

CABEI Central American Fund plc CABEI Central American Portfolio

Annual Report & Audited Financial Statements

For the Year Ended 31 December 2007



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Organisation

Registered Office of the Company

25/28 North Wall Quay
Dublin 1
Ireland

Investment Manager

DWS Finanz-Service GmbH
Mainzer Landstrasse 178-190
60327 Frankfurt am Main
Germany

Administrator, Registrar and Transfer Agent

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

Custodian

The Governor and Company of the Bank of Ireland
Head Office:
Lower Baggot Street
Dublin 2
Ireland

Place of Business:

New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

Independent Auditors

KPMG
1 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

Directors of the Company

Walter Dostmann (German) (Chairman)

Directors from Central American Bank for Economic
Integration:

Alejandro Rodriguez (Costa Rican)
Nick Rischbieth Glöe (Honduran)

Directors from DWS Finanz-Service GmbH:
Markus Kohlenbach (German)

Other Directors:

Per Åke Rydberg (Swedish) (Irish Resident)
Michael Greene (Irish)
Jaime Chavez (Honduran)

Secretary

Goodbody Secretarial Limited
North Wall Quay
International Financial Services Centre
Dublin 1
Ireland

Consultant

PCS Global Advisory Services LLC
614 King Avenue
City Island
New York
NY 10464-1111
USA

Legal Advisor

Sponsoring Broker

A&L Goodbody
North Wall Quay
International Financial Services Centre
Dublin 1
Ireland

Registered No: 303448

Background to the Company

Description

CABEI Central American Fund plc, incorporated on 12 March 1999 in Dublin, Ireland with registered number 303448, is a designated, limited liability, open-ended investment company with variable capital. It is an umbrella Company entitled to issue several classes of Shares to be invested in several portfolios. The Company has issued Shares in the CABEI Central American Portfolio (the 'Portfolio'), which is the only current portfolio. The Company is administered by Bank of Ireland Securities Services Limited. The Investment Manager, DWS Finanz-Service GmbH, is an indirect subsidiary of Deutsche Bank AG. The Portfolio is denominated in US Dollars.

The Company is domiciled in Ireland. It is authorised in Ireland as an investment company and is a designated investment Company pursuant to Section 256 of the Companies Act 1990 of Ireland and is supervised by the Financial Regulator.

Investment Objective and Policy

The Portfolio's investment objective is to generate a high real rate of return. The Portfolio seeks to achieve this objective by investing primarily in debt and related instruments and equity and related instruments issued by sovereign issuers, their agents and instrumentalities, state-owned issuers selected for privatisation, corporate issuers, supranational issuers, quasi-governmental issuers, and any other issuer deemed fit for investment by the Directors, or a committee thereof. Countries for investment will include Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Mexico, Colombia, Argentina, Panama, the Dominican Republic, Belize, Spain, and the Republic of China, and any other countries which become members of the Central American Bank for Economic Integration ("CABEI") and which are deemed fit for investment by the Directors or a committee thereof.

The Portfolio's investment and borrowing restrictions are detailed in a Supplement to the Offering Circular issued on 24 July 2007. Although the Portfolio is not a UCITS (Undertakings for Collective Investment of Transferable Securities) fund, the Directors have resolved to apply the restrictions on investment and borrowing which apply to UCITS funds to the Portfolio, as a consequence of European Union directives.

Investment Management

DWS Finanz-Service GmbH serves as Investment Manager pursuant to an investment management agreement dated 31 December 2004.

Net Asset Value

The Net Asset Value of the Portfolio is calculated daily for every day that is a business day in Dublin and New York. The Net Asset Value of the Portfolio is calculated by dividing the value of the Portfolio's Net Assets (the value of its assets less its liabilities) by the total number of Shares outstanding. All securities held by the Portfolio, for which market quotations are readily available, are valued at the closing price on the primary exchange quoted for the securities (but if bid and ask quotations are available, at the last current bid price, rather than the quoted closing price). Debt securities are valued by independent pricing services approved by the Trustees of the Portfolio. If the pricing services are unable to provide valuations, the securities are valued at the most recent bid quotation or evaluated price as applicable, obtained from a broker-dealer. Such service may use various pricing techniques, which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes.

Background to the Company (continued)

Net Asset Value (Continued)

All other securities and assets, for which market quotations are not readily available, are taken at probable realisation value as determined in good faith by the Directors (or by a pricing committee of Directors established for the purpose), with the approval of the Custodian, although the actual calculation may be done by other competent and responsible persons. Any assets or liabilities, initially expressed in currencies other than US Dollars, are translated into US Dollars at the closing rate of exchange quoted by a recognised pricing service. The Portfolio's Net Asset Value per Share is published five times per week in the Financial Times.

Issue and Repurchase of Shares

The procedures for the issue and repurchase of shares are described in detail in the revised Offering Circular dated 1 January 2005, and subsequent supplements to the Offering Circular. The Portfolio's Dealing Day is every day that is a business day in Dublin and New York.

Issue of Shares

Allotments of Shares are normally made with effect from a Dealing Day against applications received in Dublin by the Administrator by 9:00pm Dublin time on the preceding Business Day.

Repurchase of Shares

Requests for the repurchase of Shares must be received by the Administrator by 9.00pm Dublin time on a Business Day which is at least two Business Days prior to the relevant Dealing Day and will then normally be dealt with on that Dealing Day. Requests for the repurchase of Shares may be made either by facsimile or in writing to the Administrator.

Published Information

Shareholders will receive audited annual and unaudited semi-annual Reports of the Company on request. Notices of general meetings will be sent to Shareholders at least twenty-one days prior to meetings. The Net Asset Value per Share and dividend announcements, if any, are published in the Financial Times. The subscription and redemption prices may be obtained from the registered office of the Company.

A statement of changes in the composition of the portfolio during the year will be made available to Shareholders on receipt of a written request.

Past performance is not necessarily a guide to future performance. Income from the investment may fluctuate in value in money terms. Changes in rates of exchange between currencies may cause the value of the shares to diminish or increase.

Enquiries to:

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland
Tel: 353 1 6700300
Fax: 353 1 8290144

The above details are in summary form only and must be read in conjunction with the detailed information contained in the revised Offering Circular dated 1 January 2005, and subsequent supplements to the Offering Circular.

Investment Manager's Report

The net asset value per share of the CABEI Central American Fund plc was up 4.55% for the 12 months ended 31 December, 2007. At the end of the annual period, the Fund had net assets of US\$ 109.77 million and a net asset value of US\$ 1,613.86 per share.

Investment Environment

Debt markets in the US, Central America, the Caribbean and South America had a solid development in the first half of 2007, however performance started to deteriorate in August. On the back of problems in the US housing market and instability of financial institutions, the US Federal Reserve Bank cut interest rates by 100 basis points (bps) from 5.25% to 4.25% by year-end.

2007 turned out to be quite an active year for Mexico. Congress passed reform of the public pension system (ISSTE) under the guidance of President Calderon, as well as a broad fiscal reform that had languished during the Fox administration. In our view, the reform has strong medium-term potential and will push the country on a more dynamic growth path. Especially after the passage of the first reform, local bonds in Mexico saw a good rally. Over the last year, persistently high food prices have put upward pressure on Mexico's inflation. After staying consistent for some time, Banxico lifted the overnight rate by 50 bps to 7.50%.

Central American sovereign debt was not able to duck the market turmoil in August 2007. Bonds of countries with already lower spreads and higher liquidity (Mexico) suffered relatively more during the correction. External debt of El Salvador and Guatemala benefited from their defensive character and stronger fundamentals. Improving external balances and support from massively rising remittances led to strong economic growth in most Central American countries.

