

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA**  
**KINGDOM OF BAHRAIN**

**CONDENSED INTERIM FINANCIAL**  
**INFORMATION FOR THE PERIOD**  
**ENDED JUNE 30, 2008**

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

<u>Chairman</u>	Mr. Nabeel Waheed Shaikh
<u>Directors</u>	Mr. Omar Bouhadiba Mr. Ali Raza Khan Mr. Kantic Dasgupta
<u>Registered Office</u>	Falt 141, Building 3, Road 365, Block 316, Manama, Kingdom of Bahrain.
<u>Banker</u>	Mashreqbank psc. Dubai, U.A.E.
<u>Funds Company</u>	Makaseb Funds Company B.S.C. (c)
<u>Fund Manager</u>	Mashreqbank psc. Dubai, U.A.E.
<u>Administrator &amp; Custodian</u>	HSBC Bank Middle East Limited, Bahrain
<u>Auditor</u>	Deloitte & Touche, P.O. Box 421, Manama, Kingdom of Bahrain.

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONTENTS**

	<u>Page</u>
Review Report	1
Condensed Statement of Assets and Liabilities as at June 30, 2008	2
Condensed Statement of Operations For the Period Ended June 30, 2008	3
Condensed Statement of Changes in Net Assets For the Period Ended June 30, 2008	4
Condensed Cash Flow Statement For the Period Ended June 30, 2008	5
Notes to the Condensed Interim Financial Information For the Period Ended June 30, 2008	6 to 11

## REVIEW REPORT OF INTERIM FINANCIAL INFORMATION

Makaseb Emirates Equity Fund,  
Manama,  
Kingdom of Bahrain

Deloitte & Touche  
Office 44  
Al Zamil Tower  
Government Avenue  
P. O. Box 421  
Manama  
Kingdom of Bahrain

Tel: +973 17214490  
Fax: +973 17214550  
www.deloitte.com  
C.R. 18670

### *Introduction*

We have reviewed the accompanying condensed statement of assets and liabilities of Makaseb Emirates Equity Fund, ("the Fund"), as at June 30, 2008, and the related condensed statement of operations, condensed statement of changes in net assets and condensed cash flow statement for the six-month period then ended. This condensed interim financial information is the responsibility of the Fund's management. Our responsibility is to issue a report on this condensed interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not presented fairly, in all material respects, in accordance with IAS 34, Interim Financial Reporting.

Without qualifying our report we draw attention to the Condensed Interim Financial Information. The securities designated at fair value through profit or loss represent investments in listed securities, which present the Fund with the opportunity for return through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realizable value.

Manama – Kingdom of Bahrain  
August 14, 2008



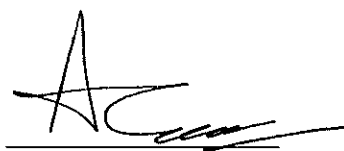
Deloitte & Touche

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2008**  
**(Unaudited)**

	<u>Note</u>	<u>June 30,</u> <u>2008</u> <u>USD</u>	<u>December 31,</u> <u>2007</u> <u>USD</u> <u>(Audited)</u>
<b>ASSETS:</b>			
Cash at banks		3,071	113,982
Securities designated at fair value through profit or loss	5	19,465,327	31,897,352
Other assets		3,784,954	-
<b>Total Assets</b>		<u>23,253,352</u>	<u>32,011,334</u>
<b>LIABILITIES:</b>			
Bank overdraft		652,002	24,830
Redemption payable		4,380,036	-
Outstanding settlements		-	864,451
Accrued fees and charges		42,487	51,082
Due to a related party		193,330	116,859
<b>Total Liabilities</b>		<u>5,267,855</u>	<u>1,057,222</u>
<b>Net Assets</b>		<u>17,985,497</u>	<u>30,954,112</u>
<b>ANALYSIS OF NET ASSETS:</b>			
Capital	6	( 4,069,864)	6,686,816
Net realised income		22,394,521	21,005,422
Change in fair value of securities designated at fair value through profit or loss	5	( 339,160)	3,261,874
<b>Net assets</b>		<u>17,985,497</u>	<u>30,954,112</u>
<b>Net asset value per unit</b>		<u>15.9386</u>	<u>17.30611</u>

