The Atlantic Philanthropies

Combined Financial Statements
December 31, 2008 and 2007

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Report of Independent Auditors

To the Trustees and Directors of
The Atlantic Philanthropies

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** at December 31, 2008 and 2007, 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, 2008 and 2007

(expressed in thousands of U.S. dollars)

	2008 $	2007 $
Assets		
Investments, at fair value		
Marketable securities (notes 3 and 5)	64,672	248,621
Alternative investments (notes 4 and 5)	2,779,230	3,272,369
Derivative contracts, net (notes 5 and 6)	11,892	5,714
	2,855,794	3,526,704
Cash and cash equivalents (notes 5 and 7)	186,131	484,643
Other current assets (note 9)	76,136	28,610
Assets held for sale (note 17)	-	144,604
Property and equipment (note 10)	56,776	61,909
Other assets (note 11)	14,826	12,429
Investment in associated companies	24,956	25,950
Total assets	3,214,619	4,284,849
Liabilities		
Donations payable (note 12)	722,152	657,614
Marketable securities sold short (notes 3 and 5)	3	5
Other current liabilities (note 13)	21,759	27,378
Debt obligations (note 14)	103,775	1,031
Liabilities held for sale (note 17)	-	51,471
Other liabilities	34,034	34,992
Minority interest	882	874
Total liabilities	882,605	773,365
Net assets (unrestricted)	2,332,014	3,511,484
	3,214,619	4,284,849

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, 2008 and 2007

(expressed in thousands of U.S. dollars)

	2008 $	2007 $
Investment transactions		
Net investment income	8,562	35,190
Net realized gains (note 15)	73,523	321,424
Net change in unrealized gains (note 15)	(785,307)	280,123
Net foreign exchange translation gains	39,822	-
Investment management fees and other direct expenses	(9,846)	(15,773)
(Loss) gain from investment transactions	(673,246)	620,964
Operating businesses		
Sales (net of cost of goods sold of $8,358; 2007 - $8,501)	32,225	34,857
Rental and other income	1,137	1,837
Selling and administrative expenses	(59,349)	(57,482)
Equity in earnings of associated companies	4,451	4,574
Loss from operating businesses	(21,536)	(16,214)
Donations and charitable expenses		
Donations expense (note 12)	(508,446)	(508,481)
Administrative expenses	(49,975)	(45,999)
Total donations and charitable expenses	(558,421)	(554,480)
(Decrease) increase in net assets from continuing operations before taxes	(1,253,203)	50,270
Tax benefit (note 16)	3,573	5,983
(Decrease) increase in net assets from continuing operations	(1,249,630)	56,253
Income from discontinued operations (note 17)	105,027	14,171
Minority interest	92	692
Foreign currency translation loss, net	(34,959)	(280)
(Decrease) increase in net assets	(1,179,470)	70,836
Net assets (unrestricted) - Beginning of year	3,511,484	3,440,648
Net assets (unrestricted) - End of year	2,332,014	3,511,484

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, 2008 and 2007

(expressed in thousands of U.S. dollars)

	2008 $	2007 $
Cash flows from operating activities		
(Decrease) increase in net assets	(1,179,470)	70,836
Adjustments to reconcile net cash used for operating activities		
Amortization of premium on debt securities	-	28
Net realized gains	(73,523)	(321,424)
Net change in unrealized gains	785,307	(280,123)
Net foreign exchange translation gains	(39,822)	-
Equity in earnings of associated companies	(4,451)	(4,574)
Depreciation, amortization and other expenses	13,001	10,990
	(498,958)	(524,267)
Change in operating assets and liabilities	111,191	132,554
Net cash used for operating activities	(387,767)	(391,713)
Cash flows from investing activities		
Proceeds from marketable securities, net	182,148	50,750
(Purchase) proceeds from alternative investments, net	(121,867)	130,737
(Purchase) proceeds from derivative contracts, net	(62,141)	31,828
(Purchase) disposal of property and equipment, net	(2,197)	(2,494)
(Expenditure for) proceeds from other assets, net	(9,432)	(1,385)
Cash included in discontinued operations	-	(16,493)
Net cash (used for) provided by investing activities	(13,489)	192,943
Cash flows from financing activities		
Proceeds from (repayments) of debt obligations	102,744	(1,174)
Net cash provided by (used for) financing activities	102,744	(1,174)
(Decrease) increase in cash and cash equivalents	(298,512)	(199,944)
Cash and cash equivalents - Beginning of year	484,643	684,587
Cash and cash equivalents - End of year	186,131	484,643
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	78	1,053
Income and other taxes, net	335	4,958

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

(expressed in thousands of U.S. dollars)

1. Combined entities

These combined financial statements include The Atlantic Finance Company Limited ("AFC"), 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 nine entities.

