EFG - HERMES Middle East And Developing Africa Fund Limited

Financial Statements and Auditors' Report For the Financial Year Ended June 30, 2008

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the shareholders of the EFG – HERMES Middle East and Developing Africa Fund Limited

We have audited the accompanying financial statements of EFG–Hermes Middle East and Developing Africa Fund Limited which comprise the statement of assets and liabilities, as of June 30, 2008 and the related statements of income, cash flows, changes in net assets 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.

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 of 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, 2008, its financial performance, results of operations, cash flows and changes in net assets for the year then ended in conformity with International Financial Reporting Standards.

Cairo, September 10, 2008

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

EFG - Hermes Middle East and Developing Africa Fund Limited

Statement of Assets and Liabilities

As of June 30, 2008

		30/6/2008 USD	30/6/2007 USD
Assets			
Cash and cash equivalents	(7)	118 659 606	43 571 602
		118 659 606	43 571 602
Financial assets at fair value through profit or loss			
Held for trading investments	(8)	1 293 711 867	360 636 028
Held for trading certificates in mutual funds	(9)	--	9 389 610
		1 293 711 867	370 025 638
Receivables and other debit balances	(10)	617 509	434 848
Total Assets		**1 412 988 982**	**414 032 088**
Liabilities			
Credit banks		1 295 530	--
Payables on purchase of investments		56 775 833	25 057 935
Proceeds under subscription of the fund's shares		1 360	7 664 574
Accrued expenses	(11)	32 624 913	8 695 544
Total Liabilities		**90 697 636**	**41 418 053**
Net Assets Value		**1 322 291 346**	**372 614 035**
Number of shares outstanding	(12)	33 544 547	13 119 647
Net Assets Value per Share		**39.42**	**28.40**

- The attached notes from (1) to (22) form an integral part of these financial statements.

Auditors' report attached.

Kamel Magdy Saleh, ACA
F.E.S.A.A.(R.A.A8510)

EFG - Hermes Middle East and Developing Africa Fund Limited

Income Statement

For the Year Ended June 30, 2008

		30/6/2008 USD	30/6/2007 USD
Investment Income			
Interest income		925 679	510 146
Dividends income		22 715 402	6 051 307
Other income		35 626	10 405
Total Investment Income		**23 676 707**	**6 571 858**
Expenses			
Management fees	(13)	12 060 007	2 380 591
Custody fees	(14)	1 505 197	303 023
Administrators' fees	(15)	73 698	44 111
Board of directors' fees	(16)	4 274	16 697
Incentive fees	(13)	27 588 712	7 391 710
Other expenses		976 585	117 026
Total Expenses		**42 208 473**	**10 253 158**
Net Investment Income		**(18 531 766)**	**(3 681 300)**
Add:			
Redemption fees		--	29 463
Net realized gain on sale of investments		84 127 072	33 592 789
Net unrealized gain on valuation of investments		170 771 461	26 941 575
(Loss) Gain from foreign currency translation		(259 954)	173 953
Net Increase in Net Assets Resulting from Operations		**236 106 813**	**57 056 480**

- The attached notes from (1) to (22) form an integral part of these financial statements.

