

EFG – HERMES EGYPT FUND LIMITED
HAMILTON - BERMUDA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
MARCH 31, 2018

EFG – HERMES EGYPT FUND LIMITED
HAMILTON - BERMUDA

Directors

Mr. Walid Shash (Chairman)
Mr. Ahmed Shalaby

Registered Office

6, Front Street
Hamilton, HM 11
Bermuda

Bankers

HSBC Bank, Egypt
HSBC Middle East Limited, Bahrain
HSBC Bank

Investment Manager

EFG-Hermes Financial Management (Egypt) Limited
Building No. B129
Phase 3 Smart Village
Km 28 Cairo Alexandria Desert Road
6 October 12577
Egypt

Administrator & Custodian

HSBC Bank Middle East Limited
P.O. Box 57, Building 2505
Road 2832, Seef 428
Kingdom of Bahrain

Auditor

Deloitte & Touche – Middle East
P.O. Box 421
Manama, Kingdom of Bahrain

EFG – HERMES EGYPT FUND LIMITED
HAMILTON - BERMUDA

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EFG-HERMES EGYPT FUND LIMITED
HAMILTON - BERMUDA

DIRECTORS' REPORT

The Directors present the annual report and financial statements of EFG-Hermes Egypt Fund Limited (the "Fund") for the year ended March 31, 2018.

PRINCIPAL ACTIVITY

The EFG-Hermes Egypt Fund Limited is an Investment Company incorporated in Bermuda and its primary objective is to achieve long term capital appreciation through investments in Egypt.

REVIEW OF BUSINESS

The results of the operations of the Fund are summarised on page 6.

APPROPRIATIONS

None.

CHANGE IN DIRECTORS

None.

AUDITORS

A resolution proposing the reappointment of Deloitte & Touche – Middle East as auditors of the Fund for the year ending March 31, 2019 and authorising the Directors to determine their remuneration will be put to the Annual General Meeting.

On behalf of the Board



Mr. Walid Shash
Chairman

14. SEPT., 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
EFG-Hermes Egypt Fund Limited
Hamilton, Bermuda

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of EFG-Hermes Egypt Fund Limited, the ("Fund"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Fund's financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Board of Directors is responsible for the other information. The other information comprises the Directors' Report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors.
- Conclude on the appropriateness of Board of Directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern; and

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche,

DELOITTE & TOUCHE – MIDDLE EAST
Partner Registration No. 157
Manama, Kingdom of Bahrain

September 23, 2018

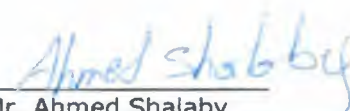
EFG – HERMES EGYPT FUND LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2018

	<u>Notes</u>	<u>2018</u> USD	<u>2017</u> USD
Assets			
Current assets			
Cash at banks	6	1,405,581	1,403,405
Investments at fair value through profit or loss	7.1	18,126,871	13,372,832
Other assets	8	29,654	455,103
Total assets		<u>19,562,106</u>	<u>15,231,340</u>
Liabilities			
Current liabilities			
Accrued fees and other payables	9	21,164	31,405
Due to a related party	12 (a)	436,951	285,377
Total liabilities		<u>458,115</u>	<u>316,782</u>
Equity:			
Share capital	10	58,205,239	59,520,452
Accumulated losses		<u>(39,101,248)</u>	<u>(44,605,894)</u>
Total equity		<u>19,103,991</u>	<u>14,914,558</u>
Total liabilities and equity		<u>19,562,106</u>	<u>15,231,340</u>
Net Assets Value (NAV) per share at book value based on 532,248 shares (2017: 603,068) outstanding		<u>35.90</u>	<u>24.73</u>

The financial statements from page 5 to 23 were approved and authorised for issue by the Directors on _____, 2018 and signed by:



