EFG – Hermes Middle East and Africa Funds Limited

Financial Statements

For the Period from January 1, 2007 to June 30, 2007

And Review Report

Deloitte.

Saleh, Barsoum & Abdel Aziz
95c Merghany Street, Heliopolis
Cairo 11341, Egypt
Tel: +(20-2) 22903278
Fax: +(20-2) 22903276

AUDITORS' REPORT

Introduction

We have reviewed the accompanying balance sheet of EFG-Hermes Middle East and Africa Funds Limited as of June 30, 2007 and the related statements of operations, changes in net assets for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information performed by the independent auditor of the Entity. A review of interim financial information 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 information does not give a true and fair view of the financial position of the entity as at June 30, 2007, and of its financial performance for the six-month period then ended in accordance with International Financial Reporting Standard (IFRS).

Cairo, August 24, 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 30 June 2007

	Note	30/6/2007 US$	31/12/2006 US$
Assets			
Cash and cash equivalents	(5)	5 634 262	1 754 303
Investments at fair value through profit or loss	(6)	45 088 748	56 450 429
Sales awaiting settlement		864 616	2 226 529
Other assets	(7)	46 010	112 448
Total Assets		**51,633,636**	**60 543 709**
Liabilities			
Proceeds under purchase of fund shares		10 000	--
Purchase awaiting settlement		--	581 441
Accrued expenses	(8)	1 559 317	315 090
Total Liabilities		**1 569 317**	**896 531**
Net Assets value		**50 064 319**	**59 647 178**
Number of shares outstanding	(13)	1 468 785	2 063 685
Net assets value per share		**34.09**	**28.90**

- The attached notes (1) to (18) form an integral part of these financial statements.

EFG - HERMES Middle East and Africa Funds Limited
(Telecom Fund)
Statement of Operations
From January 1, 2007 to June 30, 2007

	Note	Six months Ended 30/6/2007 US$	Six months Ended 30/6/2006 US$
Investment Revenues			
Dividend income		1 061 129	1 473 904
Interest income		91 645	89 867
Total investment revenues		**1 152 774**	**1 563 771**
Expenses			
Management fees	(9)	510 974	711 741
Custody fees	(10)	52 361	43 893
Administrator fees	(11)	23 592	29 203
Board of directors' fees	(12)	2 140	11 227
Incentive fees	(9)	1 276 121	111
Other expenses		57 042	47 600
Provision for decline in fair value of investment		1 431 860	6 668
Total expenses		**3 354 090**	**850 443**
Net Investment (Loss) Gain		**(2 201 316)**	**713 328**
Foreign currency exchange (losses)		(69 205)	(1 140 525)
Redemption Fees		53 698	160 318
Net realized gains on sale of investments		15 507 130	14 567 155
Net unrealized (depreciation) of investments		(3 437 759)	(29 961 501)
Net Increase (Decrease) In Net Assets Resulting from Operations		**9 852 547**	**(15 661 225)**

- The attached notes (1) to (18) form an integral part of these financial statements.

EFG - HERMES Middle East and Africa Funds Limited
(Telecom Fund)
Statement of Changes In Net Assets
From January 1, 2007 to June 30, 2007

	Six months Ended 30/6/2007 US$	Six months Ended 30/6/2006 US$
Change in net assets from operations		
Net investment (loss) gain	(2 201 316)	713 328
Net realized gains on sale of investments	15 507 130	14 567 155
Net unrealized (depreciation) appreciation of investments	(3 437 759)	(29 961 501)
Redemption fees	53 698	160 318
Foreign currency exchange (losses)	(69 205)	(1 140 525)
Net increase (decrease) in net assets resulting from operations	**9 852 547**	**(15 661 225)**
Change in net assets from capital transactions		
Proceeds from sale of shares	5 129 384	1 807 790
Payments on redemption of shares	(24 564 790)	(32 063 711)
Net (decrease) in net assets resulting from capital transactions	**(19 435 406)**	**(30 255 921)**
Net change in net assets during the period	(9 582 859)	(45 917 146)
Net assets at the beginning of the period	**59 647 178**	**109 801 367**
Net assets at the end of the period	**50 064 319**	**63 884 221**

- The attached notes (1) to (18) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited

Notes to the Financial Statements

As of 30 June 2007

1- Organization and Activity

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 30 June 2007, 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- Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards 'IFRS'.

