EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA
KINGDOM OF BAHRAIN

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2009

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

Directors	Mr. Mohamed Abdel-Halim Mr. Samuel L. Hayes III (Deputy Chairman) Mr. Hashem Montasser Mr. Amr El Sawaf (From July 28, 2008)
Director / Chairman	Mr. Ahmed Nashaat (upto July 28, 2008) Mr. Amr El Sawaf (from July 29, 2008)
Registered Office	6 Front Street, Hamilton HM11, Bermuda
Banker	HSBC Bank Middle East Limited
Investment Manager	EFG-Hermes Financial Management (Egypt) Limited
Administrator & Custodian	HSBC Bank Middle East Limited
Auditor	Deloitte & Touche, P.O. Box 421, Manama, Kingdom of Bahrain.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

CONTENTS

	Page
Directors' Report	1
Independent Auditor's Report to the Unit Holders	2 & 3
Statement of Assets and Liabilities As at June 30, 2009	4
Statement of Operations For the Year Ended June 30, 2009	5
Statement of Changes in Net Assets For the Year Ended June 30, 2009	6
Cash Flow Statement For the Year Ended June 30, 2009	7
Notes to the Financial Statements For the Year Ended June 30, 2009	8 to 28

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

DIRECTORS' REPORT

The Directors present the annual report and financial statements for the year ended June 30, 2009.

PRINCIPAL ACTIVITY

The EFG-Hermes Middle East and Developing Africa Fund is an Investment Company incorporated in Bermuda and its primary objective is to achieve long term capital appreciation through investment in Middle Eastern and North African equities.

REVIEW OF BUSINESS

The results of the operations of the Fund are summarised on page 5.

APPROPRIATIONS

None

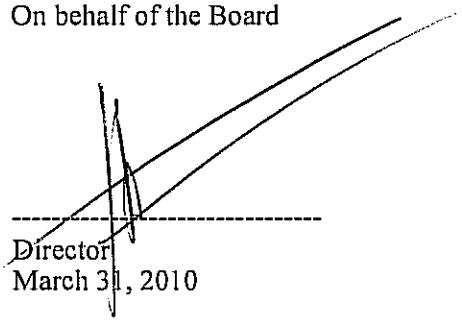
CHANGES IN DIRECTORS

Mr. Ahmad Nashaat has resigned and Mr. Amr El Sawaf has been appointed as a Director of the Fund with effect from July 28, 2008. Subsequent to June 30, 2009, Mr. Mark Taborsky and Mr. Zaid Al Tunisi were appointed as Directors of the Fund on October 13, 2009.

AUDITOR

A resolution proposing the reappointment of Deloitte & Touche as the auditor of the Fund for the year ending June 30, 2010 and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Director
March 31, 2010

BH 99-8-12

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

EFG-Hermes Middle East and Developing Africa Fund Limited
Manama,
Kingdom of Bahrain.

Report on the Financial Statements

We have audited the accompanying financial statements of EFG-Hermes Middle East and Developing Africa Fund Limited, ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2009, the statement of operations, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS (CONTINUED)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EFG-Hermes Middle East and Developing Africa Fund Limited as of June 30, 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 7 (a) to the financial statements. The securities designated at fair value through profit or loss represent investments in listed securities, which provide the Fund with the opportunity for return through trading gains. The fair values of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realisable value.

Manama – Kingdom of Bahrain
March 31, 2010

Deloitte & Touche

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2009

	Notes	2009 USD	2008 USD
ASSETS:			
Cash at banks	6	69,261,067	118,659,606
Securities designated at fair value through profit or loss	7	280,215,862	1,293,711,867
Other assets	8	3,386,367	617,509
Total Assets		352,863,296	1,412,988,982
LIABLITIES:			
Bank overdraft		-	1,295,530
Due to a related party	9	1,171,184	32,204,561
Outstanding settlements		10,623,942	56,775,833
Accrued fees and charges	10	117,285	420,352
Proceeds under subscription of the Fund's shares		-	1,360
Total Liabilities		11,912,411	90,697,636
Net Assets		340,950,885	1,322,291,346
ANALYSIS OF NET ASSETS:			
Capital	11	695,346,908	1,086,052,294
Net realised (loss) / gain		(344,200,116)	34,492,119
Cumulative change in fair value of securities designated at fair value through profit or loss	7	(10,195,907)	201,746,933
Net Assets		340,950,885	1,322,291,346
Net Asset Value Per Share	17	22.16	39.42

