

FMG AFRICA FUND LTD.

Annual Report and Non-Statutory Financial Statements

For the year ended March 31, 2013

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FMG AFRICA FUND LTD.

Directors, officers and other information

Directors:	Anthony O'Driscoll James Keyes William Woods
Investment manager:	FMG Fund Managers Bermuda Ltd, 20, Reid Street, 3rd Floor, Williams House, P.O. Box 2460 HMJX, Hamilton HM11, Bermuda.
Company secretary:	Sharon Ward
Registered office:	20, Reid Street, 3rd Floor, Williams House, P.O. Box 2460 HMJX, Hamilton HM11, Bermuda.
Administrator, registrar and transfer agent:	Apex Fund Services Ltd, 20, Reid Street, 3rd Floor, Williams House, P.O. Box 2460 HMJX, Hamilton HM11, Bermuda.
Sub-administrator:	Apex Fund Services (Malta) Ltd, 6th Floor, Airways House, Gaiety Lane, Sliema, Malta.
Custodian / Bankers:	Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland.
Legal advisers:	Appleby, Canon's Court, 22 Victoria Street, Hamilton, Bermuda.
Auditor:	Deloitte Audit Limited, Deloitte Place, Mriehel Bypass, Mriehel, Malta.

FMG AFRICA FUND LTD.**Comparative table**

	As at March 31, 2013			As at March 31, 2012		
	NAV per unit*	Units in circulation	Total NAV	NAV per unit*	Units in circulation	Total NAV
FMG Africa Fund Class A (USD)	61.86	19,724	1,220,083	49.39	23,870	1,179,082
FMG Africa Fund Class A09 (USD)	100.74	2,343	235,988	80.44	2,392	192,386
FMG Africa Fund Class B (USD)	6.88	32,666	224,641	5.46	33,460	182,850
FMG Africa Fund Class B09 (USD)	9.83	2,350	23,104	7.81	2,350	18,360
FMG Africa Fund Class A (EUR)	54.33	3,865	209,982	44.26	4,592	203,258
FMG Africa Fund Class A09 (EUR)	97.73	922	90,072	79.62	922	73,387
FMG Africa Fund Class B (EUR)	5.76	44,678	257,445	4.67	49,205	229,868

*The NAV per unit is presented to the nearest two decimal places.

FMG AFRICA FUND LTD.

Directors' report

For the year ended March 31, 2013

The directors present the annual report and the audited non-statutory financial statements of FMG Africa Fund Ltd. ('the Company' or 'the Fund') for the year ended March 31, 2013.

Principal activities

The Company is an open-ended investment Fund, incorporated in Bermuda empowered by its bye-laws to issue, redeem and reissue its own shares at prices based on their net asset value.

The principle strategy of the Fund is to invest the Fund's assets primarily in FMG (EU) Africa Fund, a sub-fund of FMG Funds SICAV plc a company registered in Malta, which will give investors access to a portfolio of managed accounts and other funds that have a good performance record.

Performance review and financial position

The Fund generated an income amounting to \$479,442 (2012 - loss of \$695,980). During the year under review, \$314,162 (2012 - \$823,491) were redeemed whilst \$4,578 (2012 - \$7,567) was attracted to the Fund. Shareholders' funds as at March 31, 2013 amounted to \$2,418,375 (2012 - \$2,248,517).

Directors

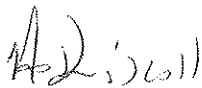
The directors who served during the period were:
Peter Hughes (resigned on 30 November 2013)
Anthony O'Driscoll (appointed on 1 December 2013)
William Woods
James Keyes

In accordance with the Fund's articles of association the directors are to remain in office.

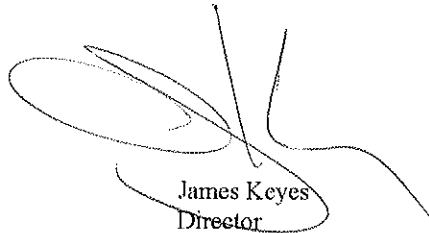
Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the Fund will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on its behalf on 31 January 2014 by.



Anthony O'Driscoll
Director



James Keyes
Director

FMG AFRICA FUND LTD.

Directors' responsibility for the financial statements

For the year ended March 31, 2013

The directors acknowledge their responsibility to prepare financial statements in accordance with International Financial Reporting Standards which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FMG AFRICA FUND LTD.

