EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund

Financial statements and independent auditors' report for the financial year ended December 31, 2009

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To: The Shareholders of EFG – Hermes Telecom Fund

Report on the financial statements

We have audited the accompanying financial statements of EFG – Hermes Middle East and Africa Funds Limited Telecom Fund (The Fund) as of December 31, 2009 which comprise the statement of assets and liabilities, and the related statements of income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies, and other explanatory notes.

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 Fund'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 Fund'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 The Fund as of December 31, 2009 and its financial performance and changes in its net assets for the year then ended in conformity with International Financial Reporting Standards "IFRS".

Cairo, February 25, 2010

Kamel Magdy Saleh ACA
F.E.S.A.A. (R.A.A. 8510)

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Statement of Assets and Liabilities
As of December 31, 2009

	Note	December 31, 2009 USD	December 31, 2008 USD
Assets			
Cash held with brokers	(6)	2 055 500	150 224
Cash at banks	(7)	1 360 168	2 342 681
Financial assets at fair value through profit or loss			
Held for trading investment	(8)	18 892 241	17 536 538
Receivables on sale of investments		--	201 439
Debitors and other debit balances	(9)	76 593	145 772
Total Assets		**22 384 502**	**20 376 654**
Liabilities			
Payables on purchase of investments		476 709	214 025
Accrued expenses	(10)	145 473	119 437
Total Liabilities		**622 182**	**333 462**
Net Assets Value		**21 762 320**	**20 043 192**
Number of Outstanding Shares	(11)	**771 992**	**781 812**
Net Assets Value per Share		**28.19**	**25.64**

- The attached notes from (1) to (21) form an integral part of these financial statements.

- Independent Auditors' report attached. Directors

EFG – Hermes Middle East and Africa Funds Limited

Telecom Fund

Income Statement

For the year ended December 31, 2009

	Note	Year ended December 31, 2009 USD	Year ended December 31, 2008 USD
Investment income			
Interest income on current accounts		5 767	48 551
Dividends income	(5-f)	1 830 324	684 990
Total investment income		**1 836 091**	**733 541**
Expenses			
Management fees	(12)	379 810	517 185
Custody fees	(13)	31 107	32 043
Administrator fees	(14)	39 892	24 350
Board of directors fees	(15)	65 604	11 237
Other expenses		71 763	92 739
Total expenses		**588 176**	**677 554**
Net investment gain		**1 247 915**	**55 987**
Redemption fees		--	31 215
Net realized (loss) gain on sale of held for trading investments		(86 544)	2 482 060
Net unrealized gain (loss) on held for trading investments		774 939	(12 763 098)
Gain (loss) from foreign currencies translation		9 120	(878 216)
Net increase (decrease) in net assets resulting from operations		**1 945 430**	**(11 072 052)**

- The attached notes from (1) to (21) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund

Statement of Cash Flow

For the year ended December 31, 2009

	Year ended December 31, 2009 USD	Year ended December 31, 2008 USD
Cash flow from operating activities		
Net increase (decrease) in net asset resulting from operations	1 945 430	(11 072 052)
Adjusted by:		
Net unrealized (gain) loss on valuation of investment	(774 939)	12 763 098
Net realized loss (gain) on sale of held for trading investments	86 544	(2 482 060)
Operating gain (loss) before working capital changes	**1 257 035**	**(791 014)**
(Increase) decrease in investments at fair value through profit or loss	(667 308)	4 629 464
Decrease (increase) in receivable on sale of investments	201 439	(201 439)
Decrease in other debit balances	69 179	12 841
Increase (decrease) in payables on purshase of investments	262 684	(133 216)
Increase (decrease) in accrued expenses	26 036	(1 721 661)
Net cash resulted from operating activities	**1 149 065**	**1 794 975**
Cash flows from financing activities		
Proceeds from sale of certificates	999 986	997 197
Payments on redemption of certificates	(1 226 288)	(6 242 941)
(Decrease) in proceeds under subscription in the fund's shares	--	(310 000)
Net cash (used in) financing activities	**(226 302)**	**(5 555 744)**
Net change in cash and cash equivalents during the year	922 763	(3 760 769)
Cash and cash equivalents - beginning of the year	**2 492 905**	**6 253 674**
Cash and cash equivalents - end of the year	**3 415 668**	**2 492 905**
Cash and cash equivalents are represented in:		
Banks - current account	1 360 168	2 342 681
Cash held with brokers	2 055 500	150 224
Cash and cash equivalents at the end of the year	**3 415 668**	**2 492 905**

- The attached notes from (1) to (21) 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 December 31, 2009

