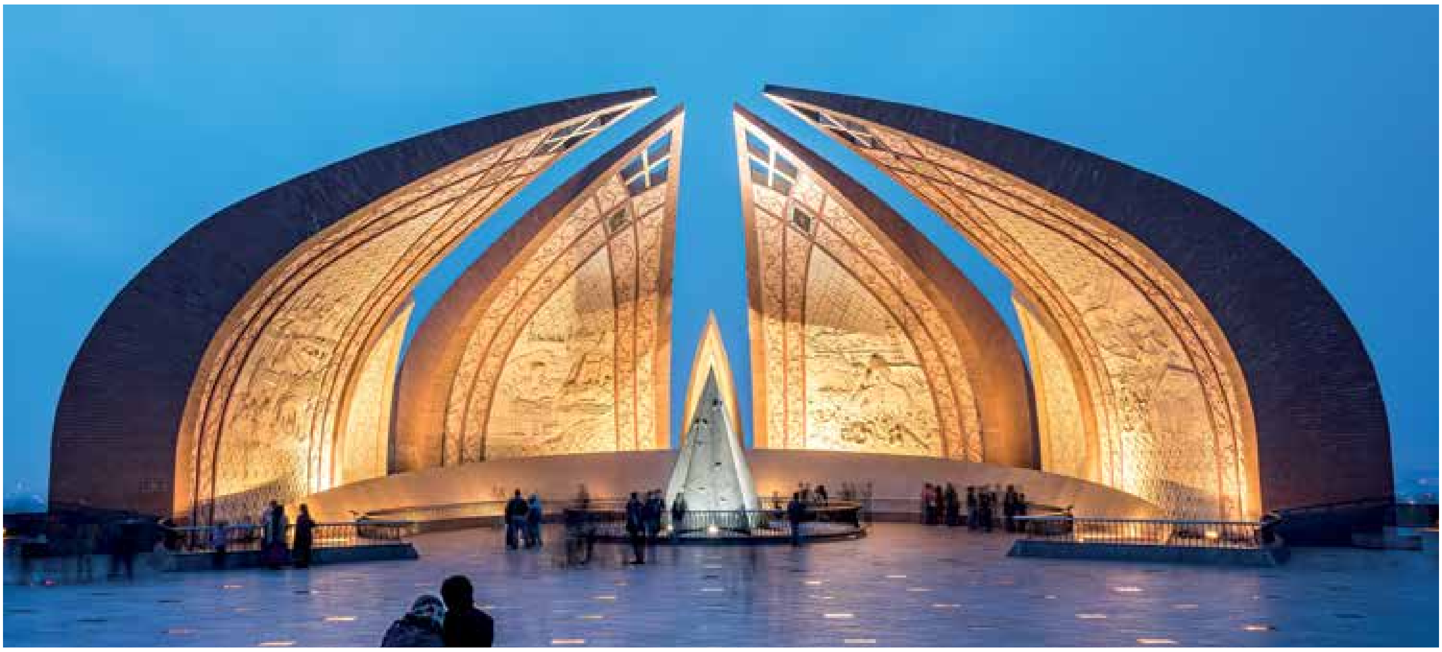
Aberdeen Frontier Markets Investment Company Limited

(Formerly Advance Frontier Markets Fund Limited)

Annual Report and Financial Statements
For the year ended 30 June 2016



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Financial Calendar

Annual General Meeting	12 December 2016 at 3:00 p.m. 11 New Street St Peter Port Guernsey GY1 2PF

The Annual Report can be downloaded from www.aberdeenfrontiermarkets.co.uk.

Investment objective

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

Performance

For the year ended 30 June 2016

Net Asset Value ('NAV') per share (in US dollar terms)

-13.6%

Share price (in US dollar terms)

-16.0%

As at 30 June 2016

NAV per share

$0.8290

Share price (in GB pounds)

£0.5675

Share price (in US dollars)

$0.7554

Net Assets

$140.5m

Chairman's statement

On behalf of the Board, I present to you the Annual Report for Aberdeen Frontier Markets Investment Company Limited for the financial year ended 30 June 2016.

Markets and performance

The performance of frontier markets over the year was largely a tale of two halves. The initial 7-month period was particularly weak due to investor concerns over US dollar strength and the anticipated increase in US interest rates as well as weak commodity prices and continued uncertainty over the state of the Chinese economy. An improvement was observed from February onwards as investors looked for attractively-priced opportunities to re-enter frontier markets. However, Nigeria's significant currency devaluation and the aftershocks of the 'Leave' campaign prevailing in the UK's EU Referendum contributed to a volatile end to the Company's financial year.

During the year to 30 June 2016 the Company's net asset value per share (NAV) and share price declined by 13.6% and 16.0% respectively compared to a decline of 12.1% in the MSCI Frontier Markets Net Total Return Index (all figures in total return terms).

The Investment Manager discusses the performance of the portfolio in greater detail on pages 3 to 6 but, broadly, while underlying managers largely outperformed their respective benchmarks, this was outweighed by exposure to underperforming African markets including Egypt, Zambia and Zimbabwe which was only partly offset by positive asset allocation in Asia.

Discount

The discount to NAV at which the Company's shares trade was 8.9% at 30 June 2016. Whilst this is marginally wider than a year earlier, the level of discount has remained narrower than that associated with the majority of other closed end funds focused on emerging and frontier markets. As at 31 August 2016, the discount to NAV was 5.2%. The Board monitors the discount on a regular basis and, in addition to those measures outlined below, will consider buying back shares if it is considered to be in shareholders' interests to do so.

Dividend

The Board considers that the cash-generative nature of many frontier companies, and the dividends into which this often translates, is increasingly an important part of the rationale for investing in the frontier markets asset class. The Board has been monitoring this development over several years and, having also noted evolving market practice elsewhere, believes that initiating the payment of a regular dividend should enhance the marketability of the Company's shares and help to moderate discount volatility. In June 2016 the Company announced the introduction of a semi-annual dividend with the base level of dividend set with reference to the Investment Manager's calculation of the yield on the underlying portfolio on a look through basis, less relevant costs.

Given that the policy was only announced towards the end of the financial year the Board is proposing to pay an initial dividend in respect of the second half of the financial year of 1.2 cents per share. The initial dividend will be payable on 19 December 2016, subject to shareholder approval at the forthcoming AGM, with an ex-dividend date of 17 November 2016. The record date will be 18 November 2016. The dividend will be paid in sterling and the sterling dividend rate will be announced in due course.

Acquisition of Investment Manager

On 15 September 2015 it was announced that the Company's Investment Manager, Advance Emerging Capital Limited ('AEC') had reached an agreement with Aberdeen Asset Management PLC ('Aberdeen') whereby Aberdeen Asset Management PLC acquired 100% ownership of AEC. The transaction subsequently received regulatory approval from the UK Financial Conduct Authority and completed in December 2015. The Board has closely monitored the integration of the investment team and is satisfied that the benefits to clients which were outlined at the time of the transaction are being achieved. With effect from 1 June 2016, the Company appointed Aberdeen Fund Managers Limited, a subsidiary company of Aberdeen, as its alternative investment fund manager replacing AEC; the terms and notice period of the investment management contract remain unchanged.

Chairman's statement continued

Change of Company's name

At an Extraordinary General Meeting held on 14 April 2016, shareholders approved the change of the Company's name to Aberdeen Frontier Markets Investment Company Limited. This change was proposed as a consequence of the acquisition of the Company's Investment Manager by Aberdeen. The Board believes that the Company can benefit from Aberdeen's high profile, good reputation and the additional resources available, notably in attracting additional retail demand for the Company's shares.

Aberdeen plans

Aberdeen has a long history in managing closed-ended funds and provides a wealth of experience in their management and promotion. It is pleasing to report that investors may now access low cost investment in the Company through Aberdeen's Share Plan, Investment Trust ISA and Investment Plan for Children. Further details may be found on pages 43 to 45 of this Report or via our new, branded website at: aberdeenfrontiermarkets.co.uk.

Board composition

Further to succession plans developed over the longer term to manage directors' tenure, the Board has undergone significant change in the year under review. Helen Green retired as a director in December 2015 and was succeeded as Chair of the Audit Committee and Management Engagement Committee by David Warr, who joined the Board in September 2015. The Board wishes to thank Helen for her service as well as recognise the technical skills and practical experience which were appreciated by the other directors. David has considerable experience in the investment funds sector and has already proved to be a strong addition to the Board and to the Audit Committee.

In addition, Lynne Duquemin joined as a non-executive director of the Company in February 2016 after attending previous Board meetings as a Board apprentice. Lynne brings over 29 years of investment experience including her background in manager selection and investment manager due diligence which is particularly beneficial as the Company invests into frontier markets via both closed and open-end funds.

Grant Wilson, having been a director of the Company since its incorporation in 2007, stepped down as a director and Chairman of the Company with effect from 1 March 2016 and I was privileged to succeed him. The Board is indebted to Grant for his commitment and service as a director since the Company's launch in 2007 and for his leadership as Chairman.

Liquidity opportunity

The Board expects to issue to shareholders, in November 2016, a circular for a proposed tender offer (the 'tender') which will provide shareholders with the opportunity to fully realise their investment in the Company at the then prevailing NAV less costs, should they wish to do so. The record date for the tender will be 30 September 2016.

This liquidity opportunity was announced in December 2012 when the discount to NAV at which the Company's shares were trading was significantly wider than the current discount. The Board believes that this has successfully contributed to a meaningful reduction in the discount since 2012 and that it will continue to support the Company's rating over the coming years.

As noted below, and in the Investment Manager's Report, the long-term prospects for frontier markets are compelling, and the Board believes that shareholders will be well served by maintaining their exposure to the Company as the directors intend to do with their own shareholdings. I would also remind shareholders that the directors intend to offer the same liquidity opportunity every 5 years.

Outlook

The Board remains convinced of the fundamental investment case for the frontier markets asset class, not least due to the opportunities now available for acquiring frontier assets at low valuations.

The strategy employed by the Investment Manager, that of investing in an index-agnostic fashion through well-managed funds in attractive markets (where possible at a discount to NAV), makes eminent sense. This approach has delivered meaningful outperformance against the MSCI Frontier Markets Net Total Return Index since the Company's inception with a significantly lower level of volatility.

Supported by an enlarged infrastructure, with the additional resources and brand recognition of Aberdeen, the Board looks forward to the Company taking advantage of improving market conditions across frontier markets to continue to deliver consistent value for shareholders.