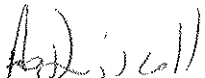
Statement of financial position

March 31, 2013

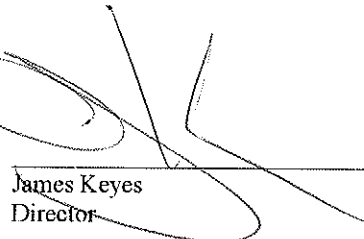
(Expressed in United States Dollars)

	Notes	<u>2013</u>	<u>2012</u>
Assets			
Financial assets at fair value through profit or loss	4	2,422,770	2,070,831
Receivables	5	17,117	106,403
Prepayments		6,062	8,064
Cash and cash equivalents		69,163	108,596
Total assets		2,515,112	2,293,894
Liabilities			
Financial liabilities at fair value through profit or loss	4	13,032	-
Accounts payable and accrued expenses	6	27,973	45,377
Overdrawn bank balances		55,732	-
Total liabilities (excluding net assets attributable to holders of redeemable preference shares)		96,737	45,377
Net assets attributable to redeemable preference shares		\$ 2,418,375	\$ 2,248,517

These financial statements were approved by the board of directors, authorised for issue on 31 January 2014 and signed on its behalf by:



Anthony O'Driscoll
Director



James Keyes
Director

FMG AFRICA FUND LTD.**Statement of comprehensive income**

Year ended March 31, 2013

(Expressed in United States Dollars)

	Notes	<u>2013</u>	<u>2012</u>
Investment income/(loss)			
Net gain/(loss) on investments		531,038	(594,501)
Rebate income		32,408	38,625
Other income		21,002	48
Total investment income/(loss)		584,448	(555,828)
Operating expenses			
Management fees	11	42,585	52,572
Administration fees	11	34,650	32,430
Audit fees		1,935	2,439
Directors' and secretarial fees		13,500	13,500
Custodian fees	8	1,191	3,936
Other operating fees		11,135	34,970
Total operating expenses		104,996	139,847
Finance cost			
Interest expense		10	305
Net investment income/(loss)		479,442	(695,980)
Increase/(decrease) in net assets attributable to holders of redeemable preference shares		\$ 479,442	\$ (695,980)

The notes on pages 9 to 24 form an integral part of the financial statements.

FMG AFRICA FUND LTD.

Statement of changes in net assets attributable to holders of redeemable preference shares

Year ended March 31, 2013

(Expressed in United States Dollars)

	<u>2013</u>	<u>2012</u>
Increase / (decrease) in net assets attributable to holders of redeemable preference shares	479,442	(695,980)
From capital share transactions		
Proceeds from the subscription of redeemable preference shares	4,578	7,567
Payments on redemption of redeemable preference shares	<u>(314,162)</u>	<u>(823,491)</u>
Net increase / (decrease) in net assets attributable to redeemable preference shares	169,858	(1,511,904)
Net assets attributable to redeemable preference shares at the beginning of the year	<u>2,248,517</u>	<u>3,760,421</u>
Net assets attributable to redeemable preference shares at the end of the year	<u>\$ 2,418,375</u>	<u>\$ 2,248,517</u>

The notes on pages 9 to 24 form an integral part of the financial statements.

FMG AFRICA FUND LTD.**Statement of cash flows**

Year ended March 31, 2013

(Expressed in United States Dollars)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Increase / (decrease) in net assets attributable to holders of redeemable preference shares	479,442	(695,980)
Adjustments to reconcile net increase / (decrease) in net assets resulting operations to net cash provided by operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	(338,907)	1,377,814
Receivables and prepayments	91,289	(88,512)
Accounts payable and accrued expenses	(17,405)	2,689
Net cash provided by operating activities	<u>214,419</u>	<u>596,011</u>
Cash flows used in financing activities		
Proceeds from issue of redeemable preference shares	4,578	7,567
Payments on redemptions of redeemable preference shares	(314,162)	(823,491)
Net cash used in financing activities	<u>(309,584)</u>	<u>(815,924)</u>
Net decrease in cash and cash equivalents	(95,165)	(219,913)
Cash and cash equivalents at the beginning of the year	<u>108,596</u>	<u>328,509</u>
Cash and cash equivalents at the end of the year	\$ <u>13,431</u>	\$ <u>108,596</u>
Supplementary cash flow information		
Interest paid	\$ <u>10</u>	\$ <u>305</u>

The notes on pages 9 to 24 form an integral part of the financial statements.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

1. Reporting entity

FMG Africa Fund Ltd. (the 'Company' or the 'Fund') was incorporated in Bermuda on March 8, 2007 as an open-ended investment Fund, empowered by its bye-laws to issue, redeem and reissue its own shares at prices based on their net asset value.

The Fund invests in other funds to provide investors access to a wide variety of underlying fund managers covering a broad range of hedge funds strategies, industry sectors and geographic regions. Effective April 1, 2010 the Fund achieves this investment strategy by investing primarily in FMG (EU) Africa Fund, a sub-fund of FMG Funds SICAV plc which is a regulated Malta entity managed by FMG (Malta) Ltd and related to the FMG Group.

2. Basis of preparation

2.1 Statement of compliance

These non-statutory financial statements represent the annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") and issued by the International Accounting Standards Board ("IASB").

