EFG – Hermes Middle East and Developing Africa Fund Limited

Financial Statements

For the Year Ended June 30, 2007

Together With the Auditors' Report

Deloitte.

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

Independent Auditors' Report

To: The Shareholders of EFG – Hermes Middle East and Developing Africa Fund Limited

We have audited the accompanying balance sheet of EFG-Hermes Middle East and Developing Africa Fund Limited as of June 30, 2007 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.

Auditors' 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 auditors' 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 Developing Africa Fund Limited as of June 30, 2007 and the results of its operations and changes in its net assets for the year then ended in conformity with International Financial Reporting Standards "IFRS".

Cairo, 17 September, 2007



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

EFG - Hermes Middle East and Developing Africa Fund Limited

Balance Sheet

As of June 30, 2007

	Note	30 June 2007 USD	30 June 2006 USD
Assets			
Cash and cash equivalents	(5)	43 571 602	5 733 647
Financial assets at fair value through profit or loss			
Held for trading Investments	(6)	360 636 028	67 848 949
Held for trading certificates in mutual funds	(7)	9 389 610	--
Receivables and other debit balances	(8)	434 848	100 452
Total Assets		**414 032 088**	**73 683 048**
Liabilities			
Proceeds under subscription in the fund's ICs		7 664 574	--
Purchase awaiting settlement		25 057 935	2 766 800
Accrued Expenses	(9)	8 695 544	1 269 578
Total Liabilities		**41 418 053**	**4 036 378**
Net Assets value		**372 614 035**	**69 646 670**
Number of value shares outstanding	(10)	13 119 647	3 245 404
Net assets value per share		28.40	21.46

- The attached notes (1) to (20) form an integral part of these financial statements.

EFG - Hermes Middle East and Developing Africa Fund Limited

Statement of Operations

For the Year ended June 30, 2007

	Note	Year Ended 30 June 2007 USD	Year Ended 30 June 2006 USD
Investment Income			
Interest income		510 146	67 492
Dividend income		6 051 307	1 667 362
Other revenues		10 405	13 796
		6 571 858	**1 748 650**
Expenses			
Management fees	(11)	2 380 591	1 179 873
Custody fees	(12)	303 023	161 873
Administrator fees	(13)	44 111	50 443
Board of Directors fees and expenses	(14)	16 697	21 713
Audit fees		6 000	6 000
Incentive fees	(11)	7 391 710	902 827
Other expenses	(15)	111 026	159 694
		10 253 158	**2 482 423**
Net Investment (Loss)		**(3 681 300)**	**(733 773)**
Redemption fees		29 463	213 217
Net realized gains on sale of investments		33 592 789	28 983 958
Net unrealized gain (loss) on investments		26 941 575	(15 194 055)
Gain (Loss) from foreign currency translation		173 953	(65 830)
Net Increase in Net Assets Resulting from Operations		**57 056 480**	**13 203 517**

- The attached notes (1) to (20) form an integral part of these financial statements.

EFG - Hermes Middle East and Developing Africa Fund Limited

Statement of Changes in Net Assets

For the Year ended June 30, 2007

	Year Ended 30 June 2007 USD	Year Ended 30 June 2006 USD
Changes in Net Assets from Operations		
Net investment (loss)	(3 681 300)	(733 773)
Redemption fees	29 463	213 217
Net realized gains on sale of investments	33 592 789	28 983 958
Net unrealized gain (loss) on investments	26 941 575	(15 194 055)
Gain (Loss) from foreign currency translation	173 953	(65 830)
Net Increase in Net Assets Resulting from Operations	**57 056 480**	**13 203 517**
Change in Net Assets from Capital Transactions		
Proceeds from sale of shares	261 381 296	24 039 475
Payments on redemption of shares	(15 470 411)	(42 643 351)
Net Increase (Decrease) in Net Assets Resulting from Capital Transactions	**245 910 885**	**(18 603 876)**
Total Increase (Decrease) in Net Assets	302 967 365	(5 400 359)
Net assets - Beginning of the Year	**69 646 670**	**75 047 029**
Net Assets - End of the Year	**372 614 035**	**69 646 670**

- The attached notes (1) to (20) form an integral part of these financial statements.

EFG – Hermes Middle East and Developing Africa Fund Limited

Notes to the Financial Statements

For the Year Ended June 30, 2007

1- The Company

EFG-Hermes Middle East and Developing Africa Fund Limited (The Company) is an investment company incorporated in Bermuda on 30 June 1998. The purpose of the company is to seek long-term capital appreciation through investment in Middle East and Developing Africa equity and equity related securities. The company's shares are listed in Dubai Financial Market.

