EFG-Hermes
Middle East and Africa Fund Limited
Telecom Fund

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013
TOGETHER WITH REVIEW REPORT

EY
Building a better working world

Allied for Accounting & Auditing
Ragheb, Hamouda, Istanbouli, Tageldeen & El-Kilany
P.O. Box 20 Kattameya
Rama Tower
Ring Road, Zone #10A
Kattameya, Cairo, Egypt

Tel: +202 2726 0260
Fax: +202 2726 0100
Cairo.office@eg.ey.com
ey.com/mena

REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To The Shareholders of EFG-Hermes Middle East and Africa Fund Limited – Telecom Fund

Introduction

We have reviewed the accompanying interim financial statements of **EFG-Hermes Middle East and Africa Fund Limited – Telecom Fund**, which comprise of the statement of financial position as of 30 June 2013, and the related statements of profit or loss and other comprehensive income, changes in net assets and cash flows for the six months period ended 30 June 2013, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial statements in accordance with International Financial Reporting Standards and applicable Egyptian laws. Our responsibility is to express a conclusion on this interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements does not present fairly, in all material respects, the financial position of the Fund as of 30 June 2013, and its financial performance and its cash flows for the six months period ended 30 June 2013, in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of **EFG-Hermes Middle East and Africa Fund Limited – Telecom Fund** for the year ended 31 December 2012, were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2013.

Cairo: 26 December 2013

A Member of Ernst & Young Global

Ehab Morad Azer
FESAA-FEST
RAA (6537)
EFSA (87)

A member firm of Ernst & Young Global Limited

EFG-HERMES Middle East and Africa Fund Limited – Telecom Fund

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPEREHINSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	Note	30 June 2013 USD Unaudited	30 June 2012 USD Unaudited
Investment income			
Dividends income		**542 082**	279 879
Net gain on financial assets at fair value through profit or loss		**1 300 137**	1 321 313
Net foreign exchange (loss)/gain		**(159 617)**	97 965
		1 682 602	1 699 157
Investment cost			
Impairment loss	(9)	**(10 335)**	-
Management fees	(13)	**(163 853)**	(156 018)
Incentive fees	(14)	**(72 224)**	-
Custody fees	(15)	**(17 493)**	(20 400)
Administrator fees	(16)	**(23 431)**	(16 525)
Board of directors fees	(17)	**(13 740)**	(7 696)
Other fees		**(98 088)**	(25 360)
		(399 164)	(225 999)
Net investment income		**1 283 438**	1 473 158
Interest income		**3 419**	1 286
Profit for the period		**1 286 857**	1 474 444
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		-	-
Other comprehensive income, net of tax		-	3 385
Total other comprehensive income net of tax		-	3 385
Total comprehensive income for the period		**1 286 857**	1 477 829

The attached notes from (1) to (22) form an integral part of these financial statements.
Review report is attached.

EFG-HERMES Middle East and Africa Fund Limited – Telecom Fund

INTERIM STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2013

	Note	30 June 2013 USD Unaudited	31 December 2012 USD Audited
Assets			
Cash held with brokers	(6)	**606 272**	385 909
Cash at banks	(7)	**5 137 044**	4 373 502
Financial assets at fair value through profit or loss	(8)	**13 079 473**	12 598 645
Available for sale investments (net of impairment loss)	(9)	**278 963**	361 361
Debtors and other debit balances	(10)	**78 936**	7 466
Total assets		**19 180 688**	17 726 883
Liabilities			
Creditors and other credit balances	(11)	**409 299**	125 510
Total liabilities		**409 299**	125 510
Net assets value		**18 771 389**	17 601 373
Number of outstanding investment certificates	(12)	**662,493**	666,613
Net assets value per investment certificate		**28.33**	26.4

The attached notes from (1) to (22) form an integral part of these financial statements.

