FMG AFRICA FUND LTD.

Financial Statements
(With Auditors' Report Thereon)

March 31, 2010 and 2009

KPMG
Crown House
4 Par-la-Ville Road
Hamilton HM 08, Bermuda
Mailing Address:
P.O. Box HM 906
Hamilton HM DX, Bermuda

Telephone 441 295-5063
Fax 441 295-9132
www.kpmg.bm

AUDITORS' REPORT

To the Directors and Shareholders of
FMG Africa Fund Ltd.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of FMG Africa Fund Ltd. (the "Fund") as at March 31, 2010, and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in Bermuda and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We were unable to obtain sufficient appropriate audit evidence on the fair value of the Fund's investment in Africa Opportunities Fund SAC Ltd - Finch Segregated Account, which has a fair value of $2,648,691 (59.71% of net assets) at March 31, 2010. Accordingly we were not able to determine whether any adjustments are necessary to the fair value of the investment at March 31, 2010, or to the net increase in net assets from operations or to net assets attributable to redeemable preference shares in determining the net decrease in net assets from capital share transactions during the year then ended.

In our opinion, except for the effect of adjustments, if any, related to the valuation of investments described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of FMG Africa Fund Ltd. as at March 31, 2010, and the results of its operations and changes in its net assets for the year then ended in conformity with accounting principles generally accepted in Bermuda and Canada.

We were unable to obtain sufficient appropriate audit evidence on the fair value of the Fund's investments in Finch Opportunities Fund SPC, Imara Zimbabwe Opportunities Fund and The Hawkwood Fund Limited – Mukwa Fund at March 31, 2009, which had a combined fair value of $3,551,127 (55.29% of net assets). Accordingly we were not able to determine whether any adjustments were necessary to the fair values of these investments at March 31, 2009, or to the net decrease in net assets from operations or to the net decrease in net assets from capital share transactions during the year then ended.

The Fund had a receivable balance for an investment sold of $1,300,000 at March 31, 2009. Subsequent to March 31, 2009, the receivable was written down to $993,615, being its estimated realizable value at March 31, 2009. In such circumstances accounting principles generally accepted in Bermuda and Canada require an allowance to be recorded against the receivable balance. Had the allowance been recorded as at March 31, 2009, the Fund's net assets would have been reduced by $306,385.

KPMG

Chartered Accountants
Hamilton, Bermuda
October 13, 2010

FMG AFRICA FUND LTD.

Statement of Assets and Liabilities

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Assets				
Investments in exchange traded funds and other investment companies (cost - $6,297,296; 2009 - $8,654,348) (see Schedule of Investments) (Notes 5, 8 and 9)	$	6,985,575	$	5,249,290
Cash and cash equivalents (Note 5)		1,021,012		725,175
Unrealized gain on forward foreign exchange contracts (Notes 5, 8 and 9)		–		186,880
Receivable for investments sold		281,107		1,300,000
Other assets		13,427		17,343
Total assets		8,301,121		7,478,688
Liabilities				
Redemptions payable (Note 6)		3,706,034		385,556
Unrealized loss on forward foreign exchange contracts (Notes 5, 8 and 9)		48,658		–
Subscriptions received in advance		27,018		–
Loan payable		–		600,000
Management fees and incentive fees payable (Note 3)		44,437		32,503
Administration fees payable (Note 4)		12,960		9,900
Audit fees payable		21,375		20,000
Accounts payable and accrued expenses		4,688		8,098
Total liabilities		3,865,170		1,056,057
Net assets		4,435,951		6,422,631
Less: attributable to 100 common shares (Note 6)		(100)		(100)
Net assets attributable to redeemable preference shares (Note 6)	$	4,435,851	$	6,422,531
Net assets attributable to 31,628 (2009 - 39,510) US Dollar Class A redeemable preference shares	$	2,104,193	$	2,246,493
Net asset value per US Dollar Class A redeemable preference share	$	66.52	$	56.86
Net assets attributable to 2,855 (2009 - 672) US Dollar Class A09 redeemable preference shares	$	309,280	$	63,551
Net asset value per US Dollar Class A09 redeemable preference share	$	108.32	$	94.57
Net assets attributable to 68,934 (2009 - 155,813) US Dollar Class B redeemable preference shares	$	502,478	$	965,159
Net asset value per US Dollar Class B redeemable preference share	$	7.28	$	6.19

See accompanying notes to financial statements

FMG AFRICA FUND LTD.

