The Atlantic Philanthropies

Combined Financial Statements
December 31, 2007 and 2006

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Report of Independent Auditors

To the Trustees and Directors of
The Atlantic Philanthropies (Note 1):

In our opinion, the accompanying combined statements of financial position and the related combined statements of activities and changes in net assets and of cash flows present fairly, in all material respects, the combined financial position of **The Atlantic Philanthropies** (Note 1) at December 31, 2007 and 2006, and the results of their combined operations, changes in their combined net assets and their combined cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of The Atlantic Philanthropies' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers

Chartered Accountants

The Atlantic Philanthropies

Combined Statements of Financial Position

As at December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007 $	2006 $
Assets		
Investments, at fair value		
Marketable securities (note 3)	248,621	313,527
Investment funds (note 4)	1,999,831	1,677,783
Other portfolio investments (note 5)	1,272,538	1,162,050
Derivative contracts, net (note 6)	5,714	(1,028)
	3,526,704	3,152,332
Cash and cash equivalents (note 7)	484,643	684,587
Other current assets (note 9)	28,610	33,326
Assets held for sale (note 17)	144,604	-
Property and equipment (note 10)	61,909	168,152
Other assets (note 11)	12,429	12,610
Investment in associated companies	25,950	26,569
Total assets	4,284,849	4,077,576
Liabilities		
Donations payable (note 12)	657,614	536,138
Marketable securities sold short (note 3)	5	3
Other current liabilities (note 13)	27,378	38,662
Debt obligations (note 14)	1,031	30,676
Liabilities held for sale (note 17)	51,471	-
Other liabilities	34,992	30,083
Minority interest	874	1,366
Total liabilities	773,365	636,928
Net assets (unrestricted)	3,511,484	3,440,648
	4,284,849	4,077,576

Approved by the Board of Directors and signed on their behalf by Michael I. Sovern and Gara LaMarche

The accompanying notes are an integral part of these combined financial statements.

The Atlantic Philanthropies

Combined Statements of Activities and Changes in Net Assets

For the years ended December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007 $	2006 $
Investment transactions		
Net investment income	35,190	30,177
Net realized gains (note 15)	321,424	258,159
Net change in unrealized gains (note 15)	280,123	308,796
Net foreign exchange translation gains	-	3,238
Investment management fees and other direct expenses	(15,773)	(16,988)
Gain from investment transactions	620,964	583,382
Operating businesses		
Sales (net of cost of goods sold of $8,501; 2006 - $7,167)	34,857	30,778
Rental and other income	7,535	6,147
Selling and administrative expenses	(62,521)	(52,184)
Equity in earnings of associated companies	4,574	3,124
Loss from operating businesses	(15,555)	(12,135)
Donations and charitable expenses		
Donations expense (note 12)	(508,481)	(365,810)
Administrative expenses	(45,999)	(39,318)
Total donations and charitable expenses	(554,480)	(405,128)
Increase in net assets from continuing operations before taxes	50,929	166,119
Tax benefit (note 16)	5,450	1,734
Increase in net assets from continuing operations	56,379	167,853
Income from discontinued operations (note 17)	14,045	17,340
Minority interest	692	1,390
Foreign currency translation (loss) gain, net	(280)	11,943
Increase in net assets	70,836	198,526
Net assets (unrestricted) - Beginning of year	3,440,648	3,242,122
Net assets (unrestricted) - End of year	3,511,484	3,440,648

The accompanying notes are an integral part of these combined financial statements.

The Atlantic Philanthropies

Combined Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(expressed in thousands of U.S. dollars)

	2007 $	2006 $
Cash flows from operating activities		
Increase in net assets	70,836	198,526
Adjustments to reconcile net cash used for operating activities		
Amortization of premium on debt securities	28	2,790
Net change in assets and liabilities available-for-sale	93,133	-
Net realized gains	(321,424)	(258,159)
Net change in unrealized gains	(280,123)	(308,796)
Net foreign exchange translation gains	-	(3,238)
Equity in earnings of associated companies	(4,574)	(3,124)
Depreciation, amortization and other expenses	6,062	12,074
	(436,062)	(359,927)
Change in operating assets and liabilities	26,684	69,275
Net cash used for operating activities	(409,378)	(290,652)
Cash flows from investing activities		
Proceeds from marketable securities, net	65,026	592,281
(Expenditure for) proceeds from investment funds, net	(89,579)	139,486
Proceeds from other portfolio investments, net	219,875	174,237
Proceeds from derivative contracts, net	31,828	16,995
Disposal (purchase) of property and equipment	7,047	(4,658)
Proceeds from other assets	181	23,253
Investments in associated companies	4,701	1,016
Net cash provided by investing activities	239,079	942,610
Cash flows from financing activities		
Repayments of borrowings under reverse repurchase agreements	-	(516,831)
Repayments of debt obligations	(29,645)	(3,074)
Net cash used for financing activities	(29,645)	(519,905)
(Decrease) increase in cash and cash equivalents	(199,944)	132,053
Cash and cash equivalents - Beginning of year	684,587	552,534
Cash and cash equivalents - End of year	484,643	684,587
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	1,053	1,958
Income and other taxes, net	4,958	14,382

The accompanying notes are an integral part of these combined financial statements.

