Advance Developing Markets Fund Limited
Half-yearly report 2012

Contents

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 six months ended 30 April 2012	
Net asset value ("NAV") per ordinary share[1]	+1.8%
Ordinary share price – mid market[2]	+2.1%
MSCI Emerging Markets Net Total Return Index in Sterling terms	+3.0%

As at 30 April 2012	
NAV per ordinary share	475.9p
Ordinary share price – mid market	437.5p
Net assets	£361.4m

[1] Measured against an opening diluted NAV of 467.6p

[2] Measured against an opening mid-market ordinary share price of 428.5p

Chairman's statement

On behalf of the Board, I am pleased to present the Half-yearly Report of Advance Developing Markets Fund Limited (the "Company" or the "Fund") for the period ended 30 April 2012.

Market volatility has continued to make itself felt during the period under review. It is clear that a satisfactory conclusion to the problems facing the Eurozone member states has yet to be accomplished. Elsewhere in the world the UK has dropped back into a state of technical recession while the nascent recovery in the US economy has been called into question. Emerging markets too have faced challenges, notably Chinese growth expectations have declined although they remain around a very respectable 8%. During the period, equity markets were thus swept along by waves of market panic and relief and the path proved to be far from smooth. In the six month period in question the Company marginally underperformed its benchmark. The Investment Manager goes into more detail in its report below but suffice it to say that this reflected the difficulty experienced by the managers of a number of the Company's underlying holdings to outperform in such uncertain and volatile markets. The Fund's long-term numbers remain excellent and we are pleased to see the 3 year numbers continue to improve as the outlier period of September 2008 to September 2009 (the worst in the Company's 14 year history) is replaced by subsequent stronger performance.

Whilst performance is a vital element on which the Company should be judged, your Board also monitors the discount at which the Company's shares trade. The Company's discount averaged 8.1% over the period. This falls within the parameters stated in the discount management policy announced in October 2011 when the Board expressed its desire that, in normal market conditions, the Company's shares should trade at a discount of less than 10 per cent to net asset value.

The half year saw several changes to the composition of the Company's Board of Directors. Peter O'Connor retired as a Director and Chairman of the Company following the Annual General Meeting held on 26 April 2012. During his time in office, Mr O'Connor proved to be an invaluable member of the Board and his insights into markets will be sorely missed. Following Mr O'Connor's departure I assumed the responsibility of Chairman and John Hawkins became Deputy Chairman. In addition the Board was pleased to welcome Mark Hadsley-Chaplin to its ranks as a non-executive Director with effect from 26 April 2012. Mr Hadsley-Chaplin has over a decade's experience in the asset management industry. He is currently Chairman of Cubit Asset Management Pte Ltd. 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. He is entirely independent and I am sure will prove to be a strong addition to the Board. Mr Hadsley-Chaplin is also a member of the Management Engagement Committee.

There have been two further changes to the Board since the period end, which the Board believes will enhance its independence. Richard Hotchkis has stepped down as a Director of the Company as he is already a Director of Advance Frontier Markets Fund Limited, which is also managed by the Investment Manager. The Board would like to thank Richard for his highly valuable contribution to the Company since its formation. William Collins has been appointed to the Board. Mr Collins has many years experience in banking and investment and since September 2007 he has been employed by Bank Sarasin in Guernsey as Director – Private Clients. Prior to that he was employed by the Barings Group in Guernsey for over 18 years where he was responsible for the management of portfolios for private clients and pension funds and was a director of a number of Baring Asset Management fund companies. Before joining Barings in 1988, Mr Collins was employed by the Bank of Bermuda in Bermuda, Hong Kong and Guernsey. These changes to the Board took effect on 14 June 2012. Mr Collins has also been appointed as a member of the Audit, Management Engagement and Nominations Committees of the Company.

The Company will hold its five yearly continuation vote at the Annual General Meeting to be held in 2013. With this in mind it is the Board's intention to undertake a broad shareholder consultation in the autumn of this year such that all views are duly noted and taken into consideration prior to the Annual General Meeting.

In my opinion, the long term prospects for emerging markets remain excellent but near term market conditions may prove to be volatile as markets continue to be driven more by emotion than fundamentals. The Board believes that the portfolio the Investment Manager has constructed is appropriate given this backdrop and that the fund can continue to add value for its investors in line with its stated objective.