During the prior year the Company adopted IFRS in accordance with IFRS 1 and presented their first annual financial statements in accordance with IFRS. The financial statements were authorised for issue by the board of directors on 31 January 2014.

2.2 Basis of measurement

The financial statements have been prepared using the historical cost convention except that the following are measured at fair value:

- derivative financial instruments; and
- financial instruments designated at fair value through profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in the United States Dollars (USD), which is also the functional currency of the Company, rounded to the nearest unit.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires directors to exercise judgements in the process of applying accounting estimates. Estimates and judgements are continually evaluated and are based on experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult to reach, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised) – *Presentation of Financial Statements*.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

3. Summary of significant accounting policies

3.1 Foreign currency

Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt within the statement of comprehensive income.

3.2 Financial assets and liabilities

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

(i) Trade and other receivables

Trade and other receivables are classified with assets and are stated at their nominal value unless the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(ii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities as at fair value through profit or loss are those that are held for trading purposes or those that are so designated by the Company upon initial recognition. The Company uses this designation when doing so results in more relevant information because a group of financial assets, liabilities or both are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the entity's key management personnel or when a contract contains one or more embedded derivatives and the entity elects to designate the entire hybrid contract as a financial asset or liability as at fair value through profit or loss. After initial recognition, financial assets at fair value through profit or loss are measured at their fair value from those quoted market prices.

Financial instruments which are unquoted or otherwise not traded in an active market are valued using a methodology designed to assess the value after acquisition, having regard to market terms at the measurement date, including interest rates and liquidity and other factors. The basis of valuation on each valuation date will be determined on the most appropriate basis to use, having regard to a) any relevant information generally available in the market at the time; and b) any other relevant information.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

3. Summary of significant accounting policies (continued)

3.2 Financial assets and liabilities (continued)

Financial instruments (continued)

(ii) Financial assets and liabilities at fair value through profit or loss (continued)

Gains and losses arising from a change in fair value are recognised in profit or loss in the period in which they arise. Where applicable, dividend income and interest income on financial assets at fair value through profit or loss is disclosed separately in profit or loss. Fair value gains and losses are recognised within net gain on financial instruments at fair value through profit or loss.

- Valuation of investments in collective investment schemes

Investments in collective investment schemes (private investment funds) are designated at fair value through profit or loss, in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and are valued at fair value as determined by the administrator of the private investment fund. In determining fair value the administrator utilises the valuations of the underlying private investment funds to determine the fair value of its interest. The underlying private investment funds value securities and other financial instruments on a mark-to-market fair value basis of accounting. Investments in private investment funds are valued based on the independently audited net asset values of the private investments funds. For those private investment funds for which independently audited financial statements are not available, the board of directors bases its valuation on the private investment funds' net asset values as calculated by the administrator of such private investment funds. It is possible that the underlying private investment funds' results may subsequently be adjusted when such results are subjected to an audit, and the adjustments may be material.

- Derivative financial instruments

Derivative financial assets and derivative financial liabilities are classified as held for trading unless they are designated as effective hedging instruments. During the year under review, the Company did not designate any of its derivative financial instruments in a hedging relationship for accounting purposes.

A forward currency contract involves an obligation to purchase or sell a specific currency at a future date, at a price set at the time the contract is made. Forward foreign exchange contracts are valued by reference to the forward price at which a new forward contract of the same size and maturity could be undertaken at the valuation date. The unrealised gain or loss on open forward currency contracts is calculated as the difference between the contract rate and this forward price, and is recognised in the statement of comprehensive income.

(iii) Trade and other payables

Trade and other payables are stated at their nominal value unless the effect of discounting is material.

(iv) Realised and unrealised gains and losses

Investment transactions are recorded on a trade date basis. Realised gains or losses on investments are calculated on a weighted average cost and are disclosed within net gain on financial assets at fair value through profit or loss in the statement of comprehensive income.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

3. Summary of significant accounting policies (continued)

3.3 Cash and cash equivalents

Cash and cash equivalents comprise current deposits held with banks. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rebate income

Rebate income represents reimbursements receivable from the Company's investment manager in accordance with the terms set out in the Fund's supplement.

(ii) Interest

Interest income and expense, including interest from non-derivative financial assets at fair value through profit or loss, are recognised as they accrue in profit or loss, where applicable, gross of withholding tax. For financial assets and liabilities not classified at fair value through profit or loss, such interest income and expense is recognized using the effective interest method.

3.5 Expenses

All expenses, including management, administrator and custodian fees, are recognised in profit or loss on an accruals basis.

3.6 Units redeemed

All units issued by the Company provide the right to require redemption for cash on each dealing date in accordance with the terms set out in the Company's prospectus. Such instruments give rise to a financial liability for the present value of the redemption amount and are presented in the statement of financial position as 'Net assets attributable to redeemable preference shares'.