Statement of Assets and Liabilities (continued)

March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Net assets of $624,140 (2009 - $673,584) attributable to 7,422 (2009 - 9,449) Euro Class A redeemable preference shares	€	462,018	€	506,987
Net asset value per Euro Class A redeemable preference share	€	62.26	€	53.37
Net assets of $103,654 (2009 - nil) attributable to 683 (2009 - nil) Euro Class A09 redeemable preference shares	€	76,729	€	–
Net asset value per Euro Class A09 redeemable preference share	€	112.36	€	–
Net assets of $763,804 (2009 - $2,473,744) attributable to 86,310 (2009 - 334,402) Euro Class B redeemable preference shares	€	562,746	€	1,861,918
Net asset value per Euro Class B redeemable preference share	€	6.52	€	5.57
Net assets of $28,302 (2009 - $nil) attributable to 1,792 (2009 - nil) Euro Class B09 redeemable preference shares	€	20,821	€	–
Net asset value per Euro Class B09 redeemable preference share	€	11.62	€	–

See accompanying notes to financial statements

Signed on behalf of the Board

____ Director

____ Director

FMG AFRICA FUND LTD.

Schedule of Investments

March 31, 2010
(Expressed in United States Dollars)

	Cost	Fair Value	% of Net Assets	Redemption Frequency
Exchange Traded Funds				
Market Vectors Africa Index	$ 1,569,211	$ 1,685,250	37.99%	
Other Investment Companies				
Africa Opportunities Fund SAC Ltd – Finch Africa Segregated Account	1,859,754	2,648,691	59.71%	Quarterly
The Imara Africa Series Limited – Imara Zimbabwe Opportunities Fund	401,336	316,129	7.13%	Monthly
The Hawkwood Fund Limited – Class A USD Shares - Mukwa Fund	750,000	536,665	12.10%	Quarterly
Duet Victoire Africa Index Fund – US Dollar Share Class IC	116,995	60,016	1.35%	Semi-Monthly
Standard Africa Fund	1,600,000	1,738,824	39.20%	Semi-Monthly
Total investments in other investment companies	4,728,085	5,300,325	119.49%	
Total investments in exchange traded funds and other investment companies	$ 6,297,296	$ 6,985,575	157.48%	

See accompanying notes to financial statements

FMG AFRICA FUND LTD.

Schedule of Investments

March 31, 2009
(Expressed in United States Dollars)

Other Investment Companies	Cost	Value	% of Net Assets	Redemption Frequency
Finch Opportunities Fund SPC Class F Segregated Portfolio Lead Series	$ 3,308,575	$ 2,051,975	31.95%	Monthly
Imara African Opportunities Fund	1,037,790	478,457	7.45%	Monthly
Imara Zimbabwe Opportunities Fund	1,500,000	335,769	5.23%	Monthly
Optis Southern Africa Fund Ltd Initial Series Class A	1,190,987	1,177,727	18.34%	Monthly
The Hawkwood Fund Limited – Class A USD Shares – Mukwa Fund	1,500,000	1,163,383	18.11%	Quarterly
Duet Victoire Africa Index Fund – US Dollar Share Class IC	116,996	41,979	0.65%	Semi-Monthly
Total investments in other investment companies	$ 8,654,348	$ 5,249,290	81.73%	

See accompanying notes to financial statements

FMG AFRICA FUND LTD.

Statement of Operations

Year Ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Investment income		
Interest income	$ –	$ 101
Total income	–	101
Expenses		
Management fees (Note 3)	128,957	279,478
Incentive fees (Note 3)	12,328	10,210
Administration fees (Note 4)	48,110	44,688
Audit fees	25,050	28,250
Directors' and secretarial fees	13,500	14,878
Custodian fees (Note 5)	5,043	15,797
Bank charges	4,185	6,646
Bermuda company fees	3,346	3,151
Interest expense	406	–
Miscellaneous	14,784	24,356
Total expenses	255,709	427,454
Net investment loss	(255,709)	(427,353)
Realized and unrealized gains and losses on investments		
Net realized losses on sale of investments	(2,711,527)	(4,455,414)
Net realized gains (losses) on forward foreign exchange contracts	136,978	(1,520,022)
Net change in unrealized gains and losses on investments	4,093,337	(5,302,363)
Net change in unrealized gains and losses on forward foreign exchange contracts	(235,538)	24,156
Net realized and unrealized gains and losses on investments	1,283,250	(11,253,643)
Net increase (decrease) in net assets from operations	$ 1,027,541	$ (11,680,996)

See accompanying notes to financial statements

FMG AFRICA FUND LTD.