John Whittle
Chairman

7 September 2016

Investment Manager's report

Performance review[1]

During the year to 30 June 2016 the Company's net asset value per share (NAV) and share price declined by 13.6% and 16.0% respectively. As a point of reference, the MSCI Frontier Markets Net Total Return Index declined by 12.1% over the period. The discount to NAV at which the Company's shares trade ended the period at 8.9%, a little wider than the level of 6.3% that prevailed a year earlier.

Figure 1: Aberdeen Frontier Markets Investment Company Performance Report

	1 Year	3 Years	5 Years
AFMC NAV	-13.6%	-6.2%	-0.8%
AFMC Price	-16.0%	-4.3%	5.2%

Source: Aberdeen Fund Managers Limited, Bloomberg, all figures in US dollar terms to 30 June 2016.

Although the Company does not benchmark itself against the MSCI Frontier Markets Index we conduct performance attribution against that index. In terms of relative performance, manager selection was positive with underlying managers, on aggregate, outperforming their benchmarks. The Company's holdings in Vietnam, Nigeria and Kazakhstan performed notably well in relative terms, as did selected regional funds in Africa including Africa Opportunity Fund and Sustainable Capital Africa Consumer Fund. A small number of holdings underperformed, including the Company's investment in East Africa through PineBridge, Romanian closed end fund Fondul Proprietatea and SCM Africa.

Asset allocation negatively impacted relative returns. Exposure to a number of non-index constituent African markets proved detrimental, notably Egypt, Zambia and Zimbabwe which lagged broader African markets. An underweight allocation to Nigeria was positive but was countered by an underweight in Morocco which was the only market on the continent to record a gain. Asset allocation in Asia was more beneficial with the Company's significant weightings in Vietnam and Pakistan adding value. Elsewhere, a significant overweight allocation to Romania was positive while exposure to the Middle East was neutral with the positive contribution from a large underweight in Kuwait offset by a negative contribution from an off-index allocation to Saudi Arabia. In Latin America the Company maintained a significant allocation to Argentina but was still underweight to that market's weighting in the MSCI Frontier Markets Index and this was a negative contributor.

Discount movements detracted from relative performance with several of the portfolio's larger closed ended investments suffering from discount widening over the year including Fondul Proprietatea, VinaCapital Vietnam Opportunity Fund and Africa Opportunity Fund. The weighted average discount level on the closed end funds in the portfolio was 27.3% at the end of the period, 4.7% wider than a year earlier.

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

Market environment

The year to the end of June 2016 presented a challenging environment for frontier markets. The first seven months of the financial year were notably weak as investor sentiment continued to focus on the same handful of issues that had dominated thinking prior to the start of the period, namely, US dollar strength, uncertainty over the pace of interest rates hikes in the US, China's economic and financial health and weak commodity prices. As a consequence, the MSCI Frontier Markets Index was down by 21.0% between the start of the financial year and its lowest point in late January. The subsequent months proved better for investors as markets rallied strongly to recoup much of the prior losses with the previous concerns abating to some extent, at least temporarily. June, however, brought further volatility as a consequence of the significant currency devaluation in Nigeria and the surprise result of the UK referendum.

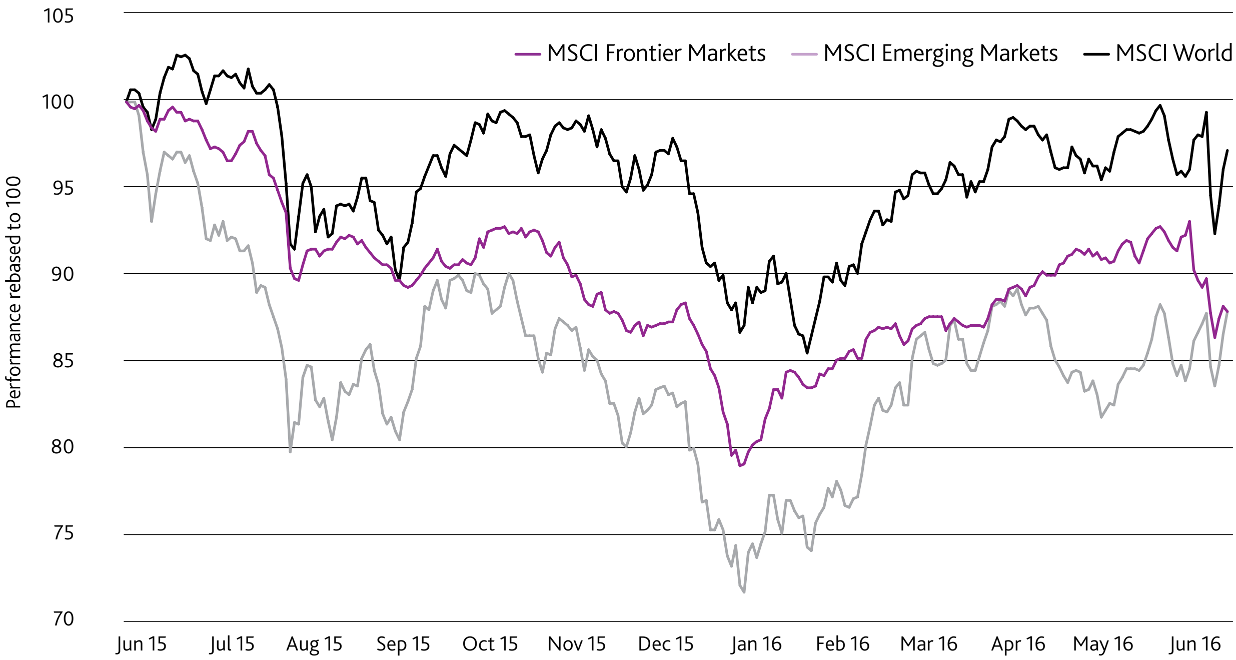
The performance of individual frontier markets during the period is shown in Figure 3. The usual wide dispersion of returns between markets was in evidence with Zambia recording a loss of 41.2% while Estonia gained 26.3%. Broadly speaking, the regions that fared worst were those seen as being heavily reliant upon commodity or energy exports or having weak government finances. Thus African, Central Asian and Middle Eastern markets struggled for much of the period while Asia and parts of Eastern Europe generally fared better.

In Africa, the Nigerian market fell by 36.4% with much of the decline a result of a long overdue devaluation of the naira by the Central Bank of Nigeria in mid-June. When the devaluation occurred, the naira weakened by just over 30% against the US dollar, helping to clear a backlog of foreign exchange transactions and prompting a significant uptick in trading volumes on the Nigerian Stock Exchange, with foreigners being material buyers as they strove to reduce large underweight positions (despite the devaluation, Nigeria accounted for 13.4% of the MSCI Frontier Markets Index at the end of June). We view the devaluation as a cathartic event for the Nigerian market in as much as it removes a great deal of short term uncertainty. We anticipate that with this hurdle crossed, investors will increasingly focus on the longer term opportunity presented by low valuations, depressed earnings, compelling demographics and the positive changes being implemented by the Buhari administration.

Elsewhere in Africa, Moroccan stocks gained 5.1% as it remained a bastion of economic and political stability in the region and continued to benefit from a Euro peg and trapped domestic liquidity. The Kenyan market fell by 11.0% but was still amongst the better performing African markets and, despite security and political concerns, continues to cement its position as East Africa's commercial and industrial hub. Egyptian equities lost 23.8% with investor confidence eroding and a 12% currency depreciation detracting from returns. In Zimbabwe, an economically paralysing liquidity crisis contributed to a 31.9% loss. Zambia's market also performed poorly, dropping 41.2% with the country's economic fundamentals remaining in a precarious state and its currency weakening sharply.

Investment Manager's report continued

Figure 2: Performance of MSCI Frontier Markets Index compared with Emerging and Developed Markets over year to 30 June 2016



Source: Bloomberg, MSCI, net total returns in US dollar terms, one year to 30 June 2016

Figure 3: Market returns over the year to 30 June 2016 in US dollar terms

Source: Bloomberg, MSCI, S&P and local market indices, total return indices where available in US dollar terms, one year to 30 June 2016

In the Middle East, all major markets declined, with lower energy prices impacting on government finances and increasing the focus on structural reforms.

In Eastern Europe, Romania rose by 2.2% supported by foreign inflows attracted to the market by reasonable valuations and solid macroeconomic fundamentals. The Ukrainian market suffered a decline of 31.6% as the consequences of an ongoing recession, weak currency, political instability and fragile peace with Russia contributed to poor sentiment.

Asia was a relative bright spot but still saw markets decline. Pakistan fared best, losing just 2.1% as economic fundamentals improved and reasonable valuations continued to attract foreign inflows. Index provider, MSCI, reflected the Pakistan's progress by announcing that it would be upgraded to emerging market status from May 2017. In Vietnam, the economy continued to gain momentum and significant steps were taken to improve foreign access to the stock market. Nonetheless, the market lost 7.1%. Sri Lanka was the worst performing Asian frontier market, losing 19.3% as the country suffered from weak investor sentiment amid unclear policy direction and challenging government finances.

In Kazakhstan, the commodity price bust forced the authorities to depreciate the currency by over 40%. This led to the stock market losing 34.0% in US dollar terms despite making a small gain in local currency terms.

In Latin America, Mauricio Macri's victory in Argentina's presidential elections in November 2015 marked a turning point for a country viewed as an economic and political pariah on the world stage for much of the past decade. The new government's reforms proved market friendly; allowing the peso to float, liberalising trade, lowering tariffs and reducing subsidies. The long running stand-off with debt holdouts from a previous sovereign default was swiftly addressed and allowed Argentina to return to international capital markets in April. Over the year the Argentine marked gained 7.3%.

Portfolio

The Company's asset allocation at the end of the period is shown on page 7. The portfolio is shown on page 8, being composed of 34 holdings, with the top 20 investments representing 92.1% of NAV. At year end, the Company was 70.0% invested through open ended funds, 26.5% through closed end funds, 5.3% through individual equities while running 1.8% leverage. The average discount to NAV at which closed end investments within the portfolio trade was 27.3% at period end having widened somewhat from 22.6% a year before.