3.7 Impairment

All assets are tested for impairment except for financial assets measured at fair value through profit or loss.

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

3. Summary of significant accounting policies (continued)

3.7 Impairment (continued)

In the case of financial assets there are either carried at amortised cost, objective evidence of impairment includes observable data about the following loss events- significant financial difficulty of the issuer, a breach of contract, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market for that financial asset because of financial difficulties and observable data indicating that there is a measurable decrease in the estimated future cash flows since the initial recognition of those assets.

An impairment loss is the amount by which carrying amount of the asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

Impairment losses are recognised immediately in profit or loss.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

Impairment reversals are recognised immediately in profit or loss.

3.8 Standards, amendments and interpretations in issue but not yet effective

The directors are currently evaluating the impact on the financial statements of the Company in the period of initial application of the following International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective.

IFRS 9 - Financial Assets

IFRS 9 issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Under IFRS 9, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost unless the entity applies the fair value option. All other financial assets, including equity investments are measured at their fair values at the end of subsequent accounting periods. Under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. IFRS 9 will be effective for financial periods beginning on, or after, January 1, 2015 with earlier application permitted.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

3. Summary of significant accounting policies (continued)

3.8 Standards, amendments and interpretations in issue but not yet effective (continued)

IFRS 13 – Fair Value Measurements

On 12 May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IAS 32 & IFRS 7 Amendment - Offsetting Financial Assets and Financial Liabilities

These Amendments are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The disclosure requirements also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

IAS 32 is effective for annual periods beginning on or after January 1, 2014, whilst IFRS 7 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

The Company is considering the implications of these standards and their impact on the Company's financial results and position.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

4. Classification and fair values of financial assets and liabilities

The table below provides a reconciliation of the Company's financial assets and liabilities at fair value through profit or loss.

	2013	2012
Assets	\$	\$
Designated as at fair value through profit or loss		
Exchange traded fund	97,184	-
Collective investment schemes	2,325,586	2,065,207
Held for trading		
Forward contracts	-	5,624
Total financial assets at fair value through profit or loss	<u>2,422,770</u>	<u>2,070,831</u>
Liabilities		
Held for trading		
Forward contracts	13,032	-
Total financial liabilities at fair value through profit or loss	<u>13,032</u>	<u>-</u>

As part of the Company's capital appreciation strategy, the Company invests primarily in a sub-fund of the FMG Funds SICAV plc, namely the FMG (EU) Africa Fund. As at March 31, 2013, the Company's investment in collective investment schemes amounting to \$2,325,586 (2012 - \$2,065,207) was all held in FMG (EU) Africa Fund. In turn the investment objective of FMG (EU) Africa Fund is to invest in the African region. This gives investors access to a portfolio of managed accounts and other Funds that have a good performance record.

As at March 31, 2013, FMG (EU) Africa Fund held 96% (2012 - 89%) of its net assets value in certain underlying collective investment schemes (the "investee funds") whose financial year end is not co-terminous with that of FMG (EU) Africa Fund. As a result, the valuation of these investee funds could not be corroborated against independently audited net assets values as at March 31, 2013 and have been based on net asset values as calculated by the administrators of these investee funds.

The exchange traded fund held by the Fund is listed on a recognised stock exchange. This investment is valued at the market bid price as quoted by the stock exchange.

Derivative instruments are classified as held for trading. All other assets measured at fair value have been designated at fair value through profit or loss. Further information about the derivative financial instruments (forward contracts) is disclosed in note 13.1.1.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

5. Receivables

	2013	2012
	\$	\$
Accounts receivable	-	98,702
Rebates receivable	17,117	7,701
	<u>17,117</u>	<u>106,403</u>

6. Accounts payable and accrued expenses

	2013	2012
	\$	\$
Audit fees payable	2,373	2,439
Management fees payable	11,313	10,375
Administration fees payable	8,580	7,650
Other payables	5,707	24,913
	<u>27,973</u>	<u>45,377</u>

Management fees payable are due to related parties. The term and conditions of the amounts owed to such related parties are disclosed in note 11. These amounts are unsecured, interest free and repayable on demand.

7. Net asset value

In accordance with the Offering Memorandum, the net asset value of each class of shares in a Fund is determined by reference to the market prices of the underlying assets in the Fund attributable to such class at the close of business on the 'valuation date'. The last dealing date in the 2013 financial year of the Fund, was on March 25, and the last official valuation date in the 2013 financial year, was on March 29.

In accordance with the Offering Memorandum, the net assets of the Company are computed at the latest available dealing price or the latest available middle market quotation. However, for financial reporting purposes under IFRSs, the assets are required to be valued at bid prices and liabilities at ask prices.