1. Combined entities

These combined financial statements include The Atlantic Foundation (“The Foundation”), The Atlantic Trust (“The Trust”), The Atlantic Advocacy Fund (“AAF”), The Atlantic Foundation of New York (“AFNY”), The Atlantic Charitable Trust (“ACT”), Atlantic Charitable Holdings (“ACH”) ,The Mangrove Foundation (“Mangrove”) and Bridge Charitable Trust (“Bridge”). Collectively the group is referred to as “The Atlantic Philanthropies” or “Atlantic”.

All of the combined entities have similar charitable objectives and their managements are interrelated. These combined financial statements have been prepared to provide an overview of the activities of the eight entities.

The Atlantic Philanthropies seek to bring about lasting changes that will improve the lives of disadvantaged and vulnerable people. Atlantic concentrates its giving in four fields: ageing; disadvantaged children and youth; the health of populations in developing countries; and reconciliation and human rights. In addition to its philanthropic interests, Atlantic owns 100% of General Atlantic Group Limited, a Bermuda corporation (“GAGL”), through its wholly-owned subsidiary, Exeter Associates Limited, a Bermuda corporation (“Exeter”). Through operating subsidiaries, GAGL is engaged in resort hotel and recreational facility operation and management, retailing, real estate development and biotech research to develop breakthrough therapies for life threatening diseases.

Atlantic plans to spend down its entire endowment by 2020 to make a sustainable impact in its four programme areas. In line with the decision, the Board of GAGL requested its management to develop a strategic plan and prepare to exit from all operating business subject to the achievement of the best available and reasonably achievable commercial terms (note 17).

2. Significant accounting policies

These combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

(a) **Basis of accounting**
These combined financial statements include the consolidated financial statements of The Trust and The Foundation and the financial statements of AFNY, AAF, ACT, ACH, Mangrove and Bridge. GAGL’s financial statements are prepared for January 31, 2008 and 2007. The results of this entity have been adjusted for inclusion in the financial statements to reflect significant items of income and expenditure during the months of January 2008 and 2007. GAGL accounts for its 20% to 50% interests in associated companies under the equity method of accounting and consolidates its majority-owned and controlled subsidiaries. All significant intercompany accounts and transactions are eliminated.

(b) **Net assets**
There were no temporarily or permanently restricted net assets for charitable purposes as of December 31, 2007 or 2006.

(c) **Marketable securities and marketable securities sold short**
Marketable securities and marketable securities sold short are carried at fair value. Quoted securities are stated at market value, which is based on quoted prices on a recognized stock exchange on the last day of trading of the fiscal year. Other marketable securities, for which the primary market is “over-the-counter” are valued by management based upon information provided by investment advisors. Investment advisors determine the fair value using the most recent available “bid” quotations provided by one or more principal market makers for the security.

Investment transactions are recorded on the trade date and investment income is recognized on the accrual basis when receivable. Discounts and premiums on debt securities are accreted and amortized over the term of the securities. Gains and losses associated with the revaluation of marketable securities are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. Realized gains and losses are calculated on a first-in-first-out basis.

(d) **Investment funds**

Investment funds are carried at estimated fair market values, which are principally derived from the net asset values provided by third party administrators, fiduciary agents or in certain cases, investment managers and prime brokers, acting for each respective underlying investment fund.

The management agreements of the underlying funds provide for compensation to the respective managers in the form of fees determined as a percentage of net assets and in many cases, performance incentive fees based on net profits earned, subject to other limiting factors such as high water marks. The fees are deducted from the assets of the underlying funds and are reflected in the net asset values reported to management.

Gains and losses associated with the revaluation of investment funds are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. Redemption proceeds from investment funds in excess or below cost are recorded in the combined statement of activities and changes in net assets as realized gains and losses, respectively. Occasionally, the subscription agreements require a holdback of redemption proceeds for a specified time period or until the underlying fund has been audited. Such holdbacks are reported as receivables for securities sold, a component of other current assets in the combined statements of financial position.

(e) **Other portfolio investments**

Other portfolio investments comprise investments in private equity opportunities, made primarily through investment funds and limited partnerships (“L.P.’s”). Such investments are made in anticipation of market value appreciation and ultimate realization of capital gains upon sale.

Other portfolio investments are carried at fair value, as determined in good faith by Atlantic’s management. Management determines the fair value of these investments principally on the basis of net asset values and limited partner interest provided by the investment managers.

