The Atlantic Philanthropies

Combined Financial Statements
December 31, 2004 and 2003

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June 10, 2005

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 revenues and expenses, of 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, 2004 and 2003, 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 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.

As explained in note 2(e) to these combined financial statements, other portfolio investments include investments whose values have been estimated by management in the absence of readily ascertainable market values. Those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

PricewaterhouseCoopers

Chartered Accountants

The Atlantic Philanthropies

Combined Statements of Financial Position

As of December 31, 2004 and 2003

(expressed in thousands of U.S. dollars)

	2004 $	2003 $
Assets		
Investments, at fair value		
Marketable securities (notes 2(c) and 3)	150,516	164,587
Marketable securities sold under reverse repurchase agreements (notes 2(c), (m) and 3)	293,827	175,300
Investment funds (notes 2(d) and 4)	1,934,319	1,428,277
Other portfolio investments (notes 2(e) and 5)	973,073	852,109
Derivative contracts, net (notes 2(f) and 6)	15,732	18,037
	3,367,467	2,638,310
Cash and cash equivalents (notes 2(g), (h) and 7)	607,099	965,999
Other current assets (note 9)	35,519	99,366
Property and equipment (notes 2(i) and 10)	185,366	193,309
Loans receivable (notes 2(j) and 11)	1,532	1,530
Other assets (note 12)	47,427	182,768
Investment in associated companies (note 2(a))	7,594	8,307
Total assets	4,252,004	4,089,589
Liabilities		
Donations payable (notes 2(l) and 13)	546,040	540,041
Borrowings under reverse repurchase agreements (notes 2(m) and 3)	295,000	134,393
Marketable securities sold short (notes 2(c) and 3)	-	78,352
Other current liabilities (note 14)	44,590	37,601
Debt obligations (note 15)	32,751	37,096
Other liabilities	19,845	21,762
Deferred taxes (note 17)	11,299	10,349
Total liabilities	949,525	859,594
Net assets (unrestricted)	3,302,479	3,229,995
	4,252,004	4,089,589
Supplemental disclosure of conditional donation information		
Net assets (unrestricted)	3,302,479	3,229,995
Conditional donations (notes 2(l) and 18(a))	(123,913)	(268,529)
Net assets (after conditional donations)	3,178,566	2,961,466

Approved by the Board of Directors and signed on their behalf by Michael I. Sovern and John R. Healy

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

The Atlantic Philanthropies

Combined Statements of Revenues and Expenses

For the years ended December 31, 2004 and 2003

(expressed in thousands of U.S. dollars)

	2004 $	2003 $
Investment transactions		
Net investment income	23,941	80,165
Net realized gains (note 16)	279,351	324,869
Net change in unrealized gains (note 16)	145,053	386,395
Net foreign exchange translation gains	1,634	43,996
Investment management fees and other direct expenses	(29,745)	(32,704)
Gain from investment transactions	420,234	802,721
Operating businesses		
Sales (net of cost of goods sold of $12,895; 2003 - $13,230)	122,875	110,274
Rental and other income	6,533	6,061
Selling and administrative expenses	(132,276)	(114,588)
Equity in earnings of associated companies	1,283	961
(Loss) gain from operating businesses	(1,585)	2,708
Donations and charitable expenses		
Donations expense (notes 2(l) and 13)	(315,340)	(282,211)
Administrative expenses	(34,112)	(28,761)
Total donations and charitable expenses	(349,452)	(310,972)
Increase in net assets from continuing operations before taxes	69,197	494,457
Tax provision (note 17)	(5,047)	(3,125)
Increase in net assets from continuing operations	64,150	491,332
Gain from discontinued operations, net of tax (note 20)	2	284
	64,152	491,616
Foreign currency translation gain, net	8,332	12,875
Increase in net assets	72,484	504,491

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

The Atlantic Philanthropies

Combined Statements of Changes in Net Assets

For the years ended December 31, 2004 and 2003

(expressed in thousands of U.S. dollars)