The Offering Memorandum stipulates the amortisation of formation expenses over a period of 5 years. In accordance with International Financial Reporting Standards, formation expenses are written off to profit or loss in the period when they are incurred.

8. Custodian fees

Effective August 14, 2009, Credit Suisse AG (the 'Custodian') was appointed as custodian to the Fund.

Fees for custody services are charged at 0.075% per annum of the value of the net assets of the Fund under custody up to \$500 million and 0.065% per annum of the value of the net assets of the Fund under custody in excess of \$500 million.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

9. Taxation

Under current Bermuda laws, the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda exempting it from any such taxes at least until the year 2016.

It is management's belief that the Fund is not engaged in a United States trade or business and will not be subject to United States income or withholding taxes in respect of the profits and losses of the Fund, other than the 30% withholding tax on U.S. source dividends.

As a result, management has made no provision for income taxes in these financial statements.

10. Share capital

The authorised share capital of the Fund is \$11,000, which is divided into 100 common shares of par value of \$1 each and 10,900,000 redeemable preference shares (the "Shares"), issued in US Dollars and Euro with a par value of \$0.001 each. Redeemable preference shares are issued as Class A and Class A09 shares (collectively, the "Class A Shares") and Class B and Class B09 shares (collectively, the "Class B Shares"). Effective February 2, 2009 Class A09 and Class B09 shares are offered for sale. Effective March 2, 2009, the existing Class A and Class B shares were closed for new subscriptions, except in situations where approved by the Board of Directors and the investment manager.

The holder of the common shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares upon a winding-up or distribution of capital. The common shares are entitled to one vote per share at a general meeting. All the common shares are owned by the investment manager. The redeemable preference shares carry no preferential or pre-emptive rights upon the issue of new shares and have no voting rights at general meetings of the Fund.

Shares may be purchased and redeemed on a Dealing Day, which is generally the first business day of each calendar month. Shares may be purchased at the net asset value per share calculated at the immediately preceding Valuation Day, generally the last business day of the preceding month. Notice to redeem must be received by the administrator by the close of business on the 20th day of the month, and at least 45 days preceding a Dealing Day for Class A09 of shares and 90 days for Class B09.

If on any Valuation Day, any shareholder wishes to redeem Shares totalling more than 5% of the issued capital of the Fund or several shareholders wish to redeem Shares totalling more than 15% of the issued capital of the Fund, the directors may defer redemption of such Shares, and the calculation of the redemption price, to a subsequent Dealing Day being not later than the fifth Dealing Day following receipt of the application for redemption. In such cases, suspended redemption requests shall be carried out on the basis of the next Net Asset Value.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

10. Share capital (continued)

2013

	USD Class A	USD Class A09	EUR Class A	EUR Class A09
Number of shares at beginning of the year	23,870	2,392	4,592	922
Subscriptions during the year	-	47	-	-
Redemptions during the year	(4,146)	(96)	(727)	-
Number of shares at end of the year	19,724	2,343	3,865	922

	USD Class B	USD Class B09	EUR Class B
Number of shares at beginning of the year	33,460	2,350	49,205
Subscriptions during the year	-	-	-
Redemptions during the year	(794)	-	(4,527)
Number of shares at end of the year	32,666	2,350	44,678

2012

	USD Class A	USD Class A09	EUR Class A	EUR Class A09
Number of shares at beginning of the year	27,676	3,136	5,360	917
Subscriptions during the year	-	46	3	27
Redemptions during the year	(3,806)	(790)	(771)	(22)
Number of shares at end of the year	23,870	2,392	4,592	922

	USD Class B	USD Class B09	EUR Class B	EUR Class B09
Number of shares at beginning of the year	58,949	9,860	84,096	1,792
Subscriptions during the year	-	-	-	-
Redemptions during the year	(25,489)	(7,510)	(34,891)	(1,792)
Number of shares at end of the year	33,460	2,350	49,205	-

11. Related party transactions

(a) Management fees

The Fund pays FMG Fund Managers Bermuda Ltd. ("the investment manager") a management fee at a rate of 2.0% per annum of the net assets attributable to the Class A Shares of the Fund and 1.5% per annum of the net assets attributable to the Class B Shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2013, the management fee was \$42,585 (2012 - \$52,572), of which \$11,313 (2012 - \$10,375) was payable at March 31, 2013.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

11. Related party transactions (continued)

(b) Incentive fees

The Class A Shares also incur a quarterly incentive fee equal to 20% of the net profits of the Fund, if any, during each calendar quarter (each a 'Performance Period'), accrued with respect to each Class A Share of the Fund. The net profits are computed in a manner consistent with the principles applicable to the computation of the net assets of the Fund. If a redeemable preference share has a loss chargeable to it during any Performance Period, and during a subsequent Performance Period there is a profit allocable to such Class A Share, there will be no incentive fee payable until the amount of the net loss previously allocated has been recouped. Incentive fees are only paid when the net asset value of the Class A Shares increase above a previously established "high water mark" net asset value for those Class A Shares.