The period saw a rotation in the Company's asset allocation away from Africa and the Middle East towards Asia and Eastern Europe as we strove to position the portfolio towards markets with healthy economic growth, sound government finances and sensible policy making. At the end of the period, Africa accounted for 23.1% of net assets compared with 35.1% a year before. We made a number of full exits during the year including Tugela African Resources and Africa Emerging Markets Fund.

The Middle Eastern allocation stood at just 7.6% at the end of the financial year compared with 14.0% at the start. Saudi Arabia saw the bulk of that reduction and represented 1.2% of net assets at year end as we chose to drastically reduce the position in EFG Hermes Saudi Arabia Equity Fund between November 2015 and January 2016 on asset allocation grounds.

In Asia, we continued to favour Vietnam and Pakistan. Maintaining both at close to 15% at period end, the maximum permitted in a single country. In Vietnam we were heartened by the progress made on addressing the issue of foreign ownership limits on individual stocks. Pakistan, meanwhile, is home to many well managed companies which can be purchased at reasonable valuations. The market was buoyed by the news that index provider MSCI plans to upgrade Pakistan to emerging market status in May 2017.

In Eastern Europe, we initiated a holding in East Capital Balkan Fund which invests across a range of markets including Slovenia, Romania, Serbia and Croatia. This decision reflected both an improved view on the investment potential of the Balkans, which offers an attractive mix of low valuations and healthy economic growth, and our belief that this was the most appropriate vehicle to express this view through. In our opinion, East Capital Asset Management is one of the best resourced, experienced and respected managers in the region and one we have known for many years. At the end of the period, the holding was the largest in the portfolio, accounting for 8.1% of NAV.

Argentina accounted for 10.4% of NAV at year end. We were pleased to see positive political change and a return to rational policy making from the new Macri administration with the stock market responding positively. Our core holding in the market, Advance Copernico Argentina Equity Fund performed admirably during the period, gaining 13.8% compared with 7.3% from MSCI Argentina.

Direct equity positions accounted for 5.3% of NAV at year end. We added several positions to the portfolio, utilising the flexibility to invest directly where the market is inaccessible through funds. Thus, an allocation was made to Sri Lanka through holding company John Keells, which offers diversified exposure to the key growth segments of the Sri Lankan economy (leisure, retail, food, financial services and gaming). It is the largest stock on the Colombo exchange with high quality management, strong corporate governance and a high level of transparency. In a similar vein, positions in Morocco and Lebanon were initiated through Maroc Telecom in the former and Blom Bank in the latter. We believe both companies possess attractive long term growth potential and operate in markets that benefit from strong fundamentals but are difficult to access through third party funds.

Investment Manager's report continued

Market outlook

The rationale for investing in frontier markets today is little changed from when the Company was launched almost a decade ago. Premium economic growth continues to be driven by long term trends in demographics and consumption. Markets remain uncorrelated to each other and the asset class is therefore likely to continue delivering returns that are less volatile than investors expect. Frontier equity markets remain woefully underrepresented in global indices relative to their economic significance, being home to 31% of the world's population and accounting for 9% of global GDP but with a weighting that is equivalent to just 0.2% of the MSCI World Index (Source: Renaissance Capital, June 2016). Off such a low base, we believe there is scope for the asset class to grow significantly over the long term. For now though, it remains an inefficient and somewhat overlooked asset class, providing opportunities for active stock pickers to identify mispriced companies.

One tenet of the rationale that has changed materially is valuation. Frontier market equities have suffered a material de-rating from a trailing price to earnings ratio of 19.0x in 2009 to just 10.6x at present (Source: Bloomberg). Accompanying the low valuation is an attractive dividend yield that talks to the unlevered and cash generative nature of many frontier corporates. This has been a consistent feature of the asset class over time. Such inexpensive valuations have been reached through a combination of resilient earnings and uninspiring market performance. In a world where both growth (in GDP or corporate earnings) and yield are scarce, we believe investors will, in the years to come, be willing to pay higher valuations for frontier assets than they are today.

Your portfolio has changed materially over the years, reflecting the active way in which we invest. At present we believe it to be extremely well positioned, concentrated in well-structured funds managed by talented stock pickers in attractive markets, often at a discount to net asset value. We believe this simple strategy, executed well, will deliver attractive risk adjusted returns for investors over the coming years from an asset class that is brimming with potential.

Aberdeen Fund Managers Limited

7 September 2016

Asset allocation

As At 30 June 2016 Country split	Percentage of net assets
Africa	**23.2%**
Botswana	0.9%
Egypt	2.1%
Ghana	0.9%
Ivory Coast	0.3%
Kenya	4.8%
Morocco	2.2%
Nigeria	8.0%
Senegal	0.7%
Tanzania	0.9%
Zambia	1.1%
Zimbabwe	1.3%
Other Africa	0.0%
Asia	**36.3%**
Bangladesh	2.7%
Kazakhstan	2.1%
Pakistan	15.0%
Sri Lanka	1.3%
Vietnam	14.8%
Other Asia	0.4%

As At 30 June 2016 Country split	Percentage of net assets
Eastern Europe	**18.3%**
Croatia	0.5%
Romania	8.9%
Serbia	0.9%
Slovenia	2.0%
Ukraine	0.0%
Other Eastern Europe	6.0%
Middle East	**7.5%**
Bahrain	0.2%
Kuwait	1.1%
Lebanon	1.4%
Oman	0.2%
Qatar	2.2%
Saudi Arabia	1.2%
UAE	1.1%
Other Middle East	0.1%
Latin America	**10.6%**
Argentina	10.4%
Other Latin America	0.2%
Non-specified	2.3%
Cash (including cash in the underlying funds) and borrowings	1.8%
Total	**100.0%**

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

Twenty largest investments

Fund name	Asset class	Investment manager	Style	Structure	As at 30 June 2016 Valuation $'000	As at 30 June 2016 % of net assets
East Capital Balkan Fund	Balkan equities	East Capital AM	Value and growth	Swedish OEIC	11,420	8.1
Tundra Fonder Pakistan Fund	Pakistani equities	Tundra Fonder	Value	Swedish OEIC	11,250	8.0
Fondul Proprietatea	Romanian listed and private equities	Templeton AM	Value	Romanian closed end fund	10,898	7.8
Advance Copernico Argentina	Argentinian equities	Copernico Capital Partners	Deep value	Cayman OEIC	10,505	7.5
VinaCapital Vietnam Opportunity Fund	Vietnam listed and private equity	VinaCapital	Growth and value	Guernsey closed-end fund	10,477	7.5
PXP Vietnam Emerging Equity Fund	Vietnam equities	PXP Vietnam AM	Value	Cayman OEIC	9,190	6.5
SCM Africa Fund	African equities	Steyn Capital	Deep value	Maltese SICAV	6,975	5.0
Sustainable Capital Africa Consumer Fund	African equities	Sustainable Capital	Value	Mauritius OEIC	6,771	4.8
Sturgeon Central Asia Equities Fund	Central Asian equities	Sturgeon Capital	Value	Luxembourg SICAV	6,412	4.6
PineBridge Sub-Saharan Fund	East African equities & fixed income	PineBridge Investments	Value	Cayman OEIC	6,173	4.4
Picic Growth Fund	Pakistani equities	Picic AMC	Growth	Pakistan closed end fund	5,405	3.8
MSCI Pakistan	Pakistani equities	Not applicable	Index Tracker	Participation Note	5,400	3.8
Sustainable Capital Nigeria Fund	Nigerian equities	Sustainable Capital	Value	Mauritius OEIC	5,148	3.7
MSCI Argentina	Argentinian equities	Not applicable	Index Tracker	Participation Note	4,345	3.1
Ashmore EMM Middle East Fund	Middle East equities	Ashmore Group	Bottom up fundamental value and quality	Dublin OEIC	4,030	2.9
Africa Opportunity Fund	African equities & debt	Africa Opportunities Partners	Value and arbitrage	Cayman closed end fund	3,707	2.6
DB MSCI Bangladesh	Bangladeshi equities	DB Platinum Advisors	Index Tracker	Luxembourg SICAV	3,617	2.6
iShares MSCI Frontier 100 ETF	Frontier Markets equities	BlackRock Fund Advisors	Index Tracker	US ETF	3,491	2.5
Qatar Investment Fund	Qatari equities	Qatar Insurance Company	Growth and value	Isle of Man closed end fund	3,063	2.2
Vietnam Holding Ltd	Vietnamese equities	Vietnam Holding AM	Value	Cayman closed end fund	2,675	1.9
Top twenty holdings					**130,952**	**93.2**
Other holdings					12,038	8.6
Total holdings					**142,990**	**101.8**
Cash and other net assets					-2,516	-1.8
Net assets					**140,474**	**100.0**

Directors' report

The directors present their report and accounts for the year ended 30 June 2016.

Investing policy

Investment objective and policies

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

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

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

Investment philosophy, strategy and process

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

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

A. Investee Manager selection

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

B. Geographical asset allocation

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

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

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

C. Special situations

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

Investment restrictions

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

- **Geographical focus.** The Company will limit exposure to any individual country to 15% of the Company's Net Asset Value at the time of investment. If, at any time, this limit is exceeded, the Company will seek to rebalance its portfolio of investments so that the restriction is adhered to.
- **Investment size.** No single investment position in any fund will exceed 10% of the Company's Net Asset Value at the time of the investment.

Directors' report continued

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

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

Results and dividends
The Company's loss on ordinary activities after taxation for the year was $22,150,000 (2015: loss of $20,579,000).

The Company's revenue return on ordinary activities after taxation for the year amounted to a loss of $590,000 (2015: profit of $939,000).

The directors propose that, subject to approval at the Company's Annual General Meeting, a dividend of 1.2 cents per share be paid in respect of the year ended 30 June 2016. The dividend will be paid on 19 December 2016 to shareholders on the register at the close of business on 18 November 2016. The dividend will be paid in sterling and the sterling dividend rate will be announced in due course.

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

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

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

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

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

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

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

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

(iv) Foreign exchange risks

The Company is exposed to foreign exchange risks which affect both the performance of its investee funds and also the value of the Company's holdings against the Company's base currency, the US dollar. Currency exposures are not hedged by the Company.

Management or mitigation of the above risks

Risk	Management or mitigation of risk
General market risks associated with the Company's investments	These risks are largely a consequence of the Company's investment strategy but the Investment Manager attempts to mitigate such risks by maintaining an appropriately diversified portfolio by number of holdings, fund structure, geographic focus, investment style and market capitalisation focus.
Frontier Markets	
Liquidity of the portfolio	
Foreign exchange risks	Liquidity, risk and exposure measures are produced on a monthly basis and monitored against internal limits.

