Advance Frontier Markets Fund Limited
Half-yearly financial report 2012

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Directors, Investment Manager and advisers inside back cover

Investment objective

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

Performance

For the six months ended 31 December 2012	
Net asset value ("NAV") per share (in US dollars)	+9.7%
Share price (in US dollars)	+5.0%

As at 31 December 2012	
NAV per share (in US dollars)	$0.8042
Share price (in US dollars)	$0.6945
Share price (in GB pounds)	£0.4275
Total assets	$136.3m

Cover image: Museum of Islamic Art, Doha.

Chairman's statement

On behalf of your Board, I am pleased to present to you the Half-yearly Report for Advance Frontier Markets Fund Limited ("AFMF", "the Fund" or "the Company") for the half year to 31 December 2012.

The second half of 2012 was encouraging with improved sentiment towards frontier markets. AFMF's NAV rose by 9.7% (in US dollar terms) helped by solid gains in a number of the Investment Manager's favoured markets. The share price rose by a more modest 5.0% as the discount to net asset value per share that the Company's shares trade at widened in the second half of 2012.

In relation to discount management, I would draw shareholders' attention to the announcement made by the Company on 10 December 2012. At the time of the Company's annual general meeting in 2016, the Board will put proposals to shareholders that will provide them with the opportunity to fully realise their investment in the Company at the then prevailing net asset value less costs. The Directors intend to offer shareholders the same opportunity at five yearly intervals thereafter. I would also highlight the fact that in accordance with the Company's admission document, a resolution that the Company should continue in existence will be proposed at the AGM in 2014. It is the Board's intention thereafter to replace the commitment to put a similar resolution to shareholders every three years with the exit opportunity at five yearly intervals noted above.

The Board considered several options for reducing the discount to net asset value at which shares in the Company trade and believes that offering a periodic exit at the then prevailing net asset value less costs is an attractive solution for shareholders while avoiding any immediate impact on the liquidity and total expense ratio of the Company.

In the second half of 2012 the markets in which AFMF is invested started to deliver on their potential. I remain convinced that frontier markets offer a combination of strong growth, high yield and reasonable valuations and believe that the next few years, in the absence of any untoward external events, should prove beneficial for our investors.

Finally, I would like to thank the Company's shareholders for their continued support, my colleagues on the Board for their diligence and professionalism, the Investment Manager for its continued efforts and all of our advisers for their advice and assistance.

Grant Wilson
22 February 2013

Investment Manager's report

Performance review

During the half year to 31 December 2012 the Company's net asset value per share and share price rose by 9.7% and 5.0% in US dollar terms respectively. The discount to net asset value at which the Company's shares trade widened from 9.7% to 13.6%.

AFMF's NAV benefitted from strong performance from a number of its larger holdings, notably those focussed on Africa, including Sustainable Capital Nigeria Fund (NAV up 41.1%), Duet Africa Opportunities Fund (NAV up 25.1%) and Africa Emerging Markets Fund (NAV up 22.4%).

Figure 1: Advance Frontier Markets Fund Performance Report

	6 Months	12 Months	Since inception
AFMF NAV	9.7%	11.1%	-17.0%
AFMF Price	5.0%	13.1%	-30.6%

Source: Advance Emerging Capital Limited, Bloomberg, all figures in US dollar terms to 31 December 2012.

Inception was 15 June 2007 (initial NAV per shares after share issues expenses was $0.9685).