In the event of either a redemption being made at a date other than the end of a Performance Period or the Management Agreement is terminated at any time prior to the last day of a Performance Period, the incentive fee will be computed as though the termination date or Redemption Date, as applicable, was the last day of such Performance Period. Once earned, the incentive fee will be retained by the investment manager regardless of the Fund's future results.

The Class B Shares also pay to the investment manager an incentive fee of 10% of the net profits attributable to the Class B Shares, calculated monthly and payable quarterly. Net profits are defined as the amount by which cumulative profits attributable to the Class B Shares before the incentive fee but after deduction of all transaction costs, management fees and expenses and the amount that would have been earned in that fiscal period had the assets of the Fund been invested at the USD 12-month LIBOR rate at the beginning of the fiscal period. Net profits include both realized and unrealized gains less losses on investments. If net profit for a month is negative, it will be carried forward ("carry forward losses"). No incentive fee will be payable until net profits in subsequent month(s) exceed carry forward losses together with any cumulative actual losses from the previous fiscal years adjusted for redemptions. Investors should note that, the net profit amount, upon which incentive fees are calculated, is not reduced for prior period carry forward losses. Once earned, the incentive fee is retained by the investment manager regardless of the Fund's future results.

For the year ended March 31, 2013, the incentive fee was \$nil (2012 - \$nil), of which \$nil (2012 - \$nil;) was payable at March 31, 2013.

The Fund is charged management and incentive fees by the investment manager as described above on its net assets and its performance. However, some of the other investment companies in which the Fund invests are also managed by the investment manager or entities related to the investment manager. To ensure that the Fund is not double charged for such management and incentive fees, the investment manager or its entities related to the investment manager rebate to the Fund its proportionate share of such fees. Management and incentive fees rebate to the Fund during the year amounted to \$32,408 (2012 - \$38,625) of which \$17,117 (2012 - \$7,701) is receivable at March 31, 2013.

(c) Administration fees

For administration services provided, the minimum fee charged is of \$2,500 per month for net assets up to \$10 million and \$3,500 per month for net assets exceeding \$10 million or 15 basis points of the net assets per annum. For the year ended March 31, 2013, administration fees were \$34,650 (2012 - \$32,430), of which \$8,580 (2012 - \$7,650) was payable at March 31, 2013. The administrator delegated its duties to Apex Fund Services (Malta) Ltd ("the sub-administrator").

One of the directors of the Fund is also the managing director of the administrator.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

11. Related party transactions (continued)

(d) Key management personnel

The directors of the Company are paid an annual fee of \$2,500 each for acting as directors of the Company. The total directors' fee charged for the year under review is \$7,500 (2012 - \$7,500).

12. Fair values of financial assets and financial liabilities

At March 31, 2013 and March 31, 2012, the fair value of listed investments is based on quoted prices in an active market at the end of the reporting period. The fair values of derivative contracts are valued by reference to the price at which a new contract of the same size and maturity could be undertaken at valuation date. The fair value of collective investment schemes was primarily based on valuations issued by the administrators of the underlying private investment funds which ultimately are verified via independently audited net assets values as at the reporting date. The fair values of other financial assets and financial liabilities are not materially different from their carrying amounts.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires 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 following is a summary of the inputs used as of March 31, 2013, and 2012 in valuing the Fund's investments and derivatives carried at fair value:

	<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Exchange traded fund	\$	97,184	\$ -	\$ -	\$ 97,184
Investments in other investment funds	\$	-	2,325,586	-	2,325,586
Total investments	\$	<u>97,184</u>	<u>2,325,586</u>	<u>-</u>	<u>2,422,770</u>
Derivative liabilities	\$	<u>-</u>	<u>13,032</u>	<u>-</u>	<u>13,032</u>
<u>2012</u>					
Investment in other investment funds	\$	-	2,065,207	-	2,065,207
Total investments	\$	<u>-</u>	<u>2,065,207</u>	<u>-</u>	<u>2,065,207</u>
Derivative assets	\$	<u>-</u>	<u>5,624</u>	<u>-</u>	<u>5,624</u>
Derivative liabilities	\$				

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

13. Financial risk management

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Fund are discussed below.

13.1 Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk.

The Fund's investment strategy to manage the market risk is outlined in the Fund's offering supplement under the heading 'Investment Strategy'. The Fund's market risk is managed on a daily basis by the investment manager using different investment techniques as outlined in the supplement of the Fund. The Fund's overall market positions are monitored on a monthly basis by the board of directors.

The Company's exposure to the different types of investments is summarised in note 4 to the financial statements.