The investment management of the Company has been delegated to the Company's Investment Manager. The Investment Manager's investment process takes into account the material risks associated with the Company's portfolio and the markets and holdings in which the Company is invested. The Board monitors the portfolio and the performance of the Investment Manager at regular Board meetings.

(v) Internal risks

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

Management or mitigation of internal risks

The Board monitors the performance of the Investment Manager and the other key service providers at regular Board meetings. The Investment Manager provides reports to the Board on compliance matters and the Administrator provides reports to the Board on compliance and other administrative matters. The Board has established various committees to ensure that relevant governance matters are addressed by the Board.

The management or mitigation of internal risks is described in further detail in the corporate governance statement on pages 16 to 19 of this Annual Report.

The Directors are aware that there is now an additional uncertainty to those outlined above. The United Kingdom decision in the EU referendum held on 23 June 2016 to leave the EU may introduce potentially significant new uncertainties and instability in financial markets as the United Kingdom negotiates the terms of its exit from the EU.

Market information

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

Ordinary shares in issue

During the year and at the year end the Company had 169,460,000 (2015: 169,460,000) ordinary shares in issue.

Purchases of own shares

There were no share re-purchases during the year.

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

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

Further share issues

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

Proposals for periodic opportunities for a return of capital

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

Directors' report continued

Life of the Company

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

Borrowings

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

The Company has a US$6 million revolving loan facility with Investec Bank plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to US$6 million.

The objective is for the facility to be used to allow the Company to be more fully invested on a look-through basis thus offsetting the drag on performance caused by cash positions held by underlying investee funds. At the present time, the Board is only intending that the Company utilises borrowings for this purpose.

Management

On 29 December 2015, Aberdeen Asset Management plc ('Aberdeen') acquired Advance Emerging Capital Limited ('AEC'). Prior to 1 June 2016, the management of the Company's investments was contracted to AEC. Since 1 June 2016, the management of the Company's investments has been contracted to Aberdeen Fund Managers Limited, which is a subsidiary of Aberdeen and is authorised and regulated by the FCA.

Fees payable to the Investment Manager

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

The Investment Manager receives a basic management fee payable by the Company monthly in arrears equal to one twelfth of 1.25% of the lower of Market Capitalisation and Net Asset Value. In addition, prior to 1 June 2016, a risk management fee of £2,500 per month was payable by the Company to the Investment Manager. The risk management fee ceased to be payable with effect from the appointment of Aberdeen Fund Managers Limited.

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

The Target Net Asset Value per share means the higher of (i) the High Watermark and (ii) Net Asset Value per share at the start of the relevant Performance Period as increased by the Hurdle Rate. The High Watermark is the higher of (i) one US dollar and (ii) the Net Asset Value per ordinary share, after the deduction of the relevant performance fee, as at the end of the latest Performance Period in respect of which the Investment Manager was awarded a performance fee. The current High Watermark is $1.0798 per share. The Hurdle Rate is 12% per annum, or an increased or reduced pro rata percentage for any Performance Period that represents more or less than a complete year.

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

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

No performance fee was payable in respect of the year ended 30 June 2016 (2015: $nil).

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

The Company also makes a contribution towards the cost of promotional activities. Further details are disclosed in note 3 to the financial statements.

Alternative Investment Fund Managers Directive ('AIFMD')

Aberdeen Fund Managers Limited is the Company's Alternative Investment Fund Manager ('AIFM').

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

Leverage (under AIFMD)

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

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

	Gross method	Commitment method
Maximum leverage limit	110%	110%
Actual leverage at 30 June 2016	102%	103%

Foreign Account Tax Compliance Act ('FATCA')

The FATCA legislation which has been introduced in the United States places obligations on foreign financial institutions such as the Company. The Company has registered as a reporting financial institution and is subject to ongoing reporting obligations under the legislation.

Depositary and custody services

Northern Trust (Guernsey) Limited has been appointed to provide depositary and custody services to the Company.

Company secretary and administrators

Orangefield Legis Fund Services Limited changed its name to Vistra Fund Services (Guernsey) Limited ('Vistra') with effect from 23 May 2016. Vistra is appointed as Administrator and Secretary to the Company. Vistra is appointed under a contract subject to six months written notice. Vistra receives a fee at a rate of £30,000 per annum, as well as the fees payable to the UK Administration Agent which receives from the Administrator a monthly fee equal to one twelfth of 0.1% of the Company's net assets subject to a current maximum fee cap for the year ended 30 June 2016 of £125,000.

During the year ended 30 June 2016, Cavendish Administration Limited ('Cavendish') was appointed by Vistra to act as administration agent in the United Kingdom. PraxisIFM Fund Services (UK) Limited ('PraxisIFM') has been appointed as UK Administration Agent with effect from 1 July 2016, having acquired Cavendish. PraxisIFM is appointed under a contract subject to six months written notice.

Settlement of share transactions

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

Donations

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

Anti-bribery and corruption

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

Going concern

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

The directors have a reasonable expectation that the Company has adequate operational resources to continue in existence for at least twelve months from the date of approval of this Report. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income, expenses and other outflows. The Company has substantial operating expenses cover.

Directors' report continued

The Company does not have a fixed life. However, the directors will be putting forward proposals to shareholders that will provide shareholders with the opportunity to fully realise their investment in the Company in December 2016 at the then prevailing net asset value per share less costs. In their going concern assessment, the directors have assumed that this liquidity opportunity will not affect the Company's ability to continue in operational existence for at least twelve months from the date of approval of this document.

The directors have also considered the maturity of the Company's US$ 6 million bank loan facility ('the Facility') on 7 April 2017. The Company will enter negotiations with its bankers in advance of the renewal date. In the event that the Facility is not renewed and a new loan is not entered into at that time, any outstanding borrowing would be repaid through the proceeds of the sale of investments.

The directors are satisfied that it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Viability statement

In accordance with principle 21 of the AIC Code of Corporate Governance published in February 2015, the directors have assessed the prospects of the Company over the period from the date of this report up until 30 June 2019 (the 'Period'). The directors believe that the Period, being approximately three years, is an appropriate time horizon over which to assess the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy.

The directors will be putting forward proposals to shareholders that will provide shareholders with the opportunity to fully realise their investment in the Company in December 2016 at the then prevailing net asset value per share less costs. The directors have assumed in their assessment that this liquidity opportunity will not affect the Company's ability to continue in operational existence. The next such liquidity event is currently intended to take place in 2021.

The directors have set limits for borrowing and regularly review the level of the Company's gearing. On 7 April 2016, the Company renewed its one year revolving loan facility ('the Facility') with Investec Bank plc. Under the terms of the Facility, the Company may draw down loans of, in aggregate, up to US$6 million. As at 30 June 2016, US$ 4.5m had been drawn down under the Facility. Further information may be found in the above going concern disclosures.

In their assessment of the prospects of the Company, the directors have considered the principal risks and uncertainties set out on pages 10 to 11 of this report. Developments in frontier markets and portfolio changes are discussed at quarterly meetings and the internal control framework of the Company is subject to formal review on at least an annual basis. The Company's portfolio consists of a range of funds and other products which provide exposure to frontier markets. Under normal market conditions, the majority of the investments held by the Company could be sold within one month. However, there are circumstances which could lead to a reduction in market liquidity and, therefore, the ability of the Company to realise its investments. The Company's income from investments and cash realisable from the sale of its investments provide substantial cover to the Company's expenses and other costs likely to be faced by the Company over the Period.

Based on its assessment, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the Period.

Auditors

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

Annual General Meeting

The Annual General Meeting will be held on 12 December 2016. The notice of Annual General Meeting is included in this document.

Corporate governance

The corporate governance statement on pages 16 to 19 forms part of this report.

Statement of directors' responsibilities

The statement of directors' responsibilities on page 15 forms part of this report.

John Whittle
Director

David Warr
Director

7 September 2016

Statement of directors' responsibilities

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether applicable International Financial Reporting Standards ('IFRS') as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

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

Corporate governance

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

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

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

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

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

The UK Code includes provisions relating to:

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

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

The Board

Composition

Richard Hotchkis was appointed as a director on 25 April 2007, John Whittle was appointed on 1 February 2012, David Warr was appointed on 9 September 2015 and Lynne Duquemin was appointed on 18 February 2016. All the directors hold their office in accordance with the Company's Articles of Incorporation.

The Board believes that during the year ended 30 June 2016 its composition was appropriate for an investment company of its nature and size. The directors have a broad range of relevant experience which meets the Company's requirements.

John Whittle is Chairman of the Company.

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

Lynne Duquemin is a non-executive director of the Company.

Lynne Duquemin is a member of the CFA Society of the UK and holds the ASIP qualification, she is also a member of the CFA Institute, Fellow of the Chartered Institute for Securities and Investment and Chartered Wealth Manager. She has over 29 years of investment experience across the City of London and Guernsey and has extensive knowledge of investment management and advisory services. Lynne has completed the IOD Company Direction Programme passing both the Certificate and Diploma examinations. Lynne is a director of Asset Risk Consultants which provides investment consulting, manager research and performance reporting to private clients, charities, family offices, professional trustees and their trusted advisers. Of particular relevance to the Company is her background in manager selection and investment manager due diligence experience, as AFMC invests into Frontier Markets via both closed and open ended funds.

Richard Hotchkis is a non-executive director of the Company.

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

David Warr is a non-executive director of the Company.

David Warr is a Fellow of the Institute of Chartered Accountants in England and Wales having qualified as a Chartered Accountant in 1976. In 1981 David was appointed a partner in Reads & Co, a Guernsey based firm of chartered accountants which he helped develop into a more broadly based financial services business leading up to its sale at the end of 1998. David's experience at Reads & Co included audit, trust and company administration. He now acts as a non-executive director on a number of UK listed companies.

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

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

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

The Board does not consider that the service tenure of directors should be strictly limited to a maximum of nine years. The Board recognises the benefits to the Company of having longer serving directors together with progressive refreshment of the Board. During the year ended 30 June 2016, Helen Green and Grant Wilson retired from the Board. David Warr and Lynne Duquemin have been appointed by the Board as directors with effect from 9 September 2015 and 18 February 2016 respectively. Having been appointed since the Company's last Annual General Meeting, Lynne Duquemin will put herself forward for election by shareholders at the Company's Annual General Meeting to be held in December 2016.