The Atlantic Philanthropies seek to bring about lasting changes that will improve the lives of vulnerable people. Atlantic concentrates its giving in four fields: ageing; 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 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 this 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 AFC, 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, 2008 or 2007.

(c) **Fair values of financial instruments**
Fair values of financial assets and liabilities are disclosed in the notes to the financial statements where they differ significantly from carrying values. Any such fair values will be determined in accordance with FAS 157, Fair Value Measurement. Accounts receivable, accounts payable and accrued liabilities approximate their fair values as these instruments are subject to normal credit terms. The maximum credit risk associated with accounts receivable is limited to the carrying amount.

(expressed in thousands of U.S. dollars)

SFAS No. 157 “Fair Value Measurements” ("FAS 157") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are as follows:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Atlantic has the ability to access at the measurement date;
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
Level 3	Inputs that are unobservable.

Management uses the "market approach" valuation technique to value its alternative investments. As management’s valuation of alternative investments has been based upon unobservable data, the alternative investments have been classified as level 3. The determination of what constitutes “observable” requires significant judgment by management. The categorization within the hierarchy does not necessarily correspond with management’s perceived risk of the alternative investments.

(d) **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.

(e) **Alternative investments**

Alternative investments comprise investment funds and investments in private equity opportunities. Such investments are made in anticipation of market value appreciation and ultimate realization of capital gains upon sale.

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.

(expressed in thousands of U.S. dollars)

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 statements 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.

Private equity 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 private equity investments are recorded in the combined statements of activities and changes in net assets as unrealized gains and losses. On receipt of distributions from private equity 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.

(expressed in thousands of U.S. dollars)

(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.

On January 1, 2008, Atlantic adopted FAS 159, *The Fair Value Option for Financial Assets and Liabilities* and made an election for its donations payable. Unconditional donations payable over a period greater than one year are discounted using the current risk-free rate of return for investments of a similar duration. Under the prior years' methodology, an array of historical risk free rates were applied in the discounting, the suggested practice under FASB guidance at the time. The cumulative effect of the change in discounting methodology on Atlantic's net assets at January 1, 2008 was $5,052. The discount rate used for unconditional donations made during the year ended December 31, 2008 was 0.366% (2007 – 3.22%). 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 equity. 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.

(expressed in thousands of U.S. dollars)

(k) **Operating business revenue recognition**
Revenue is recognized when rooms or rental spaces are occupied for hotel and real estate 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) **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 statements 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.

(n) **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.

(o) **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.

(expressed in thousands of U.S. dollars)

(p) **Recent accounting pronouncements**

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 December 30, 2008, the FASB issued FIN 48 - 3, effective date of FASB Interpretation No. 48 for Certain Non-public Enterprises ("FSP 48 – 3"), which once again deferred the effective date of FIN 48. Under FSP 48 – 3, in the absence of early adoption, FIN 48 will become effective for the Company at December 31, 2009. The company has elected to take advantage of this deferral and will continue to evaluate the effect of adoption.

Derivative Instruments
In March 2008, FASB issued Statement of Accounting Standards No. 161, *Disclosure about Derivative Instruments and Hedging Activities, an amendment of FASB Statement 133*. This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The company is currently evaluating the impact of FAS No. 161 and does not expect the adoption of FAS No. 161 to have a material effect on its consolidated financial statements.

3. *Marketable securities and marketable securities sold short*

			2008		2007
	Cost $'000	**Unrealized gain (loss) $'000**	**Fair value $'000**	**Cost $'000**	**Fair value $'000**
Fixed income					
Short-term investments	-	-	-	-	-
Corporate debt securities	22,188	(149)	22,039	171,943	166,471
Sovereign debt	41,376	158	41,534	80,043	80,242
	63,564	9	63,573	251,986	246,713
Equities					
U.S. equities	1,728	(629)	1,099	1,920	1,908
Total	65,292	(620)	64,672	253,906	248,621

(expressed in thousands of U.S. dollars)

	2008			2007	
	Cost $'000	Unrealized gain (loss) $'000	Fair value $'000	Cost $'000	Fair value $'000
Marketable securities sold short					
Equities					
U.S. equities	(3)	-	(3)	(3)	(5)

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

	2008 $'000	2007 $'000
Due in one year or less	58,335	211,415
Due after one year through five years	-	31,542
Due after five years through ten years	1,779	1,819
Due after ten years	3,459	1,937
	63,573	246,713

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, 2008 the market value of these equities amounted to $1,005 (2007 - $1,884) with a change in unrealized loss of $617 (2007 – loss $316).