The financial statements were approved and authorised for issue by the Directors on March 31, 2010 and signed on their behalf by:

Director
MAY 13, 2010

Director

The attached notes 1 to 17 form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2009

	Notes	2009 USD	2008 USD
INVESTMENT INCOME:			
Dividend income	12	14,146,398	22,715,402
Interest income	12	2,573,458	925,679
Other operating income	12	262,107	35,626
		16,981,963	23,676,707
EXPENSES:			
Management fees	5 & 14	8,205,357	12,060,007
Administration fees	5	586,097	73,698
Custody fees	5	1,230,936	1,505,197
Board of Directors' fees	5	27,881	4,274
Incentive fees	5	-	27,588,712
Other expenses		1,875,209	976,585
Total expenses		11,925,480	42,208,473
Investment gain / (loss) – net		5,056,483	(18,531,766)
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:			
Net realised (loss) / gain		(378,041,087)	84,127,072
Change in fair value		(211,942,840)	170,771,461
Loss from foreign currency translation		(5,707,631)	(259,954)
Net (loss)/gain on securities designated at fair value through profit or loss		(595,691,558)	254,638,579
Net (decrease)/increase in net assets resulting from operations		(590,635,075)	236,106,813

The attached notes 1 to 17 form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	2009 USD	2008 USD
Investment gain / (loss) – net	5,056,483	(18,531,766)
Net realised (loss) / gain on securities designated at fair value through profit or loss	(378,041,087)	84,127,072
Change in fair value of securities designated at fair value through profit or loss	(211,942,840)	170,771,461
Loss from foreign currency translation	(5,707,631)	(259,954)
Net (decrease)/increase in net assets resulting from operations	(590,635,075)	236,106,813
Change in net assets from capital share transactions	(390,705,386)	713,570,498
Change in net assets	(981,340,461)	949,677,311
Net assets – beginning of year	1,322,291,346	372,614,035
Net assets – end of year	340,950,885	1,322,291,346

The attached notes 1 to 17 form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2009

	2009 USD	2008 USD
Cash flows from operating activities:		
Net (decrease) / increase in net assets resulting from operations	(590,635,075)	236,106,813
Adjustments for:		
Net loss/(gain) on securities designated at fair value through profit or loss	595,691,558	(254,638,579)
Dividend income	(14,146,398)	(22,715,402)
Interest income	(2,573,458)	(925,679)
	(11,663,373)	(42,172,847)
Changes in operating assets and liabilities:		
Change in other asset	(2,367,587)	(182,661)
Change in due to a related party	(31,033,377)	23,578,738
Change in outstanding settlements	(46,151,891)	31,717,898
Change in accrued fees and charges	(303,067)	350,631
Change in proceeds under subscription of shares	(1,360)	(7,663,214)
	(91,520,655)	5,628,545
Purchase of securities designated at fair value through profit or loss	(1,174,179,744)	(1,370,990,740)
Proceeds from disposal of securities designated at fair value through profit or loss	1,591,984,191	701,943,090
Dividend received	14,146,398	22,715,402
Interest received	2,172,187	925,679
Net cash from / (used in) operating activities	342,602,377	(639,778,024)
Cash flows from financing activities		
Proceeds from issue of units	190,917,473	825,173,578
Payments on redemption of units	(581,622,859)	(111,603,080)
Net cash (used in) / from financing activities	(390,705,386)	713,570,498
Net (decrease) / increase in cash and cash equivalents	(48,103,009)	73,792,474
Cash and cash equivalents at the beginning of the year	117,364,076	43,571,602
Cash and cash equivalents at the end of the year	69,261,067	117,364,076
Comprising:		
Cash at bank (Note 6)	69,261,067	118,659,606
Bank overdraft	-	(1,295,530)
	69,261,067	117,364,076

The attached notes 1 to 17 form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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1. STATUS AND ACTIVITIES:

The EFG- Hermes Middle East and Developing Africa Fund ("the Fund") was incorporated in Bermuda as an exempted mutual fund company on June 30, 1998 with registration number 25155.

The Fund's objective is to achieve long term capital appreciation through investment in Middle East and Developing Africa equity and equity related securities; the Fund's shares are listed in Dubai Financial Market.

2. ADOPTION OF NEW AND REVISED STANDARDS:

2.1 Standards and Interpretations effective in the current period

Three Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 12: Service Concession Arrangements, IFRIC 13: Customer Loyalty Programmes, and IFRIC 14: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The adoption of these Interpretations has not led to any changes in the Fund's accounting policies.