EFG - Hermes Middle East and Developing Africa Fund Limited

Statement of Cash flows

For the Year Ended June 30, 2008

	year ended 30-6-2008	year ended 30-6-2007
	USD	USD
Cash flows from operating activities		
Net Increase in Net Assets Resulting From Operations	236 106 813	57 056 480
Adjusted by:		
Net unrealized gain on valuation of investments	170 771 461	26 941 575
Operating profit before working capital changes	406 878 274	83 998 055
(Increase) in investments at fair value through profit or loss	(1 103 847 300)	(319 728 654)
Decrease (Increase) in held for trading certificates in mutual funds	9 389 610	(9 389 610)
(Increase) in receivables and other debit balances	(182 661)	(334 396)
Increase in payables on purchase of investments	31 717 898	22 291 135
(Decrease) Increase in Proceeds under subscription in the fund's shares	(7 663 214)	7 664 574
Increase in accrued expenses	23 929 369	7 425 966
Net cash (used in) operating activities	**(639 778 024)**	**(208 072 930)**
Cash flows from financing activities		
Proceeds from sale of certificates	825 173 578	261 381 296
Payments on redemption of certificates	(111 603 080)	(15 470 411)
Net cash provided from financing activities	**713 570 498**	**245 910 885**
Net change in cash and cash equivalents during the period	73 792 474	37 837 955
Cash and cash equivalents, beginning of the year	43 571 602	5 733 647
Cash and cash equivalents, end of the year	**117 364 076**	**43 571 602**
Cash and cash equivalent consists the flowing:		
Banks – current accounts	118 659 606	43 571 602
Credit banks	(1 295 530)	--
Cash and cash equivalents, end of the year	**117 364 076**	**43 571 602**

- The attached notes from (1) to (22) 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, 2008

	30/6/2008	30/6/2007
	USD	USD
Change in Net Assets from Operations		
Net investment (loss)	(18 531 766)	(3 681 300)
Redemption fees	--	29 463
Net realized gain on sale of investments	84 127 072	33 592 789
Net unrealized gain on valuation of investments	170 771 461	26 941 575
(Loss) Gain from foreign currency translation	(259 954)	173 953
Net Increase in Net Assets		
Resulting from Operations	**236 106 813**	**57 056 480**
Change in Net Assets from Capital Transactions		
Proceeds from sale of shares	825 173 578	261 381 296
Payments on redemption of shares	(111 603 080)	(15 470 411)
Net Increase in Net Assets		
Resulting from Capital Transactions	**713 570 498**	**245 910 885**
Total increase in net assets	949 677 311	302 967 365
Net Assets - Beginning of the Year	372 614 035	69 646 670
Net Assets - End of the Year	**1 322 291 346**	**372 614 035**

- The attached notes from (1) to (22) 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, 2008

1- Organization and activity

EFG-Hermes Middle East and Developing Africa Fund Limited (The Company) is an investment company incorporated in Bermuda on June 30, 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 (DFM).

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.

3- Statement of compliance

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

4- Adoption of new and revised standards

Standards and interpretations effective in the current year:

In the current year, the company has adopted IFRS 7 Financial Instruments: Disclosures which are effective for annual reporting periods beginning on or after January 1, 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments and management of capital (note 6).

5- 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. 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.

6- Significant accounting policies

The principal accounting policies are set out below:

a- Foreign currencies

The financial statements of the fund are presented in US Dollar which is:

- The currency in which funds from financing activities are generated.
- The currency in which receipts from operating activities are usually retained.

However, operations are mainly denominated in various currencies.

Transactions denominated in currencies other than the Egyptian pound, are translated to the Egyptian pound 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 are comprised of financial assets and financial liabilities which are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised and derecognized 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 the recognition of an asset to be received and the liability to pay for it on the trade date, and 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.

Financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL), investments in treasury bills and mutual funds and other financial assets include monetary assets, mainly cash and cash equivalents and other debit balances, whose fair value is not materially different from 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. 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 entity 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 resultant gain or loss, representing the difference between the market or estimated fair value of securities, on the day of valuation and average cost, recognised in the income statement.

Investments in mutual funds and similar instruments are stated at fair value; being the redemption price determined in connection with each fund's net assets value with any changes in fair value recognized in the income statement.

Realized gains and losses on sale of held for trading investments are recognized, in the income statement, on the trade date as the difference between selling price, net of commissions and expenses, and the average cost. Fair value is determined in the manner described in note (6-e).

- **Other financial instruments**

  - **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.

  - **Receivables**

    Trade receivables are non-interest bearing and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

  - **Payables**

    Trade payables are non-interest bearing and are stated at their nominal value.

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

c- **Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable.

Dividend income on equity securities and mutual funds is recognized when the holders' rights to receive payment have been established.