EFG-HERMES Middle East and Africa Fund Limited – Telecom Fund

INTERIM STATEMENT OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	30 June 2013	30 June 2012
	USD	USD
	Unaudited	Unaudited
Change in net assets from operation:		
Total other comprehensive income	**1 286 857**	1 477 829
Net increase in net assets resulting from operations	**1 286 857**	1 477 829
Change in net assets from capital transactions:		
Payments on redemption of certificates	**(116 841)**	(6 812)
Net decrease in net assets used in capital transactions	**(116 841)**	(6 812)
Total increase in net assets during the period	**1 170 016**	1 471 017
Net assets-beginning of the period	**17 601 373**	15 835 847
Net assets-end of the period	**18 771 389**	17 306 864
Number of investment certificates outstanding	**662,493**	679,922
Net assets value per investment certificate	**28.33**	25.45

The attached notes from (1) to (22) form an integral part of these financial statements.

EFG-HERMES Middle East and Africa Fund Limited – Telecom Fund

INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

	30 June 2013 USD Unaudited	30 June 2012 USD Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profits for the period	**1 286 857**	1 477 829
Adjusted by:		
Net loss on financial assets at fair value through profit or loss	**(1 300 137)**	(1 321 313)
Net foreign exchange loss/(gain)	**159 617**	(97 965)
Impairment loss on available for sale investments	**10 335**	-
Operating loss/(gain) before working capital changes	**156 672**	58 551
Decrease/(increase) in financial assets at fair value through profit or loss	**659 692**	(1 507 995)
Decrease in available for sale investments	**72 063**	3 386
(Increase)/decrease in debtors and other debit balances	**(71 470)**	763 979
Increase/(decrease) in creditors and other credit balances	**283 789**	(18 390)
Net cash flow provided from (used in) operating activities	**1 100 746**	(700 469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on redemption of certificates	**(116 841)**	(6 812)
Net cash flow used in financing activities	**(116 841)**	(6 812)
Net increase/(decrease) in cash and cash equivalents during the period	**983 905**	(707 281)
Cash and cash equivalents-beginning of the period	**4 759 411**	3 458 911
Cash and cash equivalents-end of the period	**5 743 316**	2 751 630

For the purposes of preparing the statement of cash flow, the cash and cash equivalent comprise of the following:

	30 June 2013 USD Unaudited	30 June 2012 USD Unaudited
Cash held with brokers	**606 272**	750 544
Cash at banks	**5 137 044**	2 001 086
Cash and cash equivalents-end of the period	**5 743 316**	2 751 630

The attached notes from (1) to (22) form an integral part of these financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

1 Background

The EFG Hermes Telecom Fund (The Fund) is a sub-fund of EFG-Hermes Middle East and Africa Funds Limited, an umbrella fund incorporated as a mutual fund in Bermuda on 27 January 2000.

The Telecom fund is being established for the purpose of providing shareholders with the opportunity of investing indirectly in telecommunications and other · information technology companies in the Middle East and Africa. The principal investment objective in the management of the Telecom fund's investments is to provide investors with return in the form of long-term capital appreciation. The Fund is investing principally in listed and unlisted equity and equity-related securities of telecommunications media entertainment, information technology, internet, e-commerce and related infrastructure companies incorporated or operating in Middle East and Africa.

2 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss and available for sale, that have been measured at fair value.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

3 Application of new and revised International Financial Reporting Standards (IFRSs)

In the current period the fund has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Fund is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Fund.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 consolidated financial statements, IFRS 11, Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transactional guidance on the first time application of the standards.

IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) are not applicable to the fund.

IFRS 13 Fair Value Measurement

The fund has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 12 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purpose of measuring inventories or value in use for impairment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transactional provision were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standards. In accordance with these transactional provisions, the fund has not made any new disclosures required by IFRS 13 for 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

Amendments to IAS 1 Presentation of items of other comprehensive income

The fund has applied the amendments to IAS 1 Presentation of items of other comprehensive income for the first time in the current period. The amendments include the new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income. The amendment to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The annual improvements to IFRSs 2009-2011 have made a number of amendments to IFRSs. The amendments that are relevant to the group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when: a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.
In the current year, the fund has not applied any new IFRSs that has resulted in material effect on the information in the statement of financial position as at 1 January 2012.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim financial statements for the Fund, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

There is no impact on the Fund because it is only one segment.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendments occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

There is no impact on the Fund as it has no defined benefit plan.