Costa Rica's economy continued to grow above trend in 2007. On the back of well performing exports, strong domestic demand coupled with robust credit growth and soaring foreign direct investment (FDI) flows, real gross domestic product (GDP) expanded roughly 7% year-on-year (yoy). The economic base is well-diversified, main sectors including high-value-added manufacturing, tourism and agriculture. Rising global energy and food prices drove Costa Rican inflation up 10.8% yoy in 2007, hence significantly exceeding the official target of 8%. The recently implemented system of crawling exchange-rate bands only mitigated the negative impact of imported inflation to a minor extent. Last October, the free trade agreement with the US, Central America and Dominican Republic (DR-CAFTA) was finally approved in a referendum. Undoubtedly, the country had been sharply divided over the referendum. The most controversial topics were related to opening up state monopolies like the telecommunications sector.

Dynamic sectors like agriculture and financial services made El Salvador reach higher than expected growth of 4.7% yoy in 2007. In short, robust flows of workers' remittances and solid credit growth provided a boost to domestic consumption, while exports benefited from DR-CAFTA that went into effect one year ago. Higher international prices of traditional agricultural export products (coffee and sugar) also supported export revenues. The "maquila" sector continued to face increased competition from China. The country's strong commitment to fiscal responsibility started to pay dividends. Stronger tax collections and conservative spending enabled the government to produce a fiscal deficit of 2.1% of GDP in 2007 compared to 2.9% in 2006.

As economic agents managed to maintain the dynamic rhythm of the economy, Guatemala grew well above trend in 2007. Strong exports and increased workers' remittances supporting private consumption added to a broad-based expansion. DR-CAFTA in full force now definitely played an important role in generating trade and FDI flows. Tourism also progressed well in Guatemala. Narrowly defeating Otto Perez Molina, left-leaning Alvaro Colom became president-elect of Guatemala last November. Colom inherits an expanding economy with a solid base and is not expected to significantly change the current policy course. Guatemala's public debt ratio of roughly 19% of GDP remained the lowest in the region. The fiscal account looks equally encouraging, supported by better than expected revenue performance.

Investment Manager's Report (continued)

Last year, Nicaragua's economic performance was primarily driven by external trade, transport and communications as well as livestock and fishing activities. Although the Central Bank maintained its official 2007 growth forecast of 3.9% yoy, the economy likely suffered from hurricane Félix seriously damaging agricultural production, destroying access roads and flattening areas of forest. After substantial debt relief (initiatives from HIPC, IADB, and the G8) as well as a debt buyback, Nicaragua's debt sustainability indicators improved somewhat. Good relations with International Financial Institutions may lead to additional debt forgiveness.

Panama's excellent economic performance remained on track, growing roughly 10% yoy in 2007. Primarily, it was capital investment as well as goods and services exports providing the basis for the solid outcome. Additionally, robust port and tourism activity and the country's booming construction sector fuelled the economy. Construction was broad-based, including private and public residential investment, Autoridad del Canal de Panamá project and highway construction. The government demonstrated substantial fiscal discipline. In 2007, the fiscal balance turned positive due to increased revenue collection. Public debt ratios are also expected to profit from solid economic development, projected to fall to about 50% of GDP this year.

In 2007, Dominican Republic showed strong growth coupled with single-digit inflation due to tight monetary policy, downward trending public sector debt and rising international reserves. Solid remittance flows, prosperous tourism revenues and foreign direct investment were key contributors of hard currency to the country. Economic dynamism was primarily driven by communications, financial services and retail. On the demand side, sizeable credit growth to the private sector and a substantial upsurge in workers' remittances supported consumption. The country saw two rating upgrades last year. Moody's lifted the country's rating from B3 to B2, and Standard & Poor's raised Dominican Republic's long-term sovereign credit rating to B+ from B.

Elsewhere, Argentina experienced accelerating growth last year, mostly explained by brisk private consumption, not surprising given that 2007 was an election year accompanied by increased fiscal spending. Cristina Fernandez de Kirchner won the presidential election. Strong domestic demand and high international food prices pushed inflation up significantly. The Argentine peso remained fundamentally undervalued. The Central Bank continued to intervene in the FX market to build reserves and to maintain export competitiveness thus avoiding a nominal appreciation of the Peso (vs. USD). Concerning Colombia, growth accelerated significantly to about 6.5% yoy. Domestic demand was the main driver of expansion. Gross fixed investment expenditure led the pace. In addition, favorable credit conditions, gains in employment and wages and improved consumer confidence drove private consumption. Over the past 18 months, the Central Bank pushed the reference rate up 325 bps to 9.5%. Nevertheless, 2007 inflation sprinted well above the bank's target of 3.5-4.5%. Strong acceleration in imports led to further widening of the current account deficit

Investment Strategy

The Fund's absolute returns for the annual period were very good, taking into account the market slump in August 2007. Spreads of Central American sovereign debt widened significantly when fears about the US sub-prime mortgage market gained momentum and US Treasury yields fell sharply. However, issuers saw some differentiation, as spreads of El Salvador (+40 bps), Guatemala (+35 bps) and Panama (+42 bps) suffered less than those of Dominican Republic (+70 bps) and Costa Rica (+70 bps). Over the course of the fourth quarter, spreads widened further, driven by both a "flight to quality" (out of corporate issuers) and increased worries about US economic development. The Fund's duration was decreased since then amid continuously high volatility in global financial markets and the deteriorating US economic outlook.

Investment Manager's Report (continued)

Throughout the first two quarters of the year, the Fund held a significant position of almost 30% in external debt of El Salvador. The country registered strong economic growth, supported by external trade and remittances. Political stability and a clear financing outlook also influenced external bonds in a positive way. In the second half of 2007, holdings were decreased somewhat, as bonds became less attractive compared to regional peers. The Fund increased its position in Guatemala, as the country's external debt is remarkably low and economic development remains on an extremely positive track. Based on strong fundamentals as well as a solid outlook on the back of a free trade agreement with the US and other Central American countries (DR-CAFTA), we successively raised the Fund's exposure to Costa Rica. The positions in bonds of Dominican Republic were held as a diversification investment and to benefit from higher spreads, which tightened significantly in the first half of 2007 due to improvements in

these countries. Due to a promising and stable fundamental story, driven by the expansion project of the Canal, exposure to Panama was increased in the fourth quarter. Positions in Mexican external debt were held throughout the year, while investments in the local bond market were only made on a tactical basis. Bonds from Nicaragua were taken as an investment into further improvements of the country, especially as their specific feature of steady amortization makes this an attractive, shorter dated investment. External debt of Argentina but also Mexican and Colombian local markets offered attractive tactical investment opportunities over the course of the year.

The fund did not have any futures contracts in its holdings during the year.

As of 31 December, 2007, the Fund had an average modified duration of 6.42 years.[i] The Fund's average maturity stood at 11.3 years. The Fund held a total of 22 securities, and the average rating of these securities was BB, as rated by Standard & Poor's. At the end of the annual period, approximately 67.6% of the Fund's net assets were invested in securities from founding members of the Central American Bank for Economic Integration (CABEI), namely in Costa Rica, El Salvador, Guatemala, and Nicaragua. Approximately 14.7% of the portfolio's assets were invested in securities from CABEI extra-regional members, namely Mexico and Colombia. Approximately 8.5% was invested in securities from Panama, 2.4% in securities from Argentina and around 5.5% in securities from the Dominican Republic. At the end of December, the Fund also held a relatively high 1.35% of net assets in cash.

Investment Outlook

The return outlook for the fund currently depends on two factors: the US growth story and country-specific events. The US economy is definitely heading towards a stronger slowdown, even a recession cannot be ruled out as possible scenario anymore. Economic indicators currently still deliver a moderate picture, but one should not become too optimistic about the US economy amid problems in the housing market and instability of financial institutions. As a consequence, the Fed has already cut its key lending rate by 225 bps to 3%, and we expect them to lower rates further in the next months, only pausing once the Fed funds rate is somewhere between 2.0% and 2.5%.