Mr. Walid Shash
Chairman



Mr. Ahmed Shalaby
Director



The attached notes form an integral part of these financial statements

EFG – HERMES EGYPT FUND LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Notes</u>	<u>2018</u> <u>USD</u>	<u>2017</u> <u>USD</u>
Revenue			
Dividend income		465,613	662,630
Net realised loss on disposal of investments at fair value through profit or loss	7.2	(110,568)	(578,620)
Net unrealized gain / (loss) on investments at fair value through profit or loss	7.2	5,568,983	(1,611,524)
Net foreign currency gain / (loss)		<u>5,501</u>	<u>(409,193)</u>
Total operating income / (loss)		<u>5,929,529</u>	<u>(1,936,707)</u>
Expenses			
Management fees	5 (a) & 12 (b)	(251,574)	(386,349)
Administration fees	5 (b)	(29,820)	(36,000)
Custody fees	5 (c)	(31,096)	(36,000)
Board of Directors' fees	5 (d)	(10,000)	(10,000)
Other expenses		<u>(102,393)</u>	<u>(244,007)</u>
Total operating expenses		<u>(424,883)</u>	<u>(712,356)</u>
Profit / (loss) for the year		<u>5,504,646</u>	<u>(2,649,063)</u>
Other comprehensive income for the year		-	-
Total comprehensive income / (loss) for the year		<u>5,504,646</u>	<u>(2,649,063)</u>


Mr. Walid Shash
Chairman


Mr. Ahmed Shalaby
Director

The attached notes form an integral part of these financial statements

EFG – HERMES EGYPT FUND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Number of Shares</u>	<u>Share Capital USD</u>	<u>Accumulated Losses USD</u>	<u>Total USD</u>
At April 1, 2016	877,401	66,435,788	(41,956,831)	24,478,957
Issue of redeemable shares	47,434	1,184,895	-	1,184,895
Redemption of redeemable shares	(321,767)	(8,100,231)	-	(8,100,231)
Total comprehensive loss for the year	-	-	(2,649,063)	(2,649,063)
At March 31, 2017	603,068	59,520,452	(44,605,894)	14,914,558
Issue of redeemable shares	109,811	3,417,186	-	3,417,186
Redemption of redeemable shares	(180,631)	(4,732,399)	-	(4,732,399)
Total comprehensive income for the year	-	-	5,504,646	5,504,646
At March 31, 2018	532,248	58,205,239	(39,101,248)	19,103,991

Ahmed Soliman

The attached notes form an integral part of these financial statements

EFG – HERMES EGYPT FUND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>2018</u> USD	<u>2017</u> USD
Cash flows from operating activities		
Profit / (loss) for the year	5,504,646	(2,649,063)
Adjustments for:		
Net (gain) / loss on investments at fair value through profit or Loss	(5,458,415)	2,190,144
Dividend income	(465,613)	(662,630)
	<u>(419,382)</u>	<u>(1,121,549)</u>
Changes in operating assets and liabilities:		
(Decrease) / increase in accrued fees and other payables	(10,241)	506
Increase in due to a related party	151,574	67,303
	<u>(278,049)</u>	<u>(1,053,740)</u>
Cash used in operations	(278,049)	(1,053,740)
Purchase of investments at fair value through profit or loss	(3,879,472)	(2,289,946)
Proceeds from disposal of investments at fair value through profit or loss	4,624,553	7,547,334
Dividend received	450,462	676,183
	<u>917,494</u>	<u>4,879,831</u>
Net cash generated from operating activities	<u>917,494</u>	<u>4,879,831</u>
Cash flows from financing activities		
Proceeds from issue of redeemable shares	3,817,081	785,000
Payments on redemption of redeemable shares	(4,732,399)	(8,100,231)
	<u>(915,318)</u>	<u>(7,315,231)</u>
Net cash used in financing activities	<u>(915,318)</u>	<u>(7,315,231)</u>
Net increase / (decrease) in cash and cash equivalents	2,176	(2,435,400)
Cash and cash equivalents beginning of year	1,403,405	3,838,805
	<u>1,405,581</u>	<u>1,403,405</u>
Cash and cash equivalents end of year	<u>1,405,581</u>	<u>1,403,405</u>
Comprising:		
Cash at banks	<u>1,405,581</u>	<u>1,403,405</u>



Ahmed Shokaby

The attached notes form an integral part of these financial statements

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

1. STATUS AND ACTIVITIES:

EFG-Hermes Egypt Fund Limited (the "Fund") is an investment company incorporated in Bermuda with limited liability for the purpose of providing shareholders with the opportunity of investing indirectly in Egypt. The Fund commenced its activities on August 14, 1996. The registration number of the Fund is 22175.

