EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
BERMUDA

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED JUNE 30, 2010

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
BERMUDA

Directors	Mr. Amr El Sawaf (Chairman) Mr. Samuel L. Hayes III (Deputy Chairman) Mr. Hashem Montasser Mr. Mohamed Abdel-Halim Mr. Zaid Al Tunisi (From October 13, 2009) Mr. Mark Taborsky (From October 13, 2009)
Registered Office	6 Front Street, Hamilton HM11, Bermuda.
Principal 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
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EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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DIRECTORS' REPORT

The Directors present the annual report and financial statements of the Fund for the year ended June 30, 2010.

PRINCIPAL ACTIVITY

The EFG-Hermes Middle East and Developing Africa Fund Limited 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 equity and equity related securities.

REVIEW OF BUSINESS

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

APPROPRIATIONS

None.

CHANGES IN DIRECTORS

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, 2011 and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

On behalf of the Board

Director
December 08, 2010

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

EFG-Hermes Middle East and Developing Africa Fund Limited
Bermuda.

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 financial position as at June 30, 2010, the statement of comprehensive income, statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 SHAREHOLDERS (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, 2010, 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 according to the Investment Manager provide the Fund with the opportunity to enhance the return on investments through trading gains. The fair values of these securities are based on quoted market prices from various sources. Certain markets and securities may be illiquid and published market prices may not necessarily represent realisable value.

Manama – Kingdom of Bahrain
December 08, 2010

Deloitte & Touche

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
BERMUDA

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2010

	Notes	2010 USD	2009 USD
ASSETS			
Cash at banks	6	33,963,405	69,261,067
Securities designated at fair value through profit or Loss	7	241,059,873	280,215,862
Outstanding sale settlements		-	2,967,179
Other assets	8	35,000	419,188
Total Assets		275,058,278	352,863,296
LIABILITIES			
Due to related parties	9	2,264,491	1,171,184
Outstanding purchase settlements		3,279,556	10,623,942
Accrued fees and charges	10	105,311	117,285
Redemptions payable		1,844,944	-
Total Liabilities		7,494,302	11,912,411
Net Assets		267,563,976	340,950,885
ANALYSIS OF NET ASSETS			
Capital	11	614,838,198	695,346,908
Net cumulative realised loss		(317,443,690)	(344,200,116)
Cumulative change in fair value of securities designated at fair value through profit or loss	7	(29,830,532)	(10,195,907)
Net Assets		267,563,976	340,950,885
Net Asset Value Per Share	17	22.42	22.16

The financial statements were approved and authorised for issue by the Directors on December 08, 2010 and signed on their behalf by:

Director

Director

The attached notes form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010

	Notes	2010 USD	2009 USD
Dividend income	12	5,858,971	14,146,398
Interest income	12	746,475	2,573,458
Other operating income	12	561,231	262,107
Total revenue		7,166,677	16,981,963
Expenses			
Management fees	5 & 14	4,477,484	8,205,357
Administration fees	5	367,681	586,097
Custody fees	5	719,172	1,230,936
Registrar fees		50,661	60,540
Board of Directors' fees and expenses	5 & 14	132,051	27,881
Performance fees	5 & 14	433,781	-
Net foreign exchange loss		2,665,541	5,707,631
Other expenses		417,904	1,814,669
Total operating expenses		9,264,275	17,633,111
Investment loss – net		(2,097,598)	(651,148)
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:			
Net realised gain / (loss)		28,854,024	(378,041,087)
Decrease in fair value		(19,634,625)	(211,942,840)
Net gain / (loss) on securities designated at fair value through profit or loss		9,219,399	(589,983,927)
Net increase / (decrease) in net assets resulting from operations		7,121,801	(590,635,075)
Total comprehensive income / (loss) for the year		7,121,801	(590,635,075)

The attached notes form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	2010 USD	2009 USD
Investment loss – net	(2,097,598)	(651,148)
Net realised gain / (loss) on securities designated at fair value through profit or loss	28,854,024	(378,041,087)
Decrease in fair value of securities designated at fair value through profit or loss	(19,634,625)	(211,942,840)
Total comprehensive income / (loss) for the year	7,121,801	(590,635,075)
Change in net assets from capital share transactions	(80,508,710)	(390,705,386)
Change in net assets	(73,386,909)	(981,340,461)
Net assets at the beginning of year	340,950,885	1,322,291,346
Net assets at the end of year	267,563,976	340,950,885