Richard Bonsor
14 June 2012

Investment Manager's report

Performance review

The six month period to the end of April witnessed a rise of 1.8% in Advance Developing Market Fund's net asset value and a 2.1% rise in the Fund's share price. The benchmark MSCI Emerging Markets Net TR Index rose by 3.0%.

As can be seen in the table below, manager selection was the major detractor from relative performance during the period as many investee funds struggled to add value in what was an irrational and volatile market environment. This was experienced across both closed and open ended investments. By far the largest detractor was the open ended Atlantis China Fund, which cost in excess of 1% of relative performance. The fund suffered a decline in its unit price of 11.9% while the MSCI China Index rose by 6.1%. The underperformance was largely the result of the fund's small and mid cap bias. Recent dialogue with the manager confirmed that the portfolio offers exceptional value and we would expect this underperformance to be recouped in more normal market conditions. The performance of most other funds in the portfolio was unexceptional.

Asset allocation was marginally positive over the period, with most of the relative gains coming from the continued underweight position in India, where the market fell by 10.2%, substantially underperforming other emerging markets. The positive contribution from discount narrowing came entirely from two holdings. Prosperity Russia Domestic Fund open ended during the period having traded at a discount to net asset value of 21.8% at the beginning of the financial period. Blackrock World Mining saw a marked narrowing of its own discount, from 16% to around 10% on the announcement of plans for a more aggressive dividend policy.

Performance attribution for the 6 months to 30/04/12

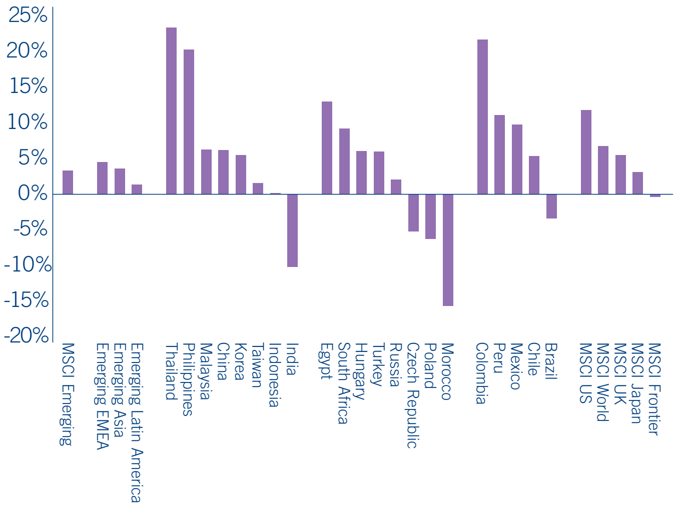
Fund selection	**(1.10)%**
Open ended	(0.69)%
Closed ended	(0.39)%
Other	(0.02)%
Asset allocation	**0.22%**
Asia	0.35%
EMEA	0.08%
Latin America	(0.08)%
Cash (direct and underlying)	(0.13)%
Discount narrowing	**0.25%**
Fees and expenses	**(0.57)%**
Relative NAV performance	**(1.20)%**

Market environment

The period under review was another in which developed market newsflow dominated the headlines. Risk appetite moved in tandem with views on the likelihood of weaker member countries being able to remain within the Euro. Backdoor quantitative easing in Europe in the shape of the ECB's Long Term Refinancing Operation (LTRO) gave some comfort to markets at the start of the period and emerging markets quickly rallied by 14.9% in Sterling terms. From March onwards, however, optimism waned and the rally turned into a rout in which emerging markets gave up virtually all of the ground they previously gained. The sell off was prompted by a combination of weak economic data from Europe and slowing growth in China.

Smaller markets in most regions were the best performing with Thailand (+23.4%), the Philippines (+20.3%), Egypt (+13.0%) and Colombia (+21.7%) the strongest. The BRIC markets put in another disappointing showing with India (-10.2%) and Brazil (-3.4%) being especially weak.

Chart 1: GBP returns of equity indices for the period from 31 October 2011 to 30 April 2012



Source: Bloomberg. MSCI Net Total Return Indices in GBP.