Investment managers consider all pertinent information including available market prices, types of securities, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, current financial position, operating results and other appropriate information. A conservative basis is sought by generally requiring adjustments to be based on values established in meaningful third party transactions or based on other market information such as fair market valuations of comparable companies, or changed conditions within the investees. The values assigned to these securities are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual positions are liquidated. Due to the absence of readily ascertainable market values and the inherent uncertainty of valuations, the estimated values may differ significantly from values that would have been used had a ready market for the securities existed, and the differences could be material.

Gains and losses associated with the revaluation of other portfolio investments are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. On receipt of distributions from other portfolio investments, a realized gain or loss is recognized equal to the proceeds less the identified cost basis of the liquidated investment.

(f) **Forward contracts**

Forward contracts are agreements to purchase or sell commodities or financial instruments at a specified future date. These instruments are recorded on the trade date and are carried at fair value. Notional values indicate the overall market exposure of the derivative contracts and are used by management to assess risk.

As forward contracts are not traded on an exchange, the agreements between counterparties are not standardized. There is generally no requirement to provide collateral, and changes in the value of forward contracts are settled only on termination of the contract rather than on a daily basis. Open forward contracts are revalued to fair value in the combined statements of financial position, based on the difference between the contract rate and the applicable forward rate to close out the contract. Gains and losses associated with the revaluation of open forward contracts are recorded in the combined statements of activities and changes in net assets as unrealized gains or losses. Upon contract expiration, or when an offsetting contract is entered into, the cumulative change in value is recognized as a realized gain or loss.

(g) **Cash and cash equivalents**

Cash and cash equivalents include marketable securities, repurchase agreements receivable and highly liquid debt instruments which have maturities of ninety days or less at date of purchase. Such instruments are valued at cost which, when combined with accrued interest, approximates market and fair value.

(h) **Repurchase agreements receivable**

A repurchase agreement involves acquiring securities for cash and obtaining a simultaneous commitment from the seller to repurchase the securities at an agreed upon price and date. Atlantic takes possession of the securities collateralizing the repurchase agreement. The collateral is marked to market daily to ensure that the market value of the underlying assets remains sufficient to protect Atlantic in the event of default by the seller. Atlantic records the repurchase agreements receivable in cash and cash equivalents in the combined statements of financial position.

(i) **Property and equipment**

Substantially all of the property and equipment is owned by GAGL. Property and equipment is stated at the lower of the estimated fair value at the date of impairment or historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives or lease terms of the assets which range from 3 to 40 years.

The costs of maintenance, repairs and minor renewals are charged to expense; the costs of major improvements are capitalized. When assets are retired or otherwise disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and any gain or loss on retirement is reflected in income for the current period.

Management considers all of the property and equipment to be held for long-term use. Long-lived assets and identifiable intangibles consist of property and equipment, lease premiums and related goodwill. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In performing the review for recoverability, if the sum of the expected future undiscounted cash flows generated by the asset is less than the carrying amount of the asset, an impairment loss is recognized. The impairment loss, if any, is calculated by comparing the asset carrying value to the respective fair value. The evaluation of fair value and future cash flows from individual properties requires significant judgement; it is reasonably possible that a change in estimate could occur.

(j) **Donations**
Unconditional donations are expensed in the period in which the commitment is made. Conditional donations are expensed in the period in which the conditions under which they are granted are substantially met. Conditional donations whose conditions have not been met are disclosed in note 12.

Unconditional donations payable over a period greater than one year are discounted using the appropriate risk-free rate of return for investments of a similar duration. The discount rate used for the unconditional donations made during the year ended December 31, 2007 was 3.22% (2006 – 4.96%). The discount is amortized and included as part of donations expense over the term of the obligation. Management has included supplemental disclosure in note 12 to demonstrate the effect of including conditional donations payable as a liability on Atlantic's net assets. For the purpose of supplemental disclosure, conditional donations have not been discounted as the payment terms can change frequently in relation to the conditions being met.

(k) **Operating business revenue recognition**
GAGL recognizes revenues on rooms and rental spaces, real estate, retail and fitness operations when full accrual method criteria have been met and upon receipt of non-refundable initiation fees for operating fitness clubs. Initiation fees relating to fitness club facilities under development are deferred until the club is opened.

GAGL has assets that have been sold but do not qualify for sales recognition and therefore have been reflected as deferred real estate sales in other assets (note 11). These assets are stated at the lower of cost or estimated fair value. Recognition of profits on real estate sales is deferred when cost recovery is not reasonably assured (note 18(c)). Amounts received at settlement for deferred sales are recorded as deposits. If GAGL incurs a loss on a settled real estate sale, the loss is recognized when the contract is signed.

(l) **Discontinuing operations**
Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets* ("FAS 144") establishes accounting and reporting standards for the impairment and disposal of long-lived assets. In general, a business segment that either has been disposed of or is classified as available for sale shall be reported in discontinued operations. Therefore, as required income or loss attributed to operations are presented in the consolidated statement of activities and changes in net assets as discontinuing operations (note 17). Assets and liabilities held for sale at December 31, 2007, primarily consisted of property and equipment and cash as well as bank debt and accrued expense, respectively.

