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EFG – Hermes Middle East and Africa Funds Limited (Telecom Fund)

Financial Statements and Auditors' Report
For the year ended December 31, 2006

Audit. Tax. Consulting. Financial Advisory.

Deloitte.

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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, 2006 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of EFG-Hermes Middle East and Africa Funds Limited as of December 31, 2006, and the results of its operations and changes in net assets for the year then ended in conformity with International Financial Reporting Standards.

Cairo, March 1, 2007

Kamel Magdy Saleh, ACA

F.E.S.A.A. (R.A.A. 8510)

EFG - HERMES Middle East and Africa Funds Limited

(Telecom Fund)

Balance Sheet

As of 31 December 2006

	Note	31 December 2006 US$	31 December 2005 US$
Assets			
Cash at banks	(3)	1 754 303	9 679 984
Investments in equity securities	(4)	56 450 429	103 793 380
Investments in mutual funds certificates	(5)	--	3 684 024
Sales Awaiting Settlement		2 226 529	--
Other assets	(6)	112 448	11 278
Total Assets		**60 543 709**	**117 168 666**
Liabilities			
Proceeds under purchase of fund's shares		--	54 980
Purchase awaiting settlement		581 441	427 316
Accrued expenses	(7)	315 090	6 885 003
Total Liabilities		**896 531**	**7 367 299**
Net Assets		**59 647 178**	**109 801 367**
Number of shares outstanding	(12)	2 063 685	3 950 480
Net asset value per share		**28.90**	**27.79**

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

EFG - HERMES Middle East and Africa Funds Limited
(Telecom Fund)
Statement of Operations
For the year ended 31 December 2006

	Note	2006 US$	2005 US$
Investment Revenues			
Dividend income		2 201 132	2 402 523
Interest income		147 092	191 903
Total investment revenues		**2 348 224**	**2 594 426**
Expenses			
Management fees	(8)	1 282 333	1 692 097
Custody fees	(9)	76 628	107 411
Administrator fees	(10)	29 202	21 380
Board of Directors' fees	(11)	25 000	25 000
Incentive fees	(8)	16 852	6 346 559
Other expenses		110 183	150 128
Provision for impairment of investment		16 288	315 140
Total expenses		**1 556 486**	**8 657 715**
Net Investment Gain (Loss)		**791 738**	**(6 063 289)**
Foreign currency exchange (losses)		(610 732)	(413 932)
Redemption Fees		260 394	51 315
Net realized gains on sale of investments		25 419 949	20 261 077
Net unrealized (depreciation) appreciation of investments		(25 228 843)	26 163 246
Net Increase In Net Assets Resulting from Operations		**632 506**	**39 998 417**

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

EFG - HERMES Middle East and Africa Funds Limited

(Telecom Fund)

Statement of Changes In Net Assets

For the year ended 31 December 2006

	Note	2006 US$	2005 US$
Change in net assets from operations			
Net investment Gain (loss)		791 738	(6 063 289)
Net realized gains on sale of investments		25 419 949	20 261 077
Net unrealized (depreciation) appreciation of investments		(25 228 843)	26 163 246
Redemption Fees		260 394	51 315
Foreign currency exchange (losses)		(610 732)	(413 932)
Net increase in net assets resulting from operations		**632 506**	**39 998 417**
Change in net assets from capital transactions			
Dividends to shareholders	(13)	(1 080 099)	(3 980 873)
Proceeds from sale of shares		2 372 150	42 079 906
Payments on redemption of shares		(52 078 746)	(11 428 472)
Net increase in net assets resulting from capital transactions		**(50 786 695)**	**26 670 561**
Total (decrease) increase in net assets during the year		**(50 154 189)**	**66 668 978**
Net assets at the beginning of the year		109 801 367	43 132 389
Net assets at the end of the year		**59 647 178**	**109 801 367**

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

EFG – Hermes Middle East and Africa Funds Limited

(Telecom Fund)

Notes to the Financial Statements

As of 31 December 2006

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 2006, 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 timely 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 to the US Dollar 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:

	31/12/2006	31/12/2005
	U.S.$	U.S.$
Current accounts	1 754 303	9 679 984
	1 754 303	**9 679 984**