2.2 Standards and Interpretations in issue not yet effective

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
New Interpretations:		
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18	Transfers of Assets from Customers	Transfers received on or after July 1, 2009
New Standards:		
IFRS 8	Operating Segments	January 1, 2009
IFRS 9	Financial Instruments	January 1, 2013
Amendments to Standards:		
IFRS 1	First-time Adoption of International Financial Reporting Standards-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IFRS 1	First-time Adoption of International Financial Reporting Standards-Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	January 1, 2010
IFRS 2	Share-based Pyment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IFRS 2	Share based Payment-Amendments relating to group cash-settled share-based Payment transactions	January 1, 2010
IFRS 3	Business Combinations-Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 7	Financial Instruments: Disclosures-Amendments enhancing disclosures About fair value and liquidity risk	January 1, 2009
IAS 1	Presentation of Financial Statements-Comprehensive revision including requiring a statement of comprehensive income	January 1, 2009
IAS 1	Presentation of Financial Statements-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009

2. ADOPTION OF NEW AND REVISED STANDARDS: (CONTINUED)

2.2 Standards and Interpretations in issue not yet effective: (Continued)

		Effective for annual periods beginning on or after
Amendments to Standards: (Continued)		
IAS 23	Borrowing Costs-Comprehensive revision to prohibit immediate expensing	January 1, 2009
IAS 24	Related Party Disclosures – Revised definition of related parties	January 1, 2011
IAS 27	Consolidated and Separate Financial Statements-Amendment relating to cost of an investment on first time adoption	January 1, 2009
IAS 27	Consolidated and Separate Financial Statements-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 28	Investments in Associates-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 31	Interests in Joint Ventures-Consequential amendments arising from amendments to IFRS 3	July 1, 2009
IAS 32	Financial Instruments: Presentation-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 32	Financial Instruments: Presentation-Amendments relating to classification of rights issue	February 1, 2010
IAS 39	Financial Instruments: Recognition and Measurement-Amendments for eligible hedged Items	July 1, 2009
IAS 39	Financial Instruments: Recognition and Measurement-Amendments for embedded derivatives when reclassifying financial instruments	Annual periods ending on or after June 30, 2009
Various Standards	Amendments resulting from May 2008 and April 2009 Annual Improvements to IFRSs	Various

The Directors anticipate that all of the above Standards and Interpretations, as applicable, will be adopted in the Fund's financial statements in future periods and that the adoption of those Standards and Interpretations will have no material impact on the financial statements of the Fund in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES:

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of Preparation

The financial statements are prepared on the historical cost convention, except for the revaluation of certain financial instruments.

The financial statements are presented in United States Dollars ("USD") being the presentation currency of the Fund.

The significant accounting policies are as follows:

(a) **Investments**

The values of securities listed on a securities exchange are based on the last bid price on that exchange on the day of valuation. Transactions in marketable securities are accounted for on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investments within the time frame established by the market concerned.

Investments in securities are classified into securities designated at fair value through profit or loss which are initially recognised and subsequently measured at fair value. Any resultant change in the fair value is recognised in the statement of operations as unrealised gains or losses. Realised gains and losses from disposal of securities are determined on an average cost basis.

(b) **Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Fund sells securities through a broker. Receivables are recognised at fair value net of transaction costs that are directly attributable to their disposal.

(c) **Other Payables and Accruals**

Other payables are recognised for amounts to be paid in the future for services received, whether billed by the provider or not. These are carried at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

(d) **Revenue Recognition**

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Interest income on all interest bearing instruments is recognised on an accrual basis based on the outstanding balance and applicable effective interest rate.

(e) **Foreign Currencies**

Foreign currency transactions are recognised in United States Dollars at the approximate rates of exchange prevailing at the time of the retransactions. Monetary assets and liabilities denominated in foreign currency at the valuation date are retranslated at the rates of exchange at that date.

The Fund isolates the portion of the results of operations resulting from changes in foreign exchange rates on investments in securities from the fluctuations arising from changes in market prices of investments in securities held.

Translation differences on monetary items are reported as part of the fair value gain or loss in the statement of operations.

(f) **Expenses**

All recurring expenses are accounted for on the accrual basis.

Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment.

(g) **Taxation**

The Fund is not subject to the fiscal laws and practices of Bermuda and any other jurisdiction in which the Fund invests.

(h) **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash at banks net of any overdraft balances.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINITY:

In the application of the Fund's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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.