(m) **Fair values of financial instruments**
Fair values of financial instruments are the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The estimated fair values of the financial instruments approximate their carrying values.

(n) **Foreign currency translation**
Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at year end exchange rates. Non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expenses are translated at average rates for the year. Gains and losses arising on the translation of foreign currency denominated investments are recorded as a component of realized and unrealized gains and losses. Gains and losses arising on the translation of donations denominated in foreign currencies are included as a component of donations expense (note 12). Gains and losses arising from translation of other assets and liabilities denominated in foreign currencies are recorded in the combined statement of activities and changes in net assets. Other exchange gains and losses that arise from exchange rate changes on transactions denominated in a currency other than the local currency are reflected in income as incurred.

(o) **Income taxes**
The Atlantic Philanthropies record income taxes in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. Changes in enacted tax rates are reflected in the tax provisions as they occur.

(p) **Use of estimates**
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

(q) **Recent accounting pronouncements**

Fair value measurement
In September 2006, the Financial Accounting Standards Board issued FAS No. 157, Fair Value Measurement (FAS 157), which addresses how companies should measure fair value when required for recognition or disclosure purposes under US generally accepted accounting principles. Specifically, FAS 157 creates a common definition of fair value and will require expanded disclosures about fair value measurements. FAS 157 will be effective for fiscal years beginning after 15 November 2007. Management is currently evaluating the effect of adoption.

Fair value option
In February 2007, the Financial Accounting Standards Board issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159), which permits companies to choose to measure many financial instruments and certain other items at fair value which are not currently required to be measured at fair value. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Management is currently evaluating the effect of adoption.

Income taxes
In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which is an interpretation of SFAS No 109 "Accounting for Income Taxes" ("SFAS 109"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. On February 1, 2008, the FASB issued FSP-FIN 48-2, effective date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. As a result, FIN 48 will first go into effect for non-public companies included within this ESP's scope for annual periods beginning after December 15, 2007. Management is currently evaluating the effect of adoption.

3. *Marketable securities and marketable securities sold short*

	2007			2006	
	Cost $'000	**Unrealized gain (loss) $'000**	**Fair value $'000**	**Cost $'000**	**Fair value $'000**
Fixed income					
Short-term investments	-	-	-	6,010	5,869
Corporate debt securities	171,943	(5,472)	166,471	269,258	269,220
Sovereign debt	80,043	199	80,242	36,927	31,651
	251,986	(5,273)	246,713	312,195	306,740
Equities					
U.S. equities	1,920	(12)	1,908	6,483	6,787
Total	253,906	(5,285)	248,621	318,678	313,527
Marketable securities sold short					
Equities					
U.S. equities	(3)	(2)	(5)	(3)	(3)

The contractual maturities of fixed income, excluding short-term investments, at fair value are as follows:

	2007 $'000	**2006 $'000**
Due in one year or less	211,415	260,940
Due after one year through five years	31,542	39,931
Due after five years through ten years	1,819	-
Due after ten years	1,937	-
	246,713	300,871

Certain equities are associated with deferred compensation balances, and accordingly unrealized gains and losses are reported as increases or decreases to the deferred compensation liability. At December 31, 2007 the market value of these equities amounted to $1,884,000 (2006 - $6,787,000) with a change in unrealized loss of $316,000 (2006 – gain $29,000).

4. *Investment funds*

Investment funds are categorized by strategy as determined by management. These categories are used internally by management as a breakdown of asset classes in order to evaluate sources of potential risk and return. Management's classification of individual investments within these strategies is based on variable and subjective considerations. Similarities in the terminology used by management and that are used elsewhere in the investment industry do not imply any set definitions for such terminology.

	2007			2006	
	Cost $'000	**Unrealized gain $'000**	**Fair value $'000**	**Cost $'000**	**Fair value $'000**
Stock specific					
Directional	472,627	355,082	827,709	449,628	719,755
Sector specialists	66,000	25,680	91,680	53,000	70,907
Low net	28,032	74,700	102,732	27,665	76,967
Market neutral	160,000	36,492	196,492	160,000	192,484
	726,659	491,954	1,218,613	690,293	1,060,113
Credit related	163,081	71,476	234,557	143,081	182,785
Event driven	204,435	83,062	287,497	183,936	238,692
Macro	157,673	57,987	215,660	117,673	159,383
Other	32,787	10,717	43,504	32,357	36,810
	1,284,635	715,196	1,999,831	1,167,340	1,677,783

Certain investment funds restrict openings for investors to redeem shares. At December 31, 2007, the earliest dates that Atlantic could withdraw from investments with less than annual liquidity were as follows:

	2007 $'000	**2006 $'000**
Within one to two years	215,572	87,837
Within two to three years	39,779	100,100
Within three to four years	81,344	33,212
Within four to five years	-	63,423
	336,695	284,572

Certain investment funds designate special investments which are held at cost and cannot be redeemed. At December 31, 2007 Atlantic held $15,696,000 (2006 - $17,033,000) in designated special investments.

