performance and these factors form part of that review process.

The Board has given careful consideration to the recommendations of the AIC Code and other guidance on boardroom diversity. The Board will consider these recommendations when reviewing future Board composition.

Richard Bonsor (Chairman) (aged 66) – United Kingdom resident – is a director of JO Hambro Investment Management Limited, which he joined in 1995, having been previously a director of SG Warburg Securities between 1986 and 1989 and a managing director of UBS East Asia Securities between 1992 and 1995.

John Hawkins (Deputy Chairman and Senior Independent Director) (aged 71) – Guernsey resident – is a Fellow of the Institute of Chartered Accountants of England and Wales. He was formerly Executive Vice President and a member of the Corporate Office of The Bank of Bermuda Limited. He was with The Bank of Bermuda for 25 years, of which approximately 15 years were based in Hong Kong. He is also a director of a range of funds, which include hedge funds, funds of hedge funds and other listed investment companies.

William Collins (aged 64) – Guernsey resident – has over 40 years' experience in banking and investment. Since September 2007 he has been employed by Bank J Safra Sarasin (formerly Bank Sarasin) in Guernsey as Director – Private Clients and prior to that he worked for Barings in Guernsey for over 18 years. In 1995 he was appointed a director and from 2003 until August 2007 was Managing Director of Baring Asset Management (CI) Ltd. He also holds other non-executive directorships of investment funds.

Mark Hadsley-Chaplin (aged 52) – United Kingdom resident – has over a decade of experience in the asset management industry. Mark founded RWC Partners Ltd (formerly known as MPC Investors), a London based fund management firm specialising in hedge funds, long only funds and a SICAV UCITS III Strategy, in 2000, was CEO until 2006 and Chairman until 2010. Prior to this he was Vice Chairman of UBS Securities (East Asia) Ltd, based in Singapore and responsible for the management and development of the bank's Asian equity business worldwide.

Terence Mahony (aged 71) – Hong Kong resident – is currently Vice-Chairman of Vina Capital Group and is also a director of a number of Asian focussed investment funds. Previously he was Chief Investment Officer for Indochina Capital Vietnam Holdings and prior to that a director of Investment Management Selection Limited. He was until 1999 Managing Director, Emerging Markets Equities, for the Trust Company of the West (TCW) and President of TCW Asia Limited and before this was Chief Investment Officer for Global Emerging Markets, HSBC Asset Management Limited.

The Chairman is independent, in accordance with principle 1 of the AIC Code. Mr Bonsor has extensive knowledge of the investment management industry and his background provides the foundation for his role as Chairman and the basis on which to make judgements as head of the Board, on behalf of shareholders.

Mr Hawkins is currently appointed as Deputy Chairman and Senior Independent Director. Like the Chairman, Mr Hawkins has many years of experience within the asset management sector. Mr Hawkins is available as an alternative point of contact for shareholders. He also acts as an intermediary for fellow board members and is able to lead the annual evaluation of the Chairman.

All directors are entirely independent of the Investment Manager.

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

At 31 October 2013 and at the date of this report the directors had the following shareholdings in the Company.

	Ordinary shares At 31 October 2013 and at the date of this report	*Ordinary shares At 31 October 2012*
AR Bonsor	12,000	*12,000*
WN Collins	12,000	*6,000*
M Hadsley-Chaplin	20,000	*12,000*
J Hawkins	10,000	–
TF Mahony	–	–

A procedure has been adopted for directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company. Directors are encouraged to attend industry and other seminars, including courses run by the AIC, covering issues and developments relevant to investment companies.

In the year ended 31 October 2013 there were 4 full meetings of the Board. Mr Mahony, Mr Hadsley-Chaplin and Mr Collins attended all meetings. Mr Bonsor attended three meetings.

In addition there were five board meetings to deal with the formal approval of documents.

Re-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. Each director's appointment is for an initial three year period subject to renewal and 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. Mr Bonsor will retire and put himself forward for re-election at the Annual General Meeting.

The Board has reviewed the contribution made by Mr Bonsor and recommends his continuing appointment as a director of the Company.

Board committees
The Company has established an Audit Committee, a Management Engagement Committee, a Nominations Committee and a Remuneration Committee. Other committees of the Board may be formed from time to time to deal with specific matters.

Audit Committee
A report on page 17 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 comprises all the directors. The Management Engagement Committee 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 suppliers of services to the Company.

Mr Mahony is the Chairman of the Management Engagement committee. The Management Engagement Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

In the year ended 31 October 2013, there was one meeting of the Management Engagement Committee. Mr Mahony, Mr Bonsor, and Mr Hawkins attended the meeting.

Nomination Committee
The Company has established a Nomination Committee, which comprises Mr Bonsor, Mr Collins, Mr Hawkins and Mr Mahony. The Nomination Committee has been established for the purpose of identifying and putting forward candidates for the office of director of the Company. The Nomination Committee meets as and when it is required.

Mr Mahony is Chairman of the Nomination Committee. The Nomination Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

In the year ended 31 October 2013 there was one meeting of the Nomination Committee. Mr Bonsor, Mr Collins, Mr Hawkins and Mr Mahony attended the meeting.

Remuneration Committee
The Company has established a Remuneration Committee, which comprises Mr Bonsor, Mr Hawkins and Mr Mahony. The Remuneration Committee meets at least on an annual basis to consider the remuneration of the directors. The committee reviews the remuneration of the directors and chairman against the fees paid to the directors of other investment companies of a similar size and nature, as well as taking into account data published by the AIC.

Mr Mahony is Chairman of the Remuneration Committee. The Remuneration Committee has formal terms of reference and copies of these are available on request from the Company Secretary.

In the year ended 31 October 2013 there was one meeting of the Remuneration Committee. Mr Bonsor, Mr Hawkins and Mr Mahony attended the meeting.

Performance evaluation
A formal annual performance appraisal process is performed on the Board, the committees, the individual directors and its main service providers. A programme consisting of open and closed ended questions is used as the basis for the appraisals. The results are reviewed by the Chairman and are then discussed with the Board so that any necessary action can be considered and undertaken. A separate appraisal of the Chairman is carried out and the results are reviewed and reported back to the Chairman. The results of the performance appraisal carried out in the financial year ended 31 October 2013 demonstrated that the structure of the board and the diverse experience of the directors are appropriate to meet the Company's requirements.

The directors are aware that the Board should have an appropriate balance of skills, experience, independence and knowledge. The annual performance evaluation report covers this issue and the Board understands the requirement for this balance to be maintained.

Internal controls

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness and have applied the FRC guidance on internal controls. The system of 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 guidance 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 internal control system throughout the year and up to the date of this report.

The Board uses a risk assessment matrix to consider the main risks and controls for the Company. The matrix is reviewed and updated on a frequent basis by the Board.

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 key procedures include monthly production of management accounts and NAV calculations, monitoring of performance monthly and 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 accounts is on page 18 and a statement of going concern is on page 13. The report of the independent auditors is on page 20.

Other aspects of internal control

The Board holds at least four regular meetings each year, plus ad hoc meetings and committee meetings as required. Between these meetings there is regular contact with the Investment Manager, the Administrator, the UK Administration Agent and the external Auditor.

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

Directors receive and consider 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, UK Administration Agent and the external Auditor 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 AGM 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 has appointed Mr Hawkins as Deputy Chairman and its Senior Independent Director. All other directors are, however, 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 or Deputy Chairman.