Market environment

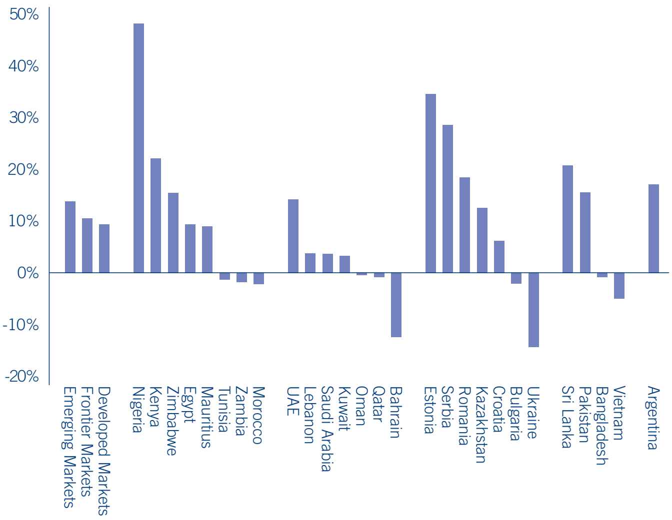
The MSCI Frontier Markets index returned 10.6% in the period. As in previous periods there was a broad range of returns from the underlying constituent markets. Nigeria led the way with a gain of 48.2% as foreign and local buyers returned to the market. Within Africa, Kenya followed Nigeria with a return of 22.1%. At the other extreme, North African markets struggled once again with, Tunisia down 1.3% and Morocco losing 2.2%.

Within Asia, Sri Lanka (+20.8%) rallied over the summer months after receiving a final USD 415 million IMF loan disbursement which encouraged renewed interest from foreign investors. Elsewhere in Asia, Pakistan performed strongly (+15.6%) despite political concerns and a challenging macro situation while Vietnam (-5.0%) suffered in the early part of the period from negative sentiment relating to bad debt issues in its banking sector. Returns across the Gulf markets were muted.

Eastern European frontier markets recovered some of their prior losses with strong gains seen in Estonia (+34.6%), Serbia (+28.6%) and Romania (+18.5%). An exception was the Ukraine which fell by 14.3% owing to political problems and a fragile economic outlook. The generally good performance of the region was primarily driven by the policy announcement from the European Central Bank that it would "do whatever it takes" to preserve the euro. These steps boosted investor confidence in a number of small but attractively valued markets in frontier Europe.

The returns from various frontier equity markets over the six months are illustrated in the following chart.

Figure 2: Market returns over the half year to 31 December 2012 in US dollar terms



Source: Bloomberg, MSCI, S&P and local market indices, total returns in US dollar terms where available, six months to 31 December 2012

Portfolio

The Fund's asset allocation at the end of the period is shown on page 6. In terms of regional exposure, AFMF continued to maintain significant allocations to Africa, Asia and the Middle East.

At the period end, Africa accounted for 36.3% of net assets. The most significant change in exposure was in Nigeria which accounted for 14.1% of the Fund at the end of December, up from 9.9% at the start of the period due to strong performance and an additional investment into our favoured vehicle for that market, Sustainable Capital Nigeria.

In Asia the Company's exposure declined marginally to 17.8% of net assets with Kazakhstan's weight decreasing from 6.0% to 2.7%. This was largely a result of a tender offer conducted by Tau Capital plc (which invests in Kazakhstan listed and private equity) for 22% of its shares in issue. In Pakistan we added modestly to the holdings of locally listed closed end funds on significant discounts taking the allocation to 3.0%. Vietnamese closed end funds were also purchased on attractive discounts bringing the exposure to that market to 9.5%.

The Company's allocation to the Middle East rose modestly and stood at 23.6% at the end of the period. Saudi Arabia was increased through the purchase of an open ended fund managed by EFG-Hermes and accounted for 8.4% of net assets at the end of December. Qatar's weighting declined to 8.8% of net assets following a tender offer for 20% of shares in issue by Qatar Investment Fund.

Another notable change was in Romania where a combination of strong performance and additional purchases of closed end fund Fondul Proprietatea brought that market's weight up to 2.8% despite the sale in its entirety of AFMF's holding in Reconstruction Capital II. That sale was based on the view that the environment for private equity exits is likely to remain challenging in the region. Elsewhere, Brazil's weight declined to 1.9% as a result of a redemption of Tarpon All Equities Fund as we continued a theme of reducing exposure to non-frontier markets.

