EFG - HERMES Middle East And Developing Africa Fund Limited

Report on review of interim financial information for the six months ended December 31, 2008

Deloitte.

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Review report on interim financial information

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

Introduction

We have reviewed the accompanying balance sheet of EFG – Hermes Middle East and Developing Africa Fund Limited "the fund" as of December 31, 2008 and related statements of income, changes in net assets and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity.".
A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the Fund as at December 31, 2008, and of its financial performance and cash flows for the six months then ended in accordance with International Financial Reporting Standards.

Cairo, July 26, 2009

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

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EFG - Hermes Middle East and Developing Africa Fund Limited

Statement of Assets and Liabilities

As of Decmber 31, 2008

		31/12/2008 USD	30/6/2008 USD
Assets			
Cash and cash equivalents	(7)	115 057 913	118 659 606
Financial assets at fair value through profit or loss - Held for trading investments	(8)	272 458 495	1 293 711 867
Receivables and other debit balances	(9)	8 030 033	617 509
Total assets		**395 546 441**	**1 412 988 982**
Liabilities			
Bank accounts - credit balances		62 181	1 295 530
Payables on purchase of investments		7 825 261	56 775 833
Proceeds under subscription of the fund's shares		--	1 360
Accrued expenses	(10)	1 910 136	32 624 913
Total liabilities		**9 797 578**	**90 697 636**
Net assets value		**385 748 863**	**1 322 291 346**
Number of shares outstanding	(11)	**18 412 261**	**33 544 547**
Net assets value per share		**20.95**	**39.42**

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

EFG - Hermes Middle East and Developing Africa Fund Limited

Income Statement

for the six months ended December 31, 2008

		Six Months Ended 31 December 2008 USD	Six Months Ended 31 December 2007 USD
Investment income			
Interest on deposits		454 130	433 952
Interest on Investments at FVTPL		612 004	--
Dividends income		3 733 679	249 851
Other income		154 575	--
Total investment income		**4 954 388**	**683 803**
Expenses			
Management fees	(12)	6 280 599	3 914 993
Custody fees	(13)	1 214 376	501 156
Debit interest		2 727	--
Registrar fees		38 400	--
Administrator fees	(14)	422 317	39 974
Incentive fees	(12)	--	19 634 077
Other expenses		926 155	310 840
Total expenses		**8 884 574**	**24 401 040**
Net investment loss		**(3 930 186)**	**(23 717 237)**
Net realized (loss) gain on sale of held for trading investments		(248 284 104)	22 837 958
Net unrealized (loss) gain on held for trading investments		(348 333 686)	130 891 929
(Loss) Gain from foreign currency translation		(3 344 230)	4 950 143
Net (decrease) increase in net assets resulting from operations		**(603 892 206)**	**134 962 793**

- The attached notes from (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 six months ended December 31, 2008

	Six Months Ended 31 December 2008 USD	Six Months Ended 31 December 2007 USD
Change in net assets from operations		
Net investment (loss)	(3 930 186)	(23 717 237)
Net realized (loss) gain on sale of held for trading investments	(248 284 104)	22 837 958
Net unrealized (loss) gain on held for trading investments	(348 333 686)	130 891 929
(Loss) Gain from foreign currency translation	(3 344 230)	4 950 143
Net (decrease) increase in net assets (used in) resulting from operations	**(603 892 206)**	**134 962 793**
Change in net assets from capital transactions		
Proceeds from sale of shares	190 444 077	261 381 296
Payments on redemption of shares	(523 094 354)	(15 470 411)
Net (decrease) increase in net assets (used in) resulting from capital transactions	**(332 650 277)**	**245 910 885**
Total (decrease) increase in net assets during the period	(936 542 483)	302 967 365
Net assets at the beginning of the period	**1 322 291 346**	**69 646 670**
Net assets at the end of the period	**385 748 863**	**372 614 035**