4. *Alternative investments*

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.

	2008			2007	
	Cost $'000	Unrealized gain (loss) $'000	Fair value $'000	Cost $'000	Fair value $'000
Hedge Funds					
Stock specific					
Directional	615,151	241,312	856,463	472,627	827,709
Sector specialists	126,000	2,179	128,179	66,000	91,680
Low net	-	-	-	28,032	102,732
Market neutral	180,000	39	180,039	160,000	196,492
	921,151	243,530	1,164,681	726,659	1,218,613

(expressed in thousands of U.S. dollars)

	2008			2007	
	Cost $'000	Unrealized gain (loss) $'000	Fair value $'000	Cost $'000	Fair value $'000
Credit related	293,081	30,545	323,626	163,081	234,557
Event driven	173,935	20,592	194,527	204,435	287,497
Macro	242,109	82,278	324,387	157,673	215,660
Other	-	-	-	32,787	43,504
Total hedge funds	1,630,276	376,945	2,007,221	1,284,635	1,999,831
Private equity					
Information technology	799,285	(217,470)	581,815	803,016	1,006,311
Private equity - other	136,415	53,779	190,194	94,557	266,227
Total private equity	935,700	(163,691)	772,009	897,573	1,272,538
Total alternative investment	2,565,976	213,254	2,779,230	2,182,208	3,272,369

Certain investment funds restrict openings for investors to redeem shares. At December 31, 2008, the earliest dates that Atlantic could withdraw from investments with less than annual liquidity were as follows:

	2008 $'000	2007 $'000
Within one to two years	127,345	215,572
Within two to three years	117,787	39,779
Within three to four years	-	81,344
	245,132	336,695

Certain investment funds designate special investments which cannot be redeemed. At December 31, 2008 Atlantic held $30,335 (2007 - $15,696) in designated special investments.

Private equity 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, 2008, the value of the partnership interests attributable to the five largest quoted security positions held within the underlying partnership investment portfolios was $250,066 (2007 - $375,678).

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 private equity 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.

(expressed in thousands of U.S. dollars)

5. *Fair value measurement*

The following table presents the assets and liabilities that were accounted for at fair value, by level within the valuation hierarchy as of December 31, 2008. As required by FAS 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Assets and liabilities at fair value as of December 31, 2008			
	Level 1 $	**Level 2 $**	**Level 3 $**	**Total $**
Cash and cash equivalents	130,961	55,170	-	186,131
Marketable securities	1,099	63,573	-	64,672
Alternative investments	-	-	2,779,230	2,779,230
Derivative contracts	11,892	-	-	11,892
Marketable securities sold short	(3)	-	-	(3)
	143,949	118,743	2,779,230	3,041,922

The following table includes a rollforward of the amounts for the year ended December 31, 2008 for investments classified within level 3. The classification of an investment within level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

	Fair value measurements using Level 3 inputs alternative investments $
Balance at January 1, 2008	3,272,369
Purchases	456,983
Sales	(158,257)
Total unrealized losses	(791,865)
Balance at December 31, 2008	2,779,230

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying combined statements of activities and changes in Atlantic equity. Net unrealized gains (losses) relate to those financial instruments held by Atlantic at December 31, 2008.

(expressed in thousands of U.S. dollars)

6. *Derivative contracts*

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

	2008		2007	
	Carrying value $'000	Notional amount $'000	Carrying value $'000	Notional amount $'000
Forward currency contracts	11,892	386,023	5,714	513,220

Forward currency contracts manage exposure to foreign currency gains and losses arising from charitable obligations denominated in foreign currencies. The contracts are presented and executed on a net basis. Open forward contracts at December 31, 2008 expire in December 2009 (2007 –December 2008).

7. *Cash and cash equivalents*

Cash and cash equivalents comprise the following:

	2008 $'000	2007 $'000
Cash	106,479	201,809
Repurchase agreements receivable	38,170	181,657
Discount notes	17,000	96,218
Short-term debt securities	-	4,959
Certificates of deposit	24,482	-
	186,131	484,643

8. *Financial instrument risks*

Atlantic's investment activities, either directly or indirectly, expose it to various types and degrees of risk including market, credit, leverage and liquidity 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. Private equity investments may include less diversified, concentrated positions as discussed in note 4. 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.

(expressed in thousands of U.S. dollars)

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, 2008 and 2007 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.

Liquidity risk
Liquidity risk represents the potential loss due to the difficulty in liquidating thinly traded holdings quickly. Because of the nature of certain investments held by Atlantic, there can be no assurance that an active trading market for the underlying will exist, or that the prices at which underlying investments trade accurately reflect their values, and that these values can be realized.