Portfolio

Turnover in the portfolio during the period was driven, in part, by the sale of exchange traded fund positions that were initially taken to invest the proceeds of the subscription share conversion that took place in October 2011. The proceeds of these sales were deployed predominantly into closed end funds trading on attractive discounts. These included existing holdings such as Blackrock World Mining Trust (19%), Blackrock Latin American Investment Trust (8%) and China Fund Inc (11%) (figures in parentheses represent discount to NAV at time of purchase). A follow on investment of US$3mn was made into the open ended Ton Poh Thailand Fund.

New holdings taken during the period included Impax Asian Environmental Markets, India Capital Growth Fund and Renaissance Russia Infrastructure Equities. These three closed end funds were bought at attractive discounts to NAV.

So far in 2012, the fund has benefitted from multiple corporate actions in its closed end fund holdings. Baring Emerging Europe plc announced a tender offer for 20% of its shares in issue at a discount to NAV of 3%. We were able to exit 40% of ADMF's holding at this discount. Blackrock Latin American Investment Trust announced a tender offer for 5% of the shares in issue at a discount to NAV of 2% which took place at the end of March. We exited 10% of our holding at this level. In February Taiwan Fund Inc announced the adoption of a discount management policy and, in addition, a one-time 50% tender offer at a 1% discount to NAV, subject to shareholder approvals relating to management changes. The tender offer will conclude in June. China Fund Inc announced similar measures with a one-time tender offer for 25% of outstanding shares at a 1% discount to NAV. The tender offer is likely to be conducted over the next couple of months. At the end of February ARC Capital Holdings announced a proposed tender offer for up to 6.5% of its shares in issue to be conducted at the NAV of 31 December 2011. We expect this tender offer to be completed in early summer. The managers of Prosperity Russia Domestic Fund decided to resolve the persistently wide discount (circa 15%) of the fund by open ending it in mid-February. This provided a substantial uplift for this holding as it started to trade at NAV. PRDF was a 1.5% (£5.5mn) position for ADMF. More detail on these corporate actions can be seen in the ADMF's 1st Quarter 2012 Newsletter, which is available on Advance Emerging Capital's website (www.advance-emerging.com).

At the end of April the portfolio was invested in 53 holdings with the top 10 representing 43.7% of NAV, the top 20 representing 72.0% of NAV and cash held directly in the Fund (as opposed to by underlying investee fund) of just 0.3%. The split by fund structure was as follows.

	April 2012	*October 2011*
Closed ended investment funds	56.3%	*53.3%*
Open ended investment funds	41.3%	*42.5%*
Market access products	2.2%	*3.3%*
Cash and other net assets	0.2%	*0.9%*

The average discount to NAV on the closed end fund holdings was 10.5% at the end of the period compared to 7.9% as at October 2011.

The asset allocation of the fund was largely unchanged but for marginal increases in the weighting to China and Thailand at the expense of Brazil and India.

Market outlook

In the Fund's last Annual Report, we noted the decoupling of emerging markets at both the sovereign and corporate level from the developed world since the financial crisis commenced, with the former continuing to grow whilst the latter has stagnated. The first four months of the period confirmed that trend, but since then the status quo has been severely tested. Actual earnings for 2011, when reported, came in weaker than expected in many emerging markets, with the spread of risk aversion from the Eurozone combined with concerns relating to a Chinese slowdown apparently taking its toll on economic activity in those economies. Taken in isolation this is cause for concern, but as a part of the bigger picture, we are far from panicking. Revisions have already tailed off and emerging market corporates and sovereigns in general remain in rude health as far as their balance sheets and growth prospects are concerned.

Valuations in emerging markets continue to reflect a bleak outlook. At the time of writing the Russian, Brazilian and Chinese markets are trading on price to earnings ratios for 2012 of 4.4X, 8.4X and 8.7X (Source: Morgan Stanley) and price to book ratios of 0.6X, 1.1X and 1.4X respectively. The BRIC markets as a whole constitute 50% of the emerging markets index and have endured a meaningful de-rating over the past 2 years, moving from a 30%+ premium to other emerging markets (in valuation terms) to an equivalent discount today (Source: UBS Global Equity Research). These are the markets that, due to their size, must recover in order for the asset class as a whole to begin outperforming developed market equities again.