Statement of Changes in Net Assets

Year Ended March 31, 2010
(Expressed in United States Dollars)

		2010		2009
Net increase (decrease) in net assets resulting from operations				
Net investment loss	$	(255,709)	$	(427,353)
Net realized losses on sale of investments		(2,711,527)		(4,455,414)
Net realized gains (losses) on forward foreign exchange contracts		136,978		(1,520,022)
Net change in unrealized gains and losses on investments		4,093,337		(5,302,363)
Net change in unrealized gains and losses on forward foreign exchange contracts		(235,538)		24,156
Net increase (decrease) in net assets from operations		1,027,541		(11,680,996)
From capital share transactions				
Proceeds from sale of nil (2009 - 18,297) US Dollar Class A redeemable preference shares		–		1,850,311
Proceeds from sale of 2,580 (2009 - 672) US Dollar Class A09 redeemable preference shares		274,113		67,200
Proceeds from sale of 2,500 (2009 - 300,731) US Dollar Class B redeemable preference shares		17,775		3,038,010
Proceeds from sale of 46 (2009 - 3,882) EUR Class A redeemable preference shares		3,937		587,053
Proceeds from sale of 697 (2009 - nil) EUR Class A09 redeemable preference shares		108,771		–
Proceeds from sale of nil (2009 - 413,479) EUR Class B redeemable preference shares		–		6,866,864
Proceeds from sale of 123,980 (2009 - nil) EUR Class B09 redeemable preference shares		2,035,466		–
Payment on redemption of 7,882 (2009 - 18,140) US Dollar Class A redeemable preference shares		(493,473)		(1,371,823)
Payment on redemption of 397 (2009 - nil) US Dollar Class A09 redeemable preference shares		(42,000)		–
Payment on redemption of 89,379 (2009 - 1,163,911) US Dollar Class B redeemable preference shares		(612,588)		(10,536,709)
Payment on redemption of 2,123 (2009 - 6,629) EUR Class A redeemable preference shares		(172,658)		(645,579)
Payment on redemption of 14 (2009 - nil) EUR Class A09 redeemable preference shares		(2,093)		-
Payment on redemption of 248,092 (2009 - 220,911) EUR Class B redeemable preference shares		(2,190,418)		(2,771,661)
Payment on redemption of 122,188 (2009 - nil) EUR Class B09 redeemable preference shares		(1,941,053)		–
Net decrease in net assets from capital share transactions		(3,014,221)		(2,916,334)
Net decrease in net assets attributable to redeemable preference shares		(1,986,680)		(14,597,330)
Net assets attributable to redeemable preference shares at the beginning of the year		6,422,531		21,019,861
Net assets attributable to redeemable preference shares at the end of the year	$	4,435,851	$	6,422,531

See accompanying notes to financial statements

FMG AFRICA FUND LTD.

Statement of Cash Flows

Year Ended March 31, 2010
(Expressed in United States Dollars)

	2010	2009
Cash flows from operating activities:		
Net increase (decrease) in net assets from operations	$ 1,027,541	$ (11,680,996)
Adjustments to reconcile net increase (decrease) in net assets resulting from operations to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Net change in investments and derivative financial instruments	(1,500,747)	12,999,859
Other assets	3,916	3,555
Receivable for investments sold	1,018,893	(1,300,000)
Management fees and incentive fees payable	11,934	(77,044)
Administration fees payable	3,060	(3,060)
Audit fees payable	1,375	2,000
Accounts payable and accrued expenses	(3,410)	(64,508)
Net cash provided by (used in) operating activities	562,562	(120,194)
Cash flows from financing activities		
Proceeds from issue of redeemable preference shares	2,467,080	12,048,210
Payments on redemptions of redeemable preference shares	(2,133,805)	(14,940,216)
Proceeds from loan	–	1,300,000
Repayment of loan proceeds	(600,000)	(700,000)
Net cash used in financing activities	(266,725)	(2,292,006)
Net increase (decrease) in cash and cash equivalents	295,837	(2,412,200)
Cash and cash equivalents at beginning of year	725,175	3,137,375
Cash and cash equivalents at end of year	$ 1,021,012	$ 725,175
Supplementary cash flow information		
Interest paid	$ 406	$ –