At the end of December 34.8% of the portfolio was invested in closed end funds, 57.2% was invested in open ended funds, 2.9% was in direct equities and cash plus other net assets accounted for 5.1%. The weighted average discount on the closed end funds in the portfolio was 25.3%. This equates to an 8.8% discount on the portfolio as a whole, in addition to the 13.6% discount that AFMF's own shares were trading on at the end of the half year.

Further details on the top 10 investments follow below.

EFG-Hermes Saudi Arabia Fund (6.3% of net asset value)
The fund returned a NAV gain of 2.6% during the period vs 2.1% from the Saudi Arabian Tadawul Index on a total return basis. EFG-Hermes is one of the largest and best resourced investment houses in the Middle East. EFG's merger with QInvest in Doha will add further strength and depth to the manager. We remain bullish on the Saudi Arabian consumption story. The country has a solid growth outlook fuelled by petrodollar revenues which is supporting a strong domestic consumption theme. Furthermore the market offers attractive valuations at current levels.

VinaCapital Vietnam Opportunity Fund (6.2% of net asset value)
At the start of the period VinaCapital Vietnam Opportunity Fund offered the most attractive discount to NAV of any of the mainstream Vietnamese closed end funds. Consequently we added to the position. Several exits from the fund's private equity portfolio contributed to a NAV return of just over 7.5% whilst the discount narrowed from 37.7% to 28.8%. The two factors combined to give a share price return of 22.9% in a period during which the MSCI Vietnam Index declined 5.0%. The portfolio remains diversified across asset classes with listed equity (42%), real estate (19%), private equity (9%) being the major components.

AshmoreEMM Middle East Fund (6.2% of net asset value)
This open ended fund continues to be managed ably by what is now AshmoreEMM, based in Washington DC. The fund performed well considering the lacklustre performance of Middle Eastern markets generally during the period. Its NAV gained 8.1%, comfortably ahead of the MSCI Arabia Index (+4.8%). Based on the manager's estimates, the portfolio trades on a forward Price to Earnings ratio of 8.7x and a Price to Book ratio of 1.1x. The UAE, Saudi Arabia and Qatar comprise 70% of the portfolio by geography.

Sustainable Capital Nigeria Fund (6.1% of net asset value)
This fund was created in April 2012 with the express intention of providing Nigeria specific exposure for AFMF. Sustainable Capital, based in Cape Town, invests across Africa with a focus on quality companies with strong management and corporate governance practices. This approach has obvious merit in a market like Nigeria and has generated strong outperformance since inception. Since launch, the NAV has risen by 35.8% compared to a 29.5% return from the broader Nigerian stock market. The portfolio is concentrated in 20 holdings with a bias towards financials at present, where valuations remain low despite strong earnings growth and high dividend yields. Creating a bespoke vehicle in this way has been rewarding for investors in AFMF as it has resulted in exposure to a talented manager in a specific geography at a very reasonable level of fees.

Africa Opportunity Fund (6.0% of net asset value)
This London traded closed end fund had a difficult six months by African standards, with the NAV performance held back by exposure to resources companies. The NAV return was 7.1% on a total return basis but the share price return was -3.0% as the discount to NAV widened from 12.9% to 21.2%. The portfolio remains concentrated in deep value situations across Africa, many at the smaller end of the capitalisation spectrum. At the time of writing the ten largest investments (over 70% of NAV) were trading on a trailing average Price to Earnings ratio of 7.5x, a dividend yield of 7.5% and a Return on Equity and Return on Assets of 31.5% and 17.1% respectively. The fund will hold a continuation vote in the first half of 2014 and will likely witness discount narrowing in advance of that event.