The deterioration in the US outlook will not only weigh on markets and should affect risk sentiment, but it would also be of importance for Central American countries, as growth and capital flows might suffer from a slump in US economic activity. Nevertheless, there are various points which make us feel comfortable about investing in Central American debt. First of all, many bonds have already priced in weak US economic development, as US Treasury yields are extremely low and spreads of external debt have already widened significantly. Future rate cuts should also bode well for bond markets around the world, as many investors might start looking for higher-yielding bonds from stable (or improving) sovereign issuers.

In addition, many countries in the region have done their homework in the past years regarding fiscal consolidation and prudent policy, which results in much better solvency indicators for many countries (and a better growth outlook due to trade integration) and reduces their financing needs on external markets significantly. Thus, even a slowdown in workers' remittances and export activity are not likely to move most countries to the brink of a crisis. Furthermore, some Central American countries continue to benefit from rising inflows of foreign direct investment (Costa Rica) or their extra-ordinary business and investment cycle (Panama), which partially shields them from exogenous shocks.

Investment Manager's Report (continued)

Overall, we remain positive on the region, overweighting Central America on the back of strong fundamentals and no new sovereign issuance of foreign-currency denominated debt to be expected in 2008.

We remain convinced that active management of a diversified Central American debt portfolio offers attractive total return opportunities.

**On behalf of the Investment Manager,
DWS Finanz-Service GmbH**

**Dr. Nicolas Schlotthauer, CEFA
Portfolio Manager**

[i] Modified duration is the percentage price change of a security or portfolio for a given change in yield: The higher the modified duration of a security or portfolio, the higher its sensitivity to yield changes.

Director's Report

The Directors present herewith the Annual Report and audited Financial Statements for the year ended 31 December 2007.

Statement of Directors' Responsibilities

Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and regulations.

Company law requires Directors to prepare Financial Statements for each financial year. Under that law Directors have elected to prepare the Company Financial Statements in accordance with Generally Accepted Accounting Practice in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

The Company's Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing each of the Financial Statements, Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Acts, 1963 to 2006. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts, 1963 to 2006.

Principal Activities

The Company has been approved by the Irish Financial Regulator as an investment company pursuant to Part XIII of the Companies Act, 1990.

The objective of the Company is to generate a high real rate of return.

The Investment Manager's Report contains a review of the factors which contributed to the performance for the year. Directors do not anticipate any changes in the structure or investment objective.

Director's Report (continued)

Risk Management objectives and policies

The main risks arising from the Company's financial instruments are market, currency, interest rate, price, liquidity and counterparty credit risks as given in the notes to these accounts.

Events since the year end

There have been no significant events affecting the Company since the year end.

Dividends

The Directors do not recommend the payment of a dividend.

Substantial Shareholdings

Central American Bank for Economic Integration had an interest of 69.15% (2006: 91.35%) in the Shares of the Company at the year end.

Directors and Secretary

The Directors who held office during the year under review were:

Alejandro Rodriguez (Costa Rican)

Jaime Chavez (Honduran)

Markus Kohlenbach (German)

Michael Greene (Irish)

Nick Rischbieth Gløe (Honduran)

Per Åke Rydberg (Swedish) (Irish Resident)

Walter Dostmann (German) (Chairman)

Directors' Interests in Shares and Contracts

Walter Dostmann holds one subscriber share. None of the other Directors listed above who held office at the year end had any interests in the Shares of the Company at that date or at any time during the financial year.

Transactions Involving Directors

There are no contracts or arrangements of any significance in relation to the business of the Company in which the Directors or Company Secretary had any interest as defined in the Companies Act, 1990 at any time during the financial year.

Director's Report (Continued)

Accounting Records

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to the books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The Books of Account of the Company are maintained at:

Bank of Ireland Securities Services Limited
New Century House
Mayor Street Lower
International Financial Services Centre
Dublin 1
Ireland

Auditors

In accordance with Section 160(2) of the Companies Act 1963, KPMG, Chartered Accountants and Registered Auditors will continue in office.

On Behalf of The Board of Directors

Michael Greene

Per Åke Rydberg

26 March 2008

Statement of Custodian's Responsibilities For the year ended 31 December 2007

The Companies Act, 1990, ("the Act") requires the Custodian to take reasonable care so as to ensure that the Company is managed in accordance with the Regulations. In particular, the Custodian must:

- satisfy itself on a continuing basis on reasonable grounds and report that the Manager has managed the Company in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Act and the Memorandum and Articles of Association;
- take into its custody or under its control, all the assets of the Company and hold them in trust for the Shareholders in accordance with the Act and the Memorandum and Articles of Association; and
- satisfy itself that the valuation of the Shares of the Company and that the sale, issue, repurchase and redemption of Shares of the Fund are being carried out in accordance with the Act and the Memorandum and Articles of Association.

To enable the Custodian to fulfil its responsibilities under the Act and the Memorandum and Articles of Association, the custodian is required to keep proper financial records.

Custodian's Report to the Shareholders of CABEI Central American Fund plc- Cabei Central American Portfolio (the "Fund")

For the year ended 31 December 2007

We have enquired into the conduct of the CABEI Central American Fund plc-CABEI Central American Portfolio in respect of the Fund for the year ended 31 December 2007, in our capacity as Custodian to the Fund.

This report including the opinion, has been prepared for and solely to the shareholders in the Fund as a body, in accordance with Non-UCITS Notice 7.9 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Basis of Custodian Opinion

The Custodian conducts its reviews, on a test basis, to ensure that it adheres to the trustee duties outlined in Non-UCITS Notice 7.9 and to ensure that the Fund is managed in all material respects in accordance with the Fund's constitutional documentation and the appropriate regulations.

The Custodian ensures, on a test basis, that the Fund complies with the limitations imposed on investment and borrowing powers by the provisions of the Fund's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the CABEI Central American Fund plc-CABEI Central American Portfolio has been managed during the year, in all material respects:

- in accordance with the limitations imposed on the investment and borrowing powers of the scheme by the Memorandum and Articles of Association and by the Financial Regulator under the powers granted to the Financial Regulator by the Companies Act, 1990 Part XIII; and
- otherwise in accordance with the provisions of the Memorandum and Articles of Association and the Companies Act, 1990 Part XIII.

The Governor and Company of the Bank of Ireland

26 March 2008

Independent Auditors Report to the Members of CABEL Central American Fund plc-CABEL Central American Portfolio (the "Company")

We have audited the Company's Financial Statements for the year ended 31 December 2007 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares, the Schedule of Investments and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by the law, we do not accept or assume responsibility to anybody other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 8.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Financial Statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account; and
- whether the Directors' report is consistent with the Financial Statements.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Directors' Report, the Custodian's Report and the Investment Manager's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Independent Auditors Report to the Members of CABEL Central American Fund plc-CABEL Central American Portfolio (the “Company”)

(Continued)

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs at 31 December 2007 and of its results for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's Financial Statements are in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the Financial Statements.

KPMG

Chartered Accountants and Registered Auditors

1 Harbourmaster Place

IFSC

Dublin 1

26 March 2008

Profit and Loss Account

For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 US\$	Year ended 31 December 2006 US\$
Income			
Operating income	3	198,306	214,380
Net gains on financial assets and liabilities at fair value through profit or loss	4	<u>5,567,274</u>	<u>8,325,921</u>
Total investment income		5,765,580	8,540,301
Operating expenses	5	<u>(1,341,114)</u>	<u>(1,597,502)</u>
Net income		4,424,466	6,942,799
Finance costs			
Interest expense		<u>(221)</u>	<u>-</u>
Profit for the year before tax		4,424,245	6,942,799
Non-reclaimable withholding tax		<u>(407)</u>	<u>-</u>
Profit for the year after tax		<u>4,423,838</u>	<u>6,942,799</u>
Increase in Net Assets Attributable to Holders of Redeemable Participating Shares		<u><u>4,423,838</u></u>	<u><u>6,942,799</u></u>

There are no recognised gains or losses arising in the year other than the increase in Net Assets Attributable to Holders of Redeemable Participating Shares of the Company. In arriving at the results of the financial year, all amounts above relate to continuing operations.