Critical judgements in applying the Fund's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Classification of investments

Management has to decide upon acquisition of an investment whether it should be classified as held to maturity, available for sale or investments at fair value through profit or loss. For those deemed to be held to maturity, the Fund ensures that the requirements of IAS 39 are met and in particular the Fund has the positive intention and ability to hold these to maturity. The Fund classifies investments as carried at fair value through profit or loss if they are acquired primarily for the purpose to be held for trading or upon initial recognition it is designated by the Fund as at fair value through profit or loss. All other investments are classified as available for sale.

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:

Determination of the market prices relevant for the valuation of investments

The Fund's management believes that the bond market in Middle East region does not show the characteristics of a developed bond market. In this situation, the management considers the executable prices quoted by the brokers as of the valuation date for the valuation purposes. In the absence of a quotation from a broker, the prices indicated on Bloomberg are considered for the valuation. Therefore, the prices taken for the valuation purpose are based on different sources and may reflect favourable positions depending on the availability of a broker's quotation.

5. **FEES:**

(a) **Management Fee**

The Investment Manager is entitled to receive from the Fund a management fee accruing monthly at the annual rate of 1.4 percent of the Net Assets Value ("NAV") of the Fund on each valuation day and payable quarterly in arrears (calculated prior to deduction of management fees).

In addition, the Investment Manager is entitled to receive from the Fund in respect of each share in issue a performance fee of 15 per cent per annum of any out-performance of such share (in terms of movements in the NAV and dividend 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 Investment 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 share in the Fund.

(b) **Administration Fee**

Under the Administration Agreement, the Fund pays the Administrator at a maximum of 0.1% of the NAV of the Fund (subject to a minimum of USD 20,000). The Administration Fee is accrued and payable on a monthly basis.

(c) **Custody Fee**

Under the Custody Agreement, the Fund pays the Custodian an agreed percentage of the investments of the Fund. The Custody Fee is accrued and payable on a monthly basis. The applicable rate depends on agreed thresholds and varies from 0.20% to 0.225% subject to a minimum fee of USD 20,000 per month.

(d) **Board of Directors' Fee**

No Directors' fees have been paid to the executive Directors since 2002. However, from July 2007, each of the non-executive Directors have been entitled to an annual fee of USD 15,000. From March 2007, the Chairman receives an annual fee of USD 10,000.

6. CASH AT BANKS:

Cash at banks consists of cash held in current accounts with various branches of HSBC Bank.

7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:

This caption is composed of the following:

	2009 USD	2008 USD
Listed shares	250,510,684	1,293,711,867
Listed bonds	29,705,178	-
	280,215,862	1,293,711,867

June 30, 2009

Listed Shares:

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
EGP					
Egypt					
El Sewedy Cables Holding Co	760,987	6,326,686	9,113,337	2,786,651	2.67
Ghabbour Auto	775,014	2,930,274	3,382,458	452,184	0.99
Orascom Telecom Holding SAE	1,560,315	9,492,993	8,344,182	(1,148,811)	2.44
Telecom Egypt	3,882,585	12,135,093	11,218,051	(917,042)	3.29
		30,885,046	32,058,028	1,172,982	9.39
USD					
Egypt					
Maridive & Oil Services	1,792,353	7,189,095	6,864,712	(324,383)	2.01
JOD					
Jordan					
Arab Bank	711,510	14,622,799	13,219,367	(1,403,432)	3.87
Jordan Phosphate Mines	310,880	19,597,286	9,035,624	(10,561,662)	2.65
		34,220,085	22,254,991	(11,965,094)	6.52

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)**

June 30, 2009

Listed Shares: (Continued)

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
KWD					
Kuwait					
National Mobile Telecommunications Co.	2,304,682	13,064,193	13,795,688	731,495	4.04
OMR					
Oman					
Bank Muscat SAOG	5,443,035	10,506,904	9,952,978	(553,926)	2.91
Galfar Engineering & Contracting SAOG	8,997,527	14,461,833	14,676,485	214,652	4.3
Renaissance Services Co.	5,921,906	7,352,825	9,951,878	2,599,053	2.91
		32,321,562	34,581,341	2,259,779	10.12
QAR					
Qatar					
Barwa Real Estate Co.	20	220	193	(27)	-
Commercial Bank of Qatar	735,955	16,491,552	12,779,875	(3,711,677)	3.74
Industries Qatar	412,875	11,613,367	12,047,623	434,256	3.53
Qatar Electricity & Water Co.	133,150	2,801,896	3,665,786	863,890	1.07
Qatar Gas Transport Co. Ltd (Nakilat)	2,395,254	17,011,369	15,860,865	(1,150,504)	4.64
Qatar National Bank	215,400	5,975,825	7,102,074	1,126,249	2.08
Qatar Telecom Q-Tel QSC	164,130	5,281,719	6,119,643	837,924	1.79
		59,175,948	57,576,059	(1,599,889)	16.85