With valuations pricing in a worst case scenario and bulls an endangered species once more, any marginal improvement in the Eurozone situation, possibly triggered by a further bout of quantitative easing, could be sufficient to prompt yet another violent recovery in risk appetite. As we saw in January and February, emerging stock markets will be one of the major beneficiaries of any such change. We will continue to invest with this eventual recovery in mind whilst trying to add value wherever short term volatility provides opportunities.

Advance Emerging Capital Limited

14 June 2012

Thirty largest investments

At 30 April 2012 Fund Name	Asset class	Investment Manager	Style	Structure	Investment size £'000	% of net assets
BlackRock Latin American	Latin American equities	Blackrock IM	Value & growth	UK investment trust	19,334	5.3
Henderson Asian Growth Trust	Asian equities	Henderson AM	Growth	UK investment trust	18,976	5.3
Atlantis China Fund	Chinese equities	Atlantis IM	Value & growth	Irish OEIC	17,044	4.7
China Fund Inc	Chinese equities	RCM	GARP/Value	US closed end fund	16,668	4.6
Taiwan Fund Inc	Taiwanese equities	APS	GARP/Value	US closed end fund	16,595	4.6
JPMorgan Russian Securities	Russian equities	JPMorgan AM	GARP	UK investment trust	15,922	4.4
Aberdeen Latin America Equity	Latin American equities	Aberdeen AM	Value & quality	US closed end fund	13,778	3.8
Neuberger Berman – China Equity Fund	Chinese equities	Neuberger Berman	Value	Irish OEIC	13,533	3.7
Korea Fund Inc	Korean equities	RCM	Value & growth	US closed end fund	13,487	3.7
Coronation Top 20 Fund (Offshore)	South African equities	Coronation AM	GARP	Cayman OEIC	13,023	3.6
Tarpon All Equities Fund	Brazilian small/mid cap and private equity	Tarpon Investimentos	Deep value	Cayman feeder into Delaware LLC	12,910	3.6
Edinburgh Dragon Trust	Asia Pacific Region ex Japan equities	Aberdeen AM	Value & quality	UK investment trust	12,049	3.3
Mirae Asset GD – Korea Equity Fund	Korean equities	Mirae Asset Management	Value & growth	Lux SICAV	11,318	3.1
Advance Brazil Leblon Equity Fund	Brazilian equities	AECL/Leblon Gestao de Recursos	Value	Irish OEIC	11,300	3.1
Lazard Emerging World Fund	GEM FOF	Lazard FM	Discount oriented	Irish OEIC	11,160	3.1
Baring Korea Trust	Korean equities	Baring Asset Management	Value	UK OEIC	11,130	3.1
BlackRock World Mining	Global mining equities	Blackrock IM	Value & growth	UK investment trust	9,677	2.7
Komodo Fund	Indonesian equities	HB Capital Partners	Domestic consumption focus	Cayman OEIC	8,642	2.4

At 30 April 2012 Fund Name	Asset class	Investment Manager	Style	Structure	Investment size £'000	% of net assets
BlackRock Latin American Corporate Bond	Latin American equities	Blackrock IM	Value & growth	Corporate Bond	7,182	2.0
Ton Poh Emerging Thailand Fund	Thai equities	Hunters Investment Ltd	Value	Cayman OEIC	6,859	1.9
Prosperity Russian Domestic Fund	Russian domestic equities	Prosperity Capital	Value	Cayman OEIC	6,711	1.9
iShares FTSE BRIC 50	BRIC equities	Blackrock IM	Index tracker	Dublin OEIC	5,845	1.6
Turkish Investment Fund	Turkish equities	Morgan Stanley IM	Value	US closed end fund	5,676	1.6
Verno Capital Growth Fund	Russian Equities	Verno IM	Value	Cayman OEIC	5,272	1.5
Eastern European Trust	Eastern European equities	Blackrock IM	Value	UK investment trust	5,214	1.4
Baring Vostok Investments Limited	Russian Private Equity	BVIL	Later stage investments	Guernsey closed end fund	4,785	1.3
Baring Emerging Europe	Eastern European equities	Baring AM	Garp	UK investment trust	4,641	1.3
Coronation Smaller Companies	South African equities	Coronation AM	Garp	South African OEIC	4,632	1.3
Impax Asian Environmental Markets	Asian Environmental Equities	Impax AM	Growth	UK investment trust	4,560	1.3
Prosperity Voskhod Fund	Russian Equities	Prosperity Capital	Value	Guernsey closed end fund	4,547	1.3
Thirty largest investments					**312,470**	**86.5**
Other investments					47,968	13.2
Total investments					**360,438**	**99.7**
Cash and other net assets					973	0.3
Net assets					**361,411**	**100.0**