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

EFG - Hermes Middle East and Developing Africa Fund Limited

Statement of Cash flows

for the six months ended December 31, 2008

	Six Months Ended 31 December 2008 USD	Six Months Ended 31 December 2007 USD
Cash flows from operating activities		
Net (decrease) increase in net assets resulting from operations	(603 892 206)	134 962 793
Adjusted by:		
Net unrealized gain (loss) on valuation of investments	(348 333 686)	130 891 929
Operating profit before working capital changes	(952 225 892)	265 854 722
Decrease (Increase) in investments at fair value through profit or loss	1 369 587 058	(538 310 017)
Decrease (Increase) Held for trading certificates in mutual funds	--	9 389 610
(Increase) in receivables and other debit balances	(7 412 524)	434 848
(Decrease) Increase in payables on purchase of investments	(48 950 572)	12 092 837
(Decrease) Increase in Proceeds under subscription in the fund's shares	(1 360)	53 431 028
(Decrease) Increase in accrued expenses	(30 714 777)	13 578 697
Net cash resulted from operating activities	**330 281 933**	**(183 528 275)**
Cash flows from financing activities		
Proceeds from sale of certificates	190 444 077	293 612 624
Payments on redemption of certificates	(523 094 354)	(14 354 872)
Net cash (used in) financing activities	**(332 650 277)**	**279 257 752**
Net change in cash and cash equivalents during the period	(2 368 344)	95 729 477
Cash and cash equivalents beginning of the period	**117 364 076**	**43 571 602**
Cash and cash equivalents end of the period	**114 995 732**	**139 301 079**
Cash and cash equivalents is represented in :		
Banks – current accounts	115 057 913	139 301 079
Bank accounts - credit balances	(62 181)	--
Cash and cash equivalents end of the period	**114 995 732**	**139 301 079**

- The attached notes from (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 Six Months Ended December 31, 2008

1- **General infotmation**

EFG-Hermes Middle East and Developing Africa Fund Limited "The Fund" was originally incorporated in Bermuda on 30 June 1998, as a mutual Fund company with limited liability and of unlimited duration. The Fund invests in a managed portfolio consisting principally of listed equity securities of companies established or operating in the Middle East and North Africa. The purpose of the Fund is to seek long-term capital appreciation for its investors through investment in Middle East and Developing Africa equity and equity related securities, the Fund's shares are listed in Dubai Financial Market (DFM).

Pursuant to an agreement dated April 11, 2003 between the Fund and the Manager, (the "Management Agreement"), EFG-Hermes Financial Management (Egypt) Limited has been appointed manager to the Fund and is able to draw on the expertise and experience of the rest of the EFG-Hermes Group. The manager is responsible for the management of the Fund's investment portfolio and for the day-to-day management of the Fund subject to supervision by and subject to the specific directions of the Directors.

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- **New and revised standards**

An amendment to IAS 39 Financial Instruments: Recognition and Measurment, with related amendments to IFRS 7 Financial Instruments: Disclosures, issued on October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in certain circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. However, the Fund did not use that option due to the nature of its industry.

5- **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.

5.1. **Critical judgments in applying accounting policies**

The directors have not made critical judgements in the process of applying the fund's accounting policies, apart from those involving estimations that have the most significant effect on the amounts recognised in financial statements (Note 5-5.2).

5.2. **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 6g 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 6g).

For derivative financial instruments, quoted market prices are used for measurement of fair value. For unquoted derivative financial instruments, assumptions are made to determine the fair value based on quoted market rates adjusted for specific features of the instrument.

6- **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 dollars 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 currencies.

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 translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 translated.

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 recognised in the balance sheet when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets

Investments are recognised 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, 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. Fair value is determined in the manner described in (Note 6g).

Financial assets are classified as financial assets 'at fair value through profit or loss' (FVTPL), 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 as 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 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.

Derivatives financial instruments are financial instruments or other contracts with all three of the following characteristics:-

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (sometimes called the underlying);
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- It is settled at a future date

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

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 instruments, on the day of valuation and average cost, recognised 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 in hand, bank balances and short-term demand deposits that are readily convertible to known amounts of cash.

Receivables

Receivables are short-term non-interest bearing financial assets. 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 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 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 the "fund's puttable sahres" and 'other financial liabilities'.

Fund's puttable shares

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognized at fair value, net of transaction costs.

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. Other financial liabilities include payables.

The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Derecognition of financial liabilities

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

Payables

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

According to the basis of recognition and measurement disclosed in note (6), the directors of the Fund do not expect the carrying amount of the financial assets and liabilities to be materially different 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 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 profit or loss as finance cost.

7- Cash and cash equivalents

	31/12/2008	30/6/2008
	USD	USD
Banks – current accounts in USD	34 814 280	8 039 795
Banks – current accounts in EGP equivalent to USD	13 972 508	24 320 257
Banks – current accounts in other currencies equivalent to USD	56 271 125	86 299 554
	115 057 913	**118 659 606**

8- **Held for trading investments**

Represents investments in equity securities and is analyzed as follows:

	Country	31/12/2008 Number of shares	Book Value USD	Percentage of Net Assets Value	30/6/2008 Number of shares	Book Value USD	Percentage of Net Assets Value
Listed securities							
Equity securities							
ADDOHA	Morocco	-	-	0.00%	100 900	29 741 812	2.25%
Agility	Kuwait	-	-	0.00%	1 036	4 705	0.00%
Arab Cement	Saudi Arabia	-	-	0.00%	2 336 489	50 317 764	3.81%
Arabian Pipes	Saudi Arabia	980 241	11 649 014	3.02%	858 543	28 563 911	2.16%
Arabtec	UAE	22 778 410	14 017 483	3.63%	9 776 241	43 119 906	3.26%
Bank Muscat	Oman	4 328 920	8 961 426	2.32%	-	-	0.00%
Barwa Real Estate	Qatar	1 389 891	11 564 932	3.00%	2 398 600	55 168 261	4.17%
Burgan Bank	Kuwait	-	-	0.00%	2 207 250	8 270 296	0.63%
CIB	Egypt	629 085	4 237 566	1.10%	114 198	1 751 803	0.13%
CIB GDR	UK	1 261 500	8 641 275	2.24%	-	-	0.00%
Commercial Bank of Qatar	Qatar	517 420	12 546 529	3.25%	572 949	23 301 490	1.76%
Commercial Bank Of Qatar GDR	UK	3	14	0.00%	3 318 858	28 210 293	2.13%
DFM	UAE	-	-	0.00%	34 132 270	47 301 384	3.58%
EFG-Hermes-Holding	Egypt	-	-	0.00%	293 921	2 645 405	0.20%
EFG-Hermes-SPC	Egypt	-	-	0.00%	3 773 399	6 367 889	0.48%
El Ezz Steel	Egypt	-	-	2.13%	1 861 638	28 089 856	2.12%
EMAAR	UAE	23 391 400	1 471 631	0.38%	19 766 663	58 392 086	4.42%
EMAAR Economic City	Saudi Arabia	-	-	0.00%	6 124 889	36 753 254	2.78%
Emirates National Bank of Dubai	UAE	6 125 446	5 087 164	1.32%	18 702 727	61 105 046	4.62%
Etihad Etisalat	Saudi Arabia	-	-	0.00%	3 040 212	43 378 318	3.28%
Etisalat Swaps	UAE	-	-	0.00%	2 270 000	12 082 687	0.91%
Heliopolis Housing	Egypt	-	-	0.00%	439 623	39 474 652	2.99%
Industries Qatar	Qatar	654 600	18 083 966	4.69%	472 000	23 605 837	1.79%
Jarir Marketing Co.	Saudi Arabia	270 912	12 415 897	3.22%	-	-	0.00%
Jordan Ahly Bank	Jordan	-	-	0.00%	1 741 273	6 083 372	0.46%
Jordan Phosohate Mines	Jordan	368 482	10 140 991	2.63%	166 000	14 458 670	1.09%
KIPCO	Kuwait	-	-	0.00%	21 083 370	86 178 335	6.52%
Maridive	Egypt	-	-	0.00%	6 081 081	35 695 945	2.70%
Middel East Specialized Cables	Saudi Arabia	1 258 281	12 438 643	3.22%	1 044 213	37 595 678	2.84%
National Mobile Telecom	Kuwait	1 405 482	9 564 909	2.48%	-	-	0.00%
Olympic Group	Egypt	2 177 743	9 511 482	2.47%	2 568 445	32 094 124	2.43%
Oman Cement	Oman	-	-	0.00%	7 113 000	16 611 474	1.26%
Oman International Bank	Oman	-	-	0.00%	29 997	311 542	0.02%
Orascom Construction	Egypt	590 522	15 008 722	3.89%	-	-	0.00%
Orascom Construction GDR	UK	11 924	596 200	0.15%	403 556	5 187 939	0.39%
Qatar Gas	Qatar	3 116 646	18 486 765	4.79%	4 142 146	44 732 582	3.38%
Qatar Islamic Bank	Qatar	-	-	0.00%	939 267	39 928 720	3.02%
Renaissance Services	Oman	5 149 484	8 292 675	2.15%	5 744 484	25 995 301	1.97%
S.A Fertilizers	Saudi Arabia	475 837	11 379 263	2.95%	965 919	66 333 514	5.02%
SABIC	Saudi Arabia	808 500	11 094 526	2.88%	1 373 076	51 358 521	3.88%
Saudi Arabian Minning	Saudi Arabia	2 219 280	6 297 717	1.63%	-	-	0.00%
Sorouh Real Estate	UAE	-	-	0.00%	18 161 100	45 886 087	3.47%
Taameer	Jordan	-	-	0.00%	3 552 457	11 104 569	0.84%
Talat Mostafa Group	Egypt	-	-	0.00%	35 774 827	60 372 662	4.57%
Telecom Egypt	Egypt	5 126 263	15 093 352	3.91%	-	-	0.00%
Union National Bank	UAE	-	-	0.00%	7 771 429	19 275 700	1.46%
Union Properities	UAE	-	-	0.00%	47 591 443	66 860 477	5.06%
Total listed equity securities			**236 582 142**	**63.46%**		**1 293 711 867**	**97.84%**
Debt securities							
Bonds							
Weather CAP FIN		102 000	9 546 023	2.47%	-	-	-
ALDAR FUNDING		50 000	4 445 330	1.15%	-	-	-
NAKHEEL Development		250 000	21 250 000	5.51%	-	-	-
			35 241 353	**9.14%**		-	**0.00%**
Derivatives							
Credit call linked cash settled warrants							
Barclays Bank PLC Dubai		10	635 000	0.16%		-	-
			635 000	**0.16%**		-	**0.00%**
Total Investments			272 458 495	73%		1 293 711 867	97.84%