See accompanying notes to financial statements

1. Operations

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

The Fund invests in other investment companies managed by fund managers in countries on the African continent with a focus on investments in sub-Saharan Africa. The Fund’s assets will be allocated among various managers with different investment styles, aiming to lower the risk and volatility to the Fund.

2. Significant accounting policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Bermuda and Canada. The following are the significant accounting policies adopted by the Fund:

(a) Investment transactions and valuation

Investments are categorized as held for trading in accordance with CICA Section 3855, *Financial Instruments – Recognition and Measurement* (“Section 3855”) and therefore are recorded at fair value. The adoption of Section 3855 does not impact the manner in which the investments in other investment companies are valued since bid prices are not available. Investments in other investment companies are recorded on the effective date of the subscription and are valued at their net asset value as reported by the administrators of the other investment companies. Where net asset values are not reported on a timely basis, the Manager (Note 3) may estimate the net asset value based on information provided by the other investment companies. The other investment companies in which the Fund invests generally value securities traded on a national securities exchange or reported on a national market and securities traded in the over-the-counter market at the last reported bid price if held long and the last reported ask price if sold short on the valuation day. Realized gains or losses on sale of investments are determined on an average cost basis. Realized gains and losses and the net change in unrealized gains and losses are included in the statement of operations.

(b) Africa business environment

The Fund invests in companies that are mainly located in Africa. Africa is an emerging market, parts of which are experiencing significant economic growth and change. Consequently, operations in Africa involve risks which do not typically exist in other markets. Such risks include, but are not limited to, the Fund’s investments in companies in Africa which may prove difficult to sell in times of forced liquidity, risks involved estimating the valuation of the underlying businesses, potential adverse changes to the legal, regulatory and taxation environments that could adversely affect the underlying businesses, currency fluctuations, changes in interest rates, institutional, settlement and custodial risks, and other risks generally associated with investing in immature emerging markets.

2. **Significant accounting policies** (continued)

(c) Forward foreign exchange contracts

The Fund purchases forward foreign exchange contracts in amounts approximating the net assets attributable to the Euro classes of redeemable preference shares to manage its exposure against changes in the US Dollar/Euro exchange rates. Forward foreign exchange contracts are recorded at fair value at the reporting date. The unrealized gain or loss on open forward foreign exchange contracts on each valuation date is the difference between the contract exchange rate and the forward exchange rate at the valuation date, as reported by published sources, applied to the face amount of the contract. The unrealized gain or loss at the reporting date is included in the statement of assets and liabilities. Realized and unrealized changes in the fair value of the forward foreign exchange contracts are included in the statement of operations in the period in which the change occurs and are attributed entirely to the classes of redeemable preference shares to which the individual contracts relate (see Notes 2(d) and 9).

(d) Allocation of profits and losses

The profit or loss of the Fund for each month, excluding realized and unrealized gains and losses on forward foreign exchange contracts used for hedging purposes (Notes 2(c) and 9) and before management and incentive fees, is allocated at the end of each month between the US Dollar and Euro classes of redeemable preference shares (Note 6). The amount is allocated in proportion to the relative net assets of each class of redeemable preference shares on the first day of the month after adding subscriptions and deducting redemptions effective that day. All of the realized and unrealized gains and losses on forward foreign exchange contracts used for hedging are allocated to the appropriate class of redeemable preference shares. Management and incentive fees are calculated separately for each class of redeemable preference shares (Note 3).

(e) Foreign currency transactions

Foreign currency investments and balances that are monetary items, predominantly cash, have been translated into US Dollars at the rate of exchange prevailing on the valuation date. Foreign currency transactions have been translated at the rate in effect at the date of the transaction. Any realized or unrealized exchange adjustments are included in the related caption in the statement of operations.