GARP = Growth at a reasonable price

AECL = Advance Emerging Capital Limited

Asset allocation

At 30 April 2012 country split	ADMF %	Benchmark %
Asia		
China	16.1	18.1
India	3.8	6.3
Indonesia	2.9	2.7
Korea	11.0	15.3
Malaysia	0.4	3.4
Philippines	0.2	0.8
Taiwan	6.2	10.7
Thailand	3.2	2.1
Hong Kong	2.5	–
Singapore	1.1	–
Other	2.6	–
	50.0	**59.4**
EMEA		
Czech Rep	0.1	0.3
Egypt	0.2	0.4
Hungary	0.1	0.3
Morocco	0.0	0.1
Poland	0.3	1.4
Russia	13.2	6.5
South Africa	5.2	7.7
Turkey	2.0	1.4
Other	3.0	–
	24.1	**18.1**

At 30 April 2012 country split	ADMF %	Benchmark %
Latin America		
Brazil	15.1	14.0
Chile	0.6	1.8
Columbia	0.2	1.2
Mexico	2.2	4.8
Peru	0.7	0.7
Other	0.9	–
	19.7	**22.5**
Non-specified	2.1	–
Cash in underlying	3.5	–
Portfolio cash	0.6	–
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.

Interim management report

The Chairman's review on page 1 and the Investment Manager's report on pages 2 to 3 provide details on the performance of the Company. Those reports also include an indication of the important events that have occurred during the first six months of the financial year ending 31 October 2012 and the impact of those events on the condensed unaudited financial statements included in this Half-yearly financial report.

Details of the thirty largest investments held at the period end are provided on pages 4 to 5 and the asset allocation at the period end is shown on page 6.

Principal risks and uncertainties
The Board considers that the main risks and uncertainties faced by the Company fall into the categories of (i) General market risks, (ii) Developing Markets risks, (iii) Other portfolio specific risks and (iv) Internal risks (corporate governance and internal control). A detailed explanation of these risks and uncertainties can be found in the Company's most recent Annual Report for the year ended 31 October 2011 (the "Annual Report"). The principal risks and uncertainties facing the Company remain unchanged from those disclosed in the Annual Report. The Chairman's statement and the Investment Manager's report contain market outlook sections.

Related party transactions
Full details of the investment management arrangements were provided in the Annual Report. There have been no changes to the related party transactions described in the Annual Report that could have a material effect on the financial position or performance of the Company. Amounts payable to the investment manager in the six months ended 30 April 2012 are detailed in note 7 of the notes to the condensed set of financial statements.

Signed on behalf of the Board of Directors on 14 June 2012

John Hawkins
Director

Independent review report to Advance Developing Markets Fund Limited

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2012, which comprises the condensed unaudited statement of comprehensive income, the condensed unaudited statement of financial position, the condensed unaudited statement of changes in equity, the condensed unaudited statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA. As disclosed in note 2, the annual financial statements are prepared in accordance with IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 April 2012 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FSA.

Steven D. Stormonth
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Guernsey

14 June 2012

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

• the condensed half-yearly financial statements which have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

• the half-yearly financial report provides a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed half-yearly financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year ending 31 October 2012; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could materially affect the financial position or performance of the entity.