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)

June 30, 2009

Listed Shares: (Continued)

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
AED					
United Arab Emirates					
Air Arabia	20,389,400	5,557,705	5,218,513	(339,192)	1.53
Aldar Properties PJSC	10,130,058	12,488,936	10,536,340	(1,952,596)	3.09
Emaar Properties PJSC	3,400,000	2,409,511	2,573,583	164,072	0.75
Union National Bank	8,450,868	8,981,775	8,283,585	(698,190)	2.43
		29,437,927	26,612,021	(2,825,906)	7.80
USD					
United Kingdom					
Commercial Bank of Qatar-GDR REGS-WII	3	23	10	(13)	-
Orascom Telecom Holding-GDR REGS 5	36,708	1,046,559	976,435	(70,124)	0.29
		1,046,582	976,445	(70,137)	0.29
SAR					
Saudi Arabia (Note 7.1)					
Emaar Economic City	2,990,552	8,805,506	8,333,670	(471,836)	2.44
Jabal Omar Development	2,103,384	10,959,845	10,601,054	(358,791)	3.10
Jarir Marketing Co.	192,656	6,288,069	6,755,803	467,734	1.98
Saudi Arabian Mining	2,407,895	10,354,143	9,695,789	(658,354)	2.84
Saudi Basic Industries	6,000	163,856	100,400	(63,456)	0.03
Saudi Cable Co.	1,385,759	10,059,824	10,310,045	250,221	3.02
Saudi Telecom Co.	727,765	9,860,654	9,994,638	133,984	2.93
		56,491,897	55,791,399	(700,498)	16.34
Total listed shares		263,832,335	250,510,684	(13,321,651)	73.36

Note 7.1 These investments are held by EFG Hermes MENA Securities Ltd for the benefit of the Fund.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)**

June 30, 2009

Listed Bonds:

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
OMR					
Oman					
Bank Muscat SAOG 7% CB (b)	201,091	-	471,127	471,127	0.14
AED					
United Arab Emirates					
Jafz Sukuk Ltd FRN 27Nov2012	13,000,000	2,296,153	2,601,628	305,475	0.76
Tabreed 08 Fin Corp 7.25% CB 19MAY2011	3,000,000	269,526	310,398	40,872	0.09
		2,565,679	2,912,026	346,347	0.85
USD					
United States of America					
Aldar Funding-10NOV2011	8,500,000	7,974,082	8,538,335	564,253	2.5
Arab National Bank-13OCT2016	6,000,000	3,913,086	4,470,000	556,914	1.31
Dar Al-Arkan Intl-16JULY2012	2,700,000	2,009,957	2,092,500	82,543	061
DP World Ltd-2JULY2037	4,000,000	2,230,785	2,682,000	451,215	0.79
DP World-144A-2JULY2037	500,000	305,560	335,250	29,690	0.10
Nakilat Inc-31DEC2033	5,000,000	3,579,827	4,025,000	445,173	1.18
Sabic Innovative Plast-15AUG2015	3,000,000	3,003,778	3,176,250	172,472	0.93
TDIC Finance Ltd-2JULY2014	1,000,000	996,680	1,002,690	6,010	0.29
		24,013,755	26,322,025	2,308,270	7.72
Total listed Bonds		26,579,434	29,705,178	3,125,744	8.71
Grand Total		290,411,769	280,215,862	(10,195,907)	82.18

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)**

June 30, 2008

Listed Shares:

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
EGP					
Egypt					
CIB	114,198	1,840,993	1,751,803	(89,190)	0.13
EFG-Hermes - Holding	293,921	3,031,996	2,645,405	(386,591)	0.20
EFG-Hermes - SPC	3,773,399	7,920,997	6,367,889	(1,553,108)	0.48
El Ezz Steel	1,861,638	18,041,209	28,089,856	10,048,647	2.13
Heliopolis Housing	439,623	45,962,246	39,474,652	(6,487,594)	2.99
Maridive	6,081,081	22,622,650	35,695,945	13,073,295	2.7
Olympic Group	2,568,445	28,124,918	32,094,124	3,969,206	2.43
Orascom Telecom LE	403,556	5,906,684	5,187,939	(718,745)	0.39
Talat Mostafa Group	35,774,827	65,790,107	60,372,662	(5,417,445)	4.57
		199,241,800	211,680,275	12,438,475	16.02
JOD					
Jordan					
Jordan Ahly Bank	1,741,273	8,103,072	6,083,372	(2,019,700)	0.46
Jordan Phosphates Mines	166,000	13,279,526	14,458,670	1,179,144	1.09
Tameer	3,552,457	11,818,982	11,104,569	(714,413)	0.84
		33,201,580	31,646,611	(1,554,969)	2.39
KWD					
Kuwait					
Agility	1,036	5,063	4,705	(358)	0
Burgan Bank	2,207,250	8,676,682	8,270,296	(406,386)	0.63
KIPCO	21,083,370	63,446,077	86,178,335	22,732,258	6.52
		72,127,822	94,453,336	22,325,514	7.15

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)**

June 30, 2008

Listed Shares:

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
OMR					
Oman					
Oman Cement	7,113,000	11,284,648	16,611,474	5,326,826	1.26
Oman International Bank	29,997	208,559	311,542	102,983	0.02
Renaissance Services	5,744,484	8,202,411	25,995,301	17,792,890	1.97
		19,695,618	42,918,317	23,222,699	3.25
QAR					
Qatar					
Barwa Real Estate	2,398,600	26,480,576	55,168,261	28,687,685	4.17
Commercial Bank of Qatar	572,949	12,257,113	23,301,490	11,044,377	1.76
Commercial Bank of Qatar GDR	3,318,858	24,891,438	28,210,293	3,318,855	2.13
Industries Qatar	472,000	9,533,660	23,605,837	14,072,177	1.79
Qatar Gas	4,142,146	30,674,099	44,732,582	14,058,483	3.38
Qatar Islamic Bank	939,267	28,892,181	39,928,720	11,036,539	3.02
		132,729,067	214,947,183	82,218,116	16.25
AED					
United Arab Emirates					
DFM	34,132,270	52,986,070	47,301,384	(5,684,686)	3.58
Emaar	19,766,663	64,165,402	58,392,086	(5,773,316)	4.42
Union National Bank	7,771,429	14,358,303	19,275,700	4,917,397	1.46
Union Properties	47,591,443	57,341,534	66,860,477	9,518,943	5.06
Arabtec	9,776,241	18,837,125	43,119,906	24,282,781	3.26
Emirates National Bank of Dubai	18,702,727	62,473,427	61,105,046	(1,368,381)	4.62
Etisalat Swaps	2,270,000	12,101,070	12,082,687	(18,383)	0.91
Sorouh Real Estate	18,161,100	32,071,466	45,886,087	13,814,621	3.47
		314,334,397	354,023,373	39,688,976	26.78

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

7. SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS: (CONTINUED)

June 30, 2008

Listed Shares:

	Quantity	Cost USD	Fair value USD	Change in fair value USD	Percentage of total NAV
MAD					
Morrocco					
ADDOHA	100,900	26,761,912	29,741,812	2,979,900	2.24
SAR					
Saudi Arabia					
Arab Cement	2,336,489	48,970,641	50,317,764	1,347,123	3.81
Arabian Pipe	858,543	27,550,746	28,563,911	1,013,165	2.16
Emaar Economic City	6,124,889	27,118,399	36,753,254	9,634,855	2.78
Etihad Etisalat	3,040,212	51,701,915	43,378,318	(8,323,597)	3.28
Middle East Specialized Cables	1,044,213	37,060,458	37,595,678	535,220	2.84
S. A. Fertilizers	965,919	46,849,500	66,333,514	19,484,014	5.02
SABIC	1,373,076	54,621,079	51,358,521	(3,262,558)	3.88
Total listed shares		293,872,738	314,300,960	20,428,222	23.77
Grand Total		1,091,964,934	1,293,711,867	201,746,933	97.85

(a) Investments in listed shares are classified as securities designated at fair value through profit or loss. These securities provide the Fund with the opportunity to enhance the return on investment through trading gains. The fair value of these securities is based on market prices, which may not necessarily represent realisable value because of market illiquidity.

(b) There is no book cost for Bank Muscat SAOG 7% since the total quantity of 201,091 have been received through bonus issues on prior holding of the same shares.