4-Investments in Equity Securities

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

	Country (Region)	As of 31/12/2006 Fair Value US$	As of 31/12/2006 Percentage of Net Asset Value	As of 31/12/2005 Fair Value US$	As of 31/12/2005 Percentage of Net Asset Value
Listed securities					
Bahrain Telecommunications Company	Bahrain	840 131	1.41%	4 380 449	3.99%
The Egyptian Company For Mobile Services (Mobinil)	Egypt	3 277 255	5.49%	7 566 144	6.89%
Mobile Telecommunications Company	Kuwait	9 385 793	15.74%	18 420 130	16.78%
MTN	South Africa	5 274 534	8.84%	20 180 351	18.38%
National Mobile Telecommunications	Kuwait	3 677 326	6.17%	11 621 642	10.58%
Oman Telecommunication	Oman	2 119 673	3.55%	--	0.00%
Orascom Telecom GDS	Egypt	11 454 465	19.20%	13 560 435	12.35%
Paltel	Palestinian	2 527 751	4.24%	--	0.00%
Orascom Telecom LE	Egypt	--	0.00%	9 236 063	8.41%
Qatar Telecom	Qatar	5 387 329	9.03%	4 357 055	3.97%
Qatar Telecom Dirhams	Qatar	775 724	1.30%	--	0.00%
Raya Holding	Egypt	--	0.00%	4 117 009	3.75%
Sudatel	Sudan	--	0.00%	3 512 000	3.20%
Telecom Egypt	Egypt	1 502 509	2.52%	--	0.00%
Telecom Egypt GDR	Egypt	1 666 253	2.79%	1 092 100	0.99%
Telekom SA	Saudia Arabia	3 531 992	5.92%	--	0.00%
Vodafone	Egypt	--	0.00%	3 923 179	3.57%
Total listed securities		**51 420 735**	**86.21%**	**101 966 557**	**92.86%**
Unlisted securities					
Africa lakes Corporation	Pan Africa	134 428	0.23%	118 140	0.11%
Luxsat Middle East	Middle East	197 000	0.33%	197 000	0.18%
National Telecom Co.	Egypt	800 083	1.34%	795 623	0.72%
Mobile System international cellular	Pan Africa	1 098 400	1.84%	1 031 200	0.94%
Thuraya Satellite Telecommunication	UAE	3 131 211	5.25%	--	0.00%
Total unlisted securities		**5 361 122**	**8.99%**	**2 141 963**	**1.95%**
Less:					
Provision for impairment of securities					
Africa lakes Corporation	Pan Africa	(134 428)	--	(118 140)	--
Luxsat Middle East	Middle East	(197 000)	--	(197 000)	--
		(331 428)	--	(315 140)	--
Total unlisted securities after provision		**5 029 694**	**8.43%**	**1 826 823**	**1.66%**
Total		**56 450 429**	**94.64%**	**103 793 380**	**94.53%**

5- **Investments in mutual funds certificates**

	Country	31/12/2006 Market Value	31/12/2006 Percentages of Net Asset Value	31/12/2005 Market Value	31/12/2005 Percentages of Net Asset Value
American Express Fund	Egypt	--	--	3 684 024	3.35 %
Total		--	--	3 684 024	3.35 %

6- **Other Assets:**

	31/12/2006 U.S.$	31/12/2005 U.S.$
Equity dividend receivable	112 448	--
Prepaid expenses	--	11 278
	112 448	**11 278**

7- **Accrued Expenses:**

	31/12/2006 U.S.$	31/12/2005 U.S.$
Accrued Management Fees	278 672	494 008
Accrued Custody Fees	4 348	8 344
Accrued Audit Fees	6 000	6 000
Accrued Directors Fees	5 551	27 217
Accrued Administration Fees	3 667	2 875
Accrued Incentive Fees	16 852	6 346 559
	315 090	**6 885 003**

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 2006 amounted to US$ 1 282 333 (US$ 1 692 097 for the year ended 31 December 2005).

In addition, the manager is entitled to receive from the company in respect of each share in issue a performance fee of 15 per cent of any out-performance of such share (in terms of movements in the net asset value and dividends paid in respect of such share) relative to a fixed hurdle rate of 10 per cent.

Such fee is an annual fee, and is payable within 14 days following the valuation day in December of each year (save that, 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). Finally, the manager is also entitled to reimburse all reasonable out-of-pocket and third party expenses incurred in the performance of its duties. The manager is entitled to waive or rebate any part of its performance fee or annual management fee to any person who assists in the placing of shares in company.

Incentive fees for the Year ended 31 December 2006 amounted to US $ 16 852 (US $ 6 346 559 for the Year ended 31 December 2005).

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 custodian 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 2006 amounted to US$ 76 628 (US$ 107 411 for the Year ended 31 December 2005).

10- **Administrator 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 invoiced charges.

Administrator's fees for the Year ended 31 December 2006 amounted to US$ 29 202 (US$ 21 380 for the Year ended 31 December 2005).

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 2006 amounted to US $ 25 000 (US $ 25 000 for the Year ended 31 December 2005).

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 2006	3 950 480
Shares redeemed during the year	(1 975 013)
Shares sold during the year	88 218
Shares outstanding as of 31 December 2006	**2 063 685**

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 20 September 2006, the company's Annual General Meeting approved the distribution of interim dividends for the period from 1 July 2005 to 31 December 2005 to the holders of record as of 6 November 2006, as follows:

Number of shares	Dividends per share	Amount (US$)
2 160 198	0.50%$	1 080 099

These dividends were paid on 13 November 2006.

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 7.99 % (ordinary placement) of total sales and purchases transactions for the Year ended 31 December 2006. For the Year ended 31 December 2005, the said deals represented 7.73 % (ordinary placement) of total transactions.

16- Beneficial Interests:

At 31 December 2006 out of the outstanding shares of 2 063 685 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
Director		
Yasser Zaki Hashem	10 699	0.5 %
Khaled Abu Botain	2 258	0.1%

17- Comparative Figures:

Comparative figures were reclassified to comply with current year presentation.