13.1.1 Currency risk

The Fund may invest in securities and other investment companies and enter into transactions denominated in currencies other than the US Dollar. Consequently, the Fund is exposed to risks that the exchange rate of the US Dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Fund's assets or liabilities denominated in currencies other than the US Dollar.

The following table sets out the Fund's total exposure to foreign currency risk split between monetary assets and liabilities, net assets attributable to non-USD denominated share classes, forward foreign exchange contracts (stated at the notional values) and the resulting net exposure to foreign currencies:

	<u>Monetary assets</u>	<u>Monetary liabilities</u>	<u>Net assets attributable to non-USD denominated share classes</u>	<u>Forward FX contracts</u>	<u>Net exposure</u>
March 31, 2013					
EUR	\$ <u>16</u>	\$ <u>(35,481)</u>	\$ <u>(714,559)</u>	\$ <u>740,038</u>	\$ <u>(9,986)</u>
	<u>Monetary Assets</u>	<u>Monetary Liabilities</u>	<u>Net assets attributable to non-USD denominated Share Classes</u>	<u>Forward FX Contracts</u>	<u>Net Exposure</u>
March 31, 2012					
EUR	\$ <u>-</u>	\$ <u>(57)</u>	\$ <u>(675,839)</u>	\$ <u>675,984</u>	\$ <u>88</u>

The amounts in the above table are based on the carrying values of monetary assets and liabilities, net assets attributable to non-USD denominated share classes and the underlying notional amounts of forward foreign exchange contracts.

Forward foreign exchange contracts are entered into by the Fund to hedge exposure to monetary assets and liabilities denominated in currencies other than USD and to hedge the exposure of certain share classes denominated in currencies other than USD.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

13. Financial risk management (continued)

13.1.1 Currency risk (continued)

The gains and losses on forward foreign exchange contracts entered into for the purpose of hedging the exposure to monetary assets and liabilities are recorded in gains and losses on forward foreign exchange contracts in the statement of operations. The gains and losses on contracts entered into for the purpose of hedging the exposure of share classes denominated in currencies other than USD are also recorded in gains and losses on forward foreign exchange contracts in the statement of operations, but are allocated specifically to the non-USD denominated share classes to which the hedging activities, and resultant gains and losses, relate.

At March 31, 2013, the Fund had the following open forward foreign exchange contract disclosed at its notional value:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
EUR 567,209	USD 740,038	April 4, 2013	\$ (13,032)
Net unrealized loss on open forward foreign exchange contract			\$ (13,032)

At March 31, 2012, the Fund had the following open forward foreign exchange contract disclosed at its notional value:

<u>Currency to be bought</u>	<u>Currency to be sold</u>	<u>Contract due date</u>	<u>Fair value</u>
EUR 510,832	USD 675,984	April 5, 2012	\$ 5,624
Net unrealized gain on open forward foreign exchange contract			\$ 5,624

13.1.2 Interest rate risk

Interest rate risk arises when an entity invests in or issues interest-bearing financial instruments. The Fund does not hold significant investments which are sensitive to interest rates but is indirectly exposed to the interest rate risk of the investments held by the other investment companies in which the Fund invests. However, the Fund's risk is limited to the net asset value of its investments in those other investment funds and this risk is therefore captured in the price risk note below.

13.1.3 Price risk

The Company's equity and trading derivative financial instruments are susceptible to price risk arising from uncertainties about future prices of the instruments.

FMG AFRICA FUND LTD.

Notes to the financial statements

March 31, 2013

13. Financial risk management (continued)

13.1.3 Price risk (continued)

Price risk is mitigated by the Company's investment manager by constructing a portfolio of instruments traded on various markets. The Company may employ various techniques and enter into hedging transactions to attempt to mitigate a portion of the risks inherent to its investment strategies. The Company did not use derivative financial instruments for speculative purposes and had not designated any of its derivative financial instruments in a hedging relationship for accounting purposes.

As all of the Company's financial instruments are carried at fair value with fair value changes recognised in the statement of comprehensive income, all changes in market price will directly affect net investment income.

As discussed in note 4, the Company's investment strategy is to invest primarily in FMG (EU) Africa Fund, a sub-fund of the FMG Funds SICAV plc, being a professional investor Fund registered under the laws of Malta.

The following is an analysis of the Company's industry diversification as at the reporting date:

	2013	2012
Other investment companies and exchange traded fund	100%	100%

Price risk sensitivity analysis

Price risk is mitigated by the investment manager by investing in the above mentioned sub-fund which in turn holds a diversified portfolio of investments. At March 31, 2013, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of redeemable preference shares by \$121,139 (2012 - \$103,260); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable preference shares by an equal but opposite amount. Actual results will differ from this sensitivity analysis and the difference could be material.