The attached notes form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

	2010 USD	2009 USD
Cash flows from operating activities		
Net increase / (decrease) in net assets resulting from operations	7,121,801	(590,635,075)
Adjustments for:		
Net (gain) / loss on securities designated at fair value through profit or loss	(9,219,399)	589,983,927
Dividend income	(5,858,971)	(14,146,398)
Interest income	(746,475)	(2,573,458)
	(8,703,044)	(17,371,004)
Changes in operating assets and liabilities:		
Decrease in other asset	384,188	599,592
Increase / (decrease) in due to a related party	1,093,307	(31,033,377)
Decrease in accrued fees and charges	(11,974)	(303,067)
Decrease in proceeds under subscription of shares	-	(1,360)
Increase in redemptions payable	1,844,944	-
	(5,392,579)	(48,109,216)
Payment for purchase of securities designated at fair value through profit or loss	(918,723,885)	(1,220,331,635)
Proceeds from disposal of securities designated at fair value through profit or loss	962,722,066	1,594,724,643
Dividend received	5,858,971	14,146,398
Interest received	746,475	2,172,187
Net cash from operating activities	45,211,048	342,602,377
Cash flows from financing activities		
Proceeds from issue of shares	31,723,535	190,917,473
Payments on redemption of shares	(112,232,245)	(581,622,859)
Net cash used in financing activities	(80,508,710)	(390,705,386)
Net decrease in cash and cash equivalents	(35,297,662)	(48,103,009)
Cash and cash equivalents at the beginning of the year	69,261,067	117,364,076
Cash and cash equivalents at the end of the year	33,963,405	69,261,067
Comprising:		
Cash at banks (Note 6)	33,963,405	69,261,067

The attached notes form part of these financial statements.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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1. STATUS AND ACTIVITIES:

The EFG- Hermes Middle East and Developing Africa Fund Limited ("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 North Africa equity and equity related securities; the Fund's shares are listed in Dubai Financial Market for information purposes.

2. ADOPTION OF NEW AND REVISED STANDARDS:

2.1 Standards affecting the disclosures and presentation in the current year

The following revised Standards have been adopted in the current year and have affected disclosures and presentations in the financial statements. Details of other Standards adopted in these financial statements but that have had no effect on the amounts reported are set out in Note 2.2.

IAS 1 (revised 2007) Presentation of Financial Statements

The revised Standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Fund.

Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Fund has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

		Effective for annual periods beginning on or after
New Interpretations:		
IFRIC 13	Customer Loyalty Programmes	July 1, 2008
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 Standard:		
IFRS 8	Operating Segments	January 1, 2009

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

2.2 Standards and Interpretations adopted with no effect on the financial statements (Continued)

		Effective for annual periods beginning on or after
Amendments to Standards and Interpretations:		
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 2	Share-based Payment-Amendment relating to vesting conditions and cancellations	January 1, 2009
IAS 1	Presentation of Financial Statements-Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	January 1, 2009
IFRS 3	Business Combinations- Comprehensive revision on applying the acquisition method	July 1, 2009
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations- Amendments resulting from May 2008 annual improvements to IFRSs	July 1, 2009
IAS 23	Borrowing Costs-Comprehensive revision to prohibit immediate expensing	January 1, 2009
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
Various Standards	Certain amendments resulting from May 2008 Annual Improvements to IFRS's	Various
IAS 39	Financial Instruments: Recognition and Measurement-Amendments for eligible hedged Items	July 1, 2009

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

2.3 Standards and Interpretations in issue not yet effective

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

		Effective for annual periods beginning on or after
New Interpretation:		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010
New Standard:		
IFRS 9	Financial Instruments	January 1, 2013
Amendments to Standards and Interpretations:		
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 1	First time adoption of International Financial Reporting Standards- Limited exemption from comparative IFRS 7 disclosures for First time adopters	July 1, 2010
IFRS 2	Share-based Payment-Amendments relating to group cash-settled share-based payment transactions	January 1, 2010
IFRS 8	Operating Segments – Amendments for disclosure of segment assets	January 1, 2010
IAS 24	Related Party Disclosures – Revised definition of related parties	January 1, 2011
IAS 32	Financial Instruments: Presentation	February 1, 2010
Various Standards	Amendments resulting from April 2009 and May 2010 Annual Improvements to IFRS's	Various
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 1, 2011

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 historical cost convention, except for the revaluation of certain financial instruments.

The financial statements are presented in United States Dollars ("USD") being the presentation and functional 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 results for the year 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 and then measured at amortised cost.