Qatar Investment Fund plc (5.6% of net asset value)
Qatar Investment Fund is a London traded closed end fund, offering country specific exposure to Qatar. The fund is advised by Qatar Insurance Company based in Doha. Performance of the Qatari market was dull in the second half of 2012 but the fund performed reasonably well in relative terms with a NAV total return of 0.7% while the MSCI Qatar Index lost 0.7%. The discount narrowed from 15.3% to 9.0% which boosted the share price return to 6.5%. In advance of a wind up vote in November 2012 the fund's board of directors announced that it intended to conduct a series of tender offers. The first, for 20% of shares at a 1% discount to net asset value less costs, was conducted in December. Two subsequent tender offers of 10% will be conducted on the same terms in the fourth quarters of both 2013 and 2014 if the discount averages greater than 10% over the prior twelve month periods. The company also continues to operate an active share buy-back programme.

Africa Emerging Markets Fund (5.6% of net asset value)
The NAV enjoyed a rise of 22.4% over the period, driven by healthy allocations to both the Nigerian and Egyptian markets, which rose substantially. It remains a core African holding within AFMF, offering good liquidity, an attractive fee structure and seasoned management.

Blakeney Investors (5.4% of net asset value)
Veteran frontier market investors Blakeney delivered a NAV return of 12.5% from their Middle Eastern & Africa remit. The portfolio continues to trade on very low aggregate multiples and reflects the kind of valuation anomalies available to diligent stock pickers with a forward Price to Earnings ratio of 8.1x, a Price to Book ratio 1.3x, a dividend yield of 5.4% and Return on Assets of 24%. With the support of its major investors, the fund successfully altered its fee structure and liquidity terms during the year, reducing liquidity from fortnightly to monthly to more closely align the interests of long-term investors in the fund with liquidity in the underlying portfolio. We believe this represents prudent management by Blakeney.

Duet Africa Opportunities Fund (4.5% of net asset value)
The fund enjoyed a good six months with small cap exposure in Nigeria proving particularly beneficial, especially in the financials sector. The net asset value rose by 25.1%. We continue to receive an attractive discount on the headline fees and benefit from the investment manager's input on all African matters on a regular basis.

Tau Capital (4.2% of net asset value)
In July 2012, shareholders approved the managed wind down of the fund, replacing incumbent manager Compass Asset Management and appointing Sturgeon Capital to liquidate the listed part of the portfolio and CapitalGate Securities the private equity portfolio. The liquid part of the portfolio was to be sold down over a relatively short time period while the two remaining private equity holdings would require a somewhat longer period in order to best realise value. In November 2012 the fund returned US$28mn through a tender offer at a 1% discount to September's NAV. The fund will return a further $33mn (representing 36% of net assets) by the end of February 2013. The share price of the fund remained flat during the period and the NAV was virtually unchanged although, the board marked down one of the private equity holdings, an investment in Lucent Petroleum, an oil exploration and production company, by 25% to US$3.75mn.

Market outlook
It was pleasing that in the second half of 2012 frontier markets kept pace with the rallies seen in developed and emerging market equities. The fundamental story remains compelling for many frontier markets supported by strong economic growth, restrained inflation, attractive valuations, solid earnings growth, a high dividend yield, increased interest from institutional investors and a pickup in trading volumes.

The general shift in investor sentiment from indifference to interest is encouraging, with the results of this marginal interest being seen very clearly in certain markets. Evidence of increased participation in equity markets by local investors, especially in Africa, adds to the technical argument. The Nigerian and Kenyan markets were particular beneficiaries of this trend in 2012, with declining interest rates in both countries' fixed income markets prompting greater allocations to equities. In Nigeria, the establishment of the country's sovereign wealth fund is a promising development.

The largest threat to the frontier outlook remains the developed world. In the short to medium term, the latest rounds of quantitative easing and improving economic data seems to have underpinned markets. Managing a frontier markets portfolio while second guessing what the eventual end game may be in the US, Europe or China would be counterproductive. Instead, we continue to focus the portfolio in those geographies where we have highest conviction and to managers and funds that will deliver healthy risk adjusted returns as this trend accelerates.