8. OTHER ASSETS:

Other assets represents amount due from brokers in respect of sale of investments.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

9. DUE TO A RELATED PARTY:

	2009 USD	2008 USD
EFG-Hermes Financial Management (Egypt) Limited:		
Management fees	1,171,184	4,615,849
Incentive fees	-	27,588,712
	1,171,184	32,204,561

10. ACCRUED FEES AND CHARGES:

	2009 USD	2008 USD
Custody fees	69,466	222,154
Other accruals	47,819	198,198
	117,285	420,352

11. CAPITAL:

	2009		2008	
	No. of shares	USD	No. of shares	USD
Opening balance	33,544,547	1,086,052,294	13,119,647	372,481,796
Subscriptions during the year	5,211,879	190,917,473	23,399,093	825,173,578
Redemptions during the year	(23,372,093)	(581,622,859)	(2,974,193)	(111,603,080)
Ending balance	15,384,333	695,346,908	33,544,547	1,086,052,294

12. INVESTMENT INCOME:

An analysis of the Fund's income is as follows:

	2009 USD	2008 USD
Investment income:		
Dividends from listed shares	14,146,398	22,715,402
Other operating income:		
Interest income	2,573,458	925,679
Others	262,107	35,626
	2,835,565	961,305
	16,981,963	23,676,707

13. BUSINESS AND GEOGRAPHIC SEGMENTS:

The Directors are of the opinion that the Fund is engaged in a single segment of business, being investments in equity and debt securities issued by companies operating and generating revenue in the Middle East and Developing African Region and therefore no further segmental reporting has been provided.

14. RELATED PARTY TRANSACTIONS:

Transactions with Companies in which the Investment Manager and its parent Company, EFG Group have substantial or controlling interest and transactions with key management personnel of the Fund are classified as transactions with related parties. These transactions are undertaken on an arm's length basis.

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. As at June 30, 2009, there were no such holdings.

The following related parties owned shares in the Fund:

Related Party	Nature of relationship	Number of shares held June 30,	
		2009	2008
Hashem Montasser	Director	-	16,549
Mohamed Abdel-Halim	Director	1,176	1,476
Karim Nehma	Manager	1,233	1,233

The Fund has entered into an agreement with EFG-Hermes MENA Securities Ltd, an affiliate of EFG Group, whereby EFG-Hermes MENA Securities Ltd will purchase and hold investments for the benefit of the Fund (Note 7).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Fund include securities designated at fair value through profit or loss, other assets and cash at banks.

Financial liabilities of the Fund include outstanding settlements, accrued fees and charges and due to a related party.

Significant accounting policies

Significant accounting policies and methods adopted, including the criteria for recognition, basis of measurement, and the basis on which income and expenses are recognised in respect of each class of financial assets and liabilities are set out in Note 3.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

Categories of financial instruments

	2009 USD	2008 USD
Financial assets		
Securities designated at fair value through profit or loss	280,215,862	1,293,711,867
Other assets including cash at banks	72,647,434	119,277,115
	352,863,296	1,412,988,982
Financial liabilities		
Amortised cost	11,912,411	90,697,636

Financial risk management objectives

The Fund Manager provides services to the Fund, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Fund through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk, liquidity risk and market risk comprising interest rate risk, foreign currency risk and equity price risk.

15.1 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location.

To mitigate this risk, the Fund spreads its investments, to the extent possible, over various types of counterparties and products consisting mainly of equity securities. However, where concentration is inevitable, the Fund takes adequate precautions to reduce this additional risk to acceptable levels.

The credit risk on liquid funds is limited because the counterparty is a bank with high credit – ratings assigned by international rating agencies.

Exposure to credit risk

The management of the Fund believes that the carrying amount of financial assets recorded in the financial statements represents the Fund's maximum exposure to credit risk. Recorded financial assets have not been provided as collateral for any facilities.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

15.2 LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities, it arises because of the possibility (which may often be remote) that the entity could be required to pay its liabilities earlier than expected or reimburse the unit holders as a result of market illiquidity.

The Fund manages liquidity risk by maintaining sufficient cash at banks, or by obtaining credit facilities from the banks.

The liquidity profile of financial liabilities reflects the projected cash flows over the life of these financial liabilities. All financial liabilities have a contractual maturity of three months or less.

15.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Fund's market risk is managed through diversification of the investments portfolio exposure. The Fund's overall market positions are monitored on a daily basis by the Investment Manager.

The Fund's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity price.