Interest income on time deposits is accrued on a timely basis, by reference to the principal outstanding and at the interest rate applicable during the year until maturity using the effective interest method.

d- **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 income statement.

e- 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 on which such investments were traded on the stock exchange.

Unlisted securities and quoted securities for which a price is unavailable are valued at cost, other than impaired securities, which are reduced by the impairment loss.

Taxation

The taxation on 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 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 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 the statement of operations as finance cost.

7- Cash and cash equivalents

	30/6/2008	30/6/2007
	USD	USD
Banks – current accounts in USD	8 039 795	28 453 311
Banks – current accounts in EGP equivalent to USD	24 320 257	4 697 643
Banks – current accounts in other currencies equivalent to USD	85 004 024	10 420 648
	117 364 076	**43 571 602**

8- Held for trading investments

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

	Country	30/6/2008 Quantity	Book Value USD	Percentage from Net Assets Value	30/6/2007 Quantity	Book Value USD	Percentage from Net Assets Value
Listed securities							
ADDOHA	Morocco	100 900	29 741 812	2.25%	2 800	939 090	0.25%
Agility	Kuwait	1 036	4 705	0.00%	1 508 806	7 961 484	2.14%
Agility R.I	Kuwait	-	-	0.00%	70 045	369 605	0.10%
AL Ahly United Bank BSC	Bahrain	-	-	0.00%	3 699 433	5 327 184	1.43%
Al Anwar Ceramics	Oman	-	-	0.00%	342 236	273 817	0.07%
Arab Cement	Saudi Arabia	2 336 489	50 317 764	3.81%	-	-	0.00%
Arabian Pipe	Saudi Arabia	858 543	28 563 911	2.16%	-	-	0.00%
Arabtec	UAE	9 776 241	43 119 906	3.26%	-	-	0.00%
Amoc	Egypt	-	-	0.00%	795 646	11 304 718	3.03%
Arab Technical Construction Company	UAE	-	-	0.00%	6 212 941	9 997 681	2.68%
Bank Audi	Lebanon	-	-	0.00%	7 320	439 200	0.12%
Barwa Real Estate	Qatar	2 398 600	55 168 261	4.17%	1 123 600	13 956 184	3.75%
Blom bank GDR	Lebanon	-	-	0.00%	29 663	1 987 421	0.53%
Byblos Bank Priorty shares Listed	Lebanon	-	-	0.00%	600 000	1 074 000	0.29%
Byblos Bank S.A.L	Lebanon	-	-	0.00%	553 031	967 804	0.26%
Burgan Bank	Kuwait	2 207 250	8 270 296	0.63%	1 941 140	7 277 759	1.95%
CIB	Egypt	114 198	1 751 803	0.13%	992 869	10 466 021	2.81%
Commercial Bank of Qatar	Qatar	572 949	23 301 490	1.76%	349 806	10 481 769	2.81%
Commercial Bank Of Qatar GDR	Qatar	3 318 858	28 210 293	2.13%	-	-	0.00%
DFM	UAE	34 132 270	47 301 384	3.58%	-	-	0.00%
Dubai Islamic Bank	UAE	-	-	0.00%	2 641 216	7 105 185	1.91%
EFG-Hermes-Holding	Egypt	293 921	2 645 405	0.20%	478 337	3 855 782	1.03%
EFG-Hermes-SPC	Egypt	3 773 399	6 367 889	0.48%	-	-	0.00%
El Ezz Steel	Egypt	1 861 638	28 089 856	2.13%	796 068	7 632 706	2.05%