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

At 30 June 2016 and at the date of this report the directors had the following shareholdings in the Company.

	Ordinary shares At 30 June 2016 and at the date of this report	Ordinary shares At 1 July 2015
Richard Hotchkis	80,000	80,000
David Warr	–	–
John Whittle	11,000	–
Lynne Duquemin	–	–

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

Board meetings

The actual number of meetings of the Board and Committees during the year under review is given below, together with individual director's attendance at those meetings. The first number in the table is the meetings attended by the individual director and the second number is the number of meetings that director was eligible to attend.

	Quarterly Board	Nominations Committee	Audit Committee	Management Engagement Committee
Number held	4	1	3	1
John Whittle	4/4	1/1	3/3	1/1
Richard Hotchkis	4/4	1/1	3/3	1/1
David Warr	4/4	1/1	3/3	1/1
Lynne Duquemin	2/2	n/a	1/1	n/a
Helen Green	2/2	n/a	1/1	1/1
Grant Wilson	2/2	1/1	1/1	1/1

In addition there were a number of additional meetings to deal with matters relating to the change of ownership of the investment manager and the formal approval of documents.

Corporate governance continued

Re-election and election of directors

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

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

The Board recommends Richard Hotchkis and Lynne Duquemin for the reasons highlighted above and in the performance evaluation section of this report.

Board committees

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

Audit Committee

A report on page 20 provides details of the role, composition and meetings of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities.

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

Management Engagement Committee

The Company has established a Management Engagement Committee which meets formally at least on an annual basis to consider the appointment and remuneration of the Investment Manager. The Management Engagement Committee also considers the appointment and remuneration of other main suppliers of services to the Company. The Management Engagement Committee currently comprises all of the directors of the Company. David Warr is the Chairman of the Management Engagement Committee.

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

Nominations Committee

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

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

Board diversity

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

Performance evaluation

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

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

Risk management and internal controls

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

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

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

Financial aspects of internal control

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

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

The Statement of Directors' Responsibilities in respect of the financial statements is on page 15 and a statement of going concern is on page 13. The Independent Auditor's Report is on page 24.

Other aspects of internal control

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

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

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

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

Shareholder relations

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

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

Exercise of voting powers

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

Social and environmental policy

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

Report of the Audit Committee

Role of the Audit Committee

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

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

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

Composition

During the year, the Audit Committee comprised David Warr, Helen Green, Lynne Duquemin, Richard Hotchkis, John Whittle and Grant Wilson. David Warr is the Chairman of the Audit Committee. Until her retirement at the AGM in December 2015, Helen Green was Chairman of the Audit Committee. Grant Wilson also retired as a member of the Audit Commitment upon his retirement as a director of the Company. The Audit Committee has formal written terms of reference and copies of these are available on request from the Company Secretary. All members of the Audit Committee have recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the need for an internal audit function under periodic review.

Meetings

During the year ended 30 June 2016 there were three meetings of the Audit Committee. Attendance at these meetings is disclosed in the Corporate Governance section of this Annual Report.

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's financial statements for the year ended 30 June 2016.

Valuation and existence of investments

The Company, as an investment company, invests virtually all of its assets into funds invested in frontier markets. As at 30 June 2016, investments represented approximately 102% of the Company's net assets. The valuation and existence of investments is therefore the most material factor in the preparation of the financial statements. Over 99% of the portfolio at the year end consisted of investments in quoted investment companies, other quoted companies or open ended funds with observable independent values. Further information on the basis of valuation of investments is included in the notes to the financial statements.

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

Conclusion with respect to the annual report and financial statements

The Audit Committee has concluded that the annual report for the year ended 30 June 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. In the year ended 30 June 2016 there were no non-audit services provided.

Audit tenure

Grant Thornton Limited has been the external auditor to the Company for 9 years. The appointment of the external auditor is reviewed annually by the Audit Committee and the Board and is subject to approval by shareholders.

Effectiveness of external audit

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

David Warr
Audit Committee Chairman

Directors' remuneration report

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

Policy on directors' fees

The Board's policy is that the remuneration of non-executive directors should be fair and should reflect the experience, work involved, responsibilities and potential liabilities of the Board as a whole. The non-executive directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for bonuses, pension benefits, share benefits, share options, long-term incentive schemes or other benefits. It is intended that this policy will continue for the year ending 30 June 2017 and for subsequent years.

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

No services have been provided by, or fees paid to, advisers in respect of remuneration policy during the year ended 30 June 2016.

Directors' service contracts

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

Directors' emoluments for the year

The directors' fees are payable in sterling.

Until 31 December 2014, fees were payable at a rate of £30,000 per annum to the Chairman and £22,500 per annum to the other directors. An additional fee of £5,000 per annum was payable to the Chairman of the Audit Committee.

With effect from 1 January 2015, fees have been payable at a rate of £35,000 per annum to the Chairman and £25,000 per annum to the other directors. An additional fee of £5,000 per annum is payable to the Chairman of the Audit Committee.

The following emoluments in the form of fees, which were paid in sterling, were payable in the year ended 30 June 2016 to the directors who served during that year:

	Fees 2016 $	Fees 2015 $
Grant Wilson	34,789	50,543
Helen Green	19,324	44,742
Richard Hotchkis	36,295	36,953
John Whittle	40,873	36,953
David Warr	32,960	–
Lynne Duquemin	12,627	–
	176,868	**169,191**

Depositary report

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

We have enquired into the conduct of Aberdeen Fund Managers Limited (the 'AIFM') for the year ended 30 June 2016, in our capacity as Depositary to the Company.

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

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

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

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

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

Basis of Depositary Review

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

Review

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

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

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

For and on behalf of

Northern Trust (Guernsey) Limited

7 September 2016

Independent auditor's report

Independent auditor's report to the shareholders of Aberdeen Frontier Markets Investment Company Limited

Our opinion on the financial statements is unmodified

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the Company's loss for the year then ended;
- are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- comply with The Companies (Guernsey) Law, 2008.

Who we are reporting to

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

What we have audited

Aberdeen Frontier Markets Investment Company Limited's financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risks that are, in our judgement, likely to be most important to users' understanding of our audit.

Financial assets designated at fair value through profit or loss ('FVTPL')

The risk: The principal activity of the Company is to invest in a portfolio of funds and other investment products invested in frontier markets with a view to generate long-term capital growth for its shareholders. Accordingly, the investment portfolio is a significant and material item. The valuation of the investment portfolio is therefore a risk that requires special audit attention.

Our response: Our audit work on valuation for investments included, but was not restricted to understanding the Board's process to value the quoted investments and the process to value unquoted investments; agreeing the valuation of 100% of the quoted investments to an independent source of market prices; contacting managers of unquoted investments to confirm the price at 30 June 2016 and reviewing management's estimates where no observable inputs are available, including assessment of whether the valuations were made in accordance with published guidance and discussions with the administrator; and in order to confirm that the quoted investments were actively traded we obtained trading volumes of those held at year end.

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

The Audit Committee identified the valuation of financial assets at FVTPL as a key risk of misstatement on its report on pages 20 to 21, where the Committee also described the actions it has taken to address the risk.

Revenue recognition

The risk: The Company measures performance through the realisation of its investments and investment and dividend income. These significant components are measured in the Statement of Comprehensive Income. We identified completeness and occurrence of income as a risks that required special audit attention.

Our response on completeness: Our audit work included, but was not restricted to, assessing whether the Company's accounting policy for revenue recognition was in accordance with International Accounting Standard (IAS) 18 'Revenue'; obtaining an understanding of the Company's process for recognising revenue in accordance with the stated accounting policy, and for a sample of investments held in the year, obtaining the ex-dividend dates and rates for dividends declared during the year from an independent source and agreeing the expected dividend entitlements to those recognised in the general ledger.

Our response on occurrence: In order to determine whether dividend income reported had occurred during the year, our work involved testing whether a sample of income transactions was recognised in accordance with the policy; testing a sample of dividends received as reported in the general ledger and agreeing the details of dividends reported to an independent source; and performing cut-off testing of dividend income around the year end.

The Company's accounting policy on investment income is shown in Note 1(c).

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

Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the financial statements as a whole to be $1,405,000 which is 1% of the Company's total assets less current liabilities or net asset value (NAV). This benchmark is considered the most appropriate because the Company provides information to its shareholders and monitors its performance through its NAV.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the financial statements. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be $70,250, being 5% of materiality. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

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

Matters on which we are required to report by exception

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

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

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

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

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

- we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable; or
- the annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

We have nothing to report in respect of the above.

Independent auditor's report continued

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Responsibilities for the financial statements and the audit

What the directors are responsible for:

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What are we responsible for:

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

Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey
Channel Islands

7 September 2016

Statement of comprehensive income

		Year ended 30 June 2016			Year ended 30 June 2015		
	Note	Revenue $'000	Capital $'000	Total $'000	Revenue $'000	Capital $'000	Total $'000
Losses on investments	13	–	(20,189)	(20,189)	–	(19,811)	(19,811)
Capital losses on currency movements		–	(38)	(38)	–	(76)	(76)
Net investment losses		**–**	**(20,227)**	**(20,227)**	**–**	**(19,887)**	**(19,887)**
Investment income	2	915	–	915	2,797	–	2,797
Total income/(loss)		**915**	**(20,227)**	**(19,312)**	**2,797**	**(19,887)**	**(17,090)**
Investment management fees	3	(554)	(1,107)	(1,661)	(669)	(1,363)	(2,032)
Other expenses	3	(771)	–	(771)	(816)	–	(816)
Net (loss)/profit from operations before finance costs and taxation		**(410)**	**(21,334)**	**(21,744)**	**1,312**	**(21,250)**	**(19,938)**
Finance costs	4	(119)	(227)	(346)	(136)	(268)	(404)
Net (loss)/profit before taxation		**(529)**	**(21,561)**	**(22,090)**	**1,176**	**(21,518)**	**(20,342)**
Taxation	7	(61)	–	(61)	(237)	–	(237)
Net (loss)/profit after taxation		**(590)**	**(21,561)**	**(22,151)**	**939**	**(21,518)**	**(20,579)**
(Loss)/earnings per ordinary share	8	(0.35c)	(12.72c)	(13.07c)	0.55c	(12.70c)	(12.14c)

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

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

The notes on pages 30 to 42 form part of these financial statements.