2- Statement of Compliance

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

3- Basis of 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 significant accounting policies adopted are set out below:

A- Foreign currencies

The Company designated the US Dollar as its reporting currency. Transactions denominated in currencies other than the US Dollar, are translated to the US Dollar using the rate in effect at the date of the transactions. Assets and liabilities denominated in currencies other than the US Dollar are retranslated based on the prevailing exchange rates at the balance sheet date. All differences are taken to the statement of operations.

B- **Financial Instruments**

Constitute financial assets and financial liabilities. Financial assets and financial liabilities are recognised on the entity's balance sheet when the entity becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and derecognised on a 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 an entity commits itself to purchase or sell an asset. Trade date accounting refers to (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and (b) 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 on the trade 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, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are currently classified as financial assets 'at fair value through profit or loss' (FVTPL). Other financial assets include monetary assets, mainly cash and cash equivalents and other debit balances, whose fair value is not materially different than the carrying amount. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

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 Group 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.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of operations. Fair value is determined in the manner described in note (4 H).

Financial liabilities and equity instruments issued by the entity

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.

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.

Financial liabilities

Financial liabilities are classified currently as other financial liabilities. Other financial liabilities include monetary liabilities, mainly payables, accrued expenses and other credit balances, whose fair value is not materially different than the carrying amount.

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 investment 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 recognised in the statement of operations.

D- Revenue recognition

Realized gains and losses from sale of securities are recognized, in the statement of operations, on the trade date as the difference between selling price, net of commissions and expenses, and the average cost.

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

Dividends are recognized when the right to receive them is 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.

E- Taxation

The taxation of income and capital gains of the Company is subject to the fiscal laws and practices of Bermuda, United Kingdom and any other jurisdiction in which the Company invests.

F- Provisions

Provisions are recognized when the entity 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 profit or loss as finance cost.

G- 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.

H- 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. Quoted market prices for investments in listed securities, are closing prices on the last day, such investments were traded on stock exchanges.

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. Unlisted securities and quoted securities, for which a price is unavailable, are valued at fair value estimated by the Manager.

5- Cash and cash equivalents

	30 June 2007	30 June 2006
	USD	USD
Current accounts	43 571 602	4 521 330
Time deposits	--	1 212 317
	43 571 602	**5 733 647**

6- Held for trading investments

Represent investments in equity securities and are sumamrized in the following table:

	Country	June 30, 2007 Book Value USD	June 30, 2007 Percentage of Net Assets Value	June 30, 2006 Book Value USD	June 30, 2006 Percentage of Net Assets Value
Listed securities					
ADDOHA	Morocco	939 090	0.25%	-	0.00%
Agility	Kuwait	7 961 484	2.14%	3 110 674	4.47%
Agility R.I	Kuwait	369 605	0.10%	378 412	0.54%
AL Ahly United Bank BSC	Bahrain	5 327 184	1.43%	4 518 954	6.49%
Al Anwar Ceramics	Oman	273 817	0.07%	113 381	0.16%
Alliance Housing Bank	Oman	-	0.00%	259 357	0.37%
Amoc	Egypt	11 304 718	3.03%	2 789 264	4.00%
Arab Banking Corporation	Bahrian	-	0.00%	852 891	1.22%
Arab Technical Construction Company	UAE	9 997 681	2.68%	1 262 336	1.81%
Bank AUDI	Lebanon	439 200	0.12%	2 107 179	3.03%
Barwa Real Estate	Qatar	13 956 184	3.75%	-	0.00%
Bank of Muscat	Oman	-	0.00%	2 558 268	3.67%
Banque Centrale Populaire	Morocco	-	0.00%	344 886	0.50%
BCFC	Bahrain	-	0.00%	55 386	0.08%
B H Bank	Tunisia	-	0.00%	728 845	1.05%
Blom Bank GDR	Lebanon	1 987 421	0.53%	2 351 115	3.38%
Burqan Bank	Kuwait	7 277 759	1.95%	2 572 444	3.69%
Byblos Bank Priorty shares Listed	Lebanon	1 074 000	0.29%	-	0.00%
Byblos Bank S.A.L	Lebanon	967 804	0.26%	2 502 077	3.59%
CIB	Egypt	10 466 021	2.81%	-	0.00%
El-Sweedy Cabels	Egypt	-	0.00%	1 660 359	2.38%
Commercial Bank of Qatar	Qatar	10 481 769	2.81%	-	0.00%
Dubai Islamic Bank	UAE	7 105 185	1.91%	-	0.00%
EFG-Hermes	Egypt	3 855 782	1.03%	-	0.00%
El Ezz Steel	Egypt	7 632 706	2.05%	-	0.00%
El Ezz Steel Rebars GDR	Egypt	16 213 700	4.35%	-	0.00%
EMAAR	UAE	20 013 107	5.37%	2 252 399	3.23%
Etihad Etisalat	Saudi Arabia	5 472 093	1.47%	-	0.00%
First Gulf Bank	UAE	6 915 600	1.86%	-	0.00%
Industries Qatar	Qatar	15 001 095	4.03%	-	0.00%
Global Investment House	Kuwait	-	0.00%	2 223 448	3.19%
Itlumaar Bank	Bahrain	2 255 805	0.61%	2 094 676	3.01%
Jordan Ahly Bank	Jordan	12 715 295	3.41%	-	0.00%
Jordan Cement	Jordan	5 742 113	1.54%	-	0.00%
KIPCO	Kuwait	18 957 856	5.09%	-	0.00%
Lafarge Cement	Morocco	-	0.00%	399 394	0.57%
M T C	Kuwait	-	0.00%	3 206 346	4.60%
Nasr city housing	Egypt	-	0.00%	799 098	1.15%
Nass Corporation B.S.C	Bahrain	705 349	0.19%	653 076	0.94%
National Bank of Kuwait	Kuwait	3 793 409	1.02%	1 501 517	2.16%
OCI GDR	Egypt	-	0.00%	1 665 436	2.39%
Olympic Group	Egypt	16 161 010	4.34%	1 722 106	2.47%
Oman Cement	Oman	11 667 439	3.13%	-	0.00%
Oman International Bank	Oman	4 635 659	1.24%	-	0.00%
ONA	Morocco	-	0.00%	1 300 994	1.87%
OPTD	Egypt	10 714 315	2.88%	1 554 998	2.23%
Orascom Construction Ind.	Egypt	-	0.00%	1 405 479	2.02%
Orascom Telecom GDS	Egypt	8 929 472	2.40%	1 760 920	2.53%
Orascom Telecom LE	Egypt	12 733 419	3.42%	2 060 919	2.96%
Oriental Weaver	Egypt	11 640 653	3.12%	3 040 532	4.37%
PALTEL	Plastien	-	0.00%	295 180	0.42%
Qatar Gas	Qatar	11 301 220	3.03%	-	0.00%
Qatar Shipping	Qatar	-	0.00%	2 322 019	3.33%
Qatar Telecom	Qatar	11 766 255	3.16%	117	0.00%
Raysut Cement Co.	Oman	1 961 889	0.53%	2 109 539	3.03%
Raysut Cement Co. (Right issue)	Oman	-	0.00%	721 230	1.04%
Renaissance Services	Oman	12 645 824	3.39%	766 885	1.10%
SABIC	Saudi Arabia	12 760 866	3.42%	-	0.00%
Saudi Telecom Co.	Saudi Arabia	239 987	0.06%	-	0.00%
SODIC	Egypt	9 750 159	2.62%	-	0.00%
Solidere Type A	Lebanon	1 171 156	0.31%	1 895 457	2.72%
Solidere Type B	Lebanon	-	0.00%	1 083 101	1.56%
Suez Cement	Egypt	2 474 388	0.66%	1 473 564	2.12%
Telecom Egypt	Egypt	-	0.00%	391 404	0.56%
Telecom Egypt GDRs	Egypt	-	0.00%	322 500	0.46%
Union National Bank	UAE	10 382 514	2.79%	-	0.00%
United Development	Qatar	496 971	0.13%	660 787	0.95%
Total Listed Securities		360 636 028		67 848 949	97.42%

The aggregate cost of investments totaled USD 329 933 423 as of 30 June 2007 (USD 65 083 173 as of 30 June 2006).

7- Held for trading certificates in mutual funds

	Country	30 June 2007 USD		30 June 2006 USD	
		Market Value	Percentages of Net Value	Market Value	Percentages of Net Value
The Saudi Arabia Investment Fund Limited	Saudi Arabia	9 389 610	2.52%	--	--
		9 389 610	**2.52%**	--	--

8- Receivables and Other Debit Balances

	30 June 2007	30 June 2006
	USD	USD
Sales awaiting settlement	339 363	--
Equity dividends receivable	76 148	97 733
Interest receivable on time deposits	--	375
Prepaid expenses	19 337	2 344
	434 848	**100 452**

9- Accrued Expenses

	30 June 2007	30 June 2006
	USD	USD
Accrued management fees	1 234 113	249 066
Accrued custodian fees	50 334	30 216
Incentive fees	7 391 710	902 827
Other accruals	19 387	87 469
	8 695 544	**1 269 578**

10- Share Capital Transactions

The Company was incorporated with an authorized share capital of USD 12 000 divided into 1 200 000 shares of a par value of USD 0.01 each. On 28 June, 1999 the authorized share capital of the Company was increased to USD 250 000 by the issuance of an additional 23 800 000 shares.