The principal investment objective in the management of the Fund's investments is long term capital appreciation. The Fund will invest principally in Egyptian equity and equity-related securities of companies that are listed on Egyptian Stock Exchange.

The financial statements represent the assets, liabilities and operations of the Fund only.

The Fund does not have any employees, however, it uses the services of an Investment Manager, an Administrator and a Custodian for the fund management, administration and custody functions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the fund has adopted the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on April 1, 2017. This adoption did not result in any significant impact on the fund's financial statements or changes to the fund's accounting policies.

Moreover, and at the date of authorisation of these financial statements, new standards and interpretations were in issue but not yet effective. The fund anticipates that the adoption of these standards and interpretations in future periods (where applicable) will have no material impact on the financial statements of the fund.

3. SIGNIFICANT ACCOUNTING POLICIES:

Statement of Compliance

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

Basis of Preparation

The financial statements are prepared on the historical cost convention, except for investments measured at fair value through profit or loss.

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

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

The significant accounting policies are as follows:

(a) **Investment in Securities**

The values of securities listed on a securities exchange are based on the official closing price on that exchange on the day of valuation or, if no sale had occurred on such day, at the last bid price on such day if held long, and at the last asked price if held short. 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 which are classified as financial assets at fair value through profit or loss ("FVTPL") are initially recognised at fair value (including transaction costs) and subsequently measured at fair value. Any resultant change in the fair value is recognised in profit or loss 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 amounts that are not quoted in an active market. They arise when the Fund sells securities through a broker. Receivables are carried at amortised cost less provision for impairment, if any.

(c) **Payables**

Payables are recognised for amounts to be paid in the future for services received, whether billed by the provider or not. These are at amortised cost.

(d) **Revenue Recognition**

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

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

(e) **Foreign Currencies**

Foreign currency transactions are recognised in United States Dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency at the measurement date are retranslated to United States Dollars at the rates of exchange at that date. Exchange differences are recognised in profit or loss in the period in which they arise.

Translation differences on equities held at fair value through profit or loss, are reported as part of the fair value gain or loss in profit or loss.

(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.

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

(g) **Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash 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, which are described in Note 3 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, they are 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

There are no significant 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.

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

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 1.75% 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 reimburse all reasonable out of pocket and third party expenses incurred in the performance of its duties. The Investment Manager is entitled to waive or rebate any part of its management fee.

(b) **Administration Fee**

Under the Administration Agreement, the Fund pays the Administrator at a maximum of 0.11% of the NAV of the Fund (subject to a minimum of USD 3,000 per month). 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 Custodian is entitled to receive a maximum of 0.1% of the NAV of the Fund (subject to a minimum of USD 3,000 per month).

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

The Board of Directors is currently comprised of two Directors. The Chairman of the Board of Directors is entitled and remunerated for USD 10,000 (2016: USD 10,000) during the year.

(e) **Performance Fee**

At the end of each fiscal year (or earlier in respect of a redemption prior to the end of a fiscal year), the investment manager will receive a performance fee equal to 15% of the increase, if any, in the NAV per Ordinary Share during such year (prior to the accrual of such year's performance fee and determined after reduction for the management fee and other expenses incurred by the Fund) that is over and above the higher of the high watermark and the opening price plus hurdle.

6. **CASH AT BANKS:**

Cash at banks consists of cash held in current accounts.