In practical terms, we anticipate a larger allocation to Africa going forward, particularly within Sub-Saharan markets, where we are targeting core holdings to access the region's financial, consumer and natural resources stocks. The attractive discounts and corporate actions we continue to see in closed end funds in the asset class represent a further source of potential performance.

Advance Emerging Capital Limited

22 February 2013

Twenty largest investments

Fund Name	Asset class	Investment manager	Style*	Structure	At 31 December 2012 Valuation $'000	At 31 December 2012 % of net assets
EFG Hermes – Saudi Arabia Fund	Saudi Arabian Equities	EFG-Hermes KSA	Growth and value	Saudi open ended fund	8,620	6.3%
Vietnam Opportunity Fund	Vietnam Equities	VinaCapital	Growth and value	Cayman closed end fund	8,412	6.2%
Ashmore EMM Middle East Fund	Middle East equities	Ashmore Group	Bottom-up fundamental value and quality	Dublin OEIC	8,401	6.2%
Sustainable Capital Nigeria Fund	Nigerian equities	Sustainable Capital	Value	Mauritius OEIC	8,325	6.1%
Africa Opportunity Fund	African equities & debt	Africa Opportunities Partners	Value and arbitrage	Cayman closed end fund	8,216	6.0%
Qatar Investment Fund	Qatari equities	Qatar Insurance Company	Growth and value	Isle of Man closed end fund	7,664	5.6%
Africa Emerging Markets Fund	African equities	Ashmore EMM	Value	Cayman OEIC	7,630	5.6%
Blakeney Investors	Middle East & African equities	Blakeney AM	Value	Luxembourg SICAV	7,339	5.4%
Duet Africa Opportunities Fund	African equities	Duet AM	Small cap value	Jersey OEIC	6,089	4.5%
Tau Capital	Kazakhstan listed and private equity	Sturgeon Capital & CapitalGate Securities	Wind down mode	Isle of Man closed end fund	5,746	4.2%
Morgan Stanley Frontier Emerging Markets Fund	Frontier market equities	Morgan Stanley	GARP	US listed open end fund	4,880	3.6%
Tugela Africa Resources Fund	African Resource equities	Laurium Capital	Value	BVI OEIC	4,484	3.3%
PXP Vietnam Fund	Vietnamese listed and private equity	PXP Vietnam Asset Management	Value	Cayman closed end fund	4,080	3.0%
Advance Copernico Argentina	Argentinian equities	Copernico Capital Partners	Deep value	Cayman OEIC	4,053	3.0%
Frontaura Global Frontier	Frontier markets equities	Frontaura Capital	Value	Cayman OEIC	3,908	2.9%
Fondul Proprietatea	Romanian listed and private equities	Templeton AM	Value	Romanian closed end fund	3,792	2.8%
IMARA African Opportunities Fund	Sub Saharan African equities	Imara AM	Value	BVI OEIC	3,321	2.4%
Picic Growth Fund	Pakistani Equities	PICIC AM	Value	Pakistan closed end fund	2,774	2.0%
Tarpon All Equities Fund	Brazilian listed and private equity	Tarpon Investimentos	Deep value	Cayman feeder into Delaware LLC	2,758	2.0%
MENA Alchemy Fund	Middle East & North Africa equities	Mena Capital LP	Value	Bermuda OEIC	2,610	1.9%
Top twenty holdings					**113,102**	**83.0%**
Other holdings					16,224	11.9%
Total holdings					**129,326**	**94.9%**
Cash and other net assets					6,946	5.1%
Net assets					**136,272**	**100.0%**

OEIC = open ended investment company
GARP = Growth at a reasonable price
*As determined by Advance Emerging Capital Limited