5. Other portfolio investments

	2007			2006	
	Cost $'000	**Unrealized gain (loss) $'000**	**Fair value $'000**	**Cost $'000**	**Fair value $'000**
Information technology	803,016	203,295	1,006,311	740,312	885,782
Other	94,557	171,670	266,227	115,221	276,268
	897,573	374,965	1,272,538	855,533	1,162,050

Other portfolio investments may be exposed to risk associated with concentration of investments in one geographic region and in certain industries. In addition, certain partnerships in the information technology sector hold large positions in publicly quoted securities. The value of investments in those partnerships can, therefore, vary significantly depending upon stock market movements. At December 31, 2007, the value of the partnership interests attributable to the five largest quoted security positions held within the underlying partnership investment portfolios was $375,678,229 (2006 - $375,552,000).

Certain funds in the other portfolio category restrict openings for investors to withdraw invested capital and certain limited partnerships have a finite life of up to twenty years. The ability to liquidate other portfolio investments may, therefore, be limited, although management expects to receive distributions from the funds and partnerships on a regular basis. Additionally, the investment funds and limited partnerships may be subject to other restrictions which affect their ability to realize certain investments within their portfolios at any point in time.

6. Derivative contracts

The carrying value and notional value of derivative contracts held at the years ended were as follows:

	2007		2006	
	Carrying value $'000	**Notional amount $'000**	**Carrying value $'000**	**Notional amount $'000**
Forward currency contracts	5,714	513,220	(1,028)	462,222

Forward currency contracts manage exposure to foreign currency gains and losses arising from investments in financial instruments and charitable obligations denominated in foreign currencies. The contracts are presented and executed on a net basis. Open forward contracts at December 31, 2007 expire in December 2008 (2006 – December 2007).

7. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2007 $'000	**2006 $'000**
Cash	201,809	208,217
Repurchase agreements receivable	181,657	380,010
Discount notes	96,218	91,703
Short-term debt securities	4,959	1,007
Certificates of deposit	-	3,650
	484,643	684,587

8. Financial instrument risks

Atlantic's investment activities, either directly or indirectly, expose it to various types and degrees of risk including market, credit and leverage risk.

Market risk
Market risk is the risk that future changes in market prices may render financial instruments less valuable or increase the liability associated with such instruments. Exposure to market risk is determined by a number of factors, including the size, duration, composition and diversification of positions held, the absolute and relative levels of interest rates and foreign exchange rates, as well as market volatility and liquidity. Management seeks to diversify the investment portfolios so as to manage exposure to market risk.

Exposure to market risk associated with marketable securities, investment funds and other portfolio investments is equal to the carrying value of the instruments as recorded in the combined statements of financial position. Upon repurchasing marketable securities sold short, Atlantic may realize losses which exceed the liability recorded in the combined statements of financial position. Other portfolio investments may include less diversified, concentrated positions as discussed in note 5. Market risk exposure in respect of derivative contracts may exceed their carrying value. Derivative contract market risk depends on changes in the value of underlying markets or financial instruments relative to the notional value of the contracts.

Investment funds are generally investments in limited liability companies and in some cases limited partnerships, both of which are typically non-U.S. and are selected to provide positive risk adjusted returns within the context of a diversified portfolio. Atlantic is exposed to the investment activities of the underlying investment portfolios which may not be transparent to investors and could be affected by the actions of other investors. The underlying funds employ multiple investment strategies which may include the use of derivative instruments, leverage and investment in illiquid securities that could expose the funds to market risk in excess of the amounts recorded in their financial statements. Some investment funds place restrictions on redemptions as disclosed in note 4. Atlantic's exposure to market risk in respect of investment funds is limited to the on-balance sheet carrying value of the funds and partnerships. Management engages in initial and on-going assessments of all sources of risk presented to the portfolio by the underlying managers.

A component of market risk is currency risk, which arises from the possibility that fluctuations in foreign currency exchange rates will affect the value of financial instruments and/or obligations of Atlantic denominated in currencies other than U.S. dollars. The foreign currency exposure related to financial instruments in management's opinion is either a) a desirable component of the portfolio or b) not sufficient to require hedging, however Atlantic hedges foreign currency obligations as described in note 6.

Credit risk
Credit risk represents the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted, reduced by the value of any collateral and any other available assets. Management, by policy, ensures that agreements are entered into with counterparties that have high quality credit ratings and, in addition, monitors its credit exposure to any one financial institution. At December 31, 2007 and 2006 substantially all of the cash and cash equivalents and marketable securities were held with Bank of New York Mellon.