The accompanying notes form an integral part of the Financial Statements.

On Behalf of the Board of Directors

Michael Greene

Per Åke Rydberg

26 March 2008

Balance Sheet

As at 31 December 2007

	Notes	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Assets			
Cash and Bank Balances	6	1,414,439	4,635,052
Debtors	7	47,947	81,566
Debt Instruments designated at fair value through profit and loss	1	<u>108,567,696</u>	<u>80,413,272</u>
Total Assets		<u>110,030,082</u>	<u>85,129,890</u>
Liabilities			
Bank Overdraft	8	(9)	-
Creditors (amounts falling due within one year)	9	<u>(263,199)</u>	<u>(638,753)</u>
Total Liabilities		<u>(263,208)</u>	<u>(638,753)</u>
Net Assets Attributable to Holders of Redeemable Participating Shares		<u>109,766,874</u>	<u>84,491,137</u>

The accompanying notes form an integral part of the Financial Statements.

On Behalf of the Board of Directors

Michael Greene

Per Åke Rydberg

26 March 2008

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares

For the year ended 31 December 2007

	Year ended 31 December 2007 US\$	Year ended 31 December 2006 US\$
Net Assets Attributable to Holders of Redeemable Participating Shares at beginning of year	<u>84,491,137</u>	<u>80,558,342</u>
Increase in Net Assets resulting from operations	<u>4,423,838</u>	<u>6,942,799</u>
Amounts received on issue of Redeemable Participating Shares	37,697,807	24,530,569
Amounts paid on redemption of Redeemable Participating Shares	<u>(16,845,908)</u>	<u>(27,540,573)</u>
Increase/(decrease) in Net Assets resulting from Share transactions	<u>20,851,899</u>	<u>(3,010,004)</u>
Net increase in shareholders' funds	<u>25,275,737</u>	<u>3,932,795</u>
Net Assets Attributable to Holders of Redeemable Participating Shares at end of year	<u><u>109,766,874</u></u>	<u><u>84,491,137</u></u>

The accompanying notes form an integral part of the Financial Statements.

Notes to the Financial Statements For the year ended as at 31 December 2007

1. Significant Accounting Policies

a) Basis of preparation

These Financial Statements have been prepared in accordance with Generally Accepted Accounting Policies in Ireland and the Companies Acts, 1963 to 2006. Accounting standards generally accepted in Ireland in preparing Financial Statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board ("ASB").

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through the profit or loss.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets/(liabilities) and income/(expenses). The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The information required by Financial Reporting Standard (FRS) No. 3 "Reporting Financial Performance", to be included in a statement of total recognised Gains and Losses, and a Reconciliation of Movements in Shareholders Funds is, in the opinion of the Directors, contained in the Profit and Loss Account and Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders on pages 14 and 16.

All references to Net Assets throughout this document refer to Net Assets Attributable to Holders of Redeemable Participating Shares, unless otherwise stated.

The Financial Statements are prepared in US Dollars and rounded to the nearest US Dollar.

b) Adoption of New Accounting Standards

The Company adopted FRS29 "Financial Instruments: Disclosures" during the year. It is effective for accounting periods commencing on or after 1 January 2007.

c) Investments

(i) Classification and Recognition

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held for trading. These include futures and liabilities from short sales of financial instruments included as financial derivative instruments on the Balance Sheet. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held for trading.
- Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold.

The Company has designated all its investments as financial instruments held for trading.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

1. Significant Accounting Policies (continued)

c) Investments (continued)

(i) Classification and Recognition (Continued)

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument, and all significant rights and access to the benefits from the assets, and the exposure to the risks inherent in those benefits, are transferred to the Fund.

Financial assets that are classified as loans and receivables include deposits and accounts receivable. Financial liabilities that are not at fair value through profit or loss include accounts payable and financial liabilities arising on Redeemable Shares.

A regular way purchase of financial assets is recognised using trade date accounting. From this date, any gains and losses, arising from changes in fair value of the financial assets or financial liabilities, are recorded.

(ii) Measurement

Financial instruments are measured initially at fair value. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Profit and Loss Account.

Financial assets and liabilities, other than those at fair value through profit or loss, are measured at amortised cost using the effective interest rate.

Financial liabilities, arising from the Redeemable Shares issued by the Company, are carried at the redemption amount representing the Investors' right to a residual interest in the Company's Assets.

Guatemala Electrical Trust Note (8.50% Citco Trustees Cayman 21/12/2014)

The Guatemala Electrical Trust Notes (8.50% Citco Trustees Cayman 21/12/2014) should trade at a reasonable spread above the Republic of Guatemala, given current liquidity conditions for Emerging Markets corporate debt and the bond's relatively small issue size. This yield is steadily monitored and set by the Fund's pricing committee. The price for Guatemala Electrical Trust Notes is derived using a yield-to-price calculation based on a 110 basis spread above the Republic of Guatemala 2013 bond. Pricing and yield information for the Guatemala Electrical Trust Notes is updated on each valuation date of the Fund.

Republic of Nicaragua Bonds for the Payment of Indemnification (BPI) (5.00% Republic of Nicaragua 01/02/2011)

DWS, in its capacity of Investment Manager, relies on broker prices for the Republic of Nicaragua for the Payment of Indemnification (BPI) (5.00% Republic of Nicaragua 01/02/2011) security held in the Fund's portfolio. The pricing sources include: Bear Stearns, Credit Suisse, and the Nicaraguan stock exchange (Bolsa de Nicaragua). DWS surveyed these parties and used an indicative price of 89.5 on 31 December 2007 posted by Bear Stearns. Given that this security is illiquid, the Investment Manager remains vigilant for additional pricing sources that are brought to their attention, and keeps the Fund's Pricing Committee informed on market developments.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

1. Significant Accounting Policies (continued)

e) Investments (continued)

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted dirty market prices at the Balance Sheet date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker / dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Fair values for unquoted equity investments are estimated, if possible, using applicable price / earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives, that are not exchange traded, is estimated at the amount that the Company would receive or pay to terminate the contract at the Balance Sheet date, taking into account current market conditions (volatility, appropriate yield curve) and the current creditworthiness of the counterparties. Realised gains and losses on investment disposals are calculated using the average cost method.

(iv) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

(v) Specific Instruments

Cash comprises current deposits with banks. The measurement of deposits are amortised cost. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

1. Significant Accounting Policies (continued)

d) Cash Flow Statement

The Company has availed of the exemption available to open-ended investment funds under FRS 1 not to prepare a Cash Flow Statement.

e) Income

Bank interest income is accounted for on an effective yield basis. Coupon interest is included in realised and unrealised gains/losses on investments in the profit and loss account on an accruals basis.

f) Fees and charges

In accordance with the Prospectus, management fees, administration fees, custody fees and other operating expenses are charged to the Profit and Loss Account on an accruals basis.

g) Derivative Instruments

Changes in the value of the derivatives are recognised as gains and losses by marking to market on a daily basis to reflect the value of the derivative at the end of each day's trading. They are valued at the settlement price established each day on which they are traded, and the Company's investment therein, representing unrealised gain or loss on the contracts, is included in the Profit and Loss Account.

h) Redeemable Participating Shares

Redeemable Participating Shares are redeemable at the Shareholder's option and are classified as financial liabilities. Any distributions on these participating shares are recognized in the Profit and Loss Account as finance costs.

i) Gains and Losses on Investments

Realised gains or losses on disposal of investments during the period and unrealised gains and losses on valuation of investments held at the period end are dealt with in the Profit and Loss Account.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

1. Significant Accounting Policies (continued)

j) Foreign Exchange

The functional currency of the Company is US Dollars. The Directors have determined that this reflects the Company's primary economic environment, as the majority of the Company's Net Assets Attributable to Holders of Redeemable Participating Shares are in US Dollars.