Asset allocation

on a portfolio look through basis

Country split	Percentage of net assets
Africa	**36.3%**
Botswana	0.8%
Dem. Rep. of Congo	0.7%
Egypt	1.5%
Ghana	1.4%
Ivory Coast	0.5%
Kenya	1.6%
Mauritius	1.6%
Morocco	0.2%
Namibia	0.3%
Nigeria	14.1%
Senegal	1.6%
South Africa	1.9%
Tanzania	0.3%
Tunisia	1.4%
Zambia	4.3%
Zimbabwe	1.5%
Other Africa	2.6%
Asia	**17.8%**
Bangladesh	0.2%
Kazakhstan	2.7%
Pakistan	3.0%
Vietnam	9.5%
Other Asia	2.4%

Country split	Percentage of net assets
Eastern Europe	**5.6%**
Bulgaria	0.1%
Croatia	0.4%
Estonia	0.1%
Romania	2.8%
Serbia	0.2%
Other Eastern Europe	2.0%
Middle East	**23.6%**
Bahrain	0.7%
Kuwait	1.0%
Oman	0.7%
Qatar	8.8%
Saudi Arabia	8.4%
UAE	2.9%
Other Middle East	1.1%
Latin America	**4.8%**
Argentina	2.9%
Brazil	1.9%
Other Latin America	0.0%
Other	**5.8%**
Cash (including cash in underlying funds)	**6.1%**
Total	**100.0%**

Unaudited statement of comprehensive income

	6 months to 31 December 2012 Revenue $'000	6 months to 31 December 2012 Capital $'000	6 months to 31 December 2012 Total $'000	*6 months to 31 December 2011 Revenue $'000*	*6 months to 31 December 2011 Capital $'000*	*6 months to 31 December 2011 Total $'000*
Gains/(losses) on investments	–	12,317	12,317	*–*	*(18,598)*	*(18,598)*
Capital loss on currency movements	–	(35)	(35)	*–*	*(7)*	*(7)*
Net investment gains/(losses)	**–**	**12,282**	**12,282**	***–***	***(18,605)***	***(18,605)***
Investment income	883	–	883	*701*	*–*	*701*
Total income	**883**	**12,282**	**13,165**	***701***	***(18,605)***	***(17,904)***
Investment management fees	(233)	(465)	(698)	*(234)*	*(467)*	*(701)*
Other expenses	(313)	–	(313)	*(265)*	*–*	*(265)*
Profit/(loss) on ordinary activities before finance costs and taxation	**337**	**11,817**	**12,154**	***202***	***(19,072)***	***(18,870)***
Finance costs	–	–	–	*(14)*	*(27)*	*(41)*
Profit/(loss) on ordinary activities before taxation	**337**	**11,817**	**12,154**	***188***	***(19,099)***	***(18,911)***
Taxation	(96)	–	(96)	*(57)*	*–*	*(57)*
Profit/(loss) on ordinary activities after taxation	**241**	**11,817**	**12,058**	***131***	***(19,099)***	***(18,968)***
Earnings per ordinary share	0.14c	6.97c	7.11c	*0.08c*	*(11.27c)*	*(11.19c)*

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. The Company does not have any income or expenses that are not included in the profit for the period and therefore the "Profit on ordinary activities after taxation" is also the total comprehensive income for the period.

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

Unaudited statement of financial position

	At 31 December 2012 $'000	*At 31 December 2011 $'000*	*At 30 June 2012 $'000*
Non-current assets			
Investments designated as fair value through profit or loss	129,326	*119,711*	*116,273*
Current assets			
Financial commitments paid	5,000	*–*	*2,828*
Other receivables	411	*112*	*368*
Sales for future settlement	–	*–*	*–*
Cash and cash equivalents	1,853	*3,071*	*4,947*
	7,264	*3,183*	*8,143*
Total assets	**136,590**	***122,894***	***124,416***
Current liabilities			
Other payables	318	*223*	*202*
Total assets less current liabilities	**136,272**	***122,671***	***124,214***
Share premium account	88,788	*88,788*	*88,788*
Share purchase reserve	82,319	*82,319*	*82,319*
Capital reserve	(34,958)	*(48,080)*	*(46,775)*
Revenue reserve	123	*(356)*	*(118)*
Total equity	**136,272**	***122,671***	***124,214***
Net asset value per ordinary share	80.42c	*72.39c*	*73.30c*
Number of ordinary shares in issue	169,460,000	*169,460,000*	*169,460,000*