New and revised IFRSs in issue but not yet effective

The fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS9	Financial instruments (i)
Amendments to IFRS9 and IFRS7	Mandatory effective date of IFRS 9 and transition disclosures (i)
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities (ii)
Amendments to IAS 32	Offsetting financial assets and financial liabilities (ii)

(i) Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.
(ii) Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on management historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Therefore, those estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgments in applying accounting policies

The directors have not made critical judgments when applying the entity's accounting policies, apart from those involving estimations (Note 4.2), that have the most significant effect on the amounts recognized in these financial statements.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.3 Fair value of financial instruments

During the reporting period, all the Fund's investments are in quoted securities traded in a public market. The fair values of financial assets traded in active markets are based on quoted market prices for the identical securities at the close of trading on the year end date.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

4.4 Impairment of available-for-sale investments

At the end of each reporting period, the fund reviews the carrying amounts of its available for sale financial assets to determine whether there is any objective evidence that an AFS financial asset or group of AFS financial assets is impaired. An AFS financial asset is impaired, and an impairment loss recognized, if and only if, such evidence exists. Objective evidence of impairment may result from one or more events that occurred after the initial recognition of the asset (a 'loss event') which the fund considers.

When considering what is a 'significant or prolonged decline in fair value' of an available-for-sale listed equity investment below cost, the fund compares the original cost at the date of acquisition and fair value of the equity security on the re-measurement date. This assessment is made in the functional currency of the entity holding the instrument. Therefore, when the foreign currency, in which the listed equity investment is denominated, depreciates significantly and causes decline in fair value below cost, an impairment loss is recognized.

If there is objective evidence that an AFS unquoted equity investment (measured at cost) is impaired, the fund measures the amount of the impairment loss as the difference between carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset.

5 Significant accounting policies

The principal accounting policies set out below have been consistently applied in the preparation of these financial statements for all periods presented:

a- Foreign currencies

The fund's net assets value is quoted in US Dollar and as such, the financial statements of the fund are presented in Egyptian Pound; the currency in which its cash flows from financing activities are invested or generated and in which receipts from operating activities are usually retained.

Transactions denominated in currencies other than the US Dollar, are translated to US Dollar using the rate in effect at the date of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise, except for exchange differences arising on non-monetary assets and liabilities carried at fair value.

5 Significant accounting policies (continued)

b- Financial instruments

Financial instruments comprise financial assets and financial liabilities which are recognized in the statement of financial position when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

The trade date is the date that the fund commits itself to purchase or sell an asset. Trade date accounting refers to the recognition of an asset to be received and the liability to pay for it on the trade date, derecognizing of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment at that date. Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

All financial assets are initially measured at fair value.

Financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL), which include held for trading investments while other financial assets include cash and cash equivalents and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets classified as FVTPL

Financial assets are classified as FVTPL where the financial asset is either held for trading or it is designated upon initial recognition as FVTPL. All FVTPL financial assets represent held for trading investments.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; or it is a part of an identified portfolio of financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

Held for trading financial assets are stated at fair value, with any resulting gain or loss, representing the difference between the market or estimated fair value of securities, on the day of valuation, and average cost, recognized in profit or loss.

Realized gains and losses on sale of held for trading investments are recognized, in profit or loss, on the trade date, as the difference between the selling price, net of commissions and expenses, and average cost.

Available-for-sale financial assets (AFS Financial Assets)

AFS financial assets are non-derivatives that are either designated as AFS or
are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss, that was previously deferred in other comprehensive income, is reclassified to profit or loss.

5 Significant accounting policies (continued)

Available-for-sale financial assets (AFS Financial Assets) (Continued)

Dividends on AFS equity instruments are recognized in profit or loss when the Fund's right to receive the dividends is established.