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit and loss are recognised together with other changes in the fair value. Net currency gains/(losses) as set out in Note 4, are net foreign exchange gains and losses on monetary financial assets and liabilities other than those classified at fair value through profit or loss.

Assets and liabilities denominated in foreign currencies, other than the functional currency of the Company, have been translated at the rate of exchange ruling at 31 December. Transactions in foreign currencies are translated into US Dollars at the exchange rate prevailing at the date of the transaction. Gains and losses on foreign exchange transactions are recognised in the Income Statement in determining the result for the year.

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Company:

	As at 31 December 2007 US\$1=	As at 31 December 2006 US\$1=
Colombian Peso (COP)	498.1153	N/A
Costa Rican Colon (CRC)	2017.2503	N/A
Euro (EUR)	0.6840	0.7583
Mexican Peso (MXN)	10.9143	10.8269

2. Financial Risk Management

Strategy in using Financial Instruments

In pursuing its investment objective, the Company is exposed to a variety of financial risks: market risk (including market price risk, interest rate risk and currency risk), credit risk and liquidity risk that could result in a reduction in the Company's net assets. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

Market price risk

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

The Portfolio's investment objective is to generate a high real rate of return. The Portfolio seeks to achieve this objective by investing primarily in debt and related instruments and equity and related instruments issued by sovereign issuers, their agents and instrumentalities, state-owned issuers selected for privatisation, corporate issuers, supranational issuers, quasi-governmental issuers, and any other issuer deemed fit for investment by the Directors, or a committee thereof.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Market price risk (Continued)

The Portfolio's debt securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Investment Manager moderates this risk through a careful selection of securities within specified limits. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Board of the Company manage the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Investment Manager. The Board meets twice yearly and at each meeting reviews investment performance and overall market positions. They monitor the Investment Manager's compliance with the Company's objectives.

Details of the nature of the Company's investment portfolio at the balance sheet date are disclosed in the Schedule of Investments on pages 36 and 37.

At 31 December 2007, the Company's market risk is affected by three main components: changes in actual market prices, interest rates and foreign currency movements. Interest rate and foreign currency movements are covered in the separate sections below.

Value-at-Risk (VaR)

Value-at-risk (VaR) is currently used to derive a quantitative measurement for a fund's market risk under normal market conditions. VaR is calculated every day. The Investment Manager uses RiskManager as the engine for calculating VaR. Suitable stress tests are also carried out on a daily basis and back-testing, for reviewing the predictive quality of the VaR model, are also performed.

The Investment Manager receives a daily results report from Risk Manager. This report shows the VaR of the fund and its reference fund, including, where appropriate, sensitivity data and the results of stress tests. The Investment Manager uses these reports every day to check that statutory and contractual market-risk limits (i.e. the VaR of the Fund may not be more than twice (200%) as high as the VaR of the derivative-free comparable reference/benchmark Fund) have been observed. Their findings are to be properly taken into account in investment decisions.

The statistical VaR process is used to derive a quantitative measurement for a fund's market risk under normal market conditions. The result of the VaR calculation indicates the potential future losses for a fund (based on the market value) that will not be exceeded under normal market conditions, for a specified holding period and confidence level (e.g. 99%). The VaR method is a consistent, standard measurement that can be applied to all trading transactions and products. This enables the calculated market risk to be compared with both a specific time period and the actual return.

The Investment Manager's policy is to use historical calculation for monitoring regulatory requirements whilst key VaR figures are calculated using the Monte Carlo (MC) simulation. Historical simulation is used because it is more transparent. Historical simulation applies the changes in market data over the previous twelve months to the current market environment. MC simulation is a model that calculates the profit or loss made by a fund in a large number of different market scenarios (generally 10,000 scenarios).

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Value-at-Risk (VaR) (continued)

The following quantitative specifications apply to the VaR model:

- 99% confidence level
- 10 day holding period
- minimum of one year historical time series

The main market risks addressed include: interest rate risk, credit spreads risk, equity price risk, exchange rate risk, vega risk, and their associated correlations.

Assumptions and Limitations of VaR

The standard VaR calculation is currently based on the historical market events of the last 252 trading dates. Market events not contained within this time window are not taken into account to assess potential future losses. A prerequisite to calculating VaR properly is the availability of sufficient data. VaR works well for instruments whose input variables, i.e. risk factors, are market observables or can at least be easily derived from the market. VaR relies on the availability of quality time series of the risk factors.

Correlations among several risk factors are hard to observe and, thus, they are estimated. Another important issue is changing correlation - for example, securities or asset classes which have been previously uncorrelated, might suddenly become highly correlated.

The Investment Manager calculates daily the VaR with two methods simultaneously, i.e., historical simulation and Monte Carlo simulation. However, the Monte Carlo VaR calculation is based on the assumption that returns of risk factors are normally distributed with a constant variance over time. This is a simplification of reality and “fat tails” and greater market events are underestimated.

The VaR calculation is subject to statistical sampling error. The actual losses experienced by any individual fund may be greater than the VaR. In a highly volatile market the VaR may underestimate the risk in the fund.

VaR Analysis

At 31 December 2007, utilising the Investment Manager’s proprietary risk model, under normal market conditions the ten day value-at-risk (VaR) for the CABEI Central American Portfolio is approximately 3.34% (US\$2,452,348) at the 99% confidence level. That is, under normal market conditions and assuming no changes to shareholder capital, there is estimated to be a greater than 99% probability that the value of this Portfolio would not decrease by more than 3.34% (US\$2,452,348) over ten days.

MIG21

MIG21 is a global investment compliance tool used as at 31 December 2007 and 31 December 2006. Its flexible rules engine, combined with advanced data resolution management tools, provide controls of the investment process.

As at 31 December 2007 and 31 December 2006 the MIG21 investment limit checking tool was used to monitor electronically that all investment limits, including the market-risk threshold were complied with on a daily basis.

As at 31 December 2007 and 31 December 2006 there were no breaches of investment limit or market risk thresholds.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Interest rate risk

The Fund's interest bearing financial assets and liabilities exposes it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows.

Interest rate risk is managed, in part, by the security selection process of the Investment Manager which includes predictions of future events and their impact on interest rates, diversification and duration. In accordance with Company policy, the Investment Manager monitors the Portfolio's overall interest sensitivity on a daily basis. The Directors rely on the Investment Manager to keep them informed of any material event. There were no material changes to the Company's policies and processes for managing interest rate risk and the methods used to measure risk since the prior year end.