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

7. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS:

7.1 The Fund held investments in the following industries:

	2018			
	<u>Cost</u> <u>USD</u>	<u>Fair Value</u> <u>USD</u>	<u>Cumulative</u> <u>change in</u> <u>Fair Value</u> <u>USD</u>	<u>% of Fair</u> <u>Value</u>
-Basic Materials	1,241,490	1,070,859	(170,631)	6%
-Industrial	1,589,554	3,069,523	1,479,969	17%
-Consumer Goods	2,300,964	3,853,279	1,552,315	21%
-Healthcare	530,196	644,340	114,144	4%
-Telecommunications	2,372,725	1,404,975	(967,750)	8%
-Financial institutions	5,130,036	7,124,018	1,993,982	39%
-Consumer Services	446,493	515,798	69,305	3%
-Technology	269,229	239,580	(29,649)	1%
-Oil & Gas	199,111	204,499	5,388	1%
Total	14,079,798	18,126,871	4,047,073	

	2017			
	<u>Cost</u> <u>USD</u>	<u>Fair Value</u> <u>USD</u>	<u>Cumulative</u> <u>change in</u> <u>Fair Value</u> <u>USD</u>	<u>% of Fair</u> <u>Value</u>
-Basic Materials	1,830,477	1,163,385	(667,092)	9%
-Industrial	1,739,437	1,450,596	(288,841)	11%
-Consumer Goods	2,338,350	2,463,176	124,826	18%
-Healthcare	439,149	377,642	(61,507)	3%
-Telecommunications	2,848,932	1,496,398	(1,352,534)	11%
-Financial institutions	7,002,828	6,421,635	(581,193)	48%
Total	16,199,173	13,372,832	(2,826,341)	

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

Detail of top ten (10) investments in terms of market values are as follows:

	Industry	2018 Fair Value USD	Value of Investment as a percentage of NAV %
Eastern Tobacco	Consumer Goods	2,632,829	14%
El Sewedy Electric Company	Industrial	2,628,041	14%
Commercial International Bank	Financials	2,351,791	12%
Global Telecom	Telecommunications	1,144,953	6%
Talaat Mostafa Group	Financials	1,130,145	6%
Sidi Kerir Petrochemicals	Basic Materials	866,795	5%
Six Of October Development Investment	Financials	851,591	4%
Juhayna Food Industries	Consumer Goods	710,040	4%
EFG-Hermes Holding	Financials	683,969	4%
Medinet Nasr City Housing	Financials	636,922	3%

	Industry	2017 Fair Value USD	Value of Investment as a percentage of NAV %
Commercial International Bank	Financial institutions	2,291,401	15%
Eastern Tobacco	Consumer goods	1,533,931	10%
El Sewedy Electric Company	Industrial	1,154,132	9%
Global Telecom	Telecommunications	1,131,782	8%
EFG-Hermes Holding	Financial institutions	884,885	6%
Talaat Mostafa Group	Financial institutions	870,206	6%
Medinet Nasr City Housing	Financial institutions	674,519	5%
Ezz Steel	Basic material	645,533	5%
Oriental Weavers	Consumer goods	523,620	4%
Sidi Kerir Petrochemicals	Basic material	517,850	3%

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

7.2 The movement in financial assets at fair value through profit or loss is summarised below:

	<u>2018</u> USD	<u>2017</u> USD
Financial assets at fair value through profit or loss at the beginning of the year	13,372,832	20,861,069
Purchases during the year	3,879,472	2,289,946
Proceeds from sales during the year	(4,583,848)	(7,588,039)
Net realised gain / (loss) on disposal of investments	4,748,326	6,016,890
Net unrealised gain / (loss) in fair value	5,568,983	(1,611,524)
Net foreign exchange loss during the year	<u>(4,858,894)</u>	<u>(6,595,510)</u>
Financial assets in fair value through profit or loss at the end of the year	<u>18,126,871</u>	<u>13,372,832</u>

7.3 Investments in listed shares are classified as financial assets 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. Certain markets and securities may be illiquid and published market prices may not necessarily represent realisable value.

