EFG – Hermes Middle East and Africa Funds Limited

Financial Statements and Auditors' Report
For the year ended December 31, 2005

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of the EFG–Hermes Middle East and Africa Funds Limited

We have audited the accompanying balance sheet of EFG-Hermes Middle East and Africa Funds Limited as of December 31, 2005 and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EFG-Herms Middle East and Africa Funds Limited as of December 31, 2005 and the results of its operations and changes in its net assets for the year then ended in conformity with International Financial Reporting Standards.

Cairo, April 13, 2006

Saleh, Barsoum & Abdel Aziz
Deloitte

EFG - HERMES Middle East and Africa Funds Limited

Balance Sheet

As of 31 December 2005

	Note	31 December 2005 US$	31 December 2004 US$
Assets			
Cash at banks	(3)	9 679 984	3 953 349
Investments in equity securities	(4)	103 793 380	41 634 538
Investments in mutual funds certificates	(5)	3 684 024	--
Other assets	(6)	11 278	34 431
Total Assets		**117 168 666**	**45 622 318**
Liabilities			
Proceeds under purchase of fund's shares		54 980	219 990
Purchase awaiting settlement		427 316	--
Accrued expenses	(7)	6 885 003	2 269 939
Total Liabilities		**7 367 299**	**2 489 929**
Net Assets		**109 801 367**	**43 132 389**
Number of shares outstanding	(12)	3 950 480	2 493 432
Net asset value per share		**27.79**	**17.30**

- The attached notes (1) to (17) form an integral part of these financial statements.

EFG - HERMES Middle East and Africa Funds Limited

Statement of Operations

For the year ended 31 December 2005

	Note	2005 US$	2004 US$
Investment Revenues			
Dividend income		2 402 523	886 319
Interest income		191 903	84 141
Total investment revenues		**2 594 426**	**970 460**
Expenses			
Management fees	(8)	1 692 097	596 616
Custody fees	(9)	107 411	57 611
Administrator fees	(10)	21 380	12 787
Board of Directors' fees	(11)	25 000	25 000
Incentive fees	(8)	6 346 559	2 048 205
Other expenses		150 128	121 311
Provision for impairment of investment		315 140	--
Total expenses		**8 657 715**	**2 861 530**
Net Investment (Loss)		**(6 063 289)**	**(1 891 070)**
Foreign currency exchange (losses) gains		(413 932)	774 058
Redemption Fees		51 315	2 329
Net realized gains on sale of investments		20 261 077	1 540 558
Net unrealized appreciation of investments		26 163 246	13 126 649
Net Increase In Net Assets Resulting from Operations		**39 998 417**	**13 552 524**

- The attached notes (1) to (17) form an integral part of these financial statements.

EFG - HERMES Middle East and Africa Funds Limited

Statement of Changes In Net Assets

For the year ended 31 December 2005

	Note	2005 US$	2004 US$
Change in net assets from operations			
Net investment losses		(6 063 289)	(1 891 070)
Net realized gains on sale of investments		20 261 077	1 540 558
Net unrealized appreciation of investments		26 163 246	13 126 649
Redemption Fees		51 315	2 329
Foreign currency exchange (losses) gains		(413 932)	774 058
Net increase in net assets resulting from operations		**39 998 417**	**13 552 524**
Change in net assets from capital transactions			
Dividends to shareholders	(13)	(3 980 873)	(295 688)
Proceeds from sale of shares		42 079 906	2 485 551
Payments on redemption of shares		(11 428 472)	(276 564)
Net increase in net assets resulting from capital transactions		**26 670 561**	**1 913 299**
Total increase in net assets during the year		**66 668 978**	**15 465 823**
Net assets at the beginning of the year		43 132 389	27 666 566
Net assets at the end of the year		**109 801 367**	**43 132 389**

- The attached notes (1) to (17) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited

Notes to the Financial Statements

For the Year Ended 31 December 2005

1- The Company:

EFG-Hermes Middle East and Africa Funds Limited was incorporated in Bermuda on 27 January 2000, as a mutual fund company with limited liability and unlimited duration.

The Company has been structured as an umbrella fund and has the power to establish one or more separate funds and issue different classes of shares in respect of each fund.

As of 31 December 2005, EFG – Hermes Telecom Fund is the only sub-fund established by EFG – Hermes Middle East and Africa Funds Limited for the purpose of providing its shareholders with the opportunity of investing in listed and unlisted equity and equity related securities of telecommunication media, entertainment, information technology, internet, e-commerce and related infrastructure companies incorporated or operating in the Middle East and Africa.

2- Basis for preparation of financial statements:

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in accordance with International Financial Reporting Standards "IFRS". The preparation of financial statements in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The significant accounting policies adopted are set out below:

A- Investments:

Investments in listed securities, are valued at market based on the closing prices on the last day such investments were traded on the relevant stock exchange.

Unlisted securities, for which a market price is unavailable, are valued at fair value, estimated by the Board of Directors in consultation with the Company's Administrator and Manager.

B- Revenue recognition:

Realized gains and losses on sale of securities are recognized as the difference between selling price, net of commissions and expenses, and the average cost.