Statement of financial position

	Note	As at 30 June 2016 $'000	As at 30 June 2015 $'000
Non-current assets			
Investments designated as fair value through profit or loss	9	142,990	164,982
Current assets			
Other receivables		758	1,388
Cash and cash equivalents		1,524	5,573
		2,282	**6,961**
Total assets		**145,272**	**171,943**
Current liabilities			
Loans payable	10	4,500	9,000
Other payables		298	318
		4,798	**9,318**
Total assets less current liabilities		**140,474**	**162,625**
Capital and reserves attributable to equity holders			
Share premium account		88,788	88,788
Share purchase reserve	12	–	82,319
Capital reserve	13	50,854	(9,904)
Revenue reserve		832	1,422
Total Equity		**140,474**	**162,625**
Net assets per ordinary share (US cents)	14	82.90c	95.97c
Exchange rate GBP/USD (mid market)		0.7512	0.6368
Net assets per ordinary share (pence)		62.27p	61.11p

Approved and authorised for issue by the Board of directors on 7 September 2016 and signed on their behalf by:

John Whittle
Director

David Warr
Director

The notes on pages 30 to 42 form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2016	Note	Share premium account $'000	Share purchase reserve $'000	Capital reserve $'000	Revenue reserve $'000	Total $'000
Opening equity		88,788	82,319	(9,904)	1,422	162,625
Transfer between reserves	12	–	(82,319)	82,319	–	–
Loss for the year		–	–	(21,561)	(590)	(22,151)
Closing equity		**88,788**	**–**	**50,854**	**832**	**140,474**

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

The notes on pages 30 to 42 form part of these financial statements.

Statement of cash flow

	Note	Year ended 30 June 2016 $'000	Year ended 30 June 2015 $'000
Operating activities			
Cash inflow from investment income and bank interest		953	2,648
Cash outflow from management expenses		(2,437)	(4,881)
Cash inflow from disposal of investments		40,807	53,001
Cash outflow from purchase of investments		(38,433)	(49,965)
Cash outflow from foreign exchange costs		(37)	(76)
Cash outflow from taxation		(61)	(237)
Net cash flow provided by operating activities	15	**792**	**490**
Financing activities			
Proceeds from bank borrowings		–	2,500
Repayments of bank borrowings		(4,500)	–
Finance charges and interest paid		(341)	(271)
Net cash flow (used in)/from financing activities		**(4,841)**	**2,229**
Net (decrease)/increase in cash and cash equivalents		**(4,049)**	**2,719**
Cash and cash equivalents opening balance		5,573	2,854
Cash (outflow)/inflow		(4,049)	2,719
Cash and cash equivalents balance at 30 June		**1,524**	**5,573**

The notes on pages 30 to 42 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

Basis of preparation

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

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

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

The particular accounting policies adopted are described below:

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

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

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

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

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

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

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

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

(d) Capital reserves
Profits and losses on disposals of investments and gains and losses on revaluation of investments held are allocated to the capital reserve via the capital column of the Statement of Comprehensive Income.

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

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

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

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

1 Accounting policies (continued)

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

(i) Financial liabilities
The Company's financial liabilities include borrowings and other payables. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted for transaction costs. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

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

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

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

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

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

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

(m) New standards, Interpretations and amendments
There are no new standards, interpretations or amendments which became effective during the year.

At the date of approval of these financial statements, the following standard, which has not been applied in these financial statements, was in issue but not yet effective:

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

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

Notes to the financial statements continued

1 Accounting policies (continued)

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

The most critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are the functional currency of the Company (see note 1(g)) and the fair value estimation of financial assets designated as at fair value through profit or loss (see notes 1(b) and 18).

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

2 Investment income

	2016 $'000	2015 $'000
Income from investments		
Dividends from investments	915	2,797
Total investment income	**915**	**2,797**

3 Investment management fees and other expenses

	2016			2015		
	Revenue $'000	Capital $'000	Total $'000	Revenue $'000	Capital $'000	Total $'000
Investment management fees – basic	554	1,107	1,661	669	1,337	2,006
Performance fee*	–	–	–	–	26	26
Total investment management fees	**554**	**1,107**	**1,661**	**669**	**1,363**	**2,032**
Administration fees	164	–	164	221	–	221
Directors' fees	177	–	177	170	–	170
Depository and custody fees	129	–	129	126	–	126
Legal fees	42	–	42	67	–	67
Broker fees	37	–	37	40	–	40
Registrar's fees	39	–	39	34	–	34
Auditor's fees	28	–	28	32	–	32
Nominated Adviser fees	30	–	30	32	–	32
Promotion	14	–	14	–	–	–
Other expenses	111	–	111	94	–	94
Total other expenses	**771**	**–**	**771**	**816**	**–**	**816**
Total expenses	**1,325**	**1,107**	**2,432**	**1,485**	**1,363**	**2,848**

Further details on the management agreement are provided in the directors' report on page 12. The Company has agreed to pay a fee to Aberdeen Asset Managers Limited for the provision of promotional activities with the first such fee covering the period from April 2016 to March 2017. The total fees payable in respect of the period from 1 April 2016 to 30 June 2016 were $14,000 (2015: nil) all of which was outstanding at the year end.

The Company's ongoing charges for the year ended 30 June 2016 calculated in accordance with the AIC methodology were 1.67% (2015: 1.64%). The ongoing charges figure does not include performance fees or finance costs.

*There was no performance fee payable in respect of the year ended 30 June 2016 (2015: nil). The charge of $26,000 for the year ended 30 June 2015 relates to the performance fee payable for the year ended 30 June 2014.

4 Finance costs

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

	2016			2015		
	Revenue $'000	Capital $'000	Total $'000	Revenue $'000	Capital $'000	Total $'000
Facility costs and arrangement fees	97	44	141	49	98	147
Interest charges	22	182	204	87	170	257
Total finance costs	**119**	**226**	**345**	**136**	**268**	**404**

5 Directors' fees

The fees paid or accrued were $176,868 (2015: $169,191). There were no other emoluments. Full details of the fees of each director are given in the Directors' Remuneration Report on page 22.

6 Transaction charges

	2016 $'000	2015 $'000
Transaction costs on purchases of investments	54	84
Transaction costs on sales of investments	90	20
Total transaction costs included in losses on investments held at fair value through profit or loss	**144**	**104**

7 Taxation

The Company is resident for tax purposes in Guernsey.

The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 and was charged an annual exemption fee of £1,200 (2015: £1,200) during the year.

During the year, the Company suffered foreign withholding tax on income from investments totalling in aggregate $61,271 (2015: $237,451).

8 Loss per ordinary share

Loss per share is based on the net loss of $22,150,000 (2015: loss of $20,579,000) attributable to the weighted average of 169,460,000 (2015: 169,460,000) ordinary shares of no par value in issue during the year to 30 June 2016.

Supplementary information is provided as follows: revenue per share is based on the net revenue loss of $590,000 (2015: profit of $939,000) and capital loss per share is based on the net capital loss of $21,560,000 (2015: net capital loss of $21,518,000) attributable to the above ordinary shares.

Notes to the financial statements continued

9 Investments designated as fair value through profit or loss

	2016 $'000	2015 $'000
Quoted closed-end fund shares and warrants	36,467	44,487
Quoted direct equity investments	7,440	5,020
Quoted open-ended fund holdings	7,108	10,369
Open-ended fund and limited liability partnership investments	91,975	105,106
Total fixed asset investments at fair value	**142,990**	**164,982**
Investments at cost		
Opening balance of investments, at cost	155,606	152,095
Additions, at cost	38,433	51,196
Disposals, at cost	(44,531)	(47,685)
Cost of investments at 30 June	**149,508**	**155,606**
Revaluation of investments to fair value		
Opening balance	9,376	35,175
Investment holding losses, taken to capital reserve	(15,894)	(25,799)
Balance at 30 June	**(6,518)**	**9,376**
Fair value of investments at 30 June	**142,990**	**164,982**

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

Fund	Number of shares held	% ownership	Cost ($'000)	Value ($'000)
Africa Opportunity Fund	5,574,212	13.1%	3,975	3,707

10 Loans payable

Since 8 April 2016, the Company has had in place a US$6 million revolving loan facility with Investec Bank plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to US$6 million (2015:US$9 million). The rate of interest on each loan is calculated at LIBOR plus a margin of 3.25% per annum. An arrangement fee was payable at the commencement of the facility and a commitment fee calculated at the rate of 1.20% per annum is payable on any undrawn amounts. The loan is secured through a charge on the Company's assets (including its investments). The loan expires on 8 April 2017 unless renewed. Prior to 8 April 2016, the Company had a US$9 million facility on materially the same terms as the current facility. At 30 June 2016, the Company has borrowings of US$4.5 million from the loan facility with US$1.5million unutilised.

11 Share capital

		As at 30 June 2016	As at 30 June 2015
Authorised			
Ordinary shares of no par value	Number	Unlimited	Unlimited
Allotted, issued and fully paid			
Ordinary shares of no par value	Number	169,460,000	169,460,000

Voting rights

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

12 Share purchase reserve

	2016 $'000	2015 $'000
Opening balance	82,319	82,319
Transfer to capital reserve	(82,319)	–
Balance at 30 June	**–**	**82,319**

During the period following the Board's decision to initiate the regular payment of dividends, the balance on the share purchase reserve has been transferred to the Company's capital reserve to simplify the presentation of the Company's distributable reserves.

13 Capital reserve

Disposal of investments

	2016 $'000	2015 $'000
Opening balance	(19,280)	(23,561)
(Losses)/gains from disposal of investments	(5,408)	4,844
Realised gains on capital distributions	717	1,163
Other capital receipts/(charges)	396	(19)
Investment management fees charged to capital	(1,107)	(1,363)
Finance charge to capital	(227)	(268)
Foreign exchange losses	(37)	(76)
Balance at 30 June	**(24,946)**	**(19,280)**

Investments held

	2016 $'000	2015 $'000
Opening balance	9,376	35,175
Movement on valuation of investments held	(15,894)	(25,799)
Balance at 30 June	**(6,518)**	**9,376**

Capital reserve

	2016 $'000	2015 $'000
Opening balance	(9,904)	11,614
Loss for the year	(21,561)	(21,518)
Transfer from share purchase reserve	82,319	–
Capital reserve balance at 30 June	**50,854**	**(9,904)**

Losses on investments (per statement of comprehensive income)

	2016 $'000	2015 $'000
(Losses)/gains on disposal of investments	(4,295)	5,988
Movement on valuation of investments held	(15,894)	(25,799)
	(20,189)	**(19,811)**

Notes to the financial statements continued

14 Net assets per ordinary share

Net assets per ordinary share of $0.8290 (2015: $0.9597) is based on net assets of $140,474,000 (2015: $162,625,000) divided by 169,460,000 (2015: 169,460,000) ordinary shares in issue at the Statement of Financial Position date.