Exercise of voting powers

The Company is committed to exercise diligently its rights as a shareholder and usually votes on its holdings. The Company and the Investment Manager are opposed to a mechanistic, 'box-ticking' adherence to voting or other corporate governance processes. In making a voting decision all relevant factors are taken into account, including the performance of the investee company, its corporate governance where this bears meaningfully upon the responsiveness of its management to shareholder needs and the readiness of its management to address any areas where improvements might be expected to strengthen its share price or otherwise create real benefit for shareholders. Further information regarding the activities of the Company in pursuing these issues may be found in the Investment Manager's report. The Investment Manager has published on its website its statement in compliance with the principles of best practice of the Stewardship Code issued by the Financial Reporting Council in July 2010 and updated in September 2012. The updated code retains the spirit of the July 2010 code whilst making certain new recommendations and clarifies the respective responsibilities of asset managers and asset owners for stewardship.

Social and environmental policy

The Company is a closed-ended 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, composition and meetings

The Company has established an Audit Committee, which comprises Mr Hawkins, Mr Mahony and Mr Collins. The Audit Committee meets at a minimum on a bi-annual basis 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 financial statements and audit reports, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditor and monitoring and reviewing annually the auditor's independence, objectivity, effectiveness and qualifications, and where relevant compliance with corporate governance changes. The Committee is responsible for the development and implementation of a policy on the supply of any non-audit services provided by the auditor. The Board has also requested that the Audit Committee advise them on whether it believes that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Mr Hawkins is the Chairman of the Audit Committee. All members of the Audit Committee have recent and relevant financial experience.

In the year ended 31 October 2013 there were four meetings of the Audit Committee. Mr Hawkins and Mr Collins attended all of the meetings and Mr Mahony attended three meetings. The Company's external auditors also attend the Audit Committee meetings at its request and report on their work procedures and their findings in relation to the Company's statutory audit. The Company's external auditor attended all of the Audit Committee meetings during the year ended 31 October 2013.

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issue in relation to the Company's financial statements for the year ended 31 October 2013.

Valuation of investments

The Company, as an investment company, invests virtually all of its assets into funds from developing markets. As at 31 October 2013, investments represented approximately 97.6% of its net assets. The valuation of investments is therefore the most significant factor in relation to the accuracy of the financial statements. The portfolio consists of investments in either quoted investment companies or open ended funds with observable independent values. The estimates, assumptions and judgements required to be made by management in determining the valuation of investments and method of accounting are described in more detail in notes 3(a) and 17 to the financial statements.

The Audit Committee reviewed the portfolio valuation as at 31 October 2013. The Audit Committee obtained confirmation from the Administrator, UK Administration Agent and the Investment Manager that the Company's accounting policies on valuation of investments had been followed. The Audit Committee made enquiries to the Administrator, UK Administration Agent and the Investment Manager with regards to the procedures that are in place to ensure that the portfolio is valued correctly.

The Audit Committee agreed the approach to the audit of the valuation of investments with the external auditor prior to the commencement of the audit. The results of the audit in this area were reported by the external auditor and there were no significant disagreements between management and the external auditor's conclusions.

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.

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. In the year ended 31 October 2013 there were no non-audit services provided, other than reporting on the Company's half year financial statements.

John Hawkins
Audit Committee Chairman

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether applicable accounting standards 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibility statement in respect of the Annual Report and Financial Statements

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

Directors' responsibility statement under the Disclosure and Transparency Rules 4.1.12

The Directors confirm that to the best of their knowledge and belief;

(a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

(b) the management report (comprising the Chairman's Statement, the Investment Manager's Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

John Hawkins
Director

William Collins
Director

30 January 2014

Directors' remuneration report

A Remuneration Committee has been formed which comprises Mr Bonsor, Mr Hawkins and Mr Mahony.

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 Incorporation 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 31 October 2014 and for subsequent years.

The maximum amount currently payable in aggregate to the directors is £150,000 per annum and this may only be changed by the passing of an ordinary resolution of the Company.

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 31 October 2013.

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 subject to re-election by shareholders at a maximum interval of three years.

Directors' emoluments for the year
Fees payable were at a rate of £27,500 for the Chairman and £25,000 for the Deputy Chairman. Mr Mahony's fees have been increased to £22,500 with effect from 7 December 2012 (previously he was paid at the rate of £19,000 per annum). Mr Collins and Mr Hadsley-Chaplin have been paid at the rate of £22,500 per annum since their appointment.

An additional fee of £5,000 was paid to each director for work performed in relation to the continuation vote and the tender offer proposals put forward during the year.

The following emoluments in the form of fees were payable in the year ended 31 October 2013 to the directors who served during that year.

	Fees 2013 £'000	*Fees 2012 £'000*
Richard Bonsor (Chairman with effect from 26 April 2012, previously Deputy Chairman)	32.5	*25.0*
John Hawkins (Deputy Chairman with effect from 26 April 2012)	30.0	*23.5*
Terence Mahony	27.2	*18.5*
Mark Hadsley-Chaplin (appointed as a director on 26 April 2012)	27.5	*12.0*
William Collins (appointed as a director on 14 June 2012)	27.5	*8.5*
Peter O'Connor (retired on 26 April 2012)	–	*13.5*
Richard Hotchkis (resigned on 14 June 2012)	–	*11.5*
	144.7	***112.5***

Independent auditor's report

To the members of Advance Developing Markets Fund Limited only

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the financial statements of Advance Developing Markets Fund Limited for the year ended 31 October 2013 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB. In our opinion, the financial statements:

• give a true and fair view of the state of the Company's affairs as at 31 October 2013 and of its profit for the year then ended;

• have been properly prepared in accordance with International Financial Reporting Standards as issued by the IASB; and

• comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of investments: The Company invested 97.6% of its net assets as at 31 October 2013 into both quoted and unquoted funds ("underlying funds"). As described in the Report of the Audit Committee on page 17, the valuation of the Company's investments in the underlying funds, given it represents the majority of the Company's net assets, is a significant area of our audit. Investments that are unquoted or in an inactive market (representing 15% of the net assets of the Company), are valued using the respective net asset values of the underlying funds provided by the underlying funds' administrators.

Our audit procedures in respect of the Company's investments in underlying funds that were either unquoted or in an inactive market included, but were not limited to, testing the design, implementation and operating effectiveness of the Investment Manager's oversight controls of the underlying funds' administrators; obtaining net asset value per share confirmations directly from the underlying funds' administrators; and reviewing the latest audited financial statements of the unquoted underlying funds in order to consider the nature of the investments held by the underlying funds, the financial reporting standards applied in the preparation of the underlying funds' financial statements, any modifications to audit reports and other disclosures which may be relevant to the valuation of the Company's investments.

Our audit procedures with respect to the Company's quoted investments or investments in an active market included, but were not limited to verifying the fair value used in the financial statements to a third-party pricing service provider.

We also considered the Company's disclosures (see Note 2e) in relation to the use of estimates and judgments in determining the fair value of investments and the Company's investment valuation policies adopted and fair value disclosures in Note 3a and Note 17 for compliance with International Financial Reporting Standards as issued by the IASB.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgment in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £9,500,000. This has been calculated using a benchmark of the Company's net assets as at 31 October 2013 which we believe is the key benchmark used by members of the Company in assessing financial performance.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £475,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Recognised Auditor, to subjective areas of the accounting and reporting process.

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 Board of 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.

Matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

• we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Company's performance, business model and strategy; or

• the Report of the Audit Committee does not appropriately address matters communicated by us to the audit committee.