The shares issued by the Company are freely transferable, issued in registered form and holders are entitled, upon their request, to certificates in respect of their holdings. Fractions of shares may be issued. No pre-emptive rights exist in respect of the shares, either under Bermuda law, under the by-laws, or otherwise. Shares may be redeemed quarterly, subject to certain restrictions, commencing with the last valuation day on June 2000. The following transactions took place on share capital during the year:

	No. of shares 30 June 2007	No. of shares 30 June 2006
Number of shares outstanding at the beginning of the year	3 245 404	3 905 907
Shares redeemed during the year	(645 384)	(1 775 561)
Shares issued during the year	10 519 627	1 115 058
Number of shares outstanding at year-end	**13 119 647**	**3 245 404**

11- **Management Fees**

The manager is entitled to receive from the company a management fee accruing monthly at the annual rate of 1.4 percent of the net assets value of the company on each valuation day and payable quarterly in arrears (calculated prior to deduction of management fees).

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 June 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.

Management fees amounted to USD 2 380 591 for the year ended 30 June 2007, against USD 1 179 873 for the year ended 30 June 2006. Incentive fees amounted to USD 7 391 710 for the year ended 30 June 2007, against USD 902 827 for the year ended 30 June 2006.

12- **Custody Fees**

According to an agreement dated July 1, 1999, State Street Bank and Trust Company act as the global custody for the company's assets. Fees payable for custodian services accrue monthly at a rate of .03% per annum of the net asset value of the Company up to USD 50 million, and .015% per annum on any balance, with minimum annual fees of USD 24 000, together with the reimbursement of proper expenses.

The custodian also receives a multi–managed portfolio fee of USD 1 000 per month and up to USD 175 fee per transaction. The Company is also responsible for the fees of any sub–custodian.

The company entered into securities clearing agreement with the Hong Kong and Shanghai Banking Corporation limited (HSBC) pursuant to which HSBC will provide, among other things, custody services to the fund.

Custody fees amounted to USD 303 023 for the year ended 30 June 2007, against USD 161 873 for the year ended 30 June 2006.

13- **Administrator Fees**

Apex Fund Services Ltd. has been appointed as Registrar and Administrator of the Company effective 14 March 2007 pursuant to a Registrar and Transfer Agency Agreement, by and between the Company and the Administrator (herein the "Registrar and Transfer Agency Agreement"). Pursuant to the Registrar and Transfer Agency Agreement, the Administrator administers the day-to-day activities of the Company's operations, which include: (i)

communicating with the Company's shareholders; (ii) processing the subscriptions of new shareholders; (iii) receiving and advising the Investment Manager of redemption requests from existing shareholders; (iv) maintaining the Register of Shareholders; and (v) such other duties as may be agreed between the parties from time to time. The Administrator does not calculate the net asset value of the Shares, but does maintain duplicate copies of the financial records of the Company. Administrator fees amounted to USD 44 111 for the year ended 30 June 2007, against USD 50 443 for the year ended 30 June 2006.

14- Board of Directors Fees and Expenses

The Board of Directors is currently comprised of four Directors, one being an employee of the Apex Fund Services Ltd. one is an investment consultant and one is responsible for product structuring, marketing and business development initiatives to financial intermediaries and institutional clients for the Permal Group in the Middle East, North Africa and the Sub Continent. The company is responsible for the payment of the Directors fees. Board of Directors fees amounted to USD 16 697 for the year ended 30 June 2007, against USD 21 713 for the year ended 30 June 2006.

15- Other Expenses

Other expenses are summarized as follows:

	30 June 2007	30 June 2006
	USD	USD
Bank charges	29 800	31 635
Insurance	10 929	10 944
Legal fees	5 345	887
Other expenses	64 952	116 228
	111 026	**159 694**

16- Distribution Policy

Dividends, interest and other income received by the company will be applied first for the payment of fees and expenses. After such payments have been made, the Directors intend to distribute net income to shareholders. No dividends will be paid out of the Company's unrealized or realized capital gains. Dividends, (if any) will be declared annually and be payable in respect of each financial year within six months of the commencement of the following financial year.

17- 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 28 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.

18- Related Party Transactions

Due to the widespread operations undertaken by EFG-Hermes Group and its affiliates, a number of transactions were conducted through related brokerage houses. The deals carried out with EFG-Hermes Group or their affiliates represent 15.55 % (ordinary transactions) for the year ended 30 June 2007, while they represented 13.10 % (ordinary transactions) of total transactions for the year ended 30 June 2006.

19- Risk management

Market risk

Market risk is the potential adverse change in security value caused by unfavorable movements in interest rates, foreign exchange rates, or market prices of other financial instruments. However, the risk to the company is limited to the amount of the company's investment in each security.

Credit Risk

Credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Fund's counterparties are generally major brokerage firms.

20- **Beneficial Interests**

On June 30, 2007 out of the outstanding shares of 13 119 647 in EFG-Hermes Middle East and Developing Africa Funds Limited, the investment Manager(s) and affiliates do not hold any beneficial interests in the shares of the Fund.