The tables below summarise the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2007	Less than 1 month US\$	1 month - 1 year US\$	1 - 5 years US\$
Assets			
Debt instruments designated at fair value through Profit and Loss	-	-	29,374,834
Debtors	-	-	-
Cash Deposits	1,414,439	-	-
Total assets	<u>1,414,439</u>	<u>-</u>	<u>29,374,834</u>
Liabilities			
Bank Overdraft	(9)	-	-
Accrued expenses	-	-	-
Redeemable participating shares	-	-	-
Total liabilities	<u>(9)</u>	<u>-</u>	<u>-</u>
Total interest sensitivity gap	<u>1,414,430</u>	<u>-</u>	<u>29,374,834</u>

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Interest rate risk (Continued)

	> 5 years US\$	Non-interest bearing US\$	Total US\$
Assets			
Debt instruments designated at fair value through Profit and Loss	79,192,862	-	108,567,696
Debtors	-	47,947	47,947
Cash Deposits	-	-	1,414,439
Total assets	<u>79,192,862</u>	<u>47,947</u>	<u>110,030,082</u>
Liabilities			
Bank Overdraft	-	-	(9)
Accrued expenses	-	(263,199)	(263,199)
Redeemable participating shares	-	(109,766,883)	(109,766,883)
Total liabilities	<u>-</u>	<u>(110,030,082)</u>	<u>(110,030,082)</u>
Total interest sensitivity gap	<u>79,192,862</u>	<u>(109,982,135)</u>	<u>-</u>

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Interest rate risk (Continued)

As at 31 December 2006	Less than 1 month US\$	1 month - 1 year US\$	1 - 5 years US\$
Assets			
Debt instruments designated at fair value through Profit and Loss	-	-	18,174,403
Debtors	-	-	-
Cash Deposits	4,635,052	-	-
Total assets	4,635,052	-	18,174,403
Liabilities			
Accrued expenses	-	-	-
Redeemable participating shares	-	-	-
Total liabilities	-	-	-
Total interest sensitivity gap	4,635,052	-	18,174,403
	> 5 years US\$	Non-interest bearing US\$	Total US\$
Assets			
Debt instruments designated at fair value through Profit and Loss	62,238,869	-	80,413,272
Debtors	-	81,566	81,566
Cash Deposits	-	-	4,635,052
Total assets	62,238,869	81,566	85,129,890
Liabilities			
Accrued expenses	-	(638,753)	(638,753)
Redeemable participating shares	-	(84,491,137)	(84,491,137)
Total liabilities	-	(85,129,890)	(85,129,890)
Total interest sensitivity gap	62,238,869	(85,048,324)	-

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Certain of the Portfolio's assets and liabilities are denominated in currencies other than US Dollars, the functional currency. It is, therefore, exposed to currency risk as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. Income denominated in foreign currencies is converted to US Dollars on receipt.

In accordance with Company policy, the Investment Manager monitors the Portfolio's currency position on a daily basis. The Directors of the Company rely on the Investment Manager to keep them informed of any material event. There were no material changes to the Company's policies and processes for managing currency risk and the methods used to measure risk since the prior year end.

The tables below document the Fund's exposure to currency risks:

As at 31 December 2007

Financial Assets - stated in US Dollars

	Financial Assets at Fair Value Through Profit or Loss	Debtors	Cash Deposits	Total
CRC	3,779,990	-	-	3,779,990
EUR	-	-	-	-
MXN	5,339,149	-	326,353	5,665,502
	<u>9,119,139</u>	<u>-</u>	<u>326,353</u>	<u>9,445,492</u>

Financial Liabilities - stated in US Dollars

	Bank Overdraft	Accrued Expenses	Redeemable Participating Shares	Total
EUR	(9)	-	-	(9)
	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>

As at 31 December 2006

Financial Assets - stated in US Dollars

	Financial Assets at Fair Value Through Profit or Loss	Debtors	Cash Deposits	Total
EUR	-	-	(77,776)	(77,776)
MXN	-	-	68,966	68,966
	<u>-</u>	<u>-</u>	<u>(8,810)</u>	<u>(8,810)</u>

There was no currency exposure on Financial Liabilities as at 31 December 2006.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty or an issuer will be unable to pay amounts in full when due.

The carrying amounts of financial assets as disclosed in the balance sheet best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised costs, as they have a short-term to maturity.

As at 31 December 2007, the Fund's financial assets exposed to credit risk amounted to the following:

	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Investments in debt instruments	<u>108,567,696</u>	<u>80,413,272</u>
	<u><u>108,567,696</u></u>	<u><u>80,413,272</u></u>

Amounts in the above table are based on the carrying value of the instruments.

The Fund's financial assets exposed to credit risk were concentrated in the following sectors:

	As at 31 December 2007 %	As at 31 December 2006 %
Government Fixed	89.18	81.51
Government Variable	-	5.07
Supranationals	3.48	-
Corporate Fixed	<u>7.34</u>	<u>13.42</u>
	<u><u>100.00</u></u>	<u><u>100.00</u></u>

Other than outlined above, there were no significant concentrations of credit risk to counterparties at 31 December 2007 or 31 December 2006.

Credit risk arising on debt instruments is mitigated by investing primarily in financial assets which have an investment grade as rated by well-known rating agencies. For unrated assets, the Investment Manager assigns a rating using an approach that is consistent with rating agencies. At 31 December, the Fund was invested in debt securities with the following credit quality:

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Credit risk (Continued)

Portfolio by Standard and Poor's rating category

Rating	As at	As at
	31 December 2007	31 December 2006
	%	%
AAA	3.50	-
A+	5.02	-
B-	-	3.01
B+	8.01	2.20
BB	27.13	47.86
BB+	38.95	29.20
BBB	-	6.29
BBB+	1.56	-
BBB-	1.62	6.37
Not rated	14.21	5.07
Total	100.00	100.00

In accordance with the Company's policy, the Investment Manager monitors the Fund's credit position on a daily basis, and the Board of Directors review it on a twice yearly basis. There were no material changes to the Company's policies and processes for managing credit risk and the methods used to measure risk since the prior year end.

All transactions in securities are settled/ paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund had a cash position of 1.29% to total assets on 31 December 2007.

The Fund is exposed to daily cash redemptions of redeemable shares. The Fund generally retains a certain portion of its assets in cash, which is available to satisfy redemptions. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

In accordance with Company policy, the Investment Manager monitors the Fund's liquidity position on a daily basis. The Directors of the Company rely on the Investment Manager to keep them informed of any material event. There were no material changes to the Company's policies and processes for managing liquidity risk and the methods used to measure risk since the prior year end.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

2. Financial Risk Management (Continued)

Liquidity risk (Continued)

The tables below analyse the Portfolio's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant. All amounts are stated in US Dollars.

As at 31 December 2007	Less than 1 month US\$	More than 1 month US\$	Total US\$
Accrued expenses	-	263,199	263,199
Bank Overdraft	9	-	9
Redeemable participating shares	<u>109,766,874</u>	<u>-</u>	<u>109,766,874</u>
Total financial liabilities	<u><u>109,766,883</u></u>	<u><u>263,199</u></u>	<u><u>110,030,082</u></u>

As at 31 December 2006	Less than 1 month US\$	More than 1 month US\$	Total US\$
Accrued expenses	-	638,753	638,753
Redeemable participating shares	<u>84,491,137</u>	<u>-</u>	<u>84,491,137</u>
Total financial liabilities	<u><u>84,491,137</u></u>	<u><u>638,753</u></u>	<u><u>85,129,890</u></u>

Redeemable Participating Shares are redeemed on demand at the holder's option.