(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 recognised at fair value, net of transaction cost and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on effective yield basis.

3. SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

(d) **Revenue Recognition**

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

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

(e) **Foreign Currencies**

Foreign currency transactions are recognised in United States Dollars at the approximate rates of exchange prevailing at the time of the transactions. 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 results of the year.

(f) **Expenses**

All recurring expenses are accounted for on 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 current account balances at banks.

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

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 reporting 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% 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).

(b) **Performance Fee**

The Investment Manager is also entitled to receive from the Fund in respect of each share in issue a performance fee of 15% 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%. 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.

(c) **Administration Fee**

Under the Administration Agreement, up to September 2009 the Fund paid the Administrator at a maximum of 0.1% of the NAV of the Fund (subject to a minimum of USD 20,000). From October 2009 the Fund pays the Administrator a maximum of 0.12% of the NAV of the fund (subject ot a minimum of USD 10,000 per month).

(d) **Custody Fee**

Under the Custody Agreement, the Fund pays the Custodian an agreed percentage of the NAV 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.

(e) **Board of Directors' Fee and Expenses**

No Directors' fees have been paid to the executive Directors since 2002. However, from April 2009, 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.

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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:

	2010 USD	2009 USD
Listed shares	150,432,424	250,510,684
Listed bonds	90,627,449	29,705,178
	241,059,873	280,215,862

June 30, 2010

Listed Shares:

	Cost USD	Fair value USD	Change in fair value USD
Egypt- EGP	53,882,537	49,276,569	(4,605,968)
Egypt- USD	6,337,629	4,771,351	(1,566,278)
Jordan- JOD	25,050,567	10,693,147	(14,357,420)
Kuwait- KWD	14,408,038	13,792,554	(615,484)
Morocco- MAD	4,945,618	4,256,638	(688,980)
Oman- OMR	13,792,243	13,283,259	(508,984)
Qatar- QAR	24,483,528	24,120,662	(362,866)
United Arab Emirates-AED	21,804,893	19,128,075	(2,676,818)
United Arab Emirates-USD	4,947,239	4,783,899	(163,340)
United Kingdom-USD	7,314,853	6,326,270	(988,583)
Total listed shares	176,967,145	150,432,424	(26,534,721)

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

June 30, 2010

Listed Bonds:

	Quantity	Cost USD	Fair value USD	Change in fair value USD
United Kingdom – USD				
HSBC Bank Plc – Al Rajhi Bank WTS 5 Sept 2011	36,900	802,697	740,380	(62,317)
HSBC – Saudi Arabian Mining WTS 5 Sept 2011	321,650	1,586,538	1,500,883	(85,655)
		2,389,235	2,241,263	(147,972)
United States of America - USD				
CS-Al Rajhi Bank WTS 22 Dec 2010	36,900	802,911	740,380	(62,531)
CS-Saudi Arabian Mining Co. WTS 22 Dec 2010	891,400	4,187,273	4,159,451	(27,822)
EFG-Hermes – Saudi Basic Ind WTS 15 Dec 2012	899,953	21,160,564	20,576,706	(583,858)
EFG-Hermes – Al Rajhi Bank WTS 15 Dec 2012	624,717	12,755,890	12,534,634	(221,256)
EFG-Hermes – Jarir Marketing WTS 15 Dec 2012	94,797	3,213,092	3,943,138	730,046
EFG-Hermes-Sahara Petrochem WTS 15 Dec 2012	2,264,270	11,914,195	11,622,045	(292,150)
EFG-Mermes – Yanbu Nat Petro WTS 15 Dec 2012	737,759	8,051,523	7,494,820	(556,703)
EFG-Saudi Arabian Mining Co WTS 15 Dec 2012	3,424,454	15,347,141	15,979,187	632,046
EFG-Saudi Cable Co WTS 15 Dec 2012	1,079,046	7,460,524	4,862,397	(2,598,127)

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

June 30, 2010

Listed Bonds: (Continued)

	Quantity	Cost USD	Fair value USD	Change in fair value USD
MS-Saudi Arabian Mining Co WTS 14 Oct 2010	507,500	2,383,372	2,368,097	(15,275)
EFG-Hermes 0% Jabal Omar Dev 2 May 2014	841,346	4,257,540	4,105,331	(152,209)
		91,534,025	88,386,186	(3,147,839)
Total listed bonds		93,923,260	90,627,449	(3,295,811)
Grand Total		270,890,405	241,059,873	(29,830,532)