	Year ended December 31, 2009 USD	Year ended December 31, 2008 USD
Change in Net Assets from Operations		
Net investment income	1 247 915	55 987
Redemption fees	--	31 215
Net realized (loss) gain on sale of investments	(86 544)	2 482 060
Net unrealized gain (loss) on valuation of investments	774 939	(12 763 098)
Gain (loss) from foreign currency translation	9 120	(878 216)
Net increase (decrease) in net assets resulting from (used in) operations	**1 945 430**	**(11 072 052)**
Change in Net Assets from Capital Transactions		
Proceeds from sale of shares	999 986	997 197
Payments on redemption of shares	(1 226 288)	(6 242 941)
Net (decrease) in net assets (used in) Capital Transactions	**(226 302)**	**(5 245 744)**
Total increase (decrease) in net assets during the year	1 719 128	(16 317 796)
Net Assets at the beginning of the year	**20 043 192**	**36 360 988**
Net Assets at the end of the year	**21 762 320**	**20 043 192**

- The attached notes from (1) to (21) form an integral part of these financial statements.

EFG – Hermes Middle East and Africa Funds Limited
Telecom Fund
Notes to the Financial Statements
For the year ended December 31, 2009

1- General information

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 January 27, 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 of financial statements

The financial statements have been prepared under the historical cost basis except for the financial instruments which are stated at fair value, cost or amortized cost, as appropriate.

3- Statement of compliance

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

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 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.

4.1. Critical judgments in applying accounting policies

The directors have not made critical judgements when applying the entity's accounting policies, apart from those involving estimations (Note 4-4.2), that have the most significant effect on the amounts recognised in 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.

Fair value of derivatives and other financial instruments

As described in (Notes 5g and 19), the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied (Note 5g). For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates. The carrying amount of the shares is USD 2.397 million (2008: USD 2.393 million) as disclosed in Note (8).

5- Significant accounting policies

The principal accounting policies set out below have been consistently applied in the preparation of the 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 US Dollar; the currency in which its cash flows from financing activities are invested or generated and in which receipts from operating activities are usually retained. However, operations are mainly denominated in multi currency.

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 a foreign currency 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 through profit or loss, where translation differences are recognized as part of changes in fair value.

b- Financial instruments

Financial instruments comprise financial assets and financial liabilities which are recognized in the balance sheet 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. Fair value is determined in the manner described in (Note 5g).

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 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.

Other financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances 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.

Receivables

Receivables are short-term non-interest bearing. Receivables are stated at their nominal value as reduced by appropriate allowance for estimated irrecoverable amounts.

c- **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, 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.

d- **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.

e- **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'.

Fund's redeemable shares

Other financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities arising from the Fund's redeemable shares are stated at fair value; being the unit holders' rights in the Fund's net assets value at the redemption date. Proceeds from subscriptions and payments from redemptions of the Fund's shares are recognized directly in the statement of changes in net assets at the fair value in which the shares were subscribed or redeemed.

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.

Derecognition of financial liabilities

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

Other financial liabilities include payables and accrued expenses. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Payables

Trade payables are short-term non-interest bearing financial liabilities. Payables are stated at their nominal value.

The carrying amount of the financial assets and liabilities does not materially differ from their fair value at the balance sheet date.

f- 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.

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.

As such, investments in listed securities are valued at fair value based on the weighted average of all prices during the last day such investments were traded on the stock exchange.

Unlisted securities and quoted securities for which a price is unavailable are valued at cost and will only be valued at higher price if deals are executed for an aggregate value equal to or exceeding EGP 1,000,000 and will only be valued at lower price if deals are executed for an aggregate value equal to or exceeding EGP 100,000.

h- 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.

i- 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 the obligation. The amount recognized 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 recognized in profit or loss as finance cost.

6- Cash held with brokers

	December 31, 2009 USD	December 31, 2008 USD
EFG-Hermes (AED)	36 558	--
Vision (OMR)	163 499	--
Kamco (KWD)	1 378 818	--
ICAP Securities (USD)	10 939	--
Kamco (Other currencies)	465 686	150 224
	2 055 500	**150 224**

7- Cash at banks

	December 31, 2009 USD	December 31, 2008 USD
Banks - current accounts (USD)	1 215 994	845 730
Banks - current accounts (EGP)	3 581	3 139
Banks - current accounts (other currencies)	140 593	1 493 812
	1 360 168	**2 342 681**