15.3.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Investment Manager reviews the market analysis and expectations for interest rate movements as the basis on which Investment Manager monitors and manages the interest rate risk aspect and its impact on the Fund performance.

The Fund is exposed to minimal risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Fund is exposed to interest rate risk in respect of its bank overdraft which was nil as of June 30, 2009 (2008: USD 1,295,530).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

15.3 MARKET RISK (CONTINUED)

15.3.2 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Fund's financial assets and liabilities are denominated primarily in Qatari Riyals, Saudi Riyals, United Arab Emirates Dirhams, Egyptian Pounds, Omani Riyals, Jordanian Dinars, Kuwaiti Dinars and Morocco Dirhams rather than United States Dollars, the presentation currency. The Fund is not exposed to significant currency risk on the Qatari Riyal, Saudi Riyal, United Arab Emirates Dirham and Omani Riyal since these currencies are effectively pegged to the US Dollar.

The carrying amounts of the Fund's foreign currency denominated financial assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2009 USD	2008 USD	2009 USD	2008 USD
QAR	61,164,471	223,658,025	4,865,926	-
SAR	65,291,126	326,971,356	-	-
AED	55,854,916	367,844,830	367,083	6,036,287
OMR	36,632,400	64,765,817	3,287,715	-
KWD	13,995,559	113,698,835	344,539	-
GCC Currencies	232,938,472	1,096,938,863	8,865,263	6,036,287

	Assets		Liabilities	
	2009 USD	2008 USD	2009 USD	2008 USD
EGP	40,988,686	236,000,475	-	12,566,868
JOD	26,030,288	42,243,211	283,002	13,279,526
MAD	7,408,382	30,437,754	478,995	-
Other Currencies	74,427,356	308,681,440	761,997	25,846,394
Total foreign currencies	307,365,828	1,405,620,303	9,627,260	31,882,681

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

15.3 MARKET RISK (CONTINUED)

15.3.2 Currency Risk (Continued)

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items in GCC currencies (except the Kuwaiti Dinar) and adjusts their translation at the period end for a 5% change in foreign currency rates with all other variables held constant. 5% represents management's assessment of the reasonably possible change in foreign currency rates. A negative number below indicates a decrease in the income and a positive number indicates an increase in income, where USD strengthens 5% against the relevant currency. For a 5% weakening of USD against the relevant currency, there would be an equal and opposite impact on the statement of operations.

Currency	2009 Effect on Statement of Operations USD	2008 Effect on Statement of Operations USD
KWD	(682,551)	(5,684,942)
EGP	(2,049,434)	(11,171,680)
JOD	(1,287,364)	(1,448,184)
MAD	(346,469)	(1,521,888)

15.3.3 Equity Price Risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Fund manages the risk through diversification of investments in terms of geographical distribution, to the extent permissible in the Prospectus, and industry concentration. As at the year ends, most of the Fund's equity investment were in equities listed on the securities markets of Egypt, Jordan, United Arab Emirates, Qatar, Oman and Saudi Arabia.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

15.3 MARKET RISK (CONTINUED)

15.3.2 Currency Risk (Continued)

Equity Price Sensitivity Analysis

The effect on statement of operations (as a result of a change in the fair value of securities designated at fair value through profit or loss at the year ends) presented due to a reasonably possible change in market indices by 10% due to the volatility of the equity markets, with all other variables held constant, is as follows:

	2009		2008	
Market indices	Change in equity price %	Effect on Statement of Operations USD	Change in equity price %	Effect on Statement of Operations USD
Egypt	+10	3,892,274	+10	21,168,028
Jordan	+10	2,225,499	+10	3,164,661
Kuwait	+10	1,379,569	+10	9,445,534
Oman	+10	3,458,134	+10	4,291,832
Qatar	+10	5,757,606	+10	21,494,718
United Arab Emirates	+10	2,661,202	+10	35,402,337
United Kingdom	+10	97,645	+10	-
Morocco	-	-	+10	2,974,181
Saudi Arabia	+10	5,579,140	+10	31,430,096

There would be an equal and opposite impact on the statement of operations, had there been a decrease in equity prices by 10%.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors believe that the fair values of financial instruments are not significantly different from the carrying values included in the financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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17. NET ASSET VALUE PER SHARE:

	Net Asset Value USD	Number of Shares in Issue	Net Asset Value Per Share USD
As at June 30, 2009	340,950,885	15,384,333	22.16
As at June 30, 2008	1,322,291,346	33,544,547	39.42

The net asset value per share is based on net assets and shares outstanding at the year end.