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

• the Company has not kept proper accounting records; or

• the financial statements are not in agreement with the accounting records; or

• we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on pages 14 to 16 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities
The purpose of this report and restrictions on its use by persons other than the Company's members as a body
This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Steven D. Stormonth
For and on behalf of

KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

30 January 2014

The maintenance and integrity of the Advance Emerging Capital Limited website is the responsibility of the Investment Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of comprehensive income

For the year ended 31 October 2013	Note	Revenue £'000	Capital £'000	2013 Total £'000	*Revenue £'000*	*Capital £'000*	*2012 Total £'000*
Gains/(losses) on investments designated as fair value through profit or loss	12	–	26,781	26,781	*–*	*(140)*	*(140)*
Capital gains/(losses) on currency movements		–	117	117	*–*	*(117)*	*(117)*
Net investment gains/(losses)		**–**	**26,898**	**26,898**	***–***	***(257)***	***(257)***
Investment income	4	2,931	–	2,931	*3,203*	*–*	*3,203*
Total revenue		**2,931**	**26,898**	**29,829**	***3,203***	***(257)***	***2,946***
Investment management fees	5	(2,938)	–	(2,938)	*(3,190)*	*–*	*(3,190)*
Other expenses	5	(688)	–	(688)	*(613)*	*–*	*(613)*
Operating profit/(loss) before finance costs and taxation		**(695)**	**26,898**	**26,203**	***(600)***	***(257)***	***(857)***
Finance costs	8	(28)	–	(28)	*(50)*	*–*	*(50)*
Operating profit/(loss) before taxation		**(723)**	**26,898**	**26,175**	***(650)***	***(257)***	***(907)***
Withholding tax expense		(246)	–	(246)	*(257)*	*–*	*(257)*
Total comprehensive income for the year		**(969)**	**26,898**	**25,929**	***(907)***	***(257)***	***(1,164)***
Earnings per ordinary share	9	(1.42p)	39.30p	37.88p	*(1.20p)*	*(0.34p)*	*(1.54p)*

The Company does not have any income or expenses that are not included in the profit/(loss) for the year and therefore "profit/(loss) for the year" is also the "Total comprehensive income for the year", as defined in International Accounting Standard 1 (revised).

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared under IFRS. 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.

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 26 to 36 form part of these financial statements

Statement of financial position

At 31 October 2013	Note	2013 £'000	*2012 £'000*
Non-current assets			
Investments designated as fair value through profit or loss	10	309,697	*350,987*
Current assets			
Cash and cash equivalents		5,413	*2,948*
Sales for future settlement		2,285	*131*
Other receivables		182	*629*
		7,880	***3,708***
Total assets		**317,577**	***354,695***
Current liabilities			
Other payables		314	*355*
Purchases for future settlement		–	*2,376*
Total liabilities		**314**	***2,731***
Net assets		**317,263**	***351,964***
Equity			
Share capital	11	245,381	*306,011*
Capital reserve	12	76,708	*49,810*
Revenue reserve		(4,826)	*(3,857)*
Total equity		**317,263**	***351,964***

Net assets per ordinary share	13	494.73p	*466.37p*
Number of ordinary shares in issue (excluding shares held in treasury)		64,128,454	*75,468,954*

Approved by the Board of Directors on 30 January 2014 and signed on their behalf by:

John Hawkins
Director

William Collins
Director

The notes on pages 26 to 36 form part of these financial statements.

Statement of changes in equity

For the year ended 31 October 2013	Share capital account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity	**306,011**	**49,810**	**(3,857)**	**351,964**
Tender offer	(60,533)	–	–	(60,533)
Other share buy backs	(97)	–	–	(97)
Increase/(decrease) in equity	–	26,898	(969)	25,929
Balance at 31 October 2013	**245,381**	**76,708**	**(4,826)**	**317,263**

For the year ended 31 October 2012	*Share capital account £'000*	*Capital reserve £'000*	*Revenue reserve £'000*	*Total £'000*
Opening equity	***279,378***	***50,067***	***(2,950)***	***326,495***
Issue of shares	*28,605*	–	–	*28,605*
Share buy backs	*(1,942)*	–	–	*(1,942)*
Share issue expenses	*(30)*	–	–	*(30)*
(Decrease) in equity	–	*(257)*	*(907)*	*(1,164)*
Balance at 31 October 2012	***306,011***	***49,810***	***(3,857)***	***351,964***

Statement of cash flow

For the year ended 31 October 2013	Note	2013 £'000	*2012 £'000*
Cash flows from operating activities			
Cash inflow from investment income and bank interest		3,247	*2,975*
Cash outflow from management expenses		(3,766)	*(3,794)*
Cash inflow from disposal of investments		201,756	*97,420*
Cash outflow from purchase of investments		(138,215)	*(133,759)*
Cash outflow from taxation		(15)	*(257)*
Net cash flow from/(used in) operating activities	14	**63,007**	***(37,415)***
Cash flows from financing activities			
(Decrease)/increase in bank borrowings	8	–	*(10,000)*
Borrowing commitment fee and interest charges		(28)	*(68)*
Share issues expenses		–	*(30)*
Conversion of subscription shares	11	–	*28,605*
Share buy backs/Tender offer	11	(60,630)	*(1,942)*
Net cash flow (used in)/from financing activities		**(60,658)**	***16,565***
Net increase/(decrease) in cash and cash equivalents		**2,349**	***(20,850)***
Opening balance		2,948	*23,919*
Cash flow		2,349	*(20,850)*
Effect of foreign exchange transactions		116	*(121)*
Balance at 31 October		**5,413**	***2,948***

The notes on pages 26 to 36 form part of these financial statements.

Notes to the financial statements

1 Reporting entity
Advance Developing Markets Fund Limited (the "Company") is a closed-ended investment company, registered in Guernsey on 16 September 2009. The Company's registered office is 11 New Street, St Peter Port, Guernsey GY1 2PF. The Company's ordinary shares hold a premium listing on the London Stock Exchange. The financial statements of the Company are presented for the year ended 31 October 2013.

The Company invests in a portfolio of funds and products which give diversified exposure to emerging market economies and those of the Pacific Rim. The Company's investment objective is to achieve consistent returns for shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms (Bloomberg ticker: NDUEEGF Index) (the "Benchmark").

The investment activities of the Company are managed by Advance Emerging Capital Limited.

This report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. It will also be available in electronic form on the Investment Manager's website, www.advance-emerging.com

2 Basis of preparation
(a) Statement of compliance
The financial statements which give a true and fair view have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standards Board ("IASB") and are in compliance with the Companies (Guernsey) Law, 2008. There were no changes in the accounting policies of the Company in the year to 31 October 2013.

Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for Investment Companies issued by the Association of Investment Companies ("AIC") in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

The total column of the Statement of Comprehensive Income is the profit and loss account of the Company. The capital and revenue columns provide supplementary information.

The financial statements were approved and authorised for issue by the Board on 30 January 2014.

(b) Going concern
The directors have adopted the going concern basis in preparing the financial statements. The following is a summary of the directors' assessment of the going concern status of the Company.

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. As at 31 October 2013, the Company held £5.4m in cash and £309.7m in investments. It is estimated that approximately 85.1% of the investments held at the year end could be realised in one month. The total operating expenses for the year ended 31 October 2013 were £3.6m, which represented approximately 1.1% of average net assets during the year. The Company therefore has substantial operating expense cover. The Company's net assets at 31 December 2013 were £272m.

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.

(c) Basis of measurement
The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss which are measured at fair value.

(d) Functional and presentation currency
The Company's shares are issued in Sterling and the majority of its investors are UK based, therefore the financial statements are presented in Sterling, which is the Company's functional currency. All financial information presented in Sterling has been rounded to the nearest thousand pounds.

(e) Use of estimates and judgements
The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below.