Signed on behalf of the Board of Directors on 14 June 2012

John Hawkins
Director

Condensed unaudited statement of comprehensive income

	Notes	6 months to 30 April 2012 Revenue £'000	6 months to 30 April 2012 Capital £'000	6 months to 30 April 2012 Total £'000	*6 months to 30 April 2011 Revenue £'000*	*6 months to 30 April 2011 Capital £'000*	*6 months to 30 April 2011 Total £'000*
Gains on investments designated as fair value through profit or loss		–	6,165	6,165	*–*	*18,924*	*18,924*
Capital loss on currency movements		–	(77)	(77)	*–*	*(178)*	*(178)*
Net investment gains		**–**	**6,088**	**6,088**	***–***	***18,746***	***18,746***
Investment income		2,427	–	2,427	*1,838*	*–*	*1,838*
Total income		**2,427**	**6,088**	**8,515**	***1,838***	***18,746***	***20,584***
Investment management fees		(1,637)	–	(1,637)	*(1,657)*	*–*	*(1,657)*
Other expenses		(337)	–	(337)	*(262)*	*–*	*(262)*
Operating profit/(loss) before finance cost and taxation		**453**	**6,088**	**6,541**	***(81)***	***18,746***	***18,665***
Finance costs		(50)	–	(50)	*(56)*	*–*	*(56)*
Operating profit/(loss) before taxation		**403**	**6,088**	**6,491**	***(137)***	***18,746***	***18,609***
Taxation		(150)	–	(150)	*(167)*	*–*	*(167)*
Total comprehensive income for the period		**253**	**6,088**	**6,341**	***(304)***	***18,746***	***18,442***
Earnings per ordinary share							
– Basic	5	0.33p	8.06p	8.39p	*(0.44p)*	*27.49p*	*27.05p*
– Diluted	5	0.33p	8.06p	8.39p	*(0.42p)*	*26.01p*	*25.59p*

The Company does not have any income or expense that is not included in the profit for the period and therefore the 'profit for the period' is also the 'Total comprehensive income for the period', as defined in International Accounting Standards 1 (revised).

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared under IAS 34. The revenue and capital columns, including the revenue and capital earnings per share, are supplementary information prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

The notes on pages 14 to 16 form an integral part of these financial statements.

Condensed unaudited statement of financial position

	Notes	At 30 April 2012 £'000	*At 30 April 2011 £'000*	*At 31 October 2011 £'000*
Non-current assets				
Investments designated as fair value through profit or loss		**360,438**	***398,314***	***323,682***
Current assets				
Cash and cash equivalents		2,083	*128*	*23,919*
Sales awaiting settlement		5,631	*396*	*991*
Other receivables		448	*222*	*130*
		8,162	***746***	***25,040***
Total assets		**368,600**	***399,060***	***348,722***
Current liabilities				
Other payables		473	*524*	*459*
Purchases for future settlement		6,716	*–*	*11,768*
Bank borrowings		–	*4,500*	*10,000*
Total liabilities		**7,189**	***5,024***	***22,227***
Net assets attributable to holders of ordinary shares		**361,411**	***394,036***	***326,495***
Share capital		307,953	*289,670*	*279,378*
Capital reserves		56,155	*106,009*	*50,067*
Revenue reserve		(2,697)	*(1,643)*	*(2,950)*
Total equity		**361,411**	***394,036***	***326,495***
Net asset value per ordinary share – undiluted	6	475.89p	*577.00p*	*493.84p*
Net asset value per ordinary share – diluted	6	475.89p	*541.01p*	*467.58p*
Number of ordinary shares in issue	4	75,943,954	*68,290,851*	*66,113,801*

The notes on pages 14 to 16 form an integral part of these financial statements.

Approved by the Board of directors and authorised for issue on 14 June 2012 and signed on their behalf by:

John Hawkins

Condensed unaudited statement of changes in equity

6 months to 30 April 2012	Share capital £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening shareholders' funds	279,378	50,067	(2,950)	326,495
Issue of shares	28,605	–	–	28,605
Share issue expenses	(30)	–	–	(30)
Increase in equity	–	6,088	253	6,341
Closing shareholders' funds	**307,953**	**56,155**	**(2,697)**	**361,411**

6 months to 30 April 2011	*capital £'000*	*Share reserve £'000*	*Capital reserve £'000*	*Revenue Total £'000*
Opening shareholders' funds	*282,841*	*87,263*	*(1,339)*	*368,765*
Issue of shares	*6,840*	–	–	*6,840*
Share issue expenses	*(11)*	–	–	*(11)*
Increase/(decrease) in equity	–	*18,746*	*(304)*	*18,442*
Closing shareholders' funds	***289,670***	***106,009***	***(1,643)***	***394,036***

Year ended 31 October 2011	*Share capital £'000*	*Capital reserve £'000*	*Revenue reserve £'000*	*Total £'000*
Opening shareholders' funds	*282,841*	*87,263*	*(1,339)*	*368,765*
Issue of shares	*6,840*	–	–	*6,840*
Share buy back	*(10,285)*	–	–	*(10,285)*
Share issue expenses	*(18)*	–	–	*(18)*
Decrease in equity	–	*(37,196)*	*(1,611)*	*(38,807)*
Closing shareholders' funds	***279,378***	***50,067***	***(2,950)***	***326,495***

The notes on pages 14 to 16 form an integral part of these financial statements.