13.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company has policies that limit the amount of credit exposure to any single issuer. Accordingly, the investment manager monitors the Company's credit position on a regular basis. Financial assets, which potentially subject the Company to credit risk, consist principally of trade and other receivables, cash and cash equivalents and derivative assets classified at fair value through profit or loss.

Bank balances and receivables are all short term, and are not considered to represent a significant credit risk. Bank balances are held with Credit Suisse AG whose rating is A at the reporting date according to Fitch Ratings (2012: rating of A according to Fitch).

Transactions involving derivative financial instruments are effected with Credit Suisse AG, with whom the Fund signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default and therefore reducing the credit risk to both parties.

Guarantees provided to third parties

Effective August 24, 2009 the Fund granted the Custodian a right of lien against all currency accounts and investments in other investment companies held by the Custodian on the Fund's behalf. The purpose of the right of lien is to secure any and all claims of the Custodian against the Fund arising from any current or future agreements or contracts as well as claims on other legal grounds resulting from business operations with the Fund.

FMG AFRICA FUND LTD

Notes to the financial statements

March 31, 2013

13. Financial risk management (continued)

13.3 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's investments in other investment companies are not traded in an organized public market. As a result, the Fund may not be able to quickly redeem its investments in other investment companies at their stated fair value in order to meet its liquidity requirements, including redemption requests from its shareholders. The Fund's exposure to liquidity risk is managed by the investment manager.

The Fund is exposed to cash redemptions of redeemable shares monthly. Class A and Class B shareholders must provide redemption notice by at least the 20th day of the month prior to the Dealing Day, subject to certain restrictions as described in the Prospectus. Redeemable shares are redeemed on demand at the holder's option. Notwithstanding, if on any Valuation Day, any shareholder wishes to redeem Shares totalling more than 5% of the issued capital of the Fund or several shareholders wish to redeem Shares totalling more than 15% of the issued capital of the Fund, the directors may defer redemption of such Shares, and the calculation of the redemption price, to a subsequent Dealing Day being not later than the fifth Dealing Day following receipt of the application for redemption. In such cases, suspended redemption requests shall be carried out on the basis of the next Net Asset Value.

The following table shows the contractual, undisclosed cash flows of the Company's financial liabilities as at March 31, 2013 and March 31, 2012.

March 2013

All amounts in \$	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3months to 1 year</u>
<u>Financial Liabilities</u>			
Financial liabilities at fair value through profit or loss	13,032	-	-
Accounts payable and accrued expenses	-	27,973	-
Overdrawn bank balances	55,732	-	-
Net assets attributable to redeemable preference shares	-	2,418,375	-

March 2012

All amounts in \$	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>3months to 1 year</u>
<u>Financial Liabilities</u>			
Accounts payable and accrued expenses	-	45,377	-
Net assets attributable to redeemable preference shares	-	2,248,517	-

13.4 Capital management

The Company's capital is represented by redeemable preference shares with no par value and with no voting rights. They are entitled for payment of a proportionate share based on the Company's net asset value per share on the redemption date.

The Company has the option to limit the number of Investor Shares repurchased on any redemption day to 10 % of the total net asset value of the Company on that redemption day. The relevant movements are shown in the statement of changes in net assets attributable to holders of redeemable preference shares.

As at the end of the reporting period, the level of redemption requests made by the redeemable preference shareholders were not significant and resulted as part of the normal course of business of the Fund.

Independent auditor's report

to the members of

FMG Africa Fund Ltd.

We have audited the accompanying non-statutory financial statements of FMG Africa Fund Ltd. (the "Company") set out on pages 5 to 24, which comprise the statement of financial position as at March 31, 2013, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable preference shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the non-statutory financial statements

As explained more fully in the statement of directors' responsibilities on page 4, the directors of the company are responsible for the preparation of the non-statutory financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of these non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Independent auditor's report (continued)

to the members of

FMG Africa Fund Ltd.

Opinion

In our opinion, the non-statutory financial statements give a true and fair view of the financial position of FMG Africa Fund Ltd. as at March 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

As discussed in note 4 to these non-statutory financial statements, the Company held an investment in FMG (EU) Africa Fund, a sub-fund of FMG Funds SICAV plc, a collective investment scheme registered in Malta amounting to \$2,325,586 as at March 31, 2013. FMG (EU) Africa Fund in turn held 96% of its net asset value in certain underlying collective investment schemes (the "investee funds") whose financial year end is not co-terminous with that of FMG (EU) Africa Fund. As a result, the valuation of these investee funds could not be corroborated against independently audited net asset values as at March 31, 2013 and have been based on net asset values as calculated by the administrators of these investee funds. Because of the Company's significant indirect exposure to these investee funds and the inherent uncertainty in their valuations, reported figures might differ from the values that would have been obtained had independently audited net asset values as at March 31, 2013 been available.

Our opinion is not qualified in respect of this matter.

Sarah Curmi as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor

31 January 2014