El Ezz Steel Rebars GDR	Egypt	-	-	0.00%	577 000	16 213 700	4.35%
EMAAR	UAE	19 766 663	58 392 086	4.42%	6 202 712	20 013 107	5.37%
EMAAR Economic City	Saudi Arabia	6 124 889	36 753 254	2.78%	-	-	0.00%
Emirates National Bank of Dubai	UAE	18 702 727	61 105 046	4.62%	-	-	0.00%
Etihad Etisalat	Saudi Arabia	3 040 212	43 378 318	3.28%	418 805	5 472 093	1.47%
Etisalat Swaps	UAE	2 270 000	12 082 687	0.91%	-	-	0.00%
First Gulf Bank	UAE	-	-	0.00%	1 751 650	6 915 600	1.86%
Heliopolis Housing	Egypt	439 623	39 474 652	2.99%	-	-	0.00%
Industries Qatar	Qatar	472 000	23 605 837	1.79%	539 291	15 001 095	4.03%
Ithmaar Bank	Bahrain	-	-	0.00%	4 603 684	2 255 805	0.61%
Jordan Ahly Bank	Jordan	1 741 273	6 083 372	0.46%	2 695 338	12 715 295	3.41%
Jordan Cement	Jordan	-	-	0.00%	334 327	5 742 113	1.54%
Jordan Phosohate Mines	Jordan	166 000	14 458 670	1.09%	-	-	0.00%
KIPCO	Kuwait	21 083 370	86 178 335	6.52%	6 350 000	18 957 856	5.09%
Maridive	Egypt	6 081 081	35 695 945	2.70%	-	-	0.00%
Middel East Specialized Cables	Saudi Arabia	1 044 213	37 595 678	2.84%	-	-	0.00%
Nass Corporation B.S.C	Bahrain	-	-	0.00%	886 318	705 349	0.19%
National Bank of Kuwait	Kuwait	-	-	0.00%	501 252	3 793 409	1.02%
Olympic Group	Egypt	2 568 445	32 094 124	2.43%	1 553 830	16 161 010	4.34%
Oman Cement	Oman	7 113 000	16 611 474	1.26%	740 194	11 667 439	3.13%
Oman International Bank	Oman	29 997	311 542	0.02%	660 942	4 635 659	1.24%
OPTD(Orascom hotels & dev.)	Egypt	-	-	0.00%	1 025 130	10 714 315	2.88%
Orascom Telecom GDS	Egypt	-	-	0.00%	139 523	8 929 472	2.40%
Orascom Telecom LE	Egypt	403 556	5 187 939	0.39%	998 190	12 733 419	3.42%
Oriental Weaver	Egypt	-	-	0.00%	914 288	11 640 653	3.12%
Qatar Gas	Qatar	4 142 146	44 732 582	3.38%	1 890 981	11 301 220	3.03%
Qatar Islamic Bank	Qatar	939 267	39 928 720	3.02%	-	-	0.00%
Qatar Telecom	Qatar	-	-	0.00%	165 272	11 766 255	3.16%
Raysut Cement Co.	Oman	-	-	0.00%	521 941	1 961 889	0.53%
Renaissance Services	Oman	5 744 484	25 995 301	1.97%	7 606 463	12 645 824	3.39%
S.A Fertilizers	Saudi Arabia	965 919	66 333 514	5.02%	-	-	0.00%
SABIC	Saudi Arabia	1 373 076	51 358 521	3.88%	429 200	12 760 867	3.43%
Sorouh Real Estate	UAE	18 161 100	45 886 087	3.47%	-	-	0.00%
Saudi Telecom Co.	Saudi Arabia	-	-	0.00%	15 000	239 987	0.06%
SODIC	Egypt	-	-	0.00%	370 415	9 750 159	2.62%
Solidere Type A	Lebanon	-	-	0.00%	76 148	1 171 156	0.31%
Suez Cement	Egypt	-	-	0.00%	243 915	2 474 388	0.66%
Taameer	Jordan	3 552 457	11 104 569	0.84%	-	-	0.00%
Talat Mostafa Group	Egypt	35 774 827	60 372 662	4.57%	-	-	0.00%
Union National Bank	UAE	7 771 429	19 275 700	1.46%	4 796 460	10 382 513	2.79%
Union Properities	UAE	47 591 443	66 860 477	5.06%	-	-	0.00%
United Development Qatar	Qatar	-	-	0.00%	58 970	496 971	0.13%
Total Listed Securities			**1 293 711 867**	**97.84%**		**360 636 028**	**96.79%**