Classification and valuation of investments
Investments are designated as fair value through profit or loss on initial recognition and are subsequently valued at fair value. The valuation of such investments requires estimates and assumptions made by the management of the Company depending on the nature of the investments as described in notes 3 (a) and 17 and fair value may not represent actual realisable value for those investments.

Allocation of investments to fair value hierarchy
IFRS 7 requires the Company to measure fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 7 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 7 are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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.

Functional currency
The Company's ordinary shares are issued and traded in Sterling and a significant proportion of its investments are quoted in Sterling. For these reasons the Company has adopted Sterling as its functional currency.

3 Significant accounting policies
(a) 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. These investments are recognised on the trade date of their acquisition at which the Company becomes a party to the contractual provisions of the instrument. At this time, the best evidence of the fair value of the financial assets is the transaction price. Transaction costs that are directly attributable to the acquisition or issue of the financial assets are charged to the Statement of Comprehensive Income as a capital item. Subsequent to initial recognition, investments designated as fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income and determined by reference to:

(i) investments quoted or dealt on recognised stock exchanges in an active market are valued by reference to their market bid prices;

(ii) investments other than those in i) above which are dealt on a trading facility in an active market are valued by reference to broker bid price quotations, if available, for those investments;

(iii) investments in underlying funds, which are not quoted or dealt on a recognised stock exchange or other trading facility or in an active market, are valued at the net asset values provided by such entities or their administrators. These values may be unaudited or may themselves be estimates and may not be produced in a timely manner. If such information is not provided, or is insufficiently timely, the Investment Manager uses appropriate valuation techniques to estimate the value of investments. In determining fair value of such investments, the Investment Manager takes into consideration the relevant issues, which may include the impact of suspension, redemptions, liquidation proceedings and other significant factors. Any such valuations are assessed and approved by the directors. The estimates may differ from actual realisable values;

(iv) investments which are in liquidation are valued at the estimate of their remaining realisable value; and

(v) any other investments are valued at directors' best estimate of fair value.

Investments are derecognised on the trade date of their disposal, which is the point where the Company transfers substantially all the risks and rewards of the ownership of the financial asset. Gains or losses are recognised in the capital column of the Statement of Comprehensive Income. The Company uses the weighted average cost method to determine realised gains and losses on disposal of investment.

(b) Foreign currency
Transactions in foreign currencies are translated into Sterling at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Sterling at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value through profit or loss are retranslated into Sterling at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Sterling using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss and, depending on the nature of the gain or loss, are allocated to the revenue or capital column of the Statement of Comprehensive Income. Foreign currency differences on retranslation of financial instruments designated as fair value through profit or loss are shown in the "Capital gains/(losses) on currency movements" line.

(c) Income from investments
Dividend income is recognised when the right to receive it is established and is reflected in the Statement of Comprehensive Income as Investment Income in the revenue column. For quoted equity securities this is usually on the basis of ex-dividend dates. For unquoted investments this is usually on the entitlement date confirmed by the relevant holding. Income from bonds is accounted for using the effective interest rate method.

Special dividends and distributions described as capital distributions are assessed on their individual merits and may be credited to the capital reserve if considered to be closely linked to reconstructions of the investee company or other capital transactions. Bank interest receivable is accounted for on a time apportionment basis and is based on the prevailing variable interest rates for the Company's bank accounts.

(d) Treasury shares
Where the Company purchases its own share capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from equity shareholders' funds through the Company's reserves. When such shares are subsequently sold or re-issued to the market any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in equity shareholders' funds through the Share capital account. Shares held in treasury are excluded from calculations when determining NAV per share as detailed in note 13.

(e) Cash and cash equivalents
Cash comprises of cash at hand and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Investment management fees and finance costs
Investment management fees and finance costs are charged to the Statement of Comprehensive Income as a revenue item and are accrued monthly in arrears. Finance costs include interest payable and direct loan costs. Performance-related fees, if any, are payable directly by reference to the capital performance of the Company and are therefore charged to the Statement of Comprehensive Income as a capital item.

(g) Financial liabilities
Financial liabilities (including bank loans) are classified according to the substance of the contractual arrangements entered into. Financial liabilities at fair value through profit or loss are measured initially at fair value, with transaction costs recognised in the Statement of Comprehensive Income.

(h) Taxation
The Company applied for exempt status under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and was charged an annual exemption fee of £600.

Dividend and interest income received by the Company may be subject to withholding tax imposed in the country of origin. The tax charges shown in the Statement of Comprehensive Income relate to overseas withholding tax on dividend income.

(i) Operating segments
The Company has adopted IFRS 8, ‘Operating segments’. This standard 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 investing in a portfolio of funds and products which give exposure to the emerging market economies and those of the Pacific Rim. The key measure of performance used by the Board is the Net Asset Value of the Company (which is calculated under IFRS). Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

Further information on the Company’s operating segment is provided in note 18.

(j) Offsetting
Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a legal right to set off the recognised amounts and it intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs.

(k) Standards and interpretations in issue but not yet effective
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2013, and have not been applied in preparing these consolidated statements. None of these is expected to have a significant effect on the financial statements of the Company.

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. A final standard in relation to hedge accounting is now in issue.

IFRS 9 was originally effective for accounting periods commencing on or after 1 January 2013 however the amendments made to IFRS 9 in December 2013 remove the mandatory effective date but it will be no earlier than 1 January 2017.

The adoption of IFRS 9 (2010) is not expected to have a significant impact on the Company’s financial assets or financial liabilities.

IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS and it enhances fair value disclosures. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. The adoption of IFRS13 is not expected to have a significant impact on the Company’s financial assets or financial liabilities.

IFRS 10 Consolidated Financial Statements (2012)

IFRS 10 is effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have any impact on the Company’s financial position or performance.

The amendments to IFRS 10 for Investment Entities define an investment entity and introduce an exemption to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in its financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The adoption of IFRS 10 is not expected to have a significant impact on the Company’s financial statements.

IFRS 12 Disclosure of Interests in other entities

IFRS 12 is effective for annual periods beginning on or after 1 January 2013. It includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard in not expected to have any impact on the Company’s financial position or performance but may result in additional disclosures.

4 Investment income

	2013 £'000	*2012 £'000*
Income from investments		
Dividends income	2,900	*2,942*
Bond interest income	31	*230*
Other income	–	*31*
	2,931	***3,203***

5 Investment management fees and other expenses

	Revenue £'000	Capital £'000	2013 Total £'000
Investment management fee	3,074	–	3,074
– management fee rebate	(136)	–	(136)
	2,938	**–**	**2,938**
Administration fees	144	–	144
Custodian's fees	40	–	40
Registrar's fees	16	–	16
Directors' fees	145	–	145
Auditors' fees	49	–	49
Marketing fees	32	–	32
Broker fees	40	–	40
Other expenses	222	–	222
Total other expenses	**688**	**–**	**688**
Total expenses	**3,626**	**–**	**3,626**

	Revenue £'000	*Capital £'000*	*2012 Total £'000*
Investment management fee	*3,270*	–	*3,270*
– management fee rebate	*(80)*	–	*(80)*
	3,190	**–**	***3,190***
Administration fees	*140*	–	*140*
Custodian's fees	*43*	–	*43*
Registrar's fees	*16*	–	*16*
Directors' fees	*113*	–	*113*
Auditors' fees	*42*	–	*42*
Marketing fees	*50*	–	*50*
Broker fees	*40*	–	*40*
Other expenses	*169*	–	*169*
Total other expenses	***613***	**–**	***613***
Total expenses	***3,803***	**–**	***3,803***

Details of the Investment Management fee and agreement are provided below.