8- Investments at fair value through profit or loss

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

	Country (Region)	As of December 31, 2009 Quantity	Fair Value USD	Percentage of Net Assets Value	As of December 31, 2008 Quantity	Fair Value USD	Percentage of Net Assets Value
Listed securities							
Bahrain Telecommunications Company	Bahrain	21 238	33 237	0.15%	21 238	35 265	0.18%
The Egyptian Company For Mobile Services (Mobinil)	Egypt	–	–	–	55 054	1 466 389	7.32%
Mobile Telecommunications Company	Kuwait	–	–	–	387 910	1 179 527	5.88%
National Mobile Telecom	Kuwait	–	–	–	160 700	1 093 634	5.46%
MTN	South Africa	87 200	1 389 684	6.39%	66 000	765 882	3.82%
Maroc Telecom	Morocco	100 900	1 735 239	7.97%	–	–	–
Oman Telecommunication	Oman	7 400	24 987	0.11%	450 586	1 858 521	9.27%
Orascom Telecom	Egypt	393 792	1 803 343	8.29%	–	–	–
Qatar Telecom	Qatar	70 852	2 823 184	12.97%	68 008	2 045 003	10.20%
Telecom Egypt	Egypt	251 400	829 537	3.81%	322 600	951 353	4.75%
Telecom Egypt GDS	Egypt	–	–	0.00%	62 772	972 966	4.85%
Telecom SA	South Africa	253 100	1 281 237	5.89%	138 100	1 691 171	8.44%
Etihad Etisalat	Saudia Arabia	150 694	1 205 631	5.54%	275 094	2 272 293	11.34%
Etisalat Sawps	Saudia Arabia	44 617	516 264	2.37%	300 000	811 164	4.05%
Etihad Etisalat P-Notes	Saudia Arabia	51 941	601 010	2.76%	–	–	–
Raya Holding	Egypt	90 000	94 669	0.44%	–	–	–
Starcomms PLC	Nigeria	104 691 348	1 225 484	5.63%	–	–	–
Vodacom Group Ltd	South Africa	240 400	1 835 658	8.44%	–	–	–
Vox Telecom	South Africa	8 757 385	366 964	1.69%	–	–	–
Vodafone Qatar	Qatar	315 800	728 469	3.35%	–	–	–
Total listed securities			**16 494 597**	**75.8%**		**15 143 168**	**75.6%**
Unlisted securities							
Luxsat Middle East	Middle East	100 000	197 000	0.91%	100 000	197 000	0.98%
National Telecom Co.	Egypt	182 675	832 551	3.83%	182 675	828 277	4.13%
Thuraya Satellite Telecommunication	UAE	5 111 111	3 131 382	14.39%	5 111 111	3 131 382	15.62%
Total unlisted securities			**4 160 933**	**19.12%**		**4 156 659**	**20.7%**
Less:							
Decline in fair value of securities							
Luxsat Middle East	Middle East		(197 000)	–		(197 000)	–
Thuraya Satellite Telecommunication	UAE		(1 566 289)	–		(1 566 289)	–
Total decline in fair value of securities			**(1 763 289)**	–		**(1 763 289)**	–
Total unlisted securities net of decline in fair value			**2 397 644**	**11.02%**		**2 393 370**	**11.94%**
Total			**18 892 241**	**86.81%**		**17 536 538**	**87.49%**

9- Debtors and other debit balances

	December 31, 2009 USD	December 31, 2008 USD
Equity dividends receivable	76 593	145 772
	76 593	**145 772**

10- Accrued expenses

	December 31, 2009 USD	December 31, 2008 USD
Accrued management fees	98 090	90 762
Accrued custody fees	1 120	525
Accrued audit fees	12 000	9 000
Accrued directors fees	26 000	17 825
Accrued administration fees	8 263	1 325
	145 473	**119 437**

11- Share capital

According to the initial offer, no redemption or subscription in Telecom Fund shares was permitted until December 31, 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 year:

	No. of shares 2009	No. of shares 2008
Outstanding shares as of January 1	**781 812**	**949 453**
Shares redeemed during the period	(48 821)	(194 045)
Shares issued during the period	39 001	26 404
Outstanding shares as of December 31	**771 992**	**781 812**

12- Management and Performance fees

Pursuant to the Management Agreement dated March 29, 2000, 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 December 31, 2009 amounted to 379 810 USD (USD 517 185 for the year ended December 31, 2008).

In addition, the manager is entitled to receive from the Fund, in respect of each share in issue, a performance fee of 15 percent 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 percent. Such fee is an annual fee, and is 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). 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 the Fund. The manager was not entitled to receive Performance fees for the year ended December 31, 2009 and for the year ended December 31, 2008.

13- Custody fees

Citibank was appointed pursuant to an agreement dated March 29, 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 has changed to 0.125% starting October 2004.

Additionally, custodians charge transaction fees at rates up to USD 8 per transaction. Custody fees for the year ended December 31, 2009 amounted to USD 31 107 (USD 32 043 for the year ended December 31, 2008).