9- Held for trading certificates in mutual funds

	Country	30/6/2008 USD		30/6/2007 USD	
		Market Value	Percentage of Net Assets Value	Market Value	Percentage of Net Assets Value
The Saudi Arabia Investment Fund Limited	Saudi Arabia	--	--	9 389 610	2.52%
		--	--	**9 389 610**	**2.52%**

10- Receivables and other debit balances

	30/6/2008 USD	30/6/2007 USD
Prepaid expenses	--	19 337
Receivables on sale of investments	--	339 363
Equity dividends receivable	617 509	76 148
	617 509	**434 848**

11- Accrued expenses

	30/6/2008 USD	30/6/2007 USD
Accrued management fees	4 615 849	1 234 113
Accrued custodian fees	222 154	50 334
Accrued incentive fees	27 588 712	7 391 710
Other accruals	198 198	19 387
	32 624 913	**8 695 544**

12- 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 June 28, 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 period:

	No. of shares
Outstanding as of June 30, 2007	13 119 647
Shares redeemed during the year	(2 974 193)
Shares sold during the year	23 399 093
Outstanding as of June 30, 2008	**33 544 547**

13- Management fees & incentive 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 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 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 12 060 007 for the Year ended June 30, 2008, against USD 2 380 591 for the Year ended June 30, 2007. Incentive fees amounted to USD 27 588 712 for the Year ended June 30, 2008, against USD 7 391 710 for the Year ended June 30, 2007.

14- 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 0.03% per annum of the net asset value of the Company up to USD 50 million, and 0.015% 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 1 505 197 for the Year ended June 30, 2008, against USD 303 023 for the Year ended June 30, 2007.

15- Administrators' fees

Pursuant to an agreement, APEX Services Limited was appointed to act as the registrar and the transfer agent of the company, as well as providing certain administrative and corporate secretarial services to the company.

Starting from April 30, 2008 the fund appointed HSBC to act as the fund's Administrator. Administrator fees amounted to USD 73 698 for the Year ended June 30, 2008, against USD 44 111 for the Year ended June 30, 2007.

16- Board of Directors' fees

The Board of Directors is currently comprised of three Directors, one being an employee of the Administrator (APEX), one being associated with a brokerage and one being wholly independent Director. The company is responsible for the payment of the Directors fees. Directors fees amounted to USD 4 274 for the Year ended June 30, 2008, against USD 16 697 for the Year ended June 30, 2007.

17- 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.

18- 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 Finance 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.

19- 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 19.06% (ordinary transactions) for the Year ended June 30, 2008, while they represented 15.55 % (ordinary transactions) of total transactions for the Year ended June 30, 2007.

As of June 30, 2008, the Fund holds 293 921 shares in EFG Hermes Holding with an aggregate cost of USD 3 031 955 and fair market value of USD 2 645 405, as well as 3 773 399 shares in EFG Hermes SPC with an aggregate cost of USD 7 920 996 and fair market value of USD 6 367 889.

20- Risk management

20-1 Use of financial instruments

The Company's financial instruments consist primarily of cash and cash equivalents, investments in equity and equity-related securities in exiting stock markets in the Middle East and North Africa and receivables and payables arising from sale and purchase of securities.

20-2 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.

The prices of certain securities listed on the stock exchanges have been subject to sharp fluctuations and sudden declines and no assurance can be given as to the future performance of listed securities in general. Volatility of prices may be greater than in more developed stock markets.