Unrealized holding gains and losses on investments in securities, are recognized as the difference between the market or estimated fair value of securities on the day of valuation and the average cost.

Dividend income is recognized when the right to receive payment has been established. Interest income is accrued on a timly basis by reference to the principal outstanding and at the interest rate applicable.

C- Translation of foreign currencies:

The Company's functional and reporting currency is the US Dollar. Transactions in foreign currencies are recorded using the prevailing rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the balance sheet date using the exchange rates reported by a major bank in Cairo. All differences are taken to the statement of operations.

D- Financial instruments:

Financial Assets

The Company's significant financial assets are cash at banks, investments in securities and certain other debit balances.

The accounting policy adopted for investments in securities is outlined above.

Financial Liabilities

Significant financial liabilities comprise accrued expenses.

3- Cash at Banks:

	31/12/2005	31/12/2004
	U.S.$	U.S.$
Current accounts	9 679 984	2 316 000
Time deposits	--	1 637 349
	9 679 984	**3 953 349**

4-Investments in Equity Securities

The breakdown of investments in equity securities portfolio is summarized as follows:

		As of 31/12/2005		As of 31/12/2004	
	Country (Region)	Fair Value US$	Percentage of Net Asset Value	Fair Value US$	Percentage of Net Asset Value
Listed securities					
Bahrain Telecommunications Company	Bahrain	4 380 449	3.99%	4 097 540	9.50%
Maroc telecom	Morocco	--	0.00%	1 154 839	2.68%
The Egyptian Company For Mobile Services (Mobinil)	Egypt	7 566 144	6.89%	4 219 155	9.78%
Mobile Telecommunications Company	Kuwait	18 420 130	16.78%	3 541 887	8.21%
MTN	South Africa	20 180 351	18.38%	6 757 566	15.67%
National Mobile Telecommunications	Kuwait	11 621 642	10.58%	961 029	2.23%
Orascom Telecom GDS	Egypt	13 560 435	12.35%	6 598 074	15.30%
Orascom Telecom LE	Egypt	9 236 063	8.41%	1 878 153	4.35%
Qatar Cin.& Films Distrib.	Qatar	--	0.00%	290 834	0.67%
Qatar Telecom	Qatar	4 357 055	3.97%	4 213 882	9.77%
Raya Holding	Egypt	4 117 009	3.75%	417 265	0.97%
Sudatel	Sudan	3 512 000	3.20%	--	0.00%
Vodafone	Egypt	3 923 179	3.57%	4 107 619	9.52%
Total listed securities		**100 874 457**	**91.87%**	**38 237 843**	**88.65%**
Unlisted securities					
Africa lakes Corporation	Pan Africa	118 140	0.11%	132 066	0.31%
Luxsat Middle East	Middle East	197 000	0.18%	245 600	0.57%
National Telecom Co.	Egypt	795 623	0.72%	752 368	1.74%
Mobile System international cellular	Pan Africa	1 031 200	0.94%	2 266 661	5.26%
Telecom Egypt GDRs	Egypt	1 092 100	0.99%	--	0.00%
Total unlisted securities		3 234 063	2.95%	3 396 695	7.88%
Less:					
Provision for impairment of securities					
Africa lakes Corporation	Pan Africa	(118 140)	--	--	--
Luxsat Middle East	Middle East	(197 000)	--	--	--
		(315 140)	--	--	--
Total unlisted securities after provision		**2 918 923**	**2.66%**	**3 396 695**	**7.88%**
Total		**103 793 380**	**94.53%**	**41 634 538**	**96.53%**

As of 31 Decembre 2005 , the aggregate cost of investments amounted to US$ 63,334,276 (US$27 208 419 as of 31 December 2004)

5- Investments in mutual funds certificates

	Country	31/12/2005 Market Value	31/12/2005 Percentages of Net Asset Value	31/12/2004 Market Value	31/12/2004 Percentages of Net Asset Value
American Express Fund	Egypt	3 684 024	3.35 %	--	0 %
Total		**3 684 024**	**3.35 %**	**--**	**0 %**

6- Other Assets

	31/12/2005 U.S.$	31/12/2004 U.S.$
Equity dividend receivable	--	9 960
Time deposit accrued interest	--	296
Prepaid expenses	11 278	24 175
	11 278	**34 431**

7- Accrued Expenses:

	31/12/2005 U.S.$	31/12/2004 U.S.$
Accrued Management Fees	494 008	180 260
Accrued Custody Fees	8 344	3 532
Accrued Audit Fees	6 000	3 000
Accrued Directors Fees	27 217	30 833
Accrued Administration Fees	2 875	4 109
Accrued Incentive Fees	6 346 559	2 048 205
	6 885 003	**2 269 939**

8- Management Fees:

Pursuant to the Management Agreement dated 29 March 2000, EFG-Hermes Financial Management Limited (Egypt) was appointed to act as the Company's manager and to be responsible for the management of the Company's investment portfolio. The Manager, which was incorporated in Bermuda on 19 July 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 31 December 2005 amounted to US$ 1 692 097 (US$ 596 616 for the year ended 31 December 2004).