The condensed interim financial information was approved by the Directors on August 14, 2008 and signed on their behalf by:

  
 Director

The attached notes 1 to 6 form part of this condensed interim financial information

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED STATEMENT OF OPERATIONS**  
**FOR THE PERIOD ENDED JUNE 30, 2008**  
**(Unaudited)**

	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2008</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2007</u> <u>USD</u> <u>(Not Reviewed)</u>
<b>INVESTMENT INCOME:</b>		
Dividend income	450,853	1,098,385
Other income	25,737	-
	-----	-----
	476,590	1,098,385
	-----	-----
<b>EXPENSES:</b>		
Management fees	193,330	297,206
Administration fees	34,894	51,404
Custody fees	34,101	41,921
Transaction fees	3,420	4,635
Registrar fees	5,951	6,058
Professional fees	8,946	3,262
Interest on overdraft	6,613	-
Other expenses, net	4,124	15,970
	-----	-----
Total expenses	291,379	420,456
	-----	-----
<b>Investment gain – net</b>	185,211	677,929
Realised and unrealised gain or loss on securities designated at fair value through profit or loss:		
Net realised gain/(loss)	1,203,888	(2,545,296)
Change in fair value	(3,601,034)	7,648,023
	-----	-----
Net (loss)/gain on securities	(2,397,146)	5,102,727
	-----	-----
<b>Net (decrease)/increase in net assets resulting from operations</b>	(2,211,935)	5,780,656
	=====	=====

The attached notes 1 to 6 form part of this condensed interim financial information

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE PERIOD ENDED JUNE 30, 2008**  
**(Unaudited)**

	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2008</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2007</u> <u>USD</u> <u>(Not Reviewed)</u>
<b>Increase/(Decrease) in net assets from operations:</b>		
Investment gain – net	185,211	677,929
Net realised gain/(loss) on securities	1,203,888	(2,545,296)
Change in fair value of securities	(3,601,034)	7,648,023
	-----	-----
Net (decrease)/increase in net assets resulting from operations	( 2,211,935)	5,780,656
Change in net assets from capital share transactions	(10,756,680)	(9,145,152)
	-----	-----
Change in net assets	(12,968,615)	(3,364,496)
Net assets – beginning of period	30,954,112	41,024,296
	-----	-----
Net assets – end of period	<u>17,985,497</u>	<u>37,659,800</u>

The attached notes 1 to 6 form part of this condensed interim financial information

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**CONDENSED CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED JUNE 30, 2008**  
**(Unaudited)**

	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2008</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>June 30, 2007</u> <u>USD</u> <u>(Not</u> <u>Reviewed)</u>
Net (decrease)/increase in net assets resulting from operations	(2,211,935)	5,780,656
Adjustments for:		
Net loss/(gain) on securities	2,397,146	(5,102,727)
Changes in operating assets and liabilities:		
Change in other assets	( 2,722)	(779,070)
Change in other liabilities	( 796,575)	( 43,813)
<b>Net cash used in operating activities</b>	<b>( 614,086)</b>	<b>(144,954)</b>
<b>Cash flows from investing activities</b>		
Payments for purchase of securities	(37,620,010)	(6,780,948)
Proceeds from disposal of securities	43,872,657	15,106,482
<b>Net cash from investing activities</b>	<b>6,252,647</b>	<b>8,325,534</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	6,821,085	3,094,273
Payments on redemption of units	(13,197,729)	(12,239,425)
<b>Net cash used in financing activities</b>	<b>( 6,376,644)</b>	<b>( 9,145,152)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>( 738,083)</b>	<b>( 964,572)</b>
Cash and cash equivalents at the beginning of the period	89,152	778,728
<b>Cash and cash equivalents at the end of the period</b>	<b>(648,931)</b>	<b>(185,844)</b>
Comprising:		
Cash at bank	3,071	-
Bank overdraft	(652,002)	(185,844)
	<b>(648,931)</b>	<b>(185,844)</b>

The attached notes 1 to 6 form part of this condensed interim financial information

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED JUNE 30, 2008**

---

1. **STATUS AND ACTIVITIES:**

Makaseb Emirates Equity Fund (“the Fund”) is an open-ended investment fund established by Makaseb Funds Company B.S.C. (c) (“the Funds Company”). The Fund is a collective investment scheme established pursuant to the Central Bank of Bahrain (“CBB”) regulations for the operation and marketing of collective investment schemes issued by CBB, Circular Number OG/356/92 of November 8, 1992 and subsequent supplementary circulars. The Fund is registered at the Ministry of Industry & Commerce and is authorized and approved by the CBB. It is established for a period of 25 years by the Funds Company. The life of the Fund can be extended by the Funds Company at the end of the 25<sup>th</sup> year.