Foreign exchange gains and losses (related to equity instruments) are recognized in other comprehensive income until the asset is disposed of or impaired, in which case, they are reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

AFS investments are stated at cost less recognized impairment because they are not listed on stock exchanges and their fair values cannot be measured reliably. Any portion of the cumulative net loss that is attributable to foreign currency movements that had been recognized in other comprehensive income in the case of non-monetary item (i.e., equity instruments), is reclassified from equity to profit or loss upon impairment of that non-monetary item.

c- Other financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, cash held with brokers and short-term demand deposits that are readily convertible to known amounts of cash. However, for the purpose of preparing the cash flow statement, cash held with brokers are also considered since the Fund has full access to cash balances held at the broker banks accounts.

Debtors and other debit balances

Debtors and other debit balances are short-term non-interest bearing. Receivables are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts, if any.

d- Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

5 Significant accounting policies (continued)

e- Derecognition of financial assets

The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

f- Financial liabilities and equity instruments issued by the Fund

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities' that includes credit and other credit balances.

Share capital

The redeemable certificates provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each monthly redemption date and also in the event of the Fund's liquidation.

A financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all of the following conditions:

It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation; It is in the class of instruments that is subordinate to all other classes of instruments;

All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;

Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial asset, the instrument does not include any other features that would require classification as a liability; and The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument. The Fund's redeemable shares meet these conditions and, therefore, they are classified as equity.

Incremental costs directly attributable to the issue or redemption of redeemable shares are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

Creditors and other credit balances

Creditors and other credit balances are short-term non-interest bearing financial liabilities and are stated at their nominal value.

According to the basis of recognition and measurement disclosed above, the Directors of the Fund do not expect the carrying amount of the financial assets and liabilities to be materially different from their fair value at the end of the reporting period.

5 Significant accounting policies (continued)

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to its carrying amount on initial recognition

Derecognition of financial liabilities

The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

g- Revenue recognition

Revenue is measured at fair value of the consideration received or receivable.

Dividend income on equity securities is recognized when the holders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable during the period until maturity using the effective interest method.

h- Fair value of financial instruments

Securities that are listed on a stock exchange and are freely transferable are valued at the applicable closing price of the respective securities exchange on which the security is primarily traded. Depending on the securities exchange, the applicable closing price is determined by either the Volume Weighted Average Price (VWAP), the last traded price, or the price determined during the closing auction.

Unlisted securities and quoted securities for which a price is unavailable are valued on such basis as may be determined by the Directors or the Manager.

i- Taxation

The taxation of income and capital gains of the Fund is subject to the fiscal laws and practices of Bermuda, United Kingdom and any other jurisdiction in which the Fund invests. See Note (19) for detailed information on taxation.

j- Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive), arising from past events, the settlement of which is expected to result in an outflow from the enterprise of resources embodying economic benefits, the costs to settle related obligations are probable and a reliable estimate is made of the amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount the present value of those cash flows. Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognized in profit or loss as finance cost

6 Cash held with brokers

	30 June 2013	31 December 2012
	USD	USD

	Unaudited	Audited
EFG-Hermes	**32 646**	252 880
ICAP Securities	**573 626**	3 922
Kamco	**-**	129 107
Total	**606 272**	385 909

7 Cash at banks

	30 June 2013 USD Unaudited	31 December 2012 USD Audited
Current accounts	**5 137 044**	4 373 502
Total	**5 137 044**	4 373 502

8 Financial assets at fair value through profit or loss

	30 June 2013		
Held for trading investment in listed equity securities:	**Quantity**	**Fair value USD Unaudited**	**Net asset value to total%**
Held for trading:			
Qatar Telecom	**50,948**	**1 690 291**	**9.0**
Telecom Egypt	**714,491**	**1 169 076**	**6.23**
Omani Qatar Tel – NAWRAS	**1,608,257**	**2 046 870**	**10.9**
Etihad Etisalat P-Notes	**157,198**	**3 395 205**	**18.09**
Orascom Telecom – GDR	**369,386**	**1 037 975**	**5.53**
MTN Group Ltd	**54,900**	**1 022 367**	**5.45**
Vodacom Group Ltd	**80,370**	**854 246**	**4.55**
Starcomms_PLC	**44,866,549**	**138 026**	**0.74**
Access Kenya	**13,696,120**	**1 522 677**	**8.11**
Econet Wireless Holdings Limited	**307,182**	**202 740**	**1.08**
Total		**13 079 473**	