June 30, 2009

Listed Shares:

	Cost USD	Fair value USD	Change in fair value USD
Egypt - EGP	30,885,046	32,058,028	1,172,982
Egypt - USD	7,189,095	6,864,712	(324,383)
Jordan - JOD	34,220,085	22,254,991	(11,965,094)
Kuwait KWD	13,064,193	13,795,688	731,495
Oman - OMR	32,321,562	34,581,341	2,259,779
Qatar - QAR	59,175,948	57,576,059	(1,599,889)
United Arab Emirates - AED	29,437,927	26,612,021	(2,825,906)
United Kingdom - USD	1,046,582	976,445	(70,137)
Saudi Arabia (Note 7.1) - SAR	56,491,897	55,791,399	(700,498)
Total listed shares	263,832,335	250,510,684	(13,321,651)

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

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

June 30, 2009

Listed Bonds:

	Quantity	Cost USD	Fair value USD	Change in fair value USD
Oman - OMR				
Bank Muscat SAOG 7% CB 20 Mar 2014 (b)	201,091	-	471,127	471,127
United Arab Emirates - AED				
Jafz Sukuk Ltd FRN 27 Nov 2012	13,000,000	2,296,153	2,601,628	305,475
Tabreed 08 Fin Corp 7.25% CB 19 May 2011	3,000,000	269,526	310,398	40,872
		2,565,679	2,912,026	346,347
United States of American - USD				
Aldar Funding-10NOV2011	8,500,000	7,974,082	8,538,335	564,253
Arab National Bank-13 Oct 2016	6,000,000	3,913,086	4,470,000	556,914
Dar Al-Arkan Intl-16 July 2012	2,700,000	2,009,957	2,092,500	82,543
DP World Ltd-2 July 2037	4,000,000	2,230,785	2,682,000	451,215
DP World-144A-2 July 2037	500,000	305,560	335,250	29,690
Nakilat Inc-31 Dec 2033	5,000,000	3,579,827	4,025,000	445,173
Sabic Innovative Plast-15 Aug 2015	3,000,000	3,003,778	3,176,250	172,472
TDIC Finance Ltd-2 July 2014	1,000,000	996,680	1,002,690	6,010
		24,013,755	26,322,025	2,308,270
Total listed bonds		26,579,434	29,705,178	3,125,744
Grand Total		290,411,769	280,215,862	(10,195,907)

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
BERMUDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

(a) Investments in listed shares and bonds 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% bonds since the total quantity of 201,091 have been received through bonus issues on prior holding of the same bonds.

8. OTHER ASSETS:

	2010 USD	2009 USD
Subscription Income	35,000	-
Interest on investments	-	401,271
Other receivables	-	17,917
	35,000	419,188

9. DUE TO RELATED PARTIES:

	2010 USD	2009 USD
EFG-Hermes Financial Management (Egypt) Limited:		
Management fees payable	2,113,107	1,171,184
Performance fees payable	66,384	-
Various Directors:		
Non Executive Directors' fees	75,000	-
Chairman fee	10,000	-
	2,264,491	1,171,184

10. ACCRUED FEES AND CHARGES:

	2010 USD	2009 USD
Custody fees	50,834	69,466
Other accruals	54,477	47,819
	105,311	117,285

EFG-HERMES MIDDLE EAST AND DEVELOPING AFRICA FUND LIMITED
BERMUDA

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

11. CAPITAL:

	2010		2009	
	No. of shares	USD	No. of shares	USD
Opening balance	15,384,333	695,346,908	33,544,547	1,086,052,294
Subscriptions during the year	1,319,204	31,723,535	5,211,879	190,917,473
Redemptions during the year	(4,767,769)	(112,232,245)	(23,372,093)	(581,622,859)
Ending balance	11,935,768	614,838,198	15,384,333	695,346,908

12. INVESTMENT INCOME:

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

	2010 USD	2009 USD
Investment income:		
Dividends from listed shares	5,858,971	14,146,398
Other operating income:		
Interest income	746,475	2,573,458
Others	561,231	262,107
	1,307,706	2,835,565
	7,166,677	16,981,963

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 equity related 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 entities 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 approved by the Directors.