The Fund was launched on February 8, 2005 and is denominated in US dollars. The objective of the Fund is to achieve long term capital growth by investing primarily in U.A.E. equities listed on the Abu Dhabi Securities Market and the Dubai Financial Market. The Fund’s Investment Policies are more fully defined in its Prospectus.

The Fund is managed by Mashreqbank psc (“the Investment Manager”) a bank incorporated in the United Arab Emirates. The Fund is administered by Gulf Investment Corporation gsc (“the Administrator”), a financial institution established under the auspices of the Gulf Corporation Council (“GCC”). The Funds Company is approved by the CBB and incorporated as a Bahrain Joint Stock Investment Company with Commercial Registration Number 55378 and has been established to act as an umbrella vehicle for funds including the Fund.

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

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

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED JUNE 30, 2008**

---

2. **BASIS OF PREPARATION:**

The condensed interim financial information has been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Fund's financial statements for the year ended December 31, 2007.

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the Fund's accounting policies**

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

*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 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 of short term profit making. All other investments are classified as available for sale.

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED JUNE 30, 2008**

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY: (CONTINUED)**

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Impairment of financial assets*

The Fund's management reviews periodically items classified as financial assets to assess whether a provision for impairment should be recorded in the statement of operations. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

5. **SECURITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS:**

This caption is composed of the following:

	<u>June 30,</u> <u>2008</u> <u>USD</u>	<u>December 31,</u> <u>2007</u> <u>USD</u>
Listed shares	19,465,327	31,762,566
Listed bonds	-	134,786
	----- 19,465,327 =====	----- 31,897,352 =====

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED JUNE 30, 2008**

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

June 30, 2008

Listed Shares:

	<u>Cost</u>	<u>Fair value</u>	<u>Change in fair</u>
	<u>USD</u>	<u>USD</u>	<u>value</u>
			<u>USD</u>
AED - Banking	3,741,920	3,567,238	(174,682)
- Real Estate	4,986,605	4,647,201	(339,404)
- Industrial	5,317,890	6,283,123	965,233
- Services	4,128,456	3,660,578	(467,878)
- Investment	1,401,652	1,108,631	(293,021)
	-----	-----	-----
	19,576,523	19,266,771	(309,752)
USD - Services	227,964	198,556	( 29,408)
	-----	-----	-----
	19,804,487	19,465,327	(339,160)
	-----	-----	-----

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED JUNE 30, 2008**

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

December 31, 2007

Listed Shares:

	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in fair</u> <u>value</u> <u>USD</u>
AED - Banking	7,956,508	9,121,297	1,164,789
- Real Estate	6,771,980	8,682,765	1,910,785
- Industrial	1,769,445	2,981,090	1,211,645
- Services	9,508,127	8,493,725	(1,014,402)
- Investment	1,457,315	1,352,574	(104,741)
- Insurance	817,139	849,442	32,303
	-----	-----	-----
	28,280,514	31,480,893	3,200,379
USD - Services	227,964	281,673	53,709
	-----	-----	-----
	28,508,478	31,762,566	3,254,088
	-----	-----	-----

Listed Bonds:

	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>Cost</u> <u>USD</u>	<u>Fair value</u> <u>USD</u>	<u>Change in fair</u> <u>value</u> <u>USD</u>
PCFC					
Development	January 23, 2008	Zero	127,000	134,786	7,786
			-----	-----	-----
			28,635,478	31,897,352	3,261,874
			=====	=====	=====

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

**MAKASEB EMIRATES EQUITY FUND**  
**MANAMA – KINGDOM OF BAHRAIN**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
**FOR THE PERIOD ENDED JUNE 30, 2008**

---

6. **CAPITAL:**

The negative capital of the Fund for the period is due to certain redemptions having taken place at a higher NAV per unit than the initial NAV per unit at which the units were issued.