	31 December 2012		
	Quantity	Fair value USD Audited	Net asset value to total %
Held for trading:			
Access Kenya	20,196,120	1 033 290	5.87
Orascom Telecom Holding	872,450	548 129	3.11
Orascom Telecom Media and Technology	6,037,200	525 472	2.99
Telecom Egypt	320,200	717 017	4.07
Starcomms PL	44,866,549	143 711	0.82
Omani Qatari Telecom	556,657	666 560	3.79
Zain Mobile Telecom	331,500	920 571	5.23
Qatar Telecom	60,748	1 735 323	9.86
Saudi Telecom Company P-Notes	148,600	1 715 697	9.75
Etihad Etisalat P-Notes	152,207	3 084 482	17.52
Orascom Telecom GDR	480,686	1 508 393	8.57
Total		12 598 645	

9 Available for sale investments (net of impairment)

	30 June 2013		31 December 2012	
	Quantity	**Cost**	Quantity	Cost

		USD Unaudited		USD Unaudited
Equity securities:				
Luxsat Middle East	**100,000**	**197 000**	100,000	197 000
National Telecom Company	**182,675**	**650 913**	182,675	722 721
Thuraya Satellite Telecommunication	**5,111,111**	**3 131 041**	5,111,111	3 131 296
Total cost		**3 978 954**		4 051 017
Impairment		**(3 699 991)**		(3 689 656)
Total		**278 963**		361 361

Impairment

	Balance as of 1 January 2013 USD	Charged during the period USD	**Balance as of 30 June 2013 USD**
Impairment loss on available for sale investments	3 689 656	10 335	**3 699 991**

10 Debtors and other debit balances

	30 June 2013 EGP Unaudited	31 December 2012 EGP Audited
Dividends receivable	**75 171**	-
Prepayments	**3 765**	7 466
	78 936	7 466

11 Creditors and other credit balances

	30 June 2013 USD Unaudited	31 December 2012 USD Audited
Management fees	**83 599**	77 578
Incentive fees	**72 224**	-
Administration fees	**3 884**	10 500
Secretarial fees	**403**	2 674
Director fees	**35 163**	25 543
Redemptions payable	**199 999**	-
Others	**14 027**	9 215
	409 299	125 510

12 Share capital

According to the initial offering. Redemption or subscription in Telecom Fund certificates was not permitted until 31 December 2001. The number of certificates subscribed upon the initial offering was 4 211 903 certificates.

Summary of subscriptions and redemptions during the current period listed as follows:

	Number of certificates	**30 June 2013 USD Unaudited**	Number of certificates	31 December 2012 USD Audited
Certificates redeemed during the period/year	**4,120**	**116 841**	13,569	344 284
Total		**116 841**		344 284

Movement on certificates during the period

	30 June 2013 Unaudited Number of certificates	31 December 2012 Audited Number of certificates
Balance as of the beginning of the period/year	**666,613**	680,182
Certificates redeemed during the period/year	**(4,120)**	(13,569)
Balance as of the end of the period/year	**662,493**	666,613

13 Management fees

EFG-Hermes Financial Management Limited (Egypt) was appointed to act as the Fund's manager and to be responsible for the management of the Fund's investment portfolio. The Manager which was incorporated in Bermuda on July 19, 1996 is a subsidiary of EFG-Hermes Holding SAE. The Manager is entitled to receive management fees at an annual rate of 1.75% of the net asset value calculated and accrued at the end of each month. Management fees for the year ended 30 June 2013 amounted to USD 163 853 (For the period ended 30 June 2012 amounted to USD 156 018).

14 Incentive fees

The manager is entitled to receive from the Fund in respect of each certificate in issue an incentive fee of 15 percent of any out-performance of such certificate (in terms of movements in the net asset value and dividends paid in respect of such certificate) relative to a fixed hurdle rate of 10 percent. Such fee is calculated periodically and is payable within 14 days following the period - end (in respect of any certificate redeemed during the course of the period such fee shall accrue on the valuation day on which such certificate is redeemed). Finally the manager is also entitled to be reimbursed all reasonable out-of-pocketand third party expenses incurred in the performance of its duties. The manager is entitled to waive or rebate any part of its incentive fee or annual management fee to any person who assists in the placing of certificate in the Fund.