Exposure to credit risk associated with cash and cash equivalents, marketable securities, derivative contracts collateral and other receivables is represented by the carrying value of these financial instruments recorded in the combined statements of financial position. Credit risk in respect of derivative contracts is limited to the value of outstanding contracts at the time of non-performance.

A concentration of credit risk exists when there are significant contracts with individual counterparties or when groups of issuers or counterparties have similar business characteristics that would cause their ability to meet contractual commitments to be adversely affected, in a similar manner, by changes in the economy or other market conditions. Atlantic conducts business with financial institutions believed to be well established and monitors credit risk on both an individual and group counterparty basis.

Leverage risk
Atlantic utilizes leverage in its investments program by entering into short sales and some derivative instruments. The concept of leveraging is based on the premise that Atlantic's cost of borrowing will be at rates that normally will be lower than the rate of return anticipated on additional longer term investments that it makes. While the use of leverage may increase the returns on equity capital invested in Atlantic, the use of leverage also increases its risk of loss.

9. Other current assets

	2007 $'000	2006 $'000
Income tax receivable	8,858	3,416
Other	5,350	8,819
Receivables for securities sold	4,054	3,199
Interest and dividends receivable	3,009	3,912
Trade accounts receivable	2,986	8,569
Deferred tax asset (note 16)	2,892	3,590
Inventories	1,461	1,821
	28,610	33,326

10. Property and equipment

	Estimated useful lives (years)	2007 $'000	2006 $'000
Land		6,884	25,680
Buildings and improvements	20-40	82,631	81,381
Leasehold improvements	10-20	12,208	130,312
Furniture, fixtures and equipment	3-10	21,888	42,916
Construction-in-progress		35	144
		123,646	280,433
Less: Accumulated depreciation		(61,737)	(112,281)
		61,909	168,152

Depreciation expense for the year ended December 31, 2007 was $6,062,000 (2006 - $12,074,000).

11. Other assets

	2007 $'000	2006 $'000
Cost of deferred real estate sales (note 18(c))	6,231	5,543
Other	3,288	5,744
Intangible assets	2,838	5,049
Deferred tax asset (note 16)	67	(3,729)
Collateral	5	3
	12,429	12,610

Collateral provided in respect of investments in certain financial instruments generally comprises U.S. Treasury bills and short-term deposits, which are carried at fair value.

12. Charitable giving

Unconditional donations reported as donations payable on the statement of financial position amounted to $657,614,000 at December 31, 2007 (2006 - $536,138,000). Unfulfilled conditional donations at December 31, 2007 amounted to $166,717,000 (2006 - $211,680,000) which included $13,335,000 (2006 – $4,277,000) from GAGL. If the conditions under which these donations were granted are complied with, these donations will become payable and have the following affect on Atlantic's net assets:

	2007 $'000	2006 $'000
Net assets adjusted for conditional donations		
Net assets (unrestricted)	3,511,484	3,440,648
Conditional donations	(166,717)	(211,680)
Net assets (after conditional donations)	3,344,767	3,228,968

The total amounts payable for both unconditional and conditional donations is as follows:

			2007			2006
	Donations payable $'000	**Conditional donations $'000**	**Total $'000**	**Donations payable $'000**	**Conditional donations $'000**	**Total $'000**
Due within one year	326,940	40,022	366,962	294,212	42,746	336,958
Due within one to two years	174,968	46,223	221,191	131,506	58,474	189,980
Due within two to three years	93,825	35,742	129,567	68,930	45,107	114,037
Due within three to four years	55,496	16,930	72,426	31,440	49,446	80,886
Due within four to five years	6,993	27,550	34,543	7,264	14,764	22,028
Due thereafter	26,539	250	26,789	26,200	1,143	27,343
	684,761	166,717	851,478	559,552	211,680	771,232
Less: Unamortized discount	(27,147)	-	(27,147)	(23,414)	-	(23,414)
	657,614	166,717	824,331	536,138	211,680	747,818

Donations expense in the combined statements of activities and changes in net assets for the year ended December 31, 2007 of $508,481,000 (2006 - $365,810,000) includes donations made by The Foundation's wholly-owned subsidiary of $567,000 (2006 - $959,000). Exchange losses for the year ended December 31, 2007 in the net aggregate amount of $22,713,000 (2006 - loss of $20,497,000) arising on the translation of donations denominated in foreign currencies are included in donations expense along with the increase in unamortized discount of $3,733,000 (2006 – unamortization of $2,398,000) on unconditional donations payable.