14- Administrator fees

Starting April 2007, the Board of Directors appointed APEX Fund Service Ltd. to act as the fund registrar and Administrator's fees for the year ended December 31, 2009 amounted to USD 39 892 (USD 24 350 for the year ended December 31, 2008).

15- Board of Directors fees

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

Directors' fees charged to the Fund for the year ended December 31, 2009 amounted to USD 65 604 (USD 11 237 for the year ended December 31, 2008).

16- 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 not distributed will be reinvested. Dividends, if any, are declared annually and paid 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.

17- Taxation

Taxation of income and capital gains of the Fund is subject to the fiscal laws and practices of Bermuda, the United Kingdom (UK), Middel East and Africa. The Fund had no transactions in any other jurisdictions, 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 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 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 March 28, 2016 be applicable to the Fund 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 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 the 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.

18- Related party transactions

EFG-Hermes - the Fund manager - and its group and affiliates, are the major related parties of the Fund. Management fees incurred during the year and payable to the Fund manager amounted to USD 379 810. 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 conducted by Financial Brokerage Group, represent 2.7% (ordinary placement) of total sales and purchases transactions for the year ended December 31, 2009. The said deals represented 6.78% (ordinary placement) of total transactions for the year ended December 31, 2008.

The Fund does not hold any shares as of December 31, 2009 in EFG-Hermes Holding.

19- Financial instruments and risk management

19-1 Use of financial instruments

The Fund's financial instruments consist primarily of cash and cash equivalents, investments in equity securities and receivables and payables arising from sale and purchase of securities.

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 amounts at the date of the financial statements:

Categories of financial instruments

	31/12/2009 USD	31/12/2008 USD
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading investments	18 892 241	17 536 538
Receivables and other debit balances	76 593	347 211
Cash and cash equivalents (including brokers current accounts)	3 415 668	2 492 905
Financial liabilities		
Redeemable shares at net assets value	21 762 320	20 043 192
Other financial liabilities		
Other liabilities at amortized cost	622 182	333 462

19-2 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 financial instruments, including derivative financial instruments, for speculative purposes.

19-2.1 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.

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

Telecommunication and information technology companies

The manager seeks 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, 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 operates as a passive investment vehicle and is not involved in the day to day management of investee companies and assets, and does not take management and legal control of any such companies.

All security investments present a risk of loss of capital. The maximum risk is determined by the fair value of the securities held by the Funds.

19-2.2 Currency risk

The Fund invests primarily in securities denominated in multi currencies but its net assets value is quoted in the US Dollar. Accordingly, a change in the value of various currencies against 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 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 table below indicates the foreign currencies to which the Fund had significant exposure as at December 31, 2009 in US Dollar terms:

Currency	Total Exposure (000s) in USD	Impact on Net Assets(000s) USD
Arab Emirates Dirham	3 168	158.40
Egyptian Pound	3 564	178.18
Kuwait Dinar	1 381	69.04
Oman Rial	188	9.42
Qatar Rial	3 560	178.02
Saudi Rial	2 789	139.43
Morocco	1 765	88.27
Zar	4 874	243.68
Other currencies	138	6.92
	21 427	1 071.36
As a percentage of Net assets	98%	4.6%

As at December 31, 2009, if the US Dollar, had strengthened or weakened by 5% in relation to other currencies, with all other variables held constant, the net assets value would have decreased or increased, respectively, by approximately (in 000s) USD 1 071(approximately 4.6 % of net assets value). In practice, the actual trading results may differ from the above approximate sensitivity analysis amounts and the differences could be material.

19-2.3 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 firms. In addition, no investments in debt securities are held by the Fund as of December 31, 2009.

19-2.4 Liquidity of shares risk

The ordinary shares are only redeemable on a quarterly basis and then are subject to several limitations and restrictions. Although the ordinary shares are 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. The Fund's assets are denominated principally in Egyptian pound and US Dollar.

As at December 31, 2009 the Fund's outstanding number of shares was 771 992.

If 5% of these shares had been redeemed within one month from the date of the financial statements, it would be settled by USD 1 088 122 which may be covered by the cash and cash equivalents as of December 31, 2009, with all other variables held constant.

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

20- Beneficial interests

As of December 31, 2009, out of the outstanding 771 992 shares of EFG-Hermes Telecom Fund, the investment Directors held the following beneficial interests in the shares of the Fund:

	Shares Held	Percentage from Outstanding Shares
Directors		
Yasser Zaki Hashem	7 500	0.97%
Khaled Abu Botain	2 258	0.29%

21- Comparative figures

Comparative figures were reclassified to comply with current year presentation.