(f) Interest income and expense

Interest income and expense are recognized on the accrual basis of accounting.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and money market funds held on a short term basis.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

2. **Significant accounting policies** (continued)

(i) *Changes in accounting policies*

On April 1, 2008, the Fund adopted CICA Section 3862, *Financial Instruments – Disclosures* ("Section 3862") and CICA Section 3863, *Financial Instruments – Presentation* ("Section 3863"), replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect of financial instruments.

3. **Management, incentive and load fees**

Management fees

The Fund pays FMG Fund Managers Limited (the "Manager") a management fee at a rate of 2.0% per annum of the net assets attributable to the Class A Shares of the Fund and 1.5% per annum of the net assets attributable to the Class B Shares of the Fund, calculated on a monthly basis and payable quarterly. For the year ended March 31, 2010, the management fee was $128,957 (2009 - $279,478), of which $34,020 (2009 - $32,503) was payable at March 31, 2010.

Incentive fees

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

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

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

For the year ended March 31, 2010, the incentive fee was $12,328 (2009 - $10,210), of which $10,417 (2009 - $nil) was payable at March 31, 2010.

3. **Management, incentive and load fees** (continued)

Load fees

The Manager may charge load fees of up to 5% of the amount of share capital subscribed. When charged, these load fees will reduce the amount available to shareholders for the purchase of redeemable preference shares in the Fund. For the year ended March 31, 2010, load fees were $nil (2009 - $98,653), of which $1,163 (2009 - $2,800) were included within accounts payable and accrued expenses.

One of the directors of the Fund is also a director of the Manager.

4. **Administration fees**

Apex Fund Services Limited (the “Administrator”) acts as the administrator, registrar and transfer agent for the Fund. For administration services provided, the Fund pays fees at the higher of $2,000 per month for net assets up to $10 million and $3,000 per month for net assets exceeding $10 million, or 15 basis points of the Fund’s average net assets. Effective December 1, 2008, the minimum fee was increased to $3,000 per month for net assets up to $10 million and $4,000 for net assets exceeding $10 million. For the year ended March 31, 2010, Administration fees were $48,110 (2009 - $44,688), of which $12,960 (2009 - $9,900) was payable at March 31, 2010.

One of the directors of the Fund is also the Managing Director of the Administrator.

5. **Custodian fees**

Effective August 14, 2009, Credit Suisse AG (the “Custodian”) acts as custodian to the Fund. Fees for custody services are charged a fee of 7 basis points per annum of the value of the net assets of the Fund under custody subject to an annual minimum of CHF 5,500. In addition, a set up fee of US$1,500 will be payable together with all responsible disbursement and out-of-pocket expenses. Prior to August 14, 2009, HSBC Institutional Trust Services (Bermuda) Limited was the custodian for the Fund. Fees for custody services provided prior to August 14, 2009, were charged at the higher of $3,000 per annum or five basis points of the gross asset value of investments held in custody (calculated monthly). In addition, custody transaction fees were chargeable on individual transactions on a sliding scale, depending on the market and type of security.

Effective August 26, 2009, the Custodian has a right of lien against all currency accounts and investments in other investment companies held by the Custodian on the Fund’s behalf. The purpose of the right of lien is to secure any and all claims of the Custodian against the Fund from any agreement or contracts as well as claims on other legal grounds resulting from business operations with the Fund.

6. **Share capital**

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

6. **Share capital** (continued)

The holder of the common shares is not entitled to receive dividends, may not redeem their holding and is only entitled to be repaid the par value of the common shares upon a winding-up or distribution of capital. The common shares are entitled to one vote per share at a general meeting. All the common shares are owned by the Manager (Note 3). Each of the redeemable preference shares carries no preferential or pre-emptive rights upon the issue of new shares and has no voting rights at general meetings of the Fund.

Shares may be purchased and redeemed on a Dealing Day, which is generally the first business day of each calendar month. Shares may be purchased at the net asset value per share calculated at the immediately preceding Valuation Day, generally the last business day of the preceding month. Class A and Class B Shares may be redeemed with 45 and 90 days written notice, respectively, at their net asset value per share, subject to certain restrictions as described in the Prospectus.

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

At March 31, 2010, redemptions payable include $3,678,877 payable to FMG (EU) Africa Fund Ltd., a fund managed by the same Manager as the Fund.