3- Basis for Preparation of Financial Statements

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

4- Critical accounting judgments and key sources of estimation uncertainty

In the application of the company'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. Those 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 recognised 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. The principal accounting policies 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 in the statement of operations, 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 in the statement of operations, 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 denominated in other currencies are translated to the US Dollar using the prevailing exchange rate at the date of the transactions. At each balance sheet date, monetary items denominated in other currencies are retranslated at the rates at the balance sheet date as reported by a major bank in Egypt.

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 other currencies are retranslated using the historical exchange rates at the transaction date. Exchange differences are recognised in the statement of operations in the period in which they arise.

D. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and short-term demand deposits that are readily convertible to known amounts of cash.

E. Provisions

Provisions are recognized when the company 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 the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is 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 recognised in the statement of operations as finance cost.

F. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Recognition of Financial Assets and Liabilities

An item that meets the definition of an element should be recognized if:

a. It is probable that any future economic benefits associated with the item will flow to or from the entity; and

b. The item has a cost or value that can be measured with reliability.

Financial Assets

The Company's significant financial assets are cash and cash equivalents, investments at fair value through profit or loss and certain other debit balances. The accounting policy adopted for investments is outlined above.

Financial Liabilities

Significant financial liabilities comprise accrued expenses.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs, if any.

Financial liabilities and equity instruments issued by the company

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.

G. Fair Value Estimation

The fair value of financial instruments that are traded in an active market is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that are based on market conditions existing at each balance sheet date. Those techniques such as estimated discounted cash flows are used to determine the fair value of the financial instruments.

5- Cash and cash equivalents

	30/6/2007	31/12/2006
	U.S.$	U.S.$
Banks current accounts	5 634 262	1 754 303
	5 634 262	**1 754 303**

6- **Investments at fair value through profit or loss**

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

		As of 30/06/2007		As of 31/12/2006	
	Country (Region)	Fair Value US$	Percentage of Net Assets Value	Fair Value US$	Percentage of Net Assets Value
Listed securities					
Bahrain Telecommunications Company	Bahrain	1 654 667	3.31%	840 131	1.41%
The Egyptian Company For Mobile services (Mobinil)	Egypt	3 172 347	6.34%	3 277 255	5.49%
Mobile Telecommunications Company	Kuwait	3 250 634	6.49%	9 385 793	15.74%
MTN	South Africa	1 248 380	2.49%	5 274 534	8.84%
National Mobile Telecommunications	Kuwait	669 236	1.34%	3 677 326	6.17%
Oman Telecommunication	Oman	2 276 498	4.55%	2 119 673	3.55%
Orascom Telecom GDS	Egypt	8 378 048	16.73%	11 454 465	19.20%
Paltel	Palestinian	--	0.00%	2 527 751	4.24%
Orascom Telecom LE	Egypt	1 760 398	3.52%	--	0.00%
Qatar Telecom	Qatar	5 601 487	11.19%	5 387 329	9.03%
Qatar Telecom Dirhams	Qatar	976 938	1.95%	775 724	1.30%
Telecom Egypt	Egypt	2 346 265	4.69%	1 502 509	2.52%
Telecom Egypt GDR	Egypt	1 988 216	3.97%	1 666 253	2.79%
Telecom SA	South Africa	3 144 647	6.28%	3 531 992	5.92%
Jordan Telecom	Jordan	2 856 840	5.71%	--	--
Etihad Etisalat	Saudia Arabia	2 290 412	4.57%	--	--
Saudi Telecom Co.	Saudia Arabia	1 107 141	2.21%	--	--
Total listed securities		42 722 154	85.33%	51 420 735	86.21%
Unlisted securities					
Africa lakes Corporation	Pan Africa	--	0.00%	134 428	0.23%
Luxsat Middle East	Middle East	197 000	0.39%	197 000	0.33%
National Telecom Co.	Egypt	801 670	1.60%	800 083	1.34%
Mobile System International Cellular	Pan Africa	--	0.00%	1 098 400	1.84%
Thuraya Satellite Telecommunication	UAE	3 131 211	6.25%	3 131 211	5.25%
Total unlisted securities		4 129 882	8.25%	5 361 122	8.99%
Less:					
Provision for decline in securities					
Africa Lakes Corporation	Pan Africa	--	--	(134 428)	--
Luxsat Middle East	Middle East	(197 000)	--	(197 000)	--
Thuraya Satellite Telecommunication	UAE	(1 566 288)	--		--
		(1 763 288)	--	(331 428)	--
Total unlisted securities net of provision		2 366 594	4.73%	5 029 694	8.43%
Total		45 088 748	90.06%	56 450 429	94.64%