Condensed unaudited statement of cash flow

	6 months to 30 April 2012 £'000	*6 months to 30 April 2011 £'000*
Operating activities		
Cash inflow from investment income and bank interest	2,431	*1,769*
Cash outflow from management expenses	(1,904)	*(4,237)*
Cash inflow from disposal of investments	45,184	*49,328*
Cash outflow from purchase of investments	(85,797)	*(58,255)*
Net cash outflow on foreign exchange transactions	(107)	*(178)*
Net cash outflow from taxation	(150)	*(167)*
Net cash used in operating activities	**(40,343)**	***(11,740)***
Financing		
(Decrease) / increase in bank borrowings	(10,000)	*4,500*
Borrowing commitment fee and interest charges	(68)	*(62)*
Share issue expenses	(30)	*(11)*
Conversion of subscription shares	28,605	*6,840*
Net cash flow from financing activities	**18,507**	***11,267***
Net decrease in cash and cash equivalents	**(21,836)**	***(473)***
Opening balance	23,919	*601*
Cash flow	(21,836)	*(473)*
Balance at 30 April	**2,083**	***128***

The notes on pages 14 to 16 form an integral 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 shares hold a premium listing on the London Stock Exchange and commenced trading on 10 November 2009. The condensed interim financial statements of the Company are presented for the six months to 30 April 2012.

The Company invests in a portfolio of funds and products which give diversified exposure to emerging market economies and those of the Pacific Rim with the objective of achieving consistent returns for Shareholders in excess of the MSCI Emerging Markets Net Total Return Index in Sterling terms.

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

2 Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure and Transparency Rules ("DTR's") of the UK's Financial Services Authority. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 October 2011. The financial statements of the Company as at and for the year ended 31 October 2011 were prepared in accordance with International Financial Reporting Standards ("IFRS"). Those financial statements were not qualified. The accounting policies used by the Company are the same as those applied by the Company in its financial statements as at and for the year ended 31 October 2011.

When 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 Condensed Unaudited Statement of Comprehensive Income is the profit and loss account of the Company. The capital and revenue columns provide supplementary information.

The directors have adopted the going concern basis in preparing the accounts. 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 to be held in 2013, a resolution will be proposed that the Company will continue in existence. If the resolution is not passed, 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 the 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.

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 made available in electronic form on the Investment Manager's website, www.advance-emerging.com

3 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.

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. Details of the portfolio's asset allocation of the can be found on page 6. Any significant change to the Company's investment strategy requires shareholder approval.

The Company has a diversified portfolio of investments and, as disclosed in the Thirty Largest Investments on pages 4 to 5, no single investment accounts for more than 7.5% of the Company's net assets. 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 a focus of the investment policy and it does not anticipate regular income from its investments. The largest income from an individual investment accounted for 25% of the total revenue income received in the period.

At 30 April 2012 there were two shareholders who had each notified the Company that they held more than 10% of the issued share capital. Their holdings were as follows:

	Holding	%
City of London Investment Management Company Limited	20,481,144	27.0
Lazard Asset Management LLC	18,405,482	24.2

As at 30 April 2012 the Company had 507 registered shareholders.

4 Share capital
As at 30 April 2012, the Company's share capital consisted of 78,121,004 ordinary shares of 1p nominal value per share of which 2,177,050 ordinary shares were held in treasury.

Subscription shares
Each subscription share conferred the right to subscribe for one ordinary share at a price equal to 291p per ordinary share.

On the final subscription date of 31 October 2011, subscription shareholders exercised their right to subscribe for, in aggregate, 9,087,474 ordinary shares. A total of 742,679 subscription shares were not exercised by subscription shareholders. In accordance with the terms and conditions of the subscription shares, the Company appointed a trustee who in the interests of these subscription shareholders exercised their rights and sold 742,679 ordinary shares in the market for the benefit of such holders at a price of 400p per ordinary share. The 9,830,153 new ordinary shares arising as a result of the exercise of the subscription rights were issued, allotted and listed on the London Stock Exchange on 8 November 2011.