FMG (EU) Africa Fund Ltd. held 72.60% of the EUR Class B redeemable preference shares at March 31, 2009.

7. **Taxation**

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

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

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

8. **Fair value of financial instruments**

The methods used to determine the fair value of investments in other investment companies, exchange traded Funds and the unrealized gains and losses on forward foreign exchange contracts are described in Notes 2(a) and 2(c). The fair value of the Fund's other assets and liabilities approximate their carrying amount due to their short term nature.

CICA 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

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

8. **Fair value of financial instruments** (continued)

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used as of March 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Level 1	Level 2	Level 3	Total
Exchange traded funds	$ 1,685,250	$ –	$ –	$ 1,685,250
Investments in other investment companies	–	2,651,634	2,648,691	5,300,325
Total investments	$ 1,685,250	$ 2,651,634	$ 2,648,691	$ 6,985,575
Derivative liabilities	$ –	$ (48,658)	$ –	$ (48,658)

During the year ended March 31, 2010, the reconciliation of the change in investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments in other investment companies
Beginning balance	$ 2,051,975
Purchases	1,859,754
Sales	(1,859,754)
Realized losses	(1,448,822)
Change in unrealized	2,045,538
Ending balance	$ 2,648,691
Total change in unrealized appreciation during the year for assets held at March 31, 2010	$ 788,937

For investments in other investment companies the Fund has used the reported net asset value per share as provided by the administrators of the investment company to arrive at fair value. The Fund has not identified any other reasonable possible alternatives for valuing its Level 3 financial instruments.

Investment in Africa Opportunities Fund SAC Ltd. – Finch Africa Segregated Account (formerly Finch Opportunities Fund SPC Class F Segregated Portfolio Lead Series)

The Fund has an investment in Africa Opportunities Fund SAC Ltd. – Finch Africa Segregated Account ("Africa Opportunities") with a fair value of $2,648,691 at March 31, 2010, representing 59.71% of the net asset value of the Fund at that date. For the period from December 2008 to March 2009 there was a suspension in dealing in the shares of the Fund due to adverse market conditions and the illiquidity of the investments held in its portfolio. On April 1, 2009, the holding in Finch Opportunities Fund SPC Class F Segregated Portfolio Lead Series was transferred into a new fund, Africa Opportunities, formed by the same Investment Manager. The fair value of the investment was based on NAV reported by Africa Opportunities' administrator.

See Note 11 for a discussion of events that occurred since March 31, 2010.

8. **Fair value of financial instruments** (continued)

The valuations carried for the investments in Finch Opportunities and Imara Zimbabwe at March 31, 2009 are based on estimates made by the Fund's Manager. There is a significant amount of uncertainty as to the fair value of these investments at that date due to the Fund's inability to redeem its investments and due to the illiquid nature of the underlying investments held. There could be significant differences between the realizable values of the investments upon their eventual sale and the fair value amounts estimated by the Fund's Manager at March 31, 2009, and such differences could be material to the Fund's financial statements.

9. **Derivative financial instruments and risk management**

The Fund's investment activities expose it to a variety of financial risks. The schedule of investments presents the investments held by the Fund as at the end of the year.

(a) Liquidity risk

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

The schedule of investments summarizes the redemption frequencies of the Fund's investments in other investment companies at March 31, 2010. The information has been obtained by the Manager from the offering memoranda or similar information provided by the managers of the underlying investment companies.

At March 31, 2010, there was no redemption restrictions on any of the investment companies held by the Fund.

The liabilities of the Fund are comprised of accrued expenses and redemptions payable and these fall due within 3 months of the date of the statement of assets and liabilities.

(b) Interest rate risk

Interest rate risk arises when an entity invests in interest-bearing financial instruments. The Fund does not hold investments which are sensitive to interest rates but is indirectly exposed to the interest rate risk of the investments held by the investment companies in which the Fund invests.

(c) Credit risk

Credit risk arises from the potential inability of counterparties to perform under the terms of the contract. The Fund has cash and cash equivalents and derivative transactions with a major bank of high quality credit standing. As the Fund invests in other investment companies, the Fund is exposed to the credit risk of each of those underlying investment companies. The maximum amount of credit exposure is represented by the carrying amounts of the assets on the schedule of investments.