9- Receivables and other debit balances

	31/12/2008 USD	30/6/2008 USD
Receivables on sale of investments	7 528 281	--
Equity dividends receivable	501 752	617 509
	8 030 033	**617 509**

10- Accrued expenses

	31/12/2008 USD	30/6/2008 USD
Accrued management fees	1 770 135	4 615 849
Accrued custodian fees	85 368	222 154
Accrued incentive fees	0	27 588 712
Other accruals	54 633	198 198
	1 910 136	**32 624 913**

11- 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 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, 2008	**33 544 547**
Shares redeemed during the period	(20 320 314)
Shares sold during the period	5 188 028
Outstanding as of December 31, 2008	**18 412 261**

12- Management fees and incentive fees

EFG-Hermes Financial Management (Egypt) Limited "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.

An investment portfolio agreement dated 1 June 2000 between the Company and United Gulf Bank (UGB) pursuant to which UGB has agreed to provide facilities for the Company to establish and manage non-discretionary investment portfolio trading in Kuwaiti securities. Under the terms of the agreement UGB may appoint intermediaries, brokers or agents to manage the non-discretionary portfolio but UGB will remain responsible for the acts of such appointees. UGB will not be liable for losses sustained by the Company unless such loss results from UGB's negligence in the performance of its obligations under the agreement. UGB has appointed KAMCO. "Kuwait Assets Management Company "as amanger for this portflio.

Total management fees amounted to USD 6 280 599 for the six months ended December 31, 2008, of which USD 5 912 369 payable to EFG-Hermes Financial Management (Egypt) Limited (USD 4 073 606 for the six-month period ended December 31, 2007, of which USD 3 914 992 payable to EFG-Hermes Financial Management (Egypt) Limited).

The manager is not entiteld to receive any incentive fees for the six months ended December 31, 2008 (USD 19 634 077 for the six-months ended 31 December 2007).

13- **Custody fees**

According to an agreement dated April 1, 2008, the Hong Kong and Shanghai Banking Corporation limited (HSBC) act as the global custodian for the fund's assets. Fees payable for custodian services accrue monthly at a rate of 0.0225% per annum of the net asset value of the Fund up to USD 500 million, and 0.02% per annum of the net asset value of the Fund for 500 million and above, with a minimum monthly fees of USD 20 000.

The custodian also receives a transaction fee of USD 70 for each transaction that takes place in Jordan and Lebanon, USD 50 in Egypt, USD 150 in Morocco, USD 150 in Tunisia and USD 60 in Turky.

Custody fees amounted to USD 1 214 376 for the the six months ended December 31, 2008 (USD 501 156 the six months ended December 31, 2007).

14- **Administrators' fees**

Starting from April 1, 2008, the Fund appointed HSBC to act as the fund's Administrator.

The admnistartor is entilted to receive administration fees of 0.01% per annaum from the net asset value at each valuation day accuring monthly and payable in arrears at the end of each quarter.

Administrator fees amounted to USD 422 317 for the the six months ended December 31, 2008 (USD 39 974 for the six months ended December 31, 2007).

15- **Taxation**

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

Bermuda

At the date of the explanatory memorandum, there was no Bermuda income, corporation or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the company, or shareholders, other than shareholders ordinarily resident in Bermuda. Neither the company nor shareholders will be subject to stamp duty on the issue, transfer or redemption of shares.

The company has obtained from the Minister of 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.

16- 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 period and payable to the EFG-Hermes Financial Management (Egypt) Limited (Fund manager) amounted to USD 5 912 369. In addition, 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 through ordinary transactions carried out with EFG-Hermes Group or their affiliates represent 23.42% of total transactions for the six months ended December 31, 2008 (18.96% of total transactions for the six-month ended December 31, 2007).