7- **Other Assets**

	30/06/2007	31/12/2006
	U.S.$	U.S.$
Equity dividend receivable	23 605	112 448
Prepaid expenses	22 405	--
	46 010	**112 448**

8- **Accrued Expenses**

	30/06/2007	31/12/2006
	U.S.$	U.S.$
Accrued management fees	237 982	278 672
Accrued custody fees	4 493	4 348
Accrued audit fees	6 000	6 000
Accrued directors fees	5 551	5 551
Accrued administration fees	12 318	3 667
Accrued incentive fees	1 292 973	16 852
	1 559 317	**315 090**

9- **Management Fees & incentive 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 Managing company, 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 Period ended 30 June 2007 amounted to US$ 510 974 (US$ 711 741 for the Period ended in 30 June 2006).

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 period ended 30 June 2007 amounted to US $ 1 276 121 (US $ 111 for the period ended 30 June 2006).

10 – **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 October 2004.

Additionally, custodians charge transaction fees at rates up to US$ 8 per transaction. Custody fees for the period ended 30 June 2007 amounted to US$ 52 361 (US$ 43 893 for the period ended 30 June 2006).

11- **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 Period ended 30 June 2007 amounted to US$ 23 592 (US$ 29 203 for the Period ended 30 June 2006)

12- **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 period ended 30 June 2007 amounted to US $ 2 140 (US $ 11 227 for the period ended 30 June 2006).

13- **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 shares).

Following is a summary of subscriptions and redemptions during the current period:

	No. of shares
Shares outstanding as of 1 January 2007	2 063 685
Shares redeemed during the Period	(753 998)
Shares issued during the Period	159 098
Shares outstanding as of 30 June 2007	**1 468 785**

14- 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 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.

15- Taxation

Taxation of income and capital gains of the Company is subject to the fiscal laws and practices of Bermuda, the United Kingdom (UK) and Egypt. The Company had no transactions in any other jurisdiction, which may result in a material tax implication.

Bermuda

At the date of the explanatory memorandum, there was no Bermuda 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 will be subject to stamp duty on the issue, transfer or redemption of shares.

The company has obtained from the Minister of Financial of 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 not until 28th March, 2016 be applicable to the company or 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 company.

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.

16- Related Party Transactions

Due to the widespread operations undertaken by 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 0.2% (ordinary placement) of total sales and purchases transactions for the period ended 30 June 2007. The said deals represented 7.73 % (ordinary placement) of total transactions for the period ended 30 June 2006.

17- Beneficial Interests

As of 30 June 2007 out of the outstanding shares of 1 468 785 in 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	0.73%
Khaled Abu Botain	2 258	0.15%

18- Comparative Figures

Comparative figures were reclassified to comply with current period presentation.