Incentive fees for the period ended 30 June 2013 amounted to USD 72 224 (Nil for the period ended 30 June 2012).

15 Custody fees

Citibank was appointed pursuant to an agreement dated 29 March 2000 to act as the Fund's custodian. Under this agreement the custodian has the power to appoint sub-custodians agents or nominees and to delegate certain custodian and other functions where necessary.

Pursuant to this agreement, the Fund has appointed the Hong Kong and Shanghai Banking Corporation Limited (HSBC) to provide custody services in Bahrain, Palestine and Qatar.

The United Gulf Bank was appointed to act as the Fund's custodian for securities listed in Kuwait.

In addition, American Express Bank was appointed to provide custody services for securities listed on London Stock Exchange.

On November 2001, the Fund appointed HSBC Investment Banking PLC to provide custody services in South Africa.

The custodians are entitled to receive fees accrued on a monthly basis at rates varying according to the location, value and type of assets held for the Fund. Such fees ranged from 0.045% to 0.47% per annum of the value of the assets held. This percentage was changed to 0.125% starting October 2004.

Additionally, custodians charge transaction fees at rates up to USD 8 per transaction. Custody fees for the period ended 30 June 2013 amounted to USD 17 493 (For the period ended 30 June 2012 amounted to USD 20 400).

16 Administrator fees

Apex Fund Services Limited was appointed in July 2007 to act as registrar and transfer agent in addition to rendering certain administrative and corporate secretarial services to the Fund.

Under the administration agreement, The Administrator was entitled to receive from the Fund the following fees;

Fixed transaction fee of USD 15 per each investor subscription and redemption, paid monthly.

Monthly registrar and transfer agency fee of $21,000 per annum.

Disbursements of 5% of the Fund's monthly registrar and transfer agency fee.

On 22nd October 2012 Apex was appointed as administrator to the fund. Under the new administration agreement the fee structure was amended as follows;

Monthly administration, registrar and transfer agency fee of USD 3,750 per month

Disbursements of 5% of the Fund's monthly administration, registrar and transfer agency fee.

Administration fees for the period ended 30 June 2013 amounted to USD 23 431 (For the period ended 30 June 2012 amounted to USD 16 525).

17 Board of directors fees

The board of directors for EFG - Hermes Middle East and Africa Fund Limited (Mother Company) is currently comprised of four directors, one being an employee of APEX and three independent directors.

Directors' fees for the period ended 30 June 2013 amounted to USD 13 740 (Nil for the period ended 30 June 2012).

18 Distribution policy

Dividends, interest and other income received by the Fund shall apply first for the payment of fees and expenses. Any net income after payment of such fees and expenses shall be distributed to shareholders. The Fund may distribute a percentage of the Fund's net realized capital gain in addition to its net investment income from interest and dividends annually. Realized capital gains and will be reinvested not distributed. Dividends, if any, will be declared annually and be payable in cash or reinvested in additional shares of the same class at the subscription price per share as of the payment date for such dividends or the immediately preceding valuation day. No front-end charges will be levied in connection with the reinvestment of dividends.

19 Taxation

Taxation of income and capital gains of the Fund is subject to the fiscal laws and practices of Bermuda, the United Kingdom (UK) and Middle East and Africa. The Fund had no transactions in any other jurisdiction that might result in a material tax implication.

Bermuda

No Bermuda's income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Fund, or shareholders. Neither the Fund nor shareholders will be subject to stamp duty on the issue, transfer or redemption of shares.

The Fund has obtained from the Minister of Finance in Bermuda under the exempted undertakings tax protection act 1966 an assurance that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income, or computed on any capital assets, gains or appreciation of any tax in the nature of estate duty or inheritance tax, such tax shall until 28 September 2016 be applicable to the fund

To any of its operations or to any of its shares debentures or other obligations except in so far as such tax applies to persons ordinarily residing in Bermuda and holding such shares, debentures or other obligations of the Fund.