(expressed in thousands of U.S. dollars)

9. Other current assets

	2008 $'000	2007 $'000
Income tax receivable	11,004	8,858
Other	15,391	5,350
Receivables for securities sold	42,530	4,054
Interest and dividends receivable	219	3,009
Trade accounts receivable	2,341	2,986
Deferred tax asset (note 16)	3,280	2,892
Inventories	1,371	1,461
	76,136	28,610

10. Property and equipment

	Estimated useful lives (years)	2008 $'000	2007 $'000
Land		6,102	6,884
Buildings and improvements	20-40	78,339	82,631
Leasehold improvements	10-20	9,690	12,208
Furniture, fixtures and equipment	3-10	21,969	21,888
Construction-in-progress		198	35
		116,298	123,646
Less: Accumulated depreciation		(59,522)	(61,737)
		56,776	61,909

Depreciation expense for the year ended December 31, 2008 was $5,019 (2007 - $6,062).

11. Other assets

	2008 $'000	2007 $'000
Cost of deferred real estate sales (note 18(c))	1,893	6,231
Other	10,556	3,288
Intangible assets	2,341	2,838
Deferred tax asset (note 16)	33	67
Collateral	3	5
	14,826	12,429

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.

(expressed in thousands of U.S. dollars)

12. Charitable giving

Unconditional donations reported as donations payable on the statements of financial position amounted to $722,152 at December 31, 2008 (2007 - $657,614). Unfulfilled conditional donations at December 31, 2008 amounted to $130,726 (2007 - $166,717) which included $10,052 (2007 – $13,335) from GAGL. If the conditions under which these donations were granted are complied with, these donations will become payable and have the following effect on Atlantic's net assets:

	2008 $'000	2007 $'000
Net assets adjusted for conditional donations		
Net assets (unrestricted)	2,332,014	3,511,484
Conditional donations	(130,726)	(166,717)
	2,201,288	3,344,767

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

	2008			2007		
	Donations payable $'000	Conditional donations $'000	Total $'000	Donations payable $'000	Conditional donations $'000	Total $'000
Due within one year	340,095	38,747	378,842	326,940	40,022	366,962
Due within one to two years	185,126	50,387	235,513	174,968	46,223	221,191
Due within two to three years	102,234	34,923	137,157	93,825	35,742	129,567
Due within three to four years	66,503	6,274	72,777	55,496	16,930	72,426
Due within four to five years	6,641	395	7,036	6,993	27,550	34,543
Due thereafter	24,322	-	24,322	26,539	250	26,789
	724,921	130,726	855,647	684,761	166,717	851,478
Less: Unamortized discount	(2,769)	-	(2,769)	(27,147)	-	(27,147)
	722,152	130,726	852,878	657,614	166,717	824,331

Donations expense in the combined statements of activities and changes in net assets for the year ended December 31, 2008 of $508,446 (2007 - $508,481) includes donations made by Atlantic's wholly-owned subsidiary of $858 (2007 - $567). Exchange gains for the year ended December 31, 2008 in the net aggregate amount of $26,742 (2007 - loss of $22,713) arising on the translation of donations denominated in foreign currencies are included in donations expense along with the decrease in unamortized discount of $19,326 (2007 – increase in unamortization of $3,733) on unconditional donations payable.

(expressed in thousands of U.S. dollars)

	2008 Total $'000	2007 Total $'000
Total donations and conditional donations payable at January 1	851,478	771,232
Donations committed during the year	478,037	447,099
Donations paid during the year	(437,384)	(390,265)
Foreign exchange translation (gains) losses	(33,839)	24,984
Amendments	(2,645)	(1,572)
	855,647	851,478
Less: Unamortized discount	(2,769)	(27,147)
Total donations and conditional donations payable December 31	852,878	824,331

13. *Other current liabilities*

	2008 $'000	2007 $'000
Accounts payable and accrued liabilities	21,759	27,378

14. *Debt obligations*

	2008 $'000	2007 $'000
Short-term bank borrowings	100,011	-
Term loans, repayable through 2015	3,764	1,031
	103,775	1,031

The current portion of debt obligations at December 31, 2008 amounted to $101,035 (2007 - $375).

Certain term loans totalling $1,035 (2007 - $1,031 including capital lease obligations) are secured by assets with a net book value of $1,035 (2007 - $1,031). Interest rates on term loans are both fixed and variable ranging from 5.13% to 5.78%.

Atlantic has a $300,000 364-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. As of December 31, 2008, Atlantic was paying interest at 0.65% on its outstanding borrowings of $100,000. The facility has a $20,000 sub limit for the issuance of standby letters of credit of which Atlantic has used $575. The facility will expire on July 29, 2009.