The investment management agreement is terminable by either party thereto on not less than six months' written notice at any time, subject to earlier termination in certain circumstances including certain breaches or the insolvency of either party.

The Investment Manager is entitled to receive from the Company for its services as Investment Manager a basic fee and, in certain circumstances, a performance fee. The basic fee is payable monthly in arrears (and pro rata for part of any month during which the investment management agreement is in force). This monthly fee is equivalent to one twelfth of one per cent. of the Company's Adjusted Market Capitalisation. The investment management agreement defines the "Company's Adjusted Market Capitalisation" as the aggregate closing mid-market price of the ordinary shares on the last business day of the month or part of a month for which the basic fee is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own ordinary shares at a discount in the twelve month period ending on such business day.

The Investment Manager may receive, in addition to the basic fee, a performance fee in respect of each Relevant Period ending 31 October. It is based on the outperformance of NAV per share (before deducting the performance fee) over the Benchmark NAV per share. The Benchmark NAV per share is the Base NAV per share for the Relevant Period, increased or reduced by the percentage, if any, by which the MSCI Emerging Markets Net Total Return Index in Sterling terms (Bloomberg ticker: NDUEEGF Index) has increased or reduced over the Relevant Period.

For the year ended 31 October 2013 the Base NAV per share was 466.37p (2012: 467.58p). The Base NAV is the NAV at the commencement of business on the first day of such Relevant Period, adjusted for the number of ordinary shares to be issued during such Relevant Period pursuant to the exercise of subscription shares prior to the commencement of such Relevant Period. The performance fee is 10% of the outperformance of the NAV per share over the Benchmark NAV per share, provided that the NAV per ordinary share has increased since the end of the last period in respect a performance fee was payable, i.e. the High Water Mark of 559.24p per share (2012: 559.24p). The performance fee calculation is based on figures taken from the audited financial statements.

The performance fee in respect of a particular Relevant Period will not exceed 2% of the Company's Net Asset Value at the close of business on the final Business Day of the Relevant Period to which such fees relate. There was no performance fee in the current year (2012: nil).

Legis Fund Services Limited ("Legis") is appointed as Administrator and Secretary to the Company. Legis is appointed under a contract subject to ninety days' written notice and 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 ("Cavendish") is appointed by Legis to act as administration agent in the United Kingdom. Cavendish is appointed under a contract subject to not less than ninety days' notice. The UK Administration Agent receives from the Administrator a monthly fee equal to one twelfth of 0.1% of Net Asset Value subject to a current maximum fee of £131,620 (2012: £113,703) per annum. The board agreed that the UK Administrator Agent fee would increase by £15,000 per annum with effect from 1st November 2013 as a consequence of moving to daily net asset values The maximum fee is increased annually, in November, by the change in the UK Retail Price Index (all items) over the preceding 12 months.

The Northern Trust Company, as Custodian, receives a fee comprising an account fee of £2,500 per account per annum, principal/income split of £1,250 per account per annum and single line items (unit trust) reporting of £500 per line per annum. They also receive an asset based fee equal to between 1.00 basis points and 40.00 basis points of the value of the assets of the Company. Transaction based fees are also payable of between £10 and £125 per transaction. The variable fees are dependent on the countries in which the individual holdings are registered.

The Company's ongoing charges for the year ended 31 October 2013, calculated using the Association of Investment Companies methodology were 1.06% (2012: 1.08%).

6 Directors' fees
The fees payable for the year were £144,700 (2012: £112,500). There were no other emoluments. Full details of the fees of each director are given in the Directors' Remuneration Report on page 19.

7 Transaction charges

	2013 £'000	*2012 £'000*
Transaction costs on purchases of investments	309	*297*
Transaction costs on sales of investments	100	*79*
Total transaction costs included in gains/(losses) on investments at fair value through profit or loss	**409**	***376***

8 Finance costs

	2013 £'000	*2012 £'000*
Interest payable	8	*40*
Facility and arrangement fees and other charges	20	*10*
Total finance costs	**28**	***50***

On 27 February 2013, the Company entered into an overdraft credit facility agreement with The Northern Trust Company. The facility is an uncommitted facility and is repayable on demand. The maximum amount that may be drawn down under the facility is £10 million and any amounts drawn down must be repaid within 90 days of the making of a drawing under the facility. No amount was drawn down from the facility at 31 October 2013.

The Company had no borrowings at 31 October 2013 (2012: nil).

9 Earnings per share
Earnings per share is based on the total comprehensive income for the year ended 31 October 2013 profit of £25,929,000 (2012: loss of £1,164,000) attributable to the weighted average of 68,449,991 (2012: 75,693,651) ordinary shares in issue (excluding shares held in treasury) in the year ended 31 October 2013.

Earnings per share may be diluted by the impact of the subscription shares in issue during each period.

There was no dilution to earnings per share during the year ended 31 October 2013 as the final subscription of subscription shares for ordinary shares completed in November 2011.

Supplementary information is provided as follows: revenue per share is based on the net revenue loss of £969,000 (2012: loss £907,000) and capital earnings per share is based on the net capital profit of £26,898,000 (2012: loss £257,000) attributable to the above ordinary shares.

10 Investments

	2013 £'000	*2012 £'000*
Quoted & listed closed end fund investments	258,254	*288,640*
Open ended fund and limited liability partnership investments	51,443	*62,347*
Total fixed asset investments at fair value	**309,697**	***350,987***
Movement during the year:		
Opening balance of investments, at cost	326,739	*294,228*
Additions, at fair value	135,839	*124,367*
Disposals, at book cost	(183,829)	*(91,856)*
Cost of investments at 31 October	**278,749**	***326,739***
Revaluation of investments to fair value		
Opening balance	24,248	*29,454*
Net movement*	6,700	*(5,206)*
Balance at 31 October	**30,948**	***24,248***
Fair value of investments at 31 October	**309,697**	***350,987***

Transaction costs on investments are disclosed in note 7.

*See note 12.

11 Share capital

At 31 October 2013	Nominal value £'000	Number of shares
Authorised		
Ordinary shares of 1p nominal value	Not applicable	Unlimited
Allotted, issued and fully paid		
Ordinary shares of 1p nominal value	668	66,800,732*

At 31 October 2012	*Nominal value £'000*	*Number of shares*
Authorised		
Ordinary shares of 1p nominal value	*Not applicable*	*Unlimited*
Allotted, issued and fully paid		
Ordinary shares of 1p nominal value	*781*	*78,121,004***

*of which 2,672,278 ordinary shares were held in treasury.

**of which 2,652,050 ordinary shares were held in treasury.

Share capital account

The aggregate balance (including share premium) standing to the credit of the share capital account at 31 October 2013 was £245,381,000 (2012: £306,011,000). The movement on the share capital account during the year is presented in the Statement of Changes in Equity.

Tender offers

During the year ended 31 October 2013

On 20 March 2013 a total of 11,320,272 Shares were repurchased by the Company under the tender offer described in the Directors' Report and cancelled, equating to 15% of the Company's ordinary shares in issue as at 21 December 2012. The tender price was 531.1576 pence per ordinary share. The aggregate cost of the tender offer was £60,533,000.

Post balance sheet date

On 4 November 2013, the Company announced that a tender offer would be conducted in respect of the six month period ended 31 October 2013. On 11 December 2013 a total of 6,412,758 ordinary shares were repurchased by the Company under the tender offer and cancelled, equating to 10% of the Company's ordinary shares in issue (excluding treasury shares) as at that date. The tender price was 466.4036 pence per ordinary share. The aggregate cost of the tender offer was £30,082,000.