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

	2016 $'000	2015 $'000
Operating loss	(21,744)	(19,938)
Less: Tax deducted at source on income from investments	(61)	(237)
Add: Realisation of investments at book cost	44,531	47,685
Less: Purchase of investments	(38,433)	(51,196)
Less: Adjustment for unrealised losses	15,894	25,799
Decrease in debtors	611	431
Decrease in creditors	(6)	(2,054)
Net cash flow provided by operating activities	**792**	**490**

16 Related party transactions

Details of the management contract can be found in the Directors' Report on page 12. Fees payable to the Investment Manager are detailed in note 3 on page 32. Other payables include accruals of basic management fees of $136,707 (2015: $162,630) and a performance fee provision of $nil (2015: $nil).

The directors' fees are disclosed in note 5 and the Directors' Remuneration Report on page 22.

17 Financial instruments – risk profile

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

Market risks

(i) Risks associated with Frontier Markets

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

(ii) Currency risk

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

17 Financial instruments – risk profile (continued)

(iii) Interest rate risk

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

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

The Company has a US$6 million revolving loan facility with Investec Bank plc. Due to the loan being of a relatively short tenure and its revolving nature it has not been considered appropriate to fix the finance costs relating to the loan for the entire period of the loan availability. Finance costs are, however, kept under frequent review.

(iv) Other price risk

Investor returns

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

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

Diversification

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

(v) Management of market risks

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

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

Investee Manager selection

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

Geographical asset allocation

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

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

Special situations

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

Notes to the financial statements continued

17 Financial instruments – risk profile (continued)

(vi) Quantitative analysis

The twenty largest investments are shown on page 8 and a breakdown of the pricing denominations of the funds in which the Company is invested is below.

The Company's financial assets and liabilities at 30 June 2016 comprised:

	2016			2015		
	Cash flow interest rate risk $'000	No interest rate risk $'000	Total $'000	Cash flow interest rate risk $'000	No interest rate risk $'000	Total $'000
Non-current investments at fair value:						
US dollar denominated	–	107,892	107,892	–	140,035	140,035
Canadian dollar denominated	–	–	–	–	1,461	1,461
Euro denominated	–	14,060	14,060	–	2,826	2,826
GB pound denominated	–	11,627	11,627	–	7,148	7,148
Moroccan Dirham denominated	–	1,696	1,696	–	–	–
Pakistan rupee denominated	–	5,405	5,405	–	6,377	6,377
Saudi Arabian Riyal denominated	–	585	585	–	7,135	7,135
Sri Lankan Rupee denominated	–	1,725	1,725	–	–	–
Cash at bank						
Floating rate – US$	1,524	–	1,524	5,573	–	5,573
Short term debtors	–	758	758	–	1,388	1,388
Short term creditors	(4,500)	(298)	(4,798)	(9,000)	(318)	(9,318)
	(2,976)	**143,450**	**140,474**	**(3,427)**	**166,052**	**162,625**

(vii) Sensitivity analysis

The Company had borrowings of $4,500,000 at the year end (2015: $9,000,000). A 1% per annum increase or decrease in LIBOR would result in an increase or decrease of $45,000 in the annual interest charge on a loan of $4,500,000.

A 10% increase or decrease in the valuation of the investment portfolio at the end of June 2016 would have resulted in a $14,299,000 (2015: $16,498,000) corresponding increase or decrease to the Company's Statement of Comprehensive Income, all other things being equal.

	30 June 2016	30 June 2015	Change
Trade weighted US dollar Index*	96.1	95.5	0.7%
Federal Funds Target Rate	0.50%	0.25%	0.25%
Aberdeen Frontier Markets Investment Company NAV US$	$0.83	$0.96	-13.6%
Aberdeen Frontier Markets Share Price (expressed in US dollars)	$0.76	$0.90	-16.0%

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

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

17 Financial instruments – risk profile (continued)

Credit risk

Frontier Market debt securities

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

The estimated amount invested in Frontier Market debt securities on a look through basis at the year end was $754,000 (2015: $1,012,000).

Other credit risk

The Company's direct credit risk is the risk of default on cash held at the bank. Cash at bank at 30 June 2016 included $1,451,000 (2015: $5,424,000) held by the Company's custodian, The Northern Trust Company. Interest is based on the prevailing money market rates.

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

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

The Company had no interest bearing investments at 30 June 2016 (2015: $nil).

Liquidity risks

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

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

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

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

Notes to the financial statements continued

17 Financial instruments – risk profile (continued)

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

	2016	2015
One month	83.4%	80.4%
Three months	90.1%	92.2%
One year	94.7%	98.4%
Greater than one year	100.0%	100.0%

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

All financial liabilities are due within one year. As at 30 June 2016, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current	
30 June 2016	**Within 6 months $'000**	**6 to 12 months $'000**
US-dollar loans	–	4,500
Trade and other payables	298	–
Total	**298**	**4,500**

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

	Current	
30 June 2015	**Within 6 months $'000**	**6 to 12 months $'000**
US-dollar loans	–	9,000
Trade and other payables	318	–
Total	**318**	**9,000**

Capital management

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

The Company's authorised share capital consists of an unlimited number of ordinary shares of no par value. At 30 June 2016 there were 169,460,000 (2015: 169,460,000) ordinary shares in issue.

The Company is permitted to borrow, at the point of drawdown, up to 10% of its net assets. The Company has a US$6 million revolving loan facility with Investec Bank plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to US$6 million. The loan is secured through a charge on the Company's assets. The Company is required to comply with various covenants contained in the facility documentation. The Company provides monthly compliance certificates to Investec Bank plc.

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

18 Fair value estimation

The Company complies with IFRS 13. The Company's investments are valued at fair value.

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

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

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

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

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

	2016 Investments designated as fair value through profit or loss $'000	2015 Investments designated as fair value through profit or loss $'000
Level 1	51,015	59,876
Level 2	91,209	104,334
Level 3	766	772
Total	**142,990**	**164,982**

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

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

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently. The Level 3 figure consists of limited partnerships investing in distressed debt and Global MENA Financial Assets. Global MENA was delisted from the London Stock Exchange on 27 January 2010 and the entity publishes its net asset value on a quarterly basis. The directors apply a discount formula to the net asset value as an alternative valuation technique, which they believe better reflects its fair value. If the net asset value of Global MENA increased or decreased by 10% from its net asset value at 30 June 2016 this would result in a $77,000 increase or decrease in the value of the holding.

Reconciliation of the Level 3 classification investments during the year to 30 June 2016 is shown below:

	2016 $'000	2015 $'000
Opening balance at 1 July	772	1,679
Additions during the year	–	–
Valuation adjustments*	(6)	(907)
Closing balance at 30 June	**766**	**772**

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

The valuation policies used by the Company are explained in the Accounting Policies Note 1(b) on page 30.

Notes to the financial statements continued

18 Fair value estimation (continued)

Investments in unconsolidated structured entities

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

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

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

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

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

Strategy	Number of investee funds	Fair value range $'000	Weighted average fair value $'000	Investment at fair value $'000	% of net assets
Equity long-only	16	366-11,420	7,875	91,976	65.5%

Equity long-only

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

19 Ultimate controlling party

The Company has no controlling party.

20 Dividend

In June 2016 the Company announced the introduction of a dividend with the base level of dividend set with reference to the Investment Manager's calculation of the yield on the underlying portfolio, less relevant costs.

The Board is proposing to pay an initial dividend in respect of the second half of the financial year of 1.2 cents per share. Subject to shareholder approval at the forthcoming AGM the initial dividend will be payable on 19 December 2016 to shareholders on the register at the close of business on 18 November 2016. The dividend will be paid in sterling and the sterling dividend rate will be announced in due course.

The dividend will be paid from the Company's distributable reserves.

21 Post balance sheet events

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

Investor information

AIFMD

The Company has appointed Aberdeen Fund Managers Limited as its alternative investment fund manager (with effect from 1 June 2016) and Northern Trust (Guernsey) Limited as its depositary under the AIFMD. Details of the leverage and risk policies which the Company is required to have in place under AIFMD are published in the Company's PIDD which can be found on its website.

Pre-investment Disclosure Document ('PIDD')

The AIFMD requires Aberdeen Fund Managers Limited, as the alternative investment fund manager of Aberdeen Frontier Markets Investment Company Limited, to make available to investors certain information prior to such investors' investment in the Company. The Company's PIDD is available for viewing on its website.

Website

Further information on the Company can be found on its own dedicated website: aberdeenfrontiermarkets.co.uk. This allows web users to access information on the Company's share price performance, capital structure, stock exchange announcements, monthly factsheets, and all information required by Rule 26 of the AIM Rules for Companies.

Investor warning: be alert to share fraud and boiler room scams

The Aberdeen Group has been contacted by investors informing us that they have received telephone calls and emails from people who have offered to buy their investment trust shares, purporting to work for Aberdeen Asset Management or for third party firms. The Aberdeen Group has also been notified of emails claiming that certain investment companies under our management have issued claims in the courts against individuals. These may be scams which attempt to gain your personal information with which to commit identity fraud or could be 'boiler room' scams where a payment from you is required to release the supposed payment for your shares. These callers/senders do not work for the Aberdeen Group and any third party making such offers/claims has no link with the Aberdeen Group.

The Aberdeen Group does not 'cold-call' investors in this way. If you have any doubt over the veracity of a caller, do not offer any personal information, end the call and contact our Customer Services Department.

The Financial Conduct Authority provides advice with respect to share fraud and boiler room scams: fca.org.uk/consumers/scams

Keeping you informed

For internet users, detailed data on the Company, including price, performance information and a monthly fact sheet is available from the Company's website and the TrustNet website (trustnet.com). Alternatively you can call 0500 00 00 40 (free when dialing from a UK landline) for trust information.