Bankruptcy or insolvency of the Custodian may cause the Fund's right to be delayed with respect to the cash and cash equivalents and investments held in the custodial relationship. The Manager monitors the credit quality and financial position of the Custodian and should it decline significantly, the Manager will move cash holdings and custodial relationships to another institution.

9. **Derivative financial instruments and risk management** (continued)

(d) Market risk

Market risk is the risk that the changes in interest rates, foreign exchange rates or securities prices will affect the fair value of the financial instruments held by the Fund.

The Fund is indirectly exposed to the market risk of the investments held by the other investment companies in which the Fund invests and directly exposed to securities held directly by the Fund. Some of those other investment companies may deal or trade derivative financial instruments as their principal investment activity or use these instruments as part of their investment strategy. This may result in market risk to those other investments companies in excess of the amount invested in these securities. However, the Fund's risk is limited to the net asset value of its investments in those other investment companies, and to the fair value of the investments held directly.

At March 31, 2010, if the price of the investments increased by 5%, this would have increased the net assets attributable to holders of redeemable preference shares by $349,279 (2009 - $262,465); an equal change in the opposite direction would have decreased the net assets attributable to holders of redeemable preference shares by an equal but opposite amount.

(e) Currency risk

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

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

	Monetary Assets	Monetary Liabilities	Net assets attributable to non-USD denominated Share Classes	Forward FX Contracts	Net Exposure
March 31, 2010					
EUR	$ –	$ (657)	$ (1,519,900)	$ 4,917,736	$ 3,397,179
March 31, 2009					
EUR	$ –	$ (19,256)	$ (3,147,328)	$ 3,337,207	$ 170,623

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

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

9. **Derivative financial instruments and risk management**

(e) Currency risk (continued)

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

At March 31, 2010, had the US Dollar strengthened by 5% in relation to the Euro, there would also be an approximate net impact of $(169,859) (2009 - $(8,531)) on the statement of operations and on the net assets attributable to the hedged non-USD denominated share classes. A 5% weakening of the US Dollar against the Euro would have resulted in an approximate equal but opposite effect.

Actual results may differ from this sensitivity analysis and the difference could be material to the financial statements.

At March 31, 2010, the Fund had the following open forward foreign exchange contract:

Currency to be bought		Currency to be sold		Contract due date	Fair value
EUR	3,604,321	USD	4,917,736	April 7, 2010	$ (48,658)
Unrealized loss on open forward foreign exchange contract					$ (48,658)

At March 31, 2009, the Fund had the following open forward foreign exchange contract:

Currency to be bought		Currency to be sold		Contract due date	Fair value
EUR	2,511,822	USD	3,337,207	April 2, 2009	$ 186,880
Unrealized gain on open forward foreign exchange contract					$ 186,880

(f) Capital management

The Fund's objectives in managing the redeemable preference shares are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions. The Fund's management of the liquidity risk arising from redeemable preference shares is discussed in Note 9(a).

The Fund is not subject to any externally imposed capital requirements.

10. **Uncommitted foreign exchange transactions facility**

The Fund had an uncommitted foreign exchange transactions facility with HSBC Bank Bermuda Limited of up to a maximum at any time of $6,500,000 or 100% of the net asset value at such time. The utilization of the facility was subject to collateral in an amount of 5% of the gross foreign exchange settlement amount consisting of custody cash accounts and other assets which satisfy the criteria set out by HSBC Bank Bermuda Limited. The facility was closed with the change of Fund's custodian effective August 14, 2009.

11. **Subsequent events**

Subsequent to year-end, certain investments of the Fund were transferred to FMG (EU) Africa Fund Ltd., a sub-fund of FMG Funds SICA Ltd, which is a regulated Malta entity managed by FMG Malta Ltd. In exchange for these investments, the Fund received shares in FMG (EU) Africa Fund Ltd. Class B09 USD for the same value.

On April 1, 2010, the Fund fully redeemed its position in Africa Opportunities for a value of $2,648,691. The amount to be received is contingent upon the sale of designated illiquid positions held in Africa Opportunities which have been designated to the Fund. As these designated securities are sold, the proceeds will be distributed to the Fund. Subsequent to year-end, the Fund received proceeds of $2,099,376 in relation to the distributions received from Africa Opportunities.