Other purchases of own shares

On 10 May 2013 the Company purchased 20,228 ordinary shares, to be held in treasury, at a price of 476.22p per share and an aggregate cost (including brokerage commission) of £95,523.

Ordinary shares

Voting rights

Holders of ordinary shares are entitled to attend, speak and vote at general meetings of the Company. Each ordinary share (excluding shares in treasury) carries one vote. Treasury shares do not carry voting rights.

Dividends

The holders of ordinary shares are entitled to such dividend as maybe declared by the Company from time to time. Shares held in treasury do not receive dividends.

Capital entitlement

On a winding up, the ordinary shares (excluding treasury shares) shall rank pari passu for the nominal capital paid up thereon and in respect of any surplus. Shares held in treasury have no capital entitlement on a winding up of the Company.

12 Capital reserve

	2013 £'000	*2012 £'000*
Disposal of investments		
Opening balance	25,562	*20,613*
Gains/(losses) from disposal of investments*	20,081	*5,066*
Foreign exchange gains/(losses)	117	*(117)*
Balance at 31 October	**45,760**	***25,562***
Investments held		
Opening balance	24,248	*29,454*
Movement on valuation of investments held*	6,700	*(5,206)*
Balance at 31 October	**30,948**	***24,248***
Capital reserve balance at 31 October	**76,708**	***49,810***

*Gains/(losses) on investments designated as fair value through profit or loss figure for the year ended 31 October 2013 was £26,781,000 (2012: loss of £140,000).

13 Net asset value per share

Net assets per share is based on net assets of £317,263,000 (2012: £351,964,000) divided by 64,128,454 (2012: 75,468,954) shares (excluding shares held in treasury) in issue at the Statement of Financial Position date.

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

	2013 £'000	*2012 £'000*
Operating profit/(loss) before finance costs and taxation	26,203	*(857)*
Less: Tax deducted at source on income from investments	(246)	*(257)*
Add: Realisation of investments at book cost	183,829	*91,855*
Less: Purchase of investments	(135,839)	*(124,367)*
Less: Adjustment for unrealised (gains)/losses	(6,700)	*5,206*
Effect of foreign exchange transactions	(116)	*121*
(Increase)/decrease in debtors	(1,707)	*352*
Decrease in creditors	(2,417)	*(9,468)*
Net cash inflow/(outflow) from operating activities	**63,007**	***(37,415)***

15 Related party disclosures

Investment Manager (the "Manager")

Advance Emerging Capital Limited ("AECL" or the "Investment Manager") has been appointed as the Company's investment manager. Details of its fee and agreement are provided in note 5.

Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. No performance fee accrual has been included (2012: £nil).

Advance Brazil Leblon Equities Fund

As at 31 October 2013 the Company held an investment with a valuation of £10,233,889 (2012: £11,023,971) in Advance Brazil Leblon Equities Fund ("ABLE"), a fund established by Advance Emerging Capital Limited to invest in domestic growth opportunities within Brazil. Leblon Equities Gestao de Recursos, a locally based investment manager with a highly experienced team, has been appointed as sub investment manager to run the portfolio on a day-to-day basis. The launch of this fund was a means to circumvent the lack of closed end product or appropriately structured open ended vehicles in this highly attractive market. The Company's shareholders benefit from significantly reduced management and performance fees on the investment and no double fees are charged by AECL. A rebate on management fee charged by ABLE equivalent to £136,274 (2012: £79,969) was payable to the Company in the year ended 31 October 2013.

Details of the directors' contracts and fees are provided in the Directors' Remuneration Report on page 19. Total fees from the directors' in the year ended 31 October 2013 were £144,700 (2012: £112,500). Of this amount £144,700 (2012: £77,000) had been paid at the year end, with an accrual of £nil (2012: £35,500) outstanding.

16 Financial instruments – risk profile

Risk Management Framework

The Company has established procedures to enable it to manage its financial risks. The main financial risks faced from its financial instruments are market risk, liquidity risk and credit risk which are discussed below.

Market risks

(i) Risks associated with emerging markets

Investment in certain emerging securities markets and the markets of the Pacific Rim region may involve a greater degree of risk than that associated with investment in more developed securities markets. In particular, in certain countries in which the Company is proposing to invest:

- liquidity and settlement risks may be greater;
- accounting standards may not provide the same degree of shareholder protection as would generally apply internationally;
- national policies may restrict the investment opportunities available to foreign investors, including restrictions on investing in issuers or industries deemed sensitive to relevant national interests;
- the fiscal and monetary systems remain relatively undeveloped and this may affect the stability of the economic and financial markets of these countries:
- substantial limitations may exist with respect to the Company's ability to repatriate investment income, capital or the proceeds of sales of securities by foreign investors; and
- assets may be subject to increased political and/or regulatory risk.

The day to day management of the market risks is the responsibility of the Investment Manager, who analyses markets within a framework of quality, value, growth and change. The Board believes the Investment Manager utilises its proven research and management selection experience to ensure that these risks are minimised, as far as is possible. The investment policy employed by the Investment Manager ensures that diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive. The Company's market positions are monitored by the Board in the monthly portfolio valuations and at Board meetings.

(ii) Currency risks

As stated under i) above the Company invests in emerging 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 functional currency, Sterling. The Company holds US dollars and occasionally other foreign currencies for brief periods in its account with the custodian, but only at times when it expects soon to invest that currency into portfolio holdings.

It is not the Company's policy to hedge against foreign currency movements, nor does the Company use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt. Movements in exchanges are likely to affect directly and indirectly the value of the Company's investments.

Quantitative analysis

The investment portfolio shown on pages 8 and 9 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 31 October comprised:

2013	Cash flow interest rate risk	No interest rate risk	Total	% of net assets
Non-current asset investments at fair value				
USD denominated	–	197,430	197,430	62.2%
EUR denominated	–	492	492	0.2%
GBP denominated	–	111,775	111,775	35.2%
ZAR denominated	–	–	–	–
Cash at bank				
Floating rate – GBP	2,061	–	2,061	0.6%
Floating rate – USD	3,352	–	3,352	1.1%
Short term debtors	–	2,467	2,467	0.8%
Bank loan – GBP	–	–	–	–
Short term creditors	–	(314)	(314)	(0.1%)
	5,413	**311,850**	**317,263**	**100%**

2012	*Cash flow interest rate risk*	*No interest rate risk*	*Total*	*% of net assets*
Non-current asset investments at fair value				
USD denominated	–	*216,390*	*216,390*	*61.4%*
EUR denominated	–	*1,266*	*1,266*	*0.4%*
GBP denominated	–	*131,153*	*131,153*	*37.3%*
ZAR denominated	–	*2,178*	*2,178*	*0.6%*
Cash at bank				
Floating rate – GBP	*1,620*	–	*1,620*	*0.5%*
Floating rate – USD	*1,328*	–	*1,328*	*0.4%*
Short term debtors	–	*760*	*760*	*0.2%*
Bank loan – GBP	–	–	–	–
Short term creditors	–	*(2,731)*	*(2,731)*	*(0.8%)*
	2,948	***349,016***	***351,964***	***100%***

Currency price risk sensitivity

The effect of a 1% appreciation/depreciation in the exchange rate of the US Dollar over Sterling would have resulted in an increase/decrease of £1,974,000 (2012: £2,164,000) on the Company's investments designated as fair value through profit or loss at the Statement of Financial Position date. This analysis assumes that all other variables remain constant.

(iii) Interest rate risk
With the exception of cash, no significant interest rate risks arise in respect of any current asset. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. All cash held as a current asset is Sterling or US dollar and is held at the variable interest rates of the custodian.