If you have any questions about your Company, the Manager or performance, please telephone the Aberdeen Customer Services Department (direct private investors) on 0500 00 00 40. Alternatively, internet users may email Aberdeen at inv.trusts@aberdeen-asset.com or write to Aberdeen Investment Trusts, PO Box 11020, Chelmsford, Essex CM99 2DB.

Shareholder enquiries

In the event of queries regarding their holdings of shares, lost certificates dividend payments, registered details, etc shareholders holding their shares in the Company directly should contact the registrars, Capita Registrars (Guernsey) Limited, Longue Hougue House, St Sampson, Guernsey GY2 4JN. Changes of address must be notified to the registrars in writing.

Direct investment

Investors can buy and sell shares in the Company directly through a stockbroker or indirectly through a lawyer, accountant or other professional adviser. Alternatively, for retail clients, shares can be bought directly through Aberdeen's Investment Plan for Children, Aberdeen's Investment Trust Share Plan and Investment Trust ISA.

Aberdeen's Investment Plan for Children

Aberdeen runs an Investment Plan for Children (the 'Children's Plan') which covers a number of investment companies under its management including the Company. Anyone can invest in the Children's Plan, including parents, grandparents and family friends (subject to the eligibility criteria as stated within the terms and conditions). All investments are free of dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £150 per trust, while regular savers may invest from £30 per month. Investors simply pay UK Government Stamp Duty (currently 0.5%), where applicable. Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in the Children's Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Investor information continued

Aberdeen's Investment Trust Share Plan

Aberdeen runs a Share Plan (the 'Plan') through which shares in the Company can be purchased. There are no dealing charges on the initial purchase of shares, although investors will suffer the bid-offer spread, which can, on some occasions, be a significant amount. Lump sum investments start at £250, while regular savers may invest from £100 per month. Investors simply pay Government Stamp Duty (currently 0.5%). Selling costs are £10 + VAT. There is no restriction on how long an investor need invest in a Plan, and regular savers can stop or suspend participation by instructing Aberdeen in writing at any time. In common with other schemes of this type, all investments are held in nominee accounts. Investors have full voting and other rights of share ownership.

Stocks and shares ISA

An investment of up to £15,240 can be made in the 2016/2017 tax year.

The annual ISA administration charge is £24 + VAT, calculated annually and applied on 31 March (or the last business day in March) and collected soon thereafter either by direct debit or, if there is no valid direct debit mandate in place, from the available cash in the Plan prior to the distribution or reinvestment of any income, or, where there is insufficient cash in the Plan, from the sale of investments held in the Plan. Investors have full voting and other rights of share ownership. Under current legislation, investments in ISAs can grow free of capital gains tax.

ISA transfer

You can choose to transfer previous tax year investments to us which can be invested in the Company while retaining your ISA wrapper. The minimum lump sum for an ISA transfer is £1,000 and is subject to a minimum per trust of £250.

Dividend tax allowance

From 6 April 2016, dividend tax credits have been replaced by an annual £5,000 tax-free allowance on dividend income. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. The Company will continue to provide registered shareholders with a confirmation of dividends paid by the Company and this should be included with any other dividend income received when calculating and reporting to HMRC total dividend income received. It is the shareholder's responsibility to include all dividend income when calculating any tax liability.

Literature request service

For literature and application forms for the Company and the Aberdeen Group's investment trust products, please contact:

Telephone: 0500 00 40 00

Website: invtrusts.co.uk/en/investmenttrusts/literature-library

For information on the Investment Plan for Children, Share Plan, ISA or ISA Transfer please contact:

Aberdeen Investment Trust Administration
PO Box 11020
Chelmsford
Essex CM99 2DB

Telephone: 0500 00 00 40
(free when dialing from a UK landline)

Terms and conditions for the Aberdeen managed savings products can also be found under the literature section of invtrusts.co.uk

Online dealing details

Investor information

There are a number of other ways in which you can buy and hold shares in this investment company.

Online dealing

There are a number of online dealing platforms for private investors that offer share dealing, ISAs and other means to invest in the Company. Real-time execution-only stockbroking services allow you to trade online, manage your portfolio and buy UK listed shares. These sites do not give advice. Some comparison websites also look at dealing rates and terms. Some well-known online providers, which can be found through internet search engines, include:

- AJ Bell You Invest
- Alliance Trust Savings
- Barclays Stockbrokers
- Charles Stanley Direct
- Halifax Share Dealing
- Hargreave Hale
- Hargreaves Lansdown
- Idealing
- Interactive Investor
- Selftrade Equiniti
- The Share Centre
- Stocktrade
- TD Direct

Discretionary private client stockbrokers

If you have a large sum to invest, you may wish to contact a discretionary private client stockbroker. They can manage your entire portfolio of shares and will advise you on your investments. To find a private client stockbroker visit the Wealth Management Association at: thewma.co.uk

Financial advisers

To find an adviser on investment trusts, visit: unbiased.co.uk

Regulation of stockbrokers

Before approaching a stockbroker, always check that they are regulated by the Financial Conduct Authority:

Tel: 0800 111 6768
or at fca.org.uk/firms/systems-reporting/register/search

Email: register@fca.org.uk

Suitable for retail/NMPI status

The Company's shares are intended for investors, primarily in the UK, including retail investors, professionally-advised private clients and institutional investors who are seeking to benefit from long term capital growth by investing in the frontier markets of Africa, the Middle East, Eastern Europe, Asia and Latin America. Investors should consider consulting a financial adviser who specialises in advising on the acquisition of shares and other securities before acquiring shares. Investors should be capable of evaluating the risks and merits of such an investment and should have sufficient resources to bear any loss that may result.

The Company currently conducts its affairs, and intends to continue to do so for the foreseeable future, in order that its shares can be recommended by a financial adviser to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investments ('NMPIs').

Note

Please remember that past performance is not a guide to the future. Stock market and currency movements may cause the value of shares and the income from them to fall as well as rise and investors may not get back the amount they originally invested.

As with all equity investments, the value of investment companies purchased will immediately be reduced by the difference between the buying and selling prices of the shares, the market maker's spread.

Investors should further bear in mind that the value of any tax relief will depend on the individual circumstances of the investor and that tax rates and reliefs, as well as the tax treatment of ISAs, may be changed by future legislation.

The information on pages 43 to 45 has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) by Aberdeen Asset Managers Limited which is authorised and regulated by the Financial Conduct Authority.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aberdeen Frontier Markets Investment Company Limited ('the Company') will be held at 11 New Street, St Peter Port, Guernsey at 3:00 p.m. on 12 December 2016, for the following purposes:

Ordinary resolutions

1. To receive and adopt the financial statements for the year ended 30 June 2016, with the reports of the directors and auditors thereon.

2. To approve the Directors' remuneration report included in the Annual Report for the year ended 30 June 2016.

3. To re-elect Richard Hotchkis as a director of the Company, who retires by rotation.

4. To elect Lynne Duquemin as a director of the Company, having been appointed by the Board of directors.

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

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

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

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

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

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

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017 or, if earlier, on the anniversary of the passing of this resolution; and

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

8. To approve a final dividend of 1.2 cents per ordinary share for the year ended 30 June 2016.

Notes

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

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

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

4. A holder of Shares must first have his or her name entered on the register of members not later than 3:00 p.m. on 10 December 2016. Changes to entries in that register after that time shall be disregarded in determining the rights of any holders to attend and vote at such meeting.

Form of proxy

Aberdeen Frontier Markets Investment Company Limited

I/We ______________________________ of ______________________________ (BLOCK CAPITALS PLEASE)

being (a) member(s) of Aberdeen Frontier Markets Investment Company Limited ('the Company') appoint the chairman of the meeting or (see note 1)

______________________________ of ______________________________

as my/our proxy to attend and vote for me/us and on my/our behalf at the annual general meeting of the Company to be held at 11 New Street, St Peter Port, Guernsey, on 12 December 2016 at 3:00 p.m. and at any adjournment thereof.

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

Resolution	For	Against	Withheld
1. To receive and adopt the financial statements for the year ended 30 June 2016, with the reports of the directors and auditors thereon.	☐	☐	☐
2. To approve the Directors' remuneration report included in the Annual Report.	☐	☐	☐
3. To re-elect Richard Hotchkis as a director.	☐	☐	☐
4. To elect Lynne Duquemin as a director.	☐	☐	☐
5. To re-appoint Grant Thornton Limited as auditors to the Company.	☐	☐	☐
6. To authorise the directors to determine the remuneration of Grant Thornton Limited for the forthcoming year.	☐	☐	☐
7. To renew authority for the Company to purchase its own shares.	☐	☐	☐
8. To approve a final dividend of 1.2 cents per ordinary share for the year ended 30 June 2016.	☐	☐	☐

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

Signature ______________________________ Dated this ______________ day of ______________ 2016

Notes

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

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

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

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

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

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

Your completed and signed proxy form should be posted, in the enclosed reply paid envelope, to the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU, so as to arrive before 3:00 p.m. on 10 December 2016 (48 hours prior to the Annual General Meeting).

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Directors, Investment Manager and advisers

Directors

John Whittle (Chairman)
David Warr (appointed 9 September 2015)
Richard Hotchkis
Lynne Duquemin (appointed 18 February 2016)
(James) Grant Wilson (retired 29 February 2016)
Helen Green (retired 3 December 2015)

Company secretary and administrator

Vistra Fund Services (Guernsey) Limited
11 New Street
St Peter Port
Guernsey GY1 2PF

Nominated adviser

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker

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

Auditor

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

Registrar

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

Registered office*

11 New Street
St Peter Port
Guernsey GY1 2PF

Investment Manager

Aberdeen Fund Managers Limited
Bow Bells House
1 Bread Street
London EC4M 9HH
Telephone: 020 7618 1440
www.aberdeen-asset.com

UK administration agent

PraxisIFM Fund Services (UK) Limited
3rd Floor, Mermaid House
2 Puddle Dock
London, EC4V 3DB

Solicitors as to English law

Gowling WLG
4 More London Riverside
London SE1 2AU

Herbert Smith Freehills
Exchange House
Primrose Street
London EC2A 2EG

Advisers as to Guernsey law

Mourant Ozannes
1 Le Marchant Street
St Peter Port
Guernsey GY1 4HP

Depositary services and custodian

Northern Trust (Guernsey) Limited
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 3DA

*Incorporated in Guernsey with registered number 46809

www.aberdeenfrontiermarkets.co.uk

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