	2007 Total $'000	**2006 Total $'000**
Total donations and conditional donations payable at January 1	771,232	601,403
Donations committed during the year	447,099	463,704
Donations paid during the year	(390,265)	(318,786)
Foreign exchange translation losses (gains)	24,984	25,724
Amendments	(1,572)	(813)
	851,478	771,232
Less: Unamortized discount	(27,147)	(23,414)
Total donations and conditional donations payable December 31	824,331	747,818

13. Other current liabilities

	2007 $'000	**2006 $'000**
Accounts payable and accrued liabilities	27,378	38,200
Payable for securities purchased	-	462
	27,378	38,662

14. Debt obligations

	2007 $'000	2006 $'000
Short-term bank borrowings	-	633
Term loans, repayable through 2015	1,031	30,043
	1,031	30,676

The current portion of debt obligations at December 31, 2007 amounted to $375,000 (2006 - $15,708,000).

Certain term loans totalling $1,031,000 (2006 - $28,679,000 including capital lease obligations) are secured by assets with a net book value of $1,031,000 (2006 - $58,984,000). Interest rates on term loans are both fixed and variable ranging from 4.4% to 6.4% and LIBOR or the bank's prime rate plus 0.9% to 2.0%, respectively.

Atlantic has a $300,000,000 364-day revolving credit facility with its custodian, Mellon Bank, N.A. All borrowings under the facility are unsecured and bear interest at Atlantic's option, at a rate equal to 1,2, or 3-month LIBOR plus 50 basis points or Fed Funds plus 55 basis points floating daily. The facility has a $13,000,000 sub limit for the issuance of standby letters of credit of which Atlantic has used $660,550. The remaining $299,339,450 of the facility was undrawn at year end. The facility will expire on December 1, 2008.

Debt maturities are as follows:

	$'000
Due within one year	375
Due within one to two years	656
	1,031

15. Net realized gains (losses) and change in unrealized gains (losses)

Investment gains and losses are categorized by the corresponding asset classes.

	2007		2006	
	Realized gains (losses) $'000	Net change in unrealized gains (losses) $'000	Realized gains (losses) $'000	Net change in unrealized gains (losses) $'000
Fixed income	(98)	182	16,463	(6,861)
Equities	62	(2)	183	6
Inflation protection	-	-	(5,661)	9,534
Investment funds	27,717	204,753	124,096	83,223
Other portfolio investments	261,915	68,448	106,083	221,251
Forward currency contracts	31,828	6,742	16,995	1,583
Other derivatives contracts	-	-	-	60
	321,424	280,123	258,159	308,796

16. Income taxes

The eight entities comprising The Atlantic Philanthropies are not subject to tax in Bermuda. However, certain subsidiaries operate in countries that impose income tax, which is provided for at the relevant countries' rates and tax is withheld at appropriate rates on dividend income from sources outside Bermuda.

Income tax benefit	**2007 $'000**	**2006 $'000**
U.S. Federal benefit	4,448	2,110
Other benefit (provision)	730	(504)
Current tax benefit	5,178	1,606
Deferred tax benefit	272	128
Income tax benefit	5,450	1,734

The Atlantic Philanthropies have deferred tax assets and deferred tax liabilities consisting primarily of net operating loss carry forwards, charitable contribution carry forwards and the differences between the tax basis and the book basis of investments.

	2007 $'000	**2006 $'000**
Gross deferred tax assets	79,573	72,914
Valuation allowance	(67,283)	(57,489)
Deferred tax assets after valuation allowance	12,290	15,425
Gross deferred tax liabilities	(15,480)	(15,564)
Net deferred tax liabilities	(3,190)	(139)

The valuation allowance is provided for certain deferred tax assets based upon management's estimate that tax paying entities will not generate sufficient taxable income in future years to realize the related benefit. Although the future realization of the benefits of the remaining net deferred tax assets is not assured, management believes that it is more likely than not that the net benefits will be realized. Management will continue to review the recoverability of the combined entities deferred tax assets in future years and will make adjustments to the valuation allowance as needed. The valuation allowance increased $9,794,000 in 2007 (2006 - increased $9,353,000) based on management's estimate that Atlantic will not be able to realize a benefit for certain assets, primarily net operating losses.

The net deferred tax assets are reported separately on the combined statements of financial position as follows:

	2007 $'000	**2006 $'000**
Other current assets (note 9)	2,892	3,590
Other assets (note 11)	67	(3,729)
Other liabilities	(6,149)	-
Net deferred tax liabilities	(3,190)	(139)

At December 31, 2007 Atlantic had available, for income tax purposes in various jurisdictions, net operating loss carry forwards of $42,228,526 expiring 2018 through 2027 and net operating loss carry forwards of $163,082,000 with an expiration of indefinite duration.

17. Income from discontinued operations

Subsequent to year end, Atlantic sold all of its holdings in an underlying operating entity for net proceeds of $199,892,000. At year end the carrying value of the entity was $92,133,000 and its related assets and liabilities were classified as available-for-sale on the consolidated statement of financial position.

In the prior year, GAGL exited from its New York real estate investments which it held through a partnership interest. It received a distribution of net proceeds of $14,197,000 (cost basis $4,584,000). GAGL also ceased production and sales of cashmere goods and sold the related trademarks for $186,000 subject to an adjustment for net sales over the next three years with a deferred consideration cap of $196,000 (£100,000).