8. **OTHER ASSETS:**

	<u>2018</u> USD	<u>2017</u> USD
Receivable on issue of redeemable shares	-	399,895
Receivable on disposal of financial assets at fair value through profit or loss	-	40,705
Dividends receivable	<u>29,654</u>	<u>14,503</u>
	<u>29,654</u>	<u>455,103</u>

9. **ACCRUED FEES AND OTHER PAYABLES:**

	<u>2018</u> USD	<u>2017</u> USD
Administration fees	666	3,107
Custody fees	1,288	3,107
Other accruals	<u>19,210</u>	<u>25,191</u>
	<u>21,164</u>	<u>31,405</u>

EFG – HERMES EGYPT FUND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

10. SHARE CAPITAL:

The capital of the Fund consists of redeemable shares with a par value of USD 0.001 per share, which do not carry voting rights. They are entitled to dividends and to a proportionate share of the Fund's net assets attributable to holders of redeemable shares.

All issued redeemable shares are fully paid. The Fund's capital is represented by these redeemable shares. Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to holders of redeemable shares.

Each share issued confers upon the shareholder an equal interest in the Fund, and is of equal value. A share does not confer any interests in any particular asset or investment of the Fund.

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a weekly basis as the Fund is subject to weekly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Change in the number of redeemable shares outstanding can be reconciled as follows:

	No. of shares	
	2018	2017
Opening balance	603,068	877,401
Subscriptions of redeemable shares	109,811	47,434
Redemptions of redeemable shares	(180,631)	(321,767)
Ending balance	532,248	603,068

11. 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 issued by companies primarily operating and generating revenue in Egypt and therefore no segmental reporting has been provided.

12. RELATED PARTIES:

Related parties, as defined in International Accounting Standard 24; "Related Party Disclosures", include 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. These transactions are approved by the Board of Directors.

12.1 EFG-Hermes Financial Management (Egypt) Limited, the Investment Manager, is the sponsor of the Fund. The following balances and transactions occurred between the Fund and EFG-Hermes Financial Management (Egypt) Limited:

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	2018 USD	2017 USD
(a) Management fees payable	436,951	285,377

	Amount incurred	
	2018 USD	2017 USD
(b) Management fees	251,574	386,349

12.2 As at the year end the Fund had invested in 468,468 shares (2017: 615,993 shares) of EFG-Hermes Holding Limited, a related party of the Investment Manager, having a carrying value of USD 683,969 (2017: USD 884,885).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

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.

Financial instruments

Financial instruments include financial assets and financial liabilities. A financial instrument is any contract that gives rise to both a financial asset in one enterprise and a financial liability or equity instrument of another enterprise.

Financial instruments consist of financial assets and financial liabilities.

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

Financial liabilities of the Fund include accrued fees and other payables and due to a related party.

Categories of financial instruments

	2018 USD	2017 USD
Financial assets		
Financial assets at fair value through profit or loss	18,126,871	13,372,832
Other assets at amortised cost (including cash at banks)	1,435,235	1,858,508
	19,562,106	15,231,340
Financial liabilities		
Payable at amortised cost	458,115	316,782

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The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

Risk management framework

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Fund's financial performance. The Fund's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

The Fund's risk management policies are based on a simplified framework with non-complex transactions to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of realisable and up-to-date information systems.

Risk management activities are carried out by the senior management under policies that are approved by the Management. Management regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The significant risks that the Fund is exposed to are explained below:

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The Fund's exposure to credit risk is primarily in respect of cash at banks and other assets.

The carrying amount of financial assets best represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2018</u>	<u>2017</u>
	USD	USD
Cash at banks	1,405,581	1,403,405
Other assets	<u>29,654</u>	<u>455,103</u>
	<u>1,435,235</u>	<u>1,858,508</u>

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Credit risk on cash at banks is limited since these are maintained with banks and financial institutions having high credit ratings.

In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a periodic basis. None of the credit exposures are past due or impaired as at March 31, 2018 and 2017.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is made by the custodian only on receipt of payment from the broker. Payment is made by the custodian for the purchase of securities only on receipt of security from the broker. The trade will fail if either party fails to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates, and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments.