In addition, the Manager shall be entitled to receive in respect of each telecom fund share in issue, a performance fee (incentive fees) of 15% of any out performance of each share in issue from the subscription date of such shares (in terms of movements in the net asset value, and dividends paid in respect of such telecom fund share) in excess of a hurdle rate of 10% per annum. Such fee shall be an annual fee and shall be payable within 14 days following the valuation day in December of each year. (In respect of any share redeemed during the course of the year, such fee shall accrue on the valuation day on which such share is redeemed). Incentive fees for the year ended 31 December 2005 amounted to US $6 346 559 (US $ 2,048,205 for the year ended 31 December 2004).

The update of the prospectus with the change in the incentive policy is currently in process .

In addition, the manager is entitled to be reimbursed for all reasonable out of pocket and third party expenses incurred in the performance of its duties.

9- Custody Fees:

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

Pursuant to this agreement the Company 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 Company'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 Company 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 Company. Such fees ranged from 0.045% to 0.47% per annum of the value of the assets held. This percentage reached 0.125% starting from October 2004.

Additionally, custodians charge transaction fees at rates up to US$ 8 per transaction. Custody fees for the year ended 31 December 2005 amounted to US$ 107 411 (US$ 57,611 for the year ended 31December 2004).

10- Administrator's Fees:

MQ Services Limited, (Bermuda) was appointed pursuant to an agreement dated 29 March 2000 to act as the Company's registrar and transfer agent in addition to rendering certain administrative and corporate secretarial services.

Starting 5 June 2002, the administrator charges fixed fees for its services at US$ 11,500 per annum instead of US$ 10,000 in addition to other charges per the invoices.

Administrator's fees for the year ended 31 December 2005 amounted to US$ 21 380 (US$ 12 787 for the year ended 31 December 2004).

11- Board of Directors' Fees:

The Board of Directors is currently comprised of three directors one being an employee of the administrator (MQ), and two independent directors.

Directors' fees charged to the Company for the year ended 31 December 2005 amounted to US $25 000 (US $ 25 000 for the year ended 31 December 2004).

12- Share Capital:

According to the initial offer, no redemption or subscription in Telecom Fund shares was permitted until 31 December 2001. The number of shares subscribed upon the initial offer were 4 211 903.

Following is a summary of subscriptions and redemptions during the year.

	No. of shares
Shares outstanding as of 1 January 2005	2,493,432
Shares redeemed during the year	(472 980)
Shares sold during the year	1 930 028
Shares outstanding as of 31 December 2005	**3 950 480**

13- Distribution Policy:

Dividends, interest and other income received by the Company will be applied first to the payment of fees and expenses. Any net income after payment of such fees and expenses, shall be distributed to shareholders. The Company may distribute a percentage of the Company's net realized capital gain in addition to its net investment income from interest and dividends of the Company annually. Realized capital gains not distributed will be reinvested. Dividends, if any, will be declared annually and will 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.

On 3 August 2005, the company's Annual General Meeting approved the distribution of interim dividends for the six months ending 30 June 2005 to the holders of record as of 22 August 2005, as follows:

Number of shares	Dividends per share	Amount (US$)
3 980 873	1 $	3 980 873

These dividends were paid on 29 August 2005.

14- Taxation:

The taxation of income and capital gains of the Company is subject to the fiscal laws and practices of Bermuda, and any other jurisdiction in which the Company invests, and of the jurisdiction in which the shareholders are resident or otherwise subject to tax.

***Bermuda*:**

There is no income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the company or shareholders, other than shareholders ordinarily resident in Bermuda.

Neither the Company nor shareholders are subject to stamp duty on the issue, transfer or redemption of shares.

United Kingdom:

The Company is not a resident in the UK as it is considered an offshore fund for the purpose of UK taxation. Also, the Company is not deemed to carry on a trade in the UK by virtue of various exemptions, which are available to overseas persons such as the Company dealing through UK brokers and investment advisors. Accordingly, the Company is not subject to UK income tax or corporation tax.

The Company 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 Company 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.

15- Related Party Transactions:

Due to the widespread operations undertaken by the EFG-Hermes Group (Manager) and their affiliates, several transactions were conducted through one of the related brokerage houses. The deal carried out with EFG-Hermes Group conducted by FBG represents 12.45% (ordinary placement) of total sales and purchases transactions for the year ended 31 December 2005. For the year ended 31 December 2004, the said deals represented 27% (ordinary placement) of total transactions.

16- Beneficial Interests:

At 31 December, 2005 of the outstanding shares of 3 950 480 in the EFG-Hermes Middle East and Africa Funds Limited, the investment manager(s) and affiliates held the following beneficial interests in the shares of the Fund:

	Shares Held	Percentage of Outstanding Shares
Yasmin Ibrahim	417	0.01%
Maha Baligh	1 975	0.05%

Directors and their related parties do not hold any interests in the Fund.

17- Comparative Figures:

Comparative figures were reclassified to comply with current year presentation.