On 27 February 2013, the Company entered into an overdraft credit facility agreement with The Northern Trust Company. The facility is an uncommitted facility and is repayable on demand. The maximum amount that may be drawn down under the facility is £10 million and any amounts drawn down must be repaid within 90 days of the making of a drawing under the facility. No amount was drawn down from the facility at 31 October 2013.

Movements in interest rates are likely to affect indirectly the value of the Company's investments.

Interest rate risk sensitivity

Movements in interest rates would not directly affect the net Company's investments, to a material extent, as the majority of the assets are held in equity investments. Movements in interest rates are likely to affect indirectly the value of the Company's investments. However, it is not possible to give an accurate assessment of how significant changes in interest rates would affect the prices of equity investments held by the Company.

(iv) Other price risks
The principal price risk for the Company is the price volatility on the investment portfolio. The Investment Manager attempts to diversify the price risk by spreading its investments across a number of geographical regions and economic sectors. The Board meets regularly to review the Investment Manager's performance and the asset allocation. A breakdown of the Company's asset allocation as at 31 October 2013 can be seen on page 7.

Market price risk sensitivity

The effect on the portfolio of a 10% increase or decrease in market prices would have resulted in an increase or decrease of £30,970,000 (2012: £35,099,000) in the investments designated as fair value through profit or loss at the Statement of Financial Position date, equivalent to 10.0% (2012: 10.0%) of the Net assets attributable to equity holders. This analysis assumes that all other variables remain constant.

Liquidity risks

The majority of the Company's investments are in quoted securities. A high percentage of securities are listed on the London or New York Stock Exchanges and are considered to be readily realisable by comparison with most emerging market securities. The Company also holds unquoted investments, which are predominantly in open-ended funds. Some delay may be encountered in obtaining liquidity in respect of these securities; the Company may utilise its borrowing powers on a short-term basis to avoid delays in reinvestment of the proceeds of redemptions. As at 31 October 2013, the Company held 36.5%, by value, of Advance Umbrella Fund ("AUF") through investing in Advance Brazil Leblon Fund ("ABLE") which is a sub fund of AUF. The Investment Manager does not consider that the size of the Company's holding in AUF or ABLE would result in significant liquidity constraints when realising this investment. Tarpon All Equities holds side pockets within private equity structures which were valued at £1.8m at 31 October 2013.

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

One month	85.1%
Three months	97.7%
One year	99.4%
Three years	100%

The Company had £nil (2012: £2,376,000) purchase transactions and £2,285,000 (2012: £131,000) sales transactions awaiting settlement at the year end, There was also accrued dividend income of £nil (2012: £287,500) and £nil (2012: £27,500) in bond interest income due.

The liquidity of the underlying holdings in the funds in which the Company is invested may have an impact on the ability of the Company to realise its holdings in those funds.

Credit risks

The Company's principal direct credit risk is the risk of default on cash held at the custodian. Cash at bank at 31 October 2013 included £5,196,000 (2012: £2,558,000) held by the custodian, The Northern Trust Company. The Company monitors the credit quality of the custodian. Interest is based on the prevailing money market rates. The Company also holds a limited amount of cash in an account at Lloyds TSB, an account which is primarily used for the payment of the funds operating expenses.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions 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.

All of the assets of the Company are held by the custodian or through the custodian's nominated sub custodians. Bankruptcy or insolvency of the Company's custodian, The Northern Trust Company, or its sub custodians may cause the Company's rights with respect to securities held by them to be delayed or limited. The latest credit ratings at the time of approval of this document for The Northern Trust Company are as follows:

	Standard & Poor's	Moody's	Finch Ratings
Individual rating	–	–	B
Short-term deposit/debt	A-1+	P-1	F1+
Long-term deposit/debt	AA-	A1	AA/AA-

The funds in which the Company is invested may be exposed to credit risk.

Capital management

The Company considers that its capital consists of its net assets.

The Company's authorised share capital consists of an unlimited number of ordinary shares of £0.01 par value. At 31 October 2013 there were 64,128,454 (2012: 75,468,954) ordinary shares in issue (excluding shares held in treasury).

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 and buying back shares can be found in the Directors' Report.

The Company is permitted to borrow, at the point of drawdown, up to 15 per cent. of its net assets. Any borrowings will not be used to fund investments but may be used to meet working capital requirements or to take advantage of favourable investment opportunities pending the payment of proceeds from the sale or redemption of investments. The Company had a credit facility with The Northern Trust Company in place at 31 October 2013. The maximum which may be drawn down under the facility is £10 million and any amounts drawn down must be repaid within 90 days of the making of a drawing under the facility. The Company has certain financial provisions which it must meet in relation to the facility. In particular, the borrowings under the facility may not exceed at any time the lesser of (a) 10% of the aggregate value of the Company's assets held in the custody of the custodian or (b) 100% of any borrowing limit set out in the constitutional documents of the Company.

The Company does not have any externally imposed capital requirements other than disclosed above.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities with financial instruments either internally within the Company or externally at the Company's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical business standards;
- insurance; and
- risk mitigation.

The directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the main service providers to the Company and a review of their internal controls documents prepared under industry recognised guidance, if available.

17 Valuation of financial instruments

IFRS 7 requires the Company to measure fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 7 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 7 are as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 classification of the Company's investments held at fair value through profit or loss as at 31 October 2013 is detailed in the table below:

	2013 £'000	*2012 £'000*
Level 1	258,225	*273,453*
Level 2	49,667	*75,277*
Level 3	1,805	*2,256*
Total	**309,697**	***350,986***

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include listed equities in active markets. 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 investment funds. The underlying net asset values of the open ended funds included under level 2 are prepared using industry accepted standards and the funds have a history of accepting and redeeming funds on a regular basis at net asset value. The net asset values of regularly traded open ended funds are considered to be reasonable estimates of the fair values of those investments and such investments are therefore classified within level 2 if they do not meet the criteria for inclusion in level 1.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. The level 3 figure consists of private equity investments held in a side pocket of Tarpon All Equities and the Company's residual holding in Impax Asian Environmental Markets plc, a company which is in liquidation. These are stated at fair value which is estimated in good faith by the Directors following consultation with the Investment Manager with a view to establishing the probable realisable value of these investments. The fair value of this investment has been based on an unadjusted net asset value provided by the administrator of that fund.

The movement on the level 3 classified investments during the year to 31 October 2013 is shown below:

	2013 £'000	*2012 £'000*
Opening balance	**2,256**	***1,225***
Additions during the year	–	*–*
Disposals during the year	–	*(154)*
Profit or loss on disposals during the year	–	*(198)*
Valuation adjustments	(451)	*1,383*
Closing balance at 31 October	**1,805**	***2,256***
Total gains and losses for the year included in profit or loss relating to assets held at the end of the year	(451)	*1,185*

18 Operating segments

As described in note 3 (i) the Board is of the view that Company is engaged in a single segment of business, which is investing in a portfolio of funds and products which give exposure to the emerging market economies and those of the Pacific Rim.

The Board of directors is responsible for ensuring that the Company's objective and investment strategy is followed. The day-to-day implementation of the investment strategy 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 to ensure compliance with the investment strategy and to assess the achievement of the Company's objective. The Investment Manager has been given full authority to make investment decisions on behalf of the Company in accordance with the investment strategy and analyses markets within a framework of quality, value, growth and change. The investment policy employed by the Investment Manager ensures that diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive. The Company's positions are monitored as a whole by the Board in monthly portfolio valuations and at Board meetings. Details of the portfolio's asset allocation can be found on page 7. Any significant change to the Company's investment strategy requires shareholder approval.