United Kingdom

The Fund is not a resident in the UK as it is considered an offshore fund for the purpose of UK taxation. Also, the Fund is not deemed to carry on trade activities in the UK by virtue of various exemptions, which are available to overseas persons such as the Fund dealing through UK brokers and investment advisors. Accordingly, the Fund is not subject to UK income tax or corporation tax. The Fund did not seek certification as a distributing fund in the UK. As a result, any gains arising from disposal of its shares will constitute income for purposes of UK taxation.

Taxation of investments

Investments held in the Middle East and Africa by the Fund may be subject to withholding and other taxes on the sale or transfer of such investments, and in respect to dividends or other income received from such investments.

20 Related party transactions

EFG-Hermes Financial Management (Egypt) Limited - the Fund Manager - is the major related party of the Fund. Management fees and incentive fees incurred during the period and payable to the Fund manager amounted to USD 83 599 and USD 72 224 respectively. In addition, due to the widespread operations undertaken by EFG-Hermes Group and its affiliates, the Fund has conducted a number of transactions through related brokerage houses. The deals carried out with EFG-Hermes Group or their affiliates represent 41.60% of total transactions for the period ended 30 June 2013.

The fund does not hold any shares as of 30 June 2013 in EFG-Hermes Holding or any of its group entities.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2013

21 Financial instruments and risk management

21-1 Use of financial instruments

The Fund's financial instruments consist primarily of cash and cash equivalents, held for trading investments in equity securities and receivables and payables arising from sale and purchase of securities, they also include redeemable shares classified as equity instruments.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in (Note 5) to the financial statements. The following table illustrates categories of financial instruments and their carrying amount at the date of the financial statements:

Categories of financial instruments

	30 June 2013 USD Unaudited	31 December 2012 USD Audited
Financial assets		
Financial assets at fair value through profit or loss	**13 079 473**	12 598 645
Available for sale investments (net of impairment loss)	**278 963**	361 361
Short term receivables at amortized cost (immaterial effect of time value of money)	**78 936**	7 466
Cash and cash equivalents	**5 743 316**	4 759 411
Financial liabilities		
Short term liabilities at amortized cost (immaterial effect of time value of money)	**409 299**	125 510

21-2 Financial risk management objectives

The investment manager co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to its operations based on the degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The investment manager seeks to minimize the effects of these risks by complying with policies and procedures sufficient to address these risk exposures. The use of these policies and procedures is governed by the Fund's prospectus approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with those policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Fund does not enter into or trade derivative financial instruments, for speculative purposes.

21-2.1 Market risk

Investments in unlisted companies

The companies in which the Telecom Fund invests may include small unlisted companies and even many of the listed companies in which Telecom Fund invests may have a lower market capitalization than many companies listed in OECD countries.

Investments in the securities of smaller companies can involve greater risks than is customarily associated in larger, more established companies in particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.

In addition, the market for stock in unlisted and in smaller listed companies is often less liquid than that for stock in larger listed companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock.

21-2.1 Market risk (continued)

Several rules and instructions are set up in the prospectus to assist in reducing this risk to an acceptable level as follows:

Telecommunication and information technology companies

The manager will seek to capture the potential growth and opportunities presented by these development and reforms and provide investors with means of participating in the rapidly developing fixed line, cellular, data and other telecommunication and information technology sectors.

The investment may be in various countries in Middle East and Africa and it may be made in telecommunications and information technology sectors, and also, in related high technology and communication companies in all such countries (subject to any applicable foreign investment restrictions).

Such investments may include media and related entertainment stocks (e.g. in Cable TV companies), related infrastructure companies and internet related and e-commerce businesses.

The manager may not, for the time being, acquire any investment if , as a result, more than 50 percent of the Net Assets Value of the Telecom Fund is invested in companies established in any one country.

The Fund will operate as a passive investment vehicle and will not be involved in the day to day management of invested companies and assets and will not take management and legal control of any such companies.

All securities investments present a risk of loss of capital. The maximum risk is determined by the fair value of the securities held by the Fund as stated at the statement of financial position at the reporting date.