The assets and liabilities for discontinued operations above stated at net realizable value, included in the consolidated statements of financial position are:

	2007 $'000	2006 $'000
As of December 31,		
Assets	3,114	138,693
Liabilities	77	54,297

The results of the available-for-sale and discontinued operations are separately reported, net of tax expense, as discontinued operations and the consolidated financial statements for the prior period have been adjusted to reflect this presentation.

The separately reported results of operations for these operations were:

	2007 $'000	2006 $'000
Revenue	95,655	120,019
Operating expenses	(75,520)	(84,838)
Income before income tax	20,135	35,181
Income tax expense	(6,090)	(17,841)
Net income from discontinued operations	14,045	17,340

18. Commitments and contingencies

(a) **Investment commitments**
Under the terms of its investments in certain limited partnerships and investment funds (notes 4 and 5), Atlantic is committed to investing a further $175,343,803 (2006 - $276,418,678).

(b) **Rental and lease commitments**

Certain GAGL subsidiaries occupy premises under non-cancellable operating leases expiring through 2073 for land and 2009 for other premises. Certain leases provide for renegotiations of minimum rentals, escalation charges and additional rentals based on 3% of sales in excess of stipulated amounts. In addition, most leases provide that the lessee pay taxes, insurance and other expenses related to the leased premises.

Certain Atlantic subsidiaries lease properties in Ithaca, New York, New York City, and Seattle under leases which include maintenance charges and escalation clauses. The Ithaca and Seattle leases expired on January 31, 2006 and December 31, 2006, respectively. There are two leases in New York City expiring on October 10, 2014 and March 31, 2009.

Rental expense is summarized as follows:

	2007 $'000	**2006 $'000**
Minimum rentals	1,667	6,967
Contingent rentals	587	495
Sub-lease rentals	(5,578)	(5,160)
Net rental (income) expense under operating leases	(3,324)	2,302

Future minimum rental commitments under operating leases, exclusive of the foregoing contingent rentals, are as follows:

	Operating leases $'000
Due within one year	3,620
Due within one to two years	2,499
Due within two to three years	2,442
Due within three to four years	2,394
Due within four to five years	2,380
Due thereafter	52,839
	66,174
Future minimum sub-lease rental income	(6)
Net future minimum lease commitments	65,929

These future minimum lease commitments exclude $8,648,000 of lease obligations for which GAGL is negotiating termination.

(c) **Cost of deferred real estate sales**

Cost of deferred real estate sales occurring within GAGL consist of the cost basis of sales of accommodations at a resort hotel in Australia that do not meet revenue recognition criteria (note 2(k)). The sales price has been reduced for certain accommodations in exchange for receiving future rental income from the rental units for 8-10 years. The gross amount of deferred real estate sales is $7,180,000 (2006 - $6,369,000) and related cost basis totals $6,231,000 (2006 - $5,543,000). These amounts will be recognized when the cost is recovered from these revenue collections. Cost of deferred real estate sales are recorded in other assets (note 11).

(d) **Other commitments**
A biotech subsidiary of GAGL has entered into a number of licenses and research and development agreement with third parties under which GAGL is obligated to make customary up-front payments as well as milestone and royalty payments.

19. Employee benefits and other compensation

Some subsidiaries of entities included within The Atlantic Philanthropies maintain defined contribution plans for their employees. These plans comply with the required regulations pertaining to the employees' location of employment. Contributions to the plans range from 2% to 20% of the employee's salary with some subsidiaries matching between 50% to 100% of the contributions made by the employees. In some jurisdictions, the subsidiaries also make additional contributions of 5% of the employee's salary in certain circumstances and cover the employees' portion of medical and or life insurance premium contributions.

Some subsidiaries provide certain key employees who meet specific requirements with deferred compensation. The obligations arising from such commitments have been accounted for under Accounting Principles Board Opinion No. 12. The total deferred compensation for December 31, 2007 was $23,956,000 (2006 - $25,169,000) of which GAGL represented $11,970,000 (2006 - $17,109,000).

20. Related parties

Two outside members of Atlantic's investment committee, including its former Chief Investment Officer, have relationships with funds in which Atlantic invests. The former Chief Investment Officer invests in four of the funds. The other investment committee member is an executive officer of the sponsors of two other funds. Atlantic valued its investments in the six funds at approximately $320,174,000 at December 31, 2007 and Atlantic has committed to invest an additional $13,700,000 in these funds.

A Director of Atlantic who serves on the investment committee is a director of a subsidiary of the custodian. The subsidiary manages investments on behalf of Atlantic with a value of approximately $487,761,000 at December 31, 2007. During the year fees of $509,000 were paid to the custodian's subsidiary.

21. Comparative balances

Certain prior period balances have been restated to conform to the current year's presentation.