3. OPERATING INCOME

	Year ended 31 December 2007 US\$	Year ended 31 December 2006 US\$
Deposit interest	173,713	189,486
Sundry income	<u>24,593</u>	<u>24,894</u>
	<u><u>198,306</u></u>	<u><u>214,380</u></u>

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

4. Net Gains/(Losses) on Financial Assets and Liabilities at Fair Value Through Profit or Loss	Year ended 31 December 2007	Year ended 31 December 2006
Realised gains on investments	4,516,232	6,300,775
Realised losses on forward currency contracts	(71,673)	-
Realised losses on sale of futures contracts	-	(14,250)
Net currency gains	112,911	4,540
Net change in unrealised appreciation on investments	<u>1,009,804</u>	<u>2,034,856</u>
	<u><u>5,567,274</u></u>	<u><u>8,325,921</u></u>
5. Operating Expenses	Year ended 31 December 2007 US\$	Year ended 31 December 2006 US\$
Administration fees	117,789	95,785
Auditors' fees	27,457	28,228
Custody fees	21,350	18,405
Directors' expenses	42,812	38,188
Directors' fees	91,286	89,067
Directors' liability insurance	27,540	25,990
Distribution fees *	-	(89,785)
Investment Management fees	761,729	657,585
Legal - administrative & general legal support	29,139	68,470
Legal - fund organisation & related business	51,735	100,381
Legal - other expenses	11,563	14,346
Marketing expenses	37,124	44,625
Other expenses	7,945	9,631
Performance fees	-	356,742
Printing/publishing fees	19,448	19,944
Professional fees	94,197	119,440
Transfer agency fees	<u>-</u>	<u>460</u>
	<u><u>1,341,114</u></u>	<u><u>1,597,502</u></u>

* The Distribution agreement between CABEI Central American Fund plc and SDI was terminated on 8 November 2005. Included in the figure of US\$ 89,785 is a settlement refund of US\$ 93,540 and two fees paid to Interfín Sociedad de Fondos de Inversion S.A. amounting to US\$ 3,755.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

6. Cash and Bank Balances	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Governor and Company of the Bank of Ireland	1,414,439	4,635,052
	<u>1,414,439</u>	<u>4,635,052</u>
7. Debtors	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Deposit interest	492	2,377
Prepaid insurance	36,954	25,689
Sale of securities awaiting settlement	10,501	-
Subscriptions of Shares awaiting settlement	-	29,080
VAT rebate	-	24,420
	<u>47,947</u>	<u>81,566</u>
8. Bank Overdraft	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Governor and Company of the Bank of Ireland	9	-
	<u>9</u>	<u>-</u>
9. Creditors (amounts falling due within one year)	As at 31 December 2007 US\$	As at 31 December 2006 US\$
Administration fees	11,364	8,506
Auditors' fees	28,836	29,835
Professional fees	7,774	16,007
Custodial fees	2,841	1,500
Directors' expenses	16,477	14,450
Directors' fees	79,781	69,616
Investment Management fees	77,379	55,257
Legal - administrative & general legal support	20,032	33,412
Legal - fund organisation & related business	8,532	28,111
Marketing expenses	4,804	12,780
Other expenses	-	2,027
Performance fee	-	356,742
Printing/publishing fees	5,379	10,470
Transfer Agency fees	-	40
	<u>263,199</u>	<u>638,753</u>

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

10. Share Capital

Subscriber Shares - Equity

The Company has equity share capital of EUR40,000 divided into 40,000 Subscriber Shares of EUR1 each (of which EUR10,005.25 has been paid up and which are beneficially owned by the Investment Manager). The Subscriber Shares do not form part of the Net Asset Value of the Company.

They are thus disclosed in the Financial Statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's investment business. The Holders of Subscriber Shares are entitled to one vote only in respect of all their Subscriber Shares.

Redeemable Participating Shares - Liabilities

The Company has 500,000,000,000 Shares of no par value initially designated as unclassified Shares.

The Participating Shares are classified as liabilities, in accordance with Financial Reporting Standard 25 (FRS 25), as they are redeemable at the request of the Holders. The Shares are available as fully paid Redeemable Participating Shares of the Company. They carry voting rights. The Shares issued by the Company are freely transferable and entitled to participate equally in the profits and dividends of the Company and in its Net Assets upon liquidation. The Shares carry no preferential or pre-emptive rights and are entitled to one vote each at all meetings of the relevant class of Shareholders. All Shares rank pari-passu.

In accordance with the objectives listed on page 2 and the risk management policies in Note 2, the Company strives to invest the subscriptions of redeemable participating shares in appropriate investments, while maintaining sufficient liquidity to meet shareholder redemptions. The Company also invests in short-term commercial paper and debt and disposes of listed securities, when necessary, to meet liquidity needs.

Shares in Issue	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Number of Class A Shares Issued and Fully Paid			
Balance at beginning of year	54,735	56,912	53,459
Issued during year	23,906	16,755	16,752
Redeemed during year	(10,626)	(18,932)	(13,299)
Total number of Class A Shares in issue at end of year	68,015	54,735	56,912
11. Net Asset Value	As at 31 December 2007 US\$	As at 31 December 2006 US\$	As at 31 December 2005 US\$
Net Asset Value	109,766,874	84,491,137	80,558,342
Net Asset Value per A Share	1,613.86	1,543.64	1,415.49

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

12. Fees

The Investment Manager is entitled to receive an Investment Management fee from the Company, payable monthly in arrears of 0.825% per annum, of the average daily Net Asset Value of the Portfolio.

The Investment Manager is also entitled to receive a Performance Fee of 20% of the Net Asset Value's percentage out-performance of the Hurdle Rate during the relevant year. The 'Hurdle Rate' is a 12 month Libor plus 200 basis points per annum return of the Net Asset Value at the beginning of the relevant year, adjusted for subscriptions and redemptions on a time apportioned basis.

The Custodian is entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate ranging from 0.02% to 0.35% of Net Asset Value for the assets held, subject to a minimum monthly fee of US\$1,500. The Administrator is entitled to a fee which is accrued daily and paid monthly in arrears at an annual rate of 0.1% of Net Assets for the first US\$100 million of net assets and 0.07% of the Net Asset Value in excess thereof, subject to a minimum monthly fee of US\$5,000 as applicable.

13. Efficient Portfolio Management

The Investment Manager may utilise derivatives and other techniques and instruments (including, but not limited to, options, swaps, futures and forwards) whether the intention of providing protection against risks of gaining exposure to certain markets, sectors or securities, or otherwise of increasing the return on the Assets of the Portfolio. Such derivatives and other techniques and instruments will only be used for efficient portfolio management purposes in accordance with the conditions and limits laid down by the Financial Regulator. The Investment Manager may also, when facilities become available in the relevant markets, lend the Portfolio securities and/or purchase securities subject to repurchase agreements.

During the year, the Company did not invest in any futures. However, in previous years, the Company has used futures to hedge against market price movement.

14. Related Party Transactions

Financial Reporting Standard 8 "Related Party Transactions" (FRS 8) requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity.

Investment Manager

Related parties include the Investment Manager. Amounts earned by the Investment Manager are disclosed in Note 5.

Directors' fee

The total Directors' fee is disclosed in Note 5.

Shareholding of related parties

Central American Bank for Economic Integration had an interest of 69.15% (2006: 91.35%) in the Shares of the Company at 31 December 2007. Walter Dostmann (Company Chairman) holds one subscriber share.

Notes to the Financial Statements For the year ended as at 31 December 2007 (continued)

15. Taxation

The Company will not be liable for tax in respect of its income and gains, other than on the occurrence of a chargeable event. A chargeable event includes any distribution or any redemption or transfer of Shares.

A chargeable event does not include:

- i) Any transactions in relation to Redeemable Participating Shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- ii) An exchange of Redeemable Participating Shares representing one Sub-fund for another Sub-fund of the Company; or
- iii) An exchange of Redeemable Participating Shares arising on a qualifying amalgamation or reconstruction of the Company with another fund.

A chargeable event will not occur in respect of Redeemable Participating Shareholders who are neither resident nor ordinarily resident in Ireland and who have provided the Company with a relevant declaration to that effect. There were no chargeable events during the year.

In the absence of an appropriate declaration, the Company will be liable for Irish tax on the occurrence of a chargeable event and the Company reserves its right to withhold such taxes from payments to relevant shareholders.

Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Company or its Shareholders. A chargeable event includes any distribution payment to shareholders or any encashment, redemption or transfer of shares or an ending of a Relevant Period.

16. Soft Commission Arrangements

There are no soft commission arrangements affecting the Company during the year.

17. Material Changes During the Year

A Supplement to the Offering Circular was issued on 24 July 2007. This Circular details the Portfolio's investment and borrowing restrictions.