The Company's prospectus contains several rules and instructions that assist in reducing this risk to an acceptable level summarized as follows:

- The Company seeks investment opportunities in countries that are actively developing their capital markets in anticipation of attracting higher levels of foreign investment. Markets in this category include, without limitation, Algeria, Syria, Libya and Yemen.
- The portfolio is driven by stock selection with the intention of maximizing returns on an absolute return basis. The Manager is not constrained by market capitalization or GDP weighted indices, as he believes that these constraints are to be inherently inefficient in a developing region.
- The Manager seeks returns on a total return dollar basis and of necessity, will make an assessment of country and exchange risk.
- Subject to the investment restrictions referred to below, the Company is allowed to invest in unlisted securities but will only do so if the manager holds an exception that the relevant securities will be listed within 12 – 18 months of the initial investment.
- The stock markets of the GCC, North Africa, Jordan, Lebanon, Palestine, Turkey and Iran are, amongst others, targeted for investment. Although the markets of the Middle East and North African region will form a major part of the portfolio, up to 10 % of the portfolio may be invested in collective investment funds in the Middle East and North Africa.
- Investment of the Company's assets is subject to certain restrictions determined from time to time by the directors. The directors have adopted the following restrictions providing that the company will not:
  - a- Make any investment which could expose the company to unlimited liability; or
  - b- Invest in securities which are not quoted or listed on any regulated stock exchanges or over-the-counter markets ("unlisted securities") if, as a result, more than 25% of the Net Asset Value of the portfolios of the Company would then be invested in unlisted securities; or
  - c- Deal short or on margin; or
  - d- Purchase or otherwise acquire any security if, as a result, more than 10% of the Net Asset Value of any of the Portfolios of the Company would then be invested in securities of a single issuer or group or expose more than 10% of the Net Asset Value of The Portfolios of the Company to the credit worthiness or solvency of any one counterparty; or

e- Buy or sell commodities, or commodity futures contracts or real estate except that
   a. it may purchase and sell securities which are secured by real estate or commodities and securities of companies which invest or deal in real estate or commodities, and
   b. for efficient portfolio management purposes, it may enter into foreign currency and stock index futures and options, and may buy or sell forward currency contracts; or

f- Make any loan or give any guarantee provided that this does not restrict the ability of the Company to invest in bonds; or

g- Make any investment which results in the Portfolios of the Company obtaining or exercising legal or management control over the issuers of underlying investments (save that the company may establish wholly-owned subsidiaries for the purposes of making investments if the Directors consider it would be in the best interest of the Company to do so, in which case these investment restrictions will apply as if investments made by such a subsidiary had been made directly by the Company); or

Restriction (d), shall not apply to investments in securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD Member State or by any supranational authority of which one or more EU or OECD Member States are members.

Other than restriction (d), none of these restrictions require the realization of any assets of the Company where any of such restrictions is breached as a result of any event outside the control of the Company occurring after the relevant investment was made or upon any exercise of conversion rights attached to any investments held by the company, but no further such investments may be acquired for the account of the company until the relevant restriction is again complied with and regard shall be had to such limits when contemplating changes to the Company's investments. Warrants held by the Company are not exercised if to do so would result in a breach of any of the restrictions referred to above.

20-3 Currency risk

The Company invests primarily in securities denominated in currencies other than US Dollars but its Net Asset Value is quoted in US Dollars. The Company may (but is not obliged to) seek to hedge foreign currency risk. However, it is not possible or practicable to hedge many of the currencies into which the Company will invest, and/or any such hedges may be imperfect. Accordingly, investors may bear the risk of adverse movements in the US Dollar exchange rate with the currencies in which investments are denominated and with the investor's own base currency. Investors will also bear the risks associated with entering imperfect hedging transactions.

20-4 Credit risk

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

20-5 Liquidity of shares risk

The shares are only redeemable on a monthly basis and then subject to several limitations and restrictions referred to in the prospectus. Although the shares are listed on the DFM, 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.

21- Beneficial interests

At June 30, 2008, out of the outstanding shares of 33 544 547 in EFG-Hermes Middle East and Developing Africa Funds Limited, the fund Director(s) and Manager(s) held the following beneficial interests in the shares of the Fund:

	Shares Held	Percentage from Outstanding Shares
Directors		
Hashem Montasser	16 549	0.049 %
Mohamed Esmat Abdel Halim	1 476	0.0044 %
Manager		
Karim Nehma	1 233	0.0037 %

22- Comparative figures

Comparative figures were reclassified to comply with current year presentation.