14. RELATED PARTY TRANSACTIONS: (CONTINUED)

14.1 Transactions:

During the year, the Fund entered into the following transactions with related parties:

Related parties	Nature of transactions	Amount incurred	
		2010 USD	2009 USD
EFG Hermes Financial Management (Egypt) Limited	Management fees	4,477,484	8,205,357
EFG Hermes Financial Management (Egypt) Limited	Performance fees	433,781	-
Various Directors	Board of Directors' fees	132,051	27,881

14.2 The following related parties owned shares in the Fund:

Related party	Nature of relationship	Number of shares held June 30,	
		2010	2009
Mohamed Abdel-Halim	Director	1,000	1,176
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, outstanding sale settlements, other assets and cash at banks.

Financial liabilities of the Fund include outstanding purchase settlements, accrued fees and charges, due to related parties and redemptions payable.

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

	2010 USD	2009 USD
Financial assets		
Securities designated at fair value through profit or loss	241,059,873	280,215,862
Receivables (including cash at banks)	33,998,405	72,647,434
	275,058,278	352,863,296
Financial liabilities		
Amortised cost	7,494,302	11,912,411

Financial risk management objectives

The Investment 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 and bond 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 at June 30, 2010 and 2009 have a contractual maturity of three months or less and there is more cash at banks as of the reporting dates to cover them.

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 prices.

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 Fund is exposed to various 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 securities designated at fair value through profit or loss.

The Investment Manager reviews the market analysis and expectations for interest rate movements as the basis on which Investment Manager manages these investments.

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for debt securities at the reporting date. For floating rate income securities, the analysis is prepared assuming the amount of asset at the reporting date was outstanding for the whole year. An increase or decrease of 25 basis point is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

15.3 MARKET RISK (CONTINUED)

15.3.1 Interest Rate Risk (Continued)

If interest rates relating to securities designated at fair value through profit or loss had been 25 basis points higher/lower and all other variables were held constant, the Fund's income for the previous year would increase/decrease by USD 5,425,000. There are no financial instrument carrying floating interest rates as of the reporting date.

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 prenominated 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 functional and 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	
	2010 USD	2009 USD	2010 USD	2009 USD
QAR	30,210,269	61,164,471	-	4,865,926
SAR	-	65,291,126	-	-
AED	21,742,493	55,854,916	-	367,083
OMR	16,625,029	36,632,400	-	3,287,715
KWD	20,936,546	13,995,559	-	344,539
GCC currencies	89,514,337	232,938,472	-	8,865,263

	Assets		Liabilities	
	2010 USD	2009 USD	2010 USD	2009 USD
EGP	51,354,689	40,988,686	2,075,330	-
JOD	15,207,778	26,030,288	-	283,002
MAD	4,256,638	7,408,382	-	478,995
Other currencies	70,819,105	74,427,356	2,075,330	761,997
Total foreign currencies	160,333,442	307,365,828	2,075,330	9,627,260

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 results for the year.

Currency	2010 Effect on results for the year USD	2009 Effect on results for the year USD
KWD	(1,046,827)	(682,551)
EGP	(2,463,968)	(2,049,434)
JOD	(760,389)	(1,287,364)
MAD	(212,832)	(346,469)

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 and industry concentration, to the extent permissible in the Prospectus. As at the year ends, most of the Fund's equity investment were in equities listed on the securities markets of Egypt, Jordan, Morroco, United Arab Emirates, Qatar, Oman and Kuwait.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (CONTINUED)

15.3 MARKET RISK (CONTINUED)

15.3.3 Equity Price Risk (Continued)

Equity Price Sensitivity Analysis

The effect on results for the year (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:

	2010		2009	
Market indices	Change in equity price %	Effect on the results for the year USD	Change in equity price %	Effect on the results for the year USD
Egypt	+10	4,927,657	+10	3,205,803
Jordan	+10	1,069,315	+10	2,225,499
Kuwait	+10	1,379,255	+10	1,379,569
Oman	+10	1,328,326	+10	3,458,134
Qatar	+10	2,412,066	+10	5,757,606
United Arab Emirates	+10	1,912,808	+10	2,661,202
United Kingdom	+10	632,627	+10	97,645
Morocco	+10	425,664	-	-
Saudi Arabia	-	-	+10	5,579,140

There would be an equal and opposite impact on the results for the year, 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.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS: (CONTINUED)

16.1 Fair value measurements recognised in the statement of financial position

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets at FVTPL are grouped within Level 1. There are no financial assets catergorised as "available-for-sale" as at the reporting date.

There are no financial liabilities at FVTPL at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the year.

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, 2010	267,563,976	11,935,768	22.42
As at June 30, 2009	340,950,885	15,384,333	22.16

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