Unaudited statement of changes in equity

6 months to 31 December 2012	Share premium account $'000	Share purchase reserve $'000	Capital reserve $'000	Revenue reserve $'000	Total $'000
Opening shareholders' funds	**88,788**	**82,319**	**(46,775)**	**(118)**	**124,214**
Profit for the period	–	–	11,817	241	12,058
Closing shareholders' funds	**88,788**	**82,319**	**(34,958)**	**123**	**136,272**

6 months to 31 December 2011	*Share premium account $'000*	*Share purchase reserve $'000*	*Capital reserve $'000*	*Revenue reserve $'000*	*Total $'000*
Opening shareholders' funds	***88,788***	***82,319***	***(28,981)***	***(487)***	***141,639***
(Loss)/profit for the period	–	–	*(19,099)*	*131*	*(18,968)*
Closing shareholders' funds	***88,788***	***82,319***	***(48,080)***	***(356)***	***122,671***

Unaudited statement of cash flow

	6 months to 31 December 2012 $'000	*6 months to 31 December 2011 $'000*
Operating activities		
Cash inflow from investment income and bank interest	823	*627*
Cash outflow from management expenses	(879)	*(1,022)*
Cash inflow from disposal of investments	18,211	*19,157*
Cash outflow from purchase of investments	(21,118)	*(20,090)*
Cash outflow on foreign exchange transactions	(35)	*(4)*
Cash outflow from taxation	(96)	*(56)*
Net cash flow used in operating activities	**(3,094)**	***(1,388)***
Financing activities		
Interest paid	–	*(39)*
Net cash flow used in financing activities	**–**	***(39)***
Net decrease in cash and cash equivalents	**(3,094)**	***(1,427)***
Opening balance	4,947	*4,498*
Cash outflow	(3,094)	*(1,427)*
Closing balance	**1,853**	***3,071***

Notes to the financial statements

1 Company information
The Company is a closed-ended investment company incorporated and resident in Guernsey. Its ordinary shares are listed on the Channel Islands Stock Exchange and quoted on AIM.

2 Basis of preparation
The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They are unaudited and do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2012. The financial statements of the Company as at and for the year ended 30 June 2012 were prepared in accordance with International Financial Reporting Standards ("IFRS") and received an unqualified audit report. 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 30 June 2012.

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

The total column of the income statement is the profit and loss account of the Company. The capital and revenue columns provide supplementary information.

Investments have been classified as "fair value through profit and loss".

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

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

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

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

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

3 Earnings per share
Earnings per share is based on the gain of $12,058,000 (2011: $18,968,000 loss) attributable to the weighted average of 169,460,000 ordinary shares in issue in the six months to 31 December 2012 (2011: 169,460,000).

4 Taxation
The charge for taxation relates to tax suffered on dividends received from overseas investments.

5 Net asset value per share
Undiluted net asset value per ordinary share is based on net assets of $136,272,000 (2011; $122,671,000) divided by 169,460,000 (2011: 169,460,000) ordinary shares in issue at the period end

6 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.

7 Investment management fees
Fees payable to the Investment Manager are shown in the Income Statement. No performance fee accrual has been made in the period to 31 December 2012 (2011: nil). No performance fee accrual was made during the year ended 30 June 2012.

At 31 December 2012, Manager's fees of $237,415 (2011: $108,342) were accrued in the balance sheet.

8 Status of this report
These financial statements are not the Company's statutory accounts. They are unaudited. This report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. It is also available on the Company's website, www.frontiermarketsfund.com.

The Half-yearly financial report was approved by the Board of directors on 22 February 2013.

Directors, Investment Manager and advisers

Directors
(James) Grant Wilson (Chairman)
Helen Green
Richard Hotchkis
John Whittle

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