5 Earnings per share
Earnings per share is based on the total comprehensive income for the period of £6,341,000 (2011: £18,442,000 total comprehensive income) attributable to the weighted average of 75,565,871 ordinary shares in issue in the six months to 30 April 2012 (2011: 68,186,957).

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 six months to 30 April 2012 as the final subscription of subscription shares for ordinary shares completed in November 2011. The diluted earnings per share for the six months to 30 April 2011 is based on the total comprehensive income on ordinary activities after taxation attributable to the diluted weighted average of 72,055,805 ordinary shares.

6 Net asset value per share
Undiluted net asset value per ordinary share is based on net assets of £361,411,000 (2011: £394,036,000) divided by 75,943,954 (2011: 68,290,851) ordinary shares in issue at the period end.

There was no dilution to net asset value per ordinary share at 30 April 2012 as no subscription shares remained in issue at that date. Dilution in the net asset value per ordinary share at 30 April 2011 was due to the undiluted net asset value per ordinary share being higher than the price at which the subscription shares could subscribe for ordinary shares, being 291p per share. The diluted net assets per ordinary share figure as at 30 April 2011 was based on net assets of £422,642,000 divided by 78,121,004 diluted ordinary shares at the Statement of Financial Position date.

7 Related party disclosures
Fees payable to the Investment Manager are shown in the Statement of Comprehensive Income. No performance fee accrual has been made (2011: £nil).

At 30 April 2012, in addition to the performance fee accrual, investment management fees of £285,450 (2011: £281,700) were accrued in the condensed unaudited Statement of Financial Position. Total investment management fees for the period were £1,637,454 (2011: £1,656,907).

As at 30 April 2012 the Company held an investment with a valuation of £11,300,000 (2011: in Advance Brazil Leblon Equities Fund, a fund established by Advance Emerging Capital Limited ("AECL") 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.

8 Dividend
The directors do not recommend an interim dividend. As the Company's investment objective is based on capital appreciation and it expects to re-invest realised returns from investments that are consistent with its investment strategy, the directors do not presently intend to make dividend distributions to shareholders.

9 Bank borrowing
At 30 April 2012, the Company had no borrowing facility in place.

During the period, the Company had a loan facility of £10 million with Investec Bank plc, available for 364 days from 15 February 2011. The purpose of the borrowing was to act as a bridging facility, providing short term liquidity to finance investment purchases. The facility was not renewed in February 2012.

10 Classification of financial instruments

The Company complies with IFRS 7. This requires the Company to classify its investments in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. IFRS 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 judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment 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 as at 30 April 2012 is detailed in the table below:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments designated as fair value through profit and loss				
– Quoted	282,010	–	–	282,010
– Unquoted	–	76,733	1,695	78,428
	282,010	**76,733**	**1,695**	**360,438**

The classification of the Company's investments held at fair value as at 30 April 2011 is detailed in the table below:

	Level 1 £'000	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*
Investments designated as fair value through profit and loss				
– Quoted	*302,147*	–	–	*302,147*
– Unquoted	–	*95,397*	*770*	*96,167*
	302,147	***95,397***	***770***	***398,314***

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.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. The level 3 figure consists of private equity investments held by IP Brazil and Tarpon All Equities Fund. The Company has access to daily prices from the IP Brazil investment manager's website and monthly valuations from the Tarpon administrators.

The movement on the level 3 classified investments is shown below:

	6 months to 30 April 2012 £'000	*6 months to 30 April 2011 £'000*
Opening balance	1,225	*224*
Additions during the period	615	*547*
Disposals during the period	–	–
Valuation adjustments	(145)	*(1)*
Closing balance	**1,695**	***770***

Directors, investment manager and advisers

Directors
A R Bonsor (Chairman)
W N Collins (appointed 14 June 2012)
M R Hadsley-Chaplin (appointed 26 April 2012)
J A Hawkins
R D N Hotchkis (resigned 14 June 2012)
T F Mahony
P E O'Connor (retired 26 April 2012)

Secretary and administrator
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