The Company has a diversified portfolio of investments and as disclosed on pages 8 and 9 no single investment accounted for more than 7% of the Company's net assets at the Company's year end. The Investment Manager aims to identify funds which it considers are likely to deliver consistent capital growth over the longer term, as such investment income is not the focus of the investment policy and the Company does not anticipate regular income from its investments. The largest income from an individual investment accounted for 33% of the total investment income receivable in the year.

At 31 October 2013 there were two shareholders who each held more than 10% of the issued share capital. The total number of registered shareholders at the year end was 415. Their holdings were 25% (2012: 28%) and 23% (2012: 24%) respectively.

19 Contingent assets

The Company was established to act as a successor vehicle to Advance Developing Markets Trust plc ("ADMT"), a UK registered investment trust, and to pursue a similar investment objective and policy to ADMT.

In November 2009, shareholders of ADMT approved a winding-up and scheme of reconstruction under section 110 of the UK Insolvency Act 1986 and holders of ADMT shares received shares in the Company on a one for one basis and all the assets of ADMT became transferable to the Company. The assets of ADMT were transferred to the Company on 10 November 2009, save for amounts reserved by the liquidator in a liquidation fund to cover expenses and potential tax liabilities. In addition, ADMT entered into litigation to pursue a claim for restitution against HM Revenue & Customs to recover amounts of irrecoverable VAT suffered by ADMT on investment management fees which had not previously been recovered and an element of interest thereon. It is possible that the Company will receive a further final distribution from the liquidation of ADMT once the VAT case has been concluded and its tax affairs closed. The aggregate maximum distribution from the liquidation fund and a successful claim in the VAT case is currently estimated to be £1.7 million. However, there is significant uncertainty at the present time as to the actual amount, if any, and the distribution could be several years away. Therefore, no amount has been recognized in these accounts in respect of this asset as at 31 October 2013.

20 Post balance sheet events

A tender offer for the purchase of the Company's own shares took place on 11 December 2013. Further details are provided in Note 11 to the accounts.

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

Notice of meeting

Notice is hereby given that an Annual General Meeting of the Company will be held at 11 New Street, St Peter Port, Guernsey at 11.00 a.m. on 10 April 2014 for the purpose of considering and, if thought fit, passing the following resolutions. Resolutions 1 to 6 will be proposed as ordinary resolutions and resolution 7 as a special resolution.

Ordinary resolutions

1 To receive and adopt the financial statements for the year ended 31 October 2013, with the reports of the directors and auditors thereon.

2 To approve the directors' remuneration report included in the annual report for the year ended 31October 2013.

3 To re-elect Mr AR Bonsor as a director of the Company, who retires by rotation.

4 To re-appoint KPMG Channel Islands Limited as auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company at which audited accounts are laid before the Company.

5 To authorise the directors to determine KPMG Channel Islands Limited's remuneration as auditors of the Company.

6 THAT the Company be and is hereby authorised in accordance with section 315 of the Companies (Guernsey) Law 2008, to make market purchases (within the meaning of section 316 of the Companies (Guernsey) Law 2008 of its ordinary shares of 1p each ("Shares"), provided that:

(i) the maximum number of Shares hereby authorised to be acquired is 14.99 per cent. of the issued ordinary share capital of the Company (excluding treasury shares) as at the date of this annual general meeting;

(ii) the minimum price (exclusive of expenses) which may be paid for a Share is £0.01;

(iii) the maximum price to be paid per Share shall be the higher of, (a) 105 per cent. of the average of the closing market value of the Shares for the five business days immediately preceding the date of the relevant purchase; (b) the price of the last independent trade; and (c) the highest current independent bid on the trading venues where the purchase is carried out;

(iv) the authority hereby conferred shall expire at the earlier of the conclusion of the annual general meeting of the Company to be held in 2015 and the date being 18 months from the date of this resolution, unless previously renewed, varied or revoked by the Company in general meeting; and

(v) the Company may make a contract to purchase its Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Shares in pursuance of any such contract.

Special resolution

7 To adopt new Memorandum and Articles of Incorporation in the form enclosed with the Notice of the Meeting.

By the order of the Board

Legis Fund Services Limited

Registered office:
11 New Street
St Peter Port
Guernsey
GY1 2PF

30 January 2014

Notes

1 A Shareholder entitled to attend and vote may appoint a proxy to attend, speak and vote instead of him/her. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by the Shareholder. A proxy need not be a Shareholder of the Company.

2 To appoint more than one proxy to vote in relation to different Shares within your holding you may photocopy the Form of Proxy.

Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you), Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and should be returned together in the same envelope.

3 Forms of Proxy duly completed, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's registrar, Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 11.00 a.m., on 8 April 2014 or not less than 48 hours before the time appointed for the holding of any adjourned AGM or, in the case or a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of a poll or in the case of a poll taken not more than 48 hours after it was demanded, the time at which the poll was demanded.

4 A Form of Proxy is included for use by Shareholders to complete, sign and return. Completion and return of the Form of Proxy will not prevent a Shareholder from subsequently attending the AGM or any adjournments and voting in person if he/she so wishes.

5 Entitlement to attend and vote at the AGM (or any adjournment thereof) and the number of votes which may be cast thereat will be determined by reference to the Company's register of Shareholders as at 11.00 a.m. on 8 April 2014.

6 To allow effective continuation of the meeting, if it is apparent to the Chairman that no Shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, the Chairman may appoint a substitute to act as proxy in his stead for any Shareholder provided that such substitute proxy shall vote on the same basis as the Chairman.

7 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on the above date and any adjournment(s) thereof by using 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (whose CREST ID is RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of the meeting. 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 Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

9 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take, (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor's or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST systems and timings.

10 The Company may treat as invalid a CREST Proxy Instructions in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11 Definitions used in the Notice of AGM and the resolution(s) have the same meanings as given to them in the Circular.

Form of proxy

I/We ____ of ____ (BLOCK CAPITALS PLEASE)

being (a) member(s) of Advance Developing Markets Fund Limited 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 10 April 2014 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
1 To receive and adopt the directors' report, the annual accounts and the auditors' report for the year ended 31 October 2013.	☐	☐	☐
2 To approve the directors' remuneration report for the year ended 31 October 2013.	☐	☐	☐
3 To re-elect Mr AR Bonsor as a director.	☐	☐	☐
4 To re-appoint KPMG Channel Islands Limited as auditors to the Company.	☐	☐	☐
5 To authorise the directors to determine the remuneration of KPMG Channel Islands Limited for the forthcoming financial year.	☐	☐	☐
6 To give the Company the authority to purchase its own shares.	☐	☐	☐
7 To adopt new Memorandum and Articles of Incorporation in the form enclosed with the Notice of the Meeting.	☐	☐	☐

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 ______________________ 2014

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 Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, so as to arrive before 11.00 a.m. on 8 April 2014 (48 hours prior to the Annual General Meeting).

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Directors, Investment Manager and advisers

Directors
Mr AR Bonsor (Chairman)
Mr WN Collins
Mr MR Hadsley-Chaplin
Mr JA Hawkins
Mr TF Mahony

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

Financial adviser and stockbroker
Westhouse Securities Limited
Heron Tower
110 Bishopsgate
London EC2N 4AY

Auditor
KPMG Channel Islands Limited
PO Box 20
20 New Street
St Peter Port
Guernsey GY1 4AN

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

Registered office*
11 New Street
St Peter Port
Guernsey GY1 2PF

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London W1J 0DX
Telephone: 020 7016 0030
www.advance-emerging.com

UK administration agent
Cavendish Administration Limited
145-157 St John Street
London EC1V 4RU

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

Advisers as to Guernsey law
Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

*Incorporated in Guernsey with registered number 50900

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