17- Risk management

17-1 Use of financial instruments

The Fund'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, derivatives 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 6) to the financial statements. The following table illustrates categories of financial instruments and their carrying amount at the date of the financial statements:

Categories of financial instruments

	13/12/2008 USD	30/6/2008 USD
Financial assets		
Fair value through profit or loss (FVTPL)		
1- Held for trading	272 458 495	1 293 711 867
2- Designated as at FVTPL	--	--
Receivables	8 030 033	617 509
Cash and cash equivalents	115 057 913	118 659 606
Financial liabilities		
Other financial liabilities		
1- Redeemable shares at net assets value	385 748 863	1 322 291 346
2- Other liabilities at amortized cost	7 825 261	56 775 833

17-2 **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.

17-2.1 **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. No assurance can be given as to the future performance of listed securities in general. Volatility of prices may be greater in more developed stock markets.

Investment of the fund's assets is subject to certain restrictions determined from time to time by the directors. In the event C-Shares are issued by the Fund the following restrictions apply separately to the assets held in each portfolio of shares. The Directors have adopted the following initial restrictions, providing that the Fund will not:

i. make any investment which could expose the Fund to unlimited liability;
ii. invest in securities which are not quoted or listed on any regulated stock exchange or over-the-counter market ("unlisted securities") if, as a result, more than 25 per cent of the net asset value of the portfolios of the Fund would then be invested in unlisted securities;
iii. deal short or on margin;
iv. purchase or otherwise acquire any security if, as a result, more than 10 per cent of the net asset value of any of the portfolios of the Fund would then be invested in securities of a single issuer or group or expose more than 10 per cent of the net asset value of the portfolios of the Fund to the creditworthiness or solvency of any one counterparty;
v. buy or sell commodities, or commodity futures contracts or real estate except that:
   - 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
   - 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;

vi. make any loan or give any guarantee provided that this does not restrict the ability of the Fund to invest in bonds; or

vii. make any investment which results in the portfolios of the Fund obtaining or exercising legal or management control over the issuers of underlying investments.

Borrowings

The Fund does not borrow, except for short-term or temporary purposes, in aggregate amounts exceeding 15 per cent of the net asset value; the Fund may exceed this limit by short term borrowing for the purposes of meeting redemption requests and/or paying fees and expenses provided that the total borrowings made on behalf of the Fund are restricted to 25 per cent of the net asset value. For these purposes, short term or temporary borrowings are those with a term of 6 months or less, for ongoing investment purposes.

17-2.2 **Currency risk**

The Fund invests primarily in securities denominated in multi currencies but its net assets' value is quoted in US dollars. Accordingly, a change in the value of various currencies against US Dollars 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, 2008 in US Dollar terms:

Currency	Total Exposure (000s) in US$	Impact on Net Assets(000s) US$
Egyptian Pound	57,824	2,891
Bahrain Dinar	33	1
Saudi Arabian Riyal	65,275	3,263
Arab Emirates Derham	51,733	2,586
Kuwait Dinar	9,592	479
Riyal Oman	19,458	972
Qatar Riyal	73,611	3,680
Jordanian Dinar	13,194	659
Moroccan Dirham	6,806	340
Total	297,526	14,871
As Percentage of Net Assets (%)	77	4

As at December 31, 2008, if the US Dollars, 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) US$ 14,876 (approximately 4% 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.

17-2.3 **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, the Fund invests in

debt securities and derivatives issued by reputable organizations higly rated by acredited rating agencies.

17-2.4 **Liquidity of shares risk**

The ordinary shares are only redeemable on monthly 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.

The Fund applies several rules and instructions as 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 currencies other than US Dollar.

As at December 31, 2008, the Fund's outstanding number of shares was 18 412 261. If 5% of these shares is to be redeemed within one month from the date of the financial statements, it would be settled at an amount of USD 19 287 443 and may be covered by the outstanding balance of cash and cash equivalent as of December 31, 2008, if all other variables held constant.

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

18- **Beneficial interests**

At December 31, 2008, out of the outstanding shares of 18 412 261 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		
Mohamed Esmat Abdel Halim	1 476	0.008%
Manager		
Karim Nehma	1 233	0.0067%

19- **Impact of global crisis**

Due to the recent global crisis, international, regional and domestic financial markets were exposed to significant deterioration since the first of October 2008. Accordingly, almost all securities in local and regional markets suffered from severe decline in market prices. This has had a further negative impact on the Fund's net assets value in the following periods.

20- **Comparative figures**

Comparative figures are reclassified, where necessary, to comply with current year presentation.