(expressed in thousands of U.S. dollars)

Debt maturities are as follows:

	$'000
Due within one year	1,023
Due within one to two years	414
Due within two to three years	439
Due within three to four years	464
Thereafter	1,424
	3,764

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

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

	2008		2007	
	Realized gains (losses) $'000	Net change in unrealized gains (losses) $'000	Realized gains (losses) $'000	Net change in unrealized gains (losses) $'000
Marketable securities	(1,003)	9	(36)	180
Alternative investments	136,667	(791,494)	289,632	273,201
Forward currency contracts	(62,141)	6,178	31,828	6,742
	73,523	(785,307)	321,424	280,123

16. *Income taxes*

The nine 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	2008 $'000	2007 $'000
U.S. Federal benefit	3,776	4,449
Other benefit (provision)	(747)	1,077
Current tax benefit	3,029	5,526
Deferred tax benefit	544	457
Income tax benefit	3,573	5,983

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.

(expressed in thousands of U.S. dollars)

	2008 $'000	2007 $'000
Gross deferred tax assets	72,439	79,573
Valuation allowance	(59,676)	(67,283)
Deferred tax assets after valuation allowance	12,763	12,290
Gross deferred tax liabilities	(15,426)	(15,480)
Net deferred tax liabilities	(2,663)	(3,190)

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 decreased $7,606 in 2008 (2007 - increased $9,794) primarily due to the favourable currency exchange rate impact on Australian tax net operating losses and the utilization of net operating losses offset by the uncertainty of the future use of certain net operating losses.

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

	2008 $'000	2007 $'000
Other current assets (note 9)	3,280	2,892
Other assets (note 11)	33	67
Other liabilities	(5,976)	(6,149)
Net deferred tax liabilities	(2,663)	(3,190)

At December 31, 2008 Atlantic had available, for income tax purposes in various jurisdictions, net operating loss carry forwards of $66,383 expiring 2010 through 2027, net operating loss carry forwards of $123,849 with an expiration of indefinite duration, and charitable contribution carrying forwards of $8,611 expiring 2009 through 2013.

17. Income from discontinued operations

During the year, GAGL entered into an option agreement to sell its Tahitian real estate investment. GAGL also exited from Fijian real estate for proceeds of $3,114 which were received in January 2009.

During the year, Atlantic sold all of its holdings in an underlying operating entity for net proceeds of $199,892 (cost basis $92,133).

(expressed in thousands of U.S. dollars)

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

	2008 $'000	2007 $'000
As of December 31,		
Assets	9,638	12,459
Liabilities	3,645	687

The results of the above operations are separately reported, net of tax expense, as income from 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 discontinued operations were as follows:

	2008 $'000	2007 $'000
Revenue	114,711	101,354
Operating expenses	(9,806)	(80,561)
Income before income tax	104,905	20,793
Income tax expense	122	(6,622)
Net income from discontinued operations	105,027	14,171

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 $204,226 (2007 - $175,344).

(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 New York and New York City under leases which include maintenance charges and escalation clauses. There are two leases in New York City expiring on October 10, 2014 and March 31, 2009.

(expressed in thousands of U.S. dollars)

Rental expense is summarized as follows:

	2008 $'000	2007 $'000
Minimum rentals	1,086	1,081
Contingent rentals	609	587
Sub-lease rentals	(107)	(80)
Net rental expense under operating leases	1,588	1,588

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

	Operating leases $'000
Due within one year	4,778
Due within one to two years	4,747
Due within two to three years	4,750
Due within three to four years	4,335
Due within four to five years	4,389
Due thereafter	68,205
	91,204
Future minimum sub-lease rental income	-
Net future minimum lease commitments	91,204

These future minimum lease commitments exclude $8,648 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 $2,238 (2007 - $7,180) and related cost basis totals $1,893 (2007 - $6,231). 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.

(expressed in thousands of U.S. dollars)

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, 2008 was $24,778 (2007 - $23,956) of which GAGL represented $10,548 (2007 - $11,970).

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 $302,801 at December 31, 2008 and Atlantic has committed to invest an additional $11,600 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 $113,559 at December 31, 2008. During the year fees of $248 were paid to the custodian's subsidiary.

21. Subsequent event

On February 13, 2009, GAGL completed the sale of its real estate investment located on Papeete, Tahiti pursuant to an Option Agreement entered into on December 24, 2008. The purchase price of the company was $15,190 plus the assumption of $3,126 of bank debt. This completes GAGL's exit from Tahitian real estate.

22. Comparative balances

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