21-2.2 Fair value measurement

Financial instruments measured at fair value are classified in one of the following fair value hierarchy levels based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as of 30 June 2013:

21-2.2 Fair value measurement (continued)

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
As of 30 June 2013				
Financial assets at fair value through profit or loss	**13 079 473**	-	-	**13 079 473**
Available for sale investments (net of impairment loss)	-	-	**278 963**	**278 963**
Total	**13 079 473**	-	**278 963**	**13 358 436**
As of 31 December 2012				
Financial assets at fair value through profit or loss	12 598 645	-	-	12 598 645
Available for sale investments (net of impairment loss)	-	-	361 361	361 361
Total	12 598 645	-	361 361	12 960 006

21-2.3 Foreign currency risk

The Fund invests primarily in securities denominated in multi currencies but its net assets value is quoted in US Dollar. Accordingly, a change in the value of various currencies against the US Dollar can result in a corresponding change in the US Dollar Net assets value. The Manager does not hedge the foreign exchange risk and accordingly, investors will bear the risk of adverse movements in the various currencies against the US Dollar foreign exchange rate as well as any such adverse movements in the US Dollar exchange rate with the investor's own base currency.
The following table details the foreign currencies to which the Fund has significant exposure as at 30 June 2013 in terms of US Dollar and the Fund's sensitivity to a 5 % increase and decrease in the US Dollar against the relevant foreign currencies:

	Total exposure USD	Impact of 5% change on net assets USD
Currency		
US Dollar	2 765 087	138 254
United Arab Emirates Dirham	32 469	1 623
Bahraini Dinar	40 057	2 003
Jordanian Dinar	67 158	3 358
Kuwait Dinar	1 047 332	52 367
Moroccan Dirham	28 271	1 413
Oman Riyal	977 810	48 891
Qatar Riyal	738 640	36 932
Turkish Lira	148	7
South Africa ZAR	51 634	2 582
Total	**5 748 606**	**287 430**
As percentage of net assets	**30.62%**	**1.53%**

21-2.3 Foreign currency risk (continued)

The Sensitivity analysis includes outstanding foreign currency denominated monetary and non-monetary items and adjusts their translation at the year-end for a 5% change in USD rate. As at 30 June 2013, if the Fund's functional currency, the US Dollars, had strengthened or weakened by 5% in relation to Other currencies, with all other variables held constant, the net assets would have decreased or increased, respectively, by approximately USD 287 430 (approximately 1.53% of net assets). In practice, the actual trading results may differ from the above approximate sensitivity analysis amounts and the differences could be material.

21-2.4 Credit risk

Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The credit risk is somehow limited as the Fund's counterparties are generally major brokerage reputable firms. In addition, no investments in debt securities are held by the Fund as of 30 June 2013

21-2.5 Liquidity risk of certificates

The Fund own ordinary certificate are only redeemable on a quarterly basis and then are subject to several limitations and restrictions. Although the ordinary certificate is listed on the Dubai Financial Market, the directors do not anticipate that an active secondary market will develop. Accordingly, it may not always be possible for a shareholder promptly to realize an investment at an appropriate price.

Several rules and instructions are set in the prospectus to assist in reducing this risk to an acceptable level such as, pending investment or re-investment, in telecommunication securities, of the proceeds of the issue of shares or the proceeds of any realization of investments or distributions to shareholders, and to the extent otherwise considered appropriate by the directors for meeting cash needs, the Fund invests all or a portion of its assets not invested in telecommunication securities in cash deposits, money market instruments and Egyptian or OECD government securities.

As at 30 June 2013, the fund's outstanding number of shares was 662,493.

If 5% of these shares were redeemed within one month from the end of reporting period, it would have been settled at USD 938 569 which may be covered by the cash and cash equivalents balance as of 30 June 2013 had all other variables held constant.

The actual trading results may differ from the above approximate sensitivity analysis amounts and the differences could be material.

22 Beneficial interests

As of 30 June 2013, out of the outstanding 662 943 shares of EFG-Hermes Telecom Fund, the investment Directors hold the following beneficial interests in the certificates of the Fund:

	Shares held	% from outstanding shares
Directors		
Khaled Abu Botain	2,258	0.34%