18. Comparative Figures

The comparative figures are for the twelve months to 31 December 2006.

19. Post Balance Sheet Events

There have been no events subsequent to the year end, which, in the opinion of the Directors of the Company, may have had an impact on the Financial Statements for the year ended 31 December 2007.

20. Approval of Financial Statements

The Financial Statements were approved by the board on 26 March 2008.

Schedule of Investments as at 31 December 2007

The percentage in brackets show the equivalent sector holdings at 31 December 2006.

Holding	Investment	Value US\$	% of Fund
CRC - DENOMINATED SECURITIES			
Supranationals - 3.44% (2006 - 0.00%)			
1,820,000,000	7.40% Inter American Development Bank 11/10/2012	3,779,990	3.44
CRC - DENOMINATED SECURITIES - TOTAL		3,779,990	3.44
MXN - DENOMINATED SECURITIES			
Government Fixed - 4.86% BBB+			
50,000,000	10.00% Mexico (United Mexican States) 05/12/2024	5,339,149	4.86
MXN - DENOMINATED SECURITIES - TOTAL		5,339,149	4.86
USD - DENOMINATED SECURITIES			
Corporate Fixed - 7.26% (2006 - 12.76%)			
2,500,000	8.50% Citco Trustees Cayman 21/12/2014	2,707,648	2.46
5,000,000	6.75% MMG Fiduciary (El Salvador) 01/02/2016	5,265,700	4.80
		7,973,348	7.26
Government Fixed - 81.40% (2006 - 77.59%)			
3,000,000	7.00% Argentina (Republic of) 12/09/2013	2,624,490	2.39
1,500,000	8.25% Colombia (Republic of) 22/12/2014	1,719,319	1.57
7,000,000	8.11% Costa Rica (Republic of) 01/02/2012	7,779,042	7.09
7,600,000	8.05% Costa Rica (Republic of) 31/01/2013	8,567,444	7.81
5,200,000	9.995% Costa Rica (Republic of) 01/08/2020	6,998,242	6.38
2,634,833	9.50% Dominican Republic 27/09/2011	2,858,282	2.61
2,732,442	9.04% Dominican Republic 23/01/2018	3,196,071	2.91
8,000,000	8.50% El Salvador (Republic of) 25/07/2011	9,090,867	8.28
2,000,000	7.75% El Salvador (Republic of) 24/01/2023	2,381,930	2.17
6,600,000	7.65% El Salvador (Republic of) 15/06/2035	7,652,287	6.97
2,500,000	10.25% Guatemala (Republic of) 08/11/2011	2,931,476	2.67
5,000,000	9.25% Guatemala (Republic of) 01/08/2013	5,948,958	5.42
7,035,000	8.125% Guatemala (Republic of) 06/10/2034	8,444,701	7.69
7,000,000	5.625% Mexico (United Mexican States) 15/01/2017	7,279,143	6.63
1,500,000	6.75% Mexico (United Mexican States) 27/09/2034	1,686,338	1.54
3,164,320	5.00% Nicaragua (Republic of) 01/02/2011	2,935,177	2.68
4,000,000	7.25% Panama (Republic of) 15/03/2015	4,494,229	4.09
4,500,000	6.70% Panama (Republic of) 26/01/2036	4,887,213	4.45
		91,475,209	83.35

Schedule of Investments as at 31 December 2007 (continued)

The percentage in brackets show the equivalent sector holdings at 31 December 2006.

Holding Investment	Value US\$	% of Fund
US\$ - DENOMINATED SECURITIES (Continued)		
Government Variable - 0.00% (2006 - 4.82%)		
US\$ - DENOMINATED SECURITIES - TOTAL	99,448,557	90.61
TOTAL VALUE OF INVESTMENTS (Cost: US\$ 103,577,324)	108,567,696	98.91
CASH	1,414,439	1.29
OTHER NET LIABILITIES*	(215,261)	(0.20)
TOTAL VALUE OF FUND	<u>109,766,874</u>	<u>100.00</u>

**Other Net Assets are made up of the Debtors figure (note 7) less the Bank Overdraft figure (note 8) and the Creditors figure (note 9). Also please refer to the Balance Sheet on page 15.

Analysis of Transferable Securities

	% of Total Assets
Transferable securities	98.91
Other Net Assets	1.09
	<u>100.00</u>

Schedule of Portfolio Changes for the year ended 31 December 2007

Largest Purchases		Cost US\$
88,000,000	10.00% Mexico (United Mexican States) 05/12/2024	9,729,700
7,500,000	5.625% Mexico (United Mexican States) 15/01/2017	7,545,250
5,600,000	8.05% Costa Rica (Republic of) 31/01/2013	6,159,600
4,500,000	6.70% Panama (Republic of) 26/01/2036	4,626,500
3,035,000	8.125% Guatemala (Republic of) 06/10/2034	3,530,433
1,820,000,000	7.40% Inter American Development Bank 11/10/2012	3,504,785
3,250,000	7.25% Panama (Republic of) 15/03/2015	3,500,500
3,000,000	8.11% Costa Rica (Republic of) 01/02/2012	3,268,500
2,500,000	9.04% Dominican Republic 23/01/2018	3,150,014
7,000,000	1.33% Argentina (Republic of) 31/12/2038	2,695,000
3,000,000	7.00% Argentina (Republic of) 12/09/2013	2,602,500
2,500,000	Citigroup Funding Incorporated FRN 24/03/2010	2,502,955
4,500,000,000	9.85% Colombia (Republic of) 28/06/2027	2,415,667
2,000,000	8.50% El Salvador (Republic of) 25/07/2011	2,199,000
1,800,000	9.25% Guatemala (Republic of) 01/08/2013	2,074,500
20,000,000	9.00% Mexico (United Mexican States) 22/12/2011	1,922,795
1,500,000	8.25% Colombia (Republic of) 22/12/2014	1,710,000
1,500,000	6.75% Mexico (United Mexican States) 27/09/2034	1,642,500
900,000	9.995% Costa Rica (Republic of) 01/08/2020	1,180,350
1,000,000	7.75% El Salvador (Republic of) 24/01/2023	1,166,000
Largest Sales		Proceeds US\$
4,000,000	8.11% Costa Rica (Republic of) 01/02/2012	4,355,000
3,400,000	9.375% Panama (Republic of) 16/01/2023	4,344,500
38,000,000	10.00% Mexico (United Mexican States) 05/12/2024	4,101,611
2,700,000	7.625% El Salvador (Republic of) 21/09/2034	3,100,000
7,000,000	1.33% Argentina (Republic of) 31/12/2038	2,642,500
2,500,000	Citigroup Funding Incorporated FRN 24/03/2010	2,422,297
2,000,000	7.65% El Salvador (Republic of) 15/06/2035	2,303,000
2,000,000	7.75% El Salvador (Republic of) 24/01/2023	2,283,000
2,000,000	5.625% Mexico (United Mexican States) 15/01/2017	2,030,000
4,500,000,000	9.85% Colombia (Republic of) 28/06/2027	1,954,472
20,000,000	9.00% Mexico (United Mexican States) 22/12/2011	1,908,468
1,500,000	10.25% Guatemala (Republic of) 08/11/2011	1,751,250
1,700,000	7.75% Pemex Project Funding 29/09/2049	1,739,100
1,800,000	7.00% Argentina (Republic of) 12/09/2013	1,696,500
1,000,000	7.375% Pemex Project Funding 15/12/2014	1,108,000
1,000,000	7.00% Argentina (Republic of) 17/04/2017	917,100
590,000	6.375% Mexico (United Mexican States) 16/01/2013	607,700
515,000	9.50% TGI International Limited 03/10/2017	526,845

NOTES

For more information please visit our website www.cabei-ca-fund.com