The Fund's investments at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the instruments. According to the Fund's Prospectus, the Fund is required to adopt a balanced investment policy through a careful selection of securities and other financial instruments within specified limits that aim to reduce market risk. The Fund's overall market positions are monitored on a daily basis by the Fund Manager.

Equity price risk

Equity price risk is the risk that the value of an instrument will fluctuate as a result of changes in equity market prices, whether caused by factors specific to an individual investment, issuer or all factors affecting all instruments traded in the market

The Fund's investments in quoted equity are susceptible to market price risk arising from uncertainties about future prices of the instruments. According to the Fund's Prospectus, the Fund is required to adopt a balanced investment policy through a careful selection of securities and other financial instruments within specified limits that aims to reduce market risk.

The Fund manages the risk through diversification of investments, to the extent permissible in the Prospectus, and industry concentration. As at the year ends, the Fund's investment were in equities listed on the security market of Egypt.

The concentration of the Fund by geographical location is given below:

<u>Market indices</u>	<u>2018</u>	<u>2017</u>
	USD	USD
Egypt	<u>18,126,871</u>	<u>13,372,832</u>

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Securities Price Sensitivity Analysis

The effect on the result for the year (as a result of a change in the fair value of investments 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 markets, with all other variables held constant, is as follows:

Market indices	2018		2017	
	Change in security price %	Effect on the profit or loss USD	Change in security price %	Effect on the profit or loss USD
Egypt	+10%	<u>1,812,687</u>	+10%	<u>1,337,283</u>

There would be an equal and opposite impact on profit or loss, had there been a decrease in investment securities' prices by 10%.

The sensitivity analysis presented is based upon the portfolio composition as at the reporting date and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Fund's investment portfolio and the correlation thereof to the respective indices is expected to change over time. The sensitivity analysis prepared as of March 31, is not necessarily indicative of the effect on the Fund's profit or loss or its equity of future movements in the level of the respective indices.

Interest rate risk

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

Financial instruments, which potentially subject the Fund to interest rate risk, consist principally of cash at banks. Therefore, the Fund believes there is minimal risk of significant losses due to interest rate fluctuations.

As at the reporting date, the Fund does not hold interest bearing financial instrument.

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 are denominated primarily in Egyptian Pounds rather than United States Dollars, the functional and presentation currency. The Fund is exposed to significant currency risk on the Egyptian Pound.

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

	Assets		Liabilities	
	2018 USD	2017 USD	2018 USD	2017 USD
EGP	15,820,269	13,550,593	-	-

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items in Egyptian Pound 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 Egyptian Pound. For a 5% weakening of USD against the Egyptian Pound, there would be an equal and opposite impact on the result for the year.

<u>Currency</u>	March 31, 2018	March 31, 2017
	Effect on profit or loss USD	Effect on profit or loss USD
EGP	(719,013)	(677,530)

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to the weekly cash redemptions of redeemable units. Its policy is therefore to invest its assets in investments that are traded in an active market and can be readily disposed.

The Fund's securities are considered readily realisable as they are listed on stock exchanges.

The Fund's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The contractual undiscounted cash flows of the Fund's liabilities are less than one year.

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14. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial assets measured at fair value

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices.

The Fund measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. a s prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

March 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value through profit or loss	<u>18,126,871</u>	-	-	<u>18,126,871</u>
March 31, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value through profit or loss	<u>13,372,832</u>	-	-	<u>13,372,832</u>

There were no transfers between levels of the fair value hierarchy during the year.

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Financial instruments not measured at fair value

The fair value of Fund's other financial assets and liabilities approximate their carrying values because of their short term nature.

15. **NET ASSET VALUE PER SHARE:**

	<u>Net Asset Value</u> USD	<u>Number of</u> <u>Shares</u> in Issue	<u>Net Asset Value</u> <u>Per Share</u> USD
As at March 31, 2018	19,103,991	532,248	35.90
As at March 31, 2017	14,914,558	603,068	24.73

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

	<u>Highest</u> <u>redemption</u> <u>price</u>	<u>Lowest</u> <u>redemption</u> <u>price</u>
2018	34.94	24.02
2017	27.71	20.24