	2004 $	2003 $
Net assets (unrestricted) - Beginning of year	3,229,995	2,725,504
Investment transactions		
Net investment income	23,941	80,165
Net realized gains	279,351	324,869
Net change in unrealized gains	145,053	386,395
Net foreign exchange translation gains	1,634	43,996
Investment management fees and other direct expenses	(29,745)	(32,704)
Increase in net assets from investment transactions before taxes	420,234	802,721
(Loss) gain from operating businesses	(1,585)	2,708
Donations and charitable expenses	(349,452)	(310,972)
Tax provision	(5,047)	(3,125)
	(356,084)	(311,389)
Increase in net assets from continuing operations	64,150	491,332
Gain from discontinued operations, net of tax	2	284
Increase in net assets after discontinued operations	64,152	491,616
Foreign currency translation gain, net	8,332	12,875
Increase in net assets	72,484	504,491
Net assets (unrestricted) - End of year	3,302,479	3,229,995

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, 2004 and 2003

(expressed in thousands of U.S. dollars)

	2004 $	2003 $
Cash flows from operating activities		
Increase in net assets	72,484	504,491
Adjustments to reconcile net cash provided by (used for) operating activities		
Net realized gains	(279,351)	(324,869)
Net change in unrealized gains	(145,053)	(386,395)
Net foreign exchange translation gains	(1,634)	(43,996)
Equity in earnings of associated companies	(1,283)	(961)
Depreciation, amortization and other expenses	11,825	11,733
	(343,012)	(239,997)
Change in operating assets and liabilities	75,866	(130,168)
Net cash used for operating activities	(267,146)	(370,165)
Cash flows from investing activities		
(Expenditure for) proceeds from marketable securities, net	(142,885)	1,351,896
Expenditure for investment funds, net	(335,315)	(238,609)
Proceeds from (expenditure for) other portfolio investments, net	30,236	(17,212)
Proceeds from derivative contracts, net	66,493	69,794
Purchases of property and equipment, net of sales	(3,882)	(12,322)
Proceeds from (expenditure for) other assets	135,341	(16,739)
Investments in associated companies	1,996	939
Net cash (used for) provided by investing activities	(248,016)	1,137,747
Cash flows from financing activities		
Borrowings (repayments) under reverse repurchase agreements	160,607	(127,319)
Repayments of debt obligations	(4,345)	(9,103)
Net cash provided by (used for) financing activities	156,262	(136,422)
(Decrease) increase in cash and cash equivalents	(358,900)	631,160
Cash and cash equivalents - Beginning of year	965,999	334,839
Cash and cash equivalents - End of year	607,099	965,999
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	3,248	3,118
Income and other taxes, net	5,234	1,184

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 Foundation (“The Foundation”), The Atlantic Trust (“The Trust”), The Atlantic Foundation of New York (“AFNY”), The Atlantic Charitable Trust (“ACT”), The Mangrove Foundation (“Mangrove”), Atlantic Charitable Holdings (“ACH”) 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 seven entities.

The Atlantic Philanthropies seek to bring about lasting changes that will improve the lives of disadvantaged and vulnerable people. Atlantic concentrates its investments 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 and real estate development.

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, ACT, Mangrove, ACH and Bridge. All significant intercompany accounts and transactions are eliminated. GAGL’s financial statements are prepared for January 31, 2005 and 2004. 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 2005 and 2004. GAGL accounts for its 20% to 50% interests in associated companies under the equity method of accounting.

(b) **Net assets**
There were no temporarily or permanently restricted net assets for charitable purposes as of December 31, 2004 or 2003.

(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.

(expressed in thousands of U.S. dollars)

Investment transactions are recorded on the trade date and investment income is recognized on the accrual basis when receivable. Gains and losses associated with the revaluation of marketable securities are recorded in the combined statements of revenues and expenses 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.

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 re-valuation of investment funds are recorded in the combined statements of revenues and expenses as unrealized gains and losses. Redemption proceeds from investment funds in excess or below cost are recorded in the combined statement of revenues and expenses 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 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.

(expressed in thousands of U.S. dollars)

Gains and losses associated with the revaluation of other portfolio investments are recorded in the combined statements of revenues and expenses 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) **Derivative contracts**

Derivative contracts include futures, forwards and swaps which are held for trading purposes. 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.

(i) **Futures and forward contracts**

Futures and forward contracts are agreements to purchase or sell commodities or financial instruments at a specified future date. Futures contracts are traded on an exchange and are agreements to buy or sell a standardized amount of a commodity, currency or other financial instrument at a future date or, in the case of index futures, to make or receive cash payments based on changes in the value of an underlying index. Upon entering into a futures contract, there is a requirement to deposit collateral equal to a certain percentage of the nominal value of the contract ("initial margin"). Futures contracts are subsequently marked-to-market daily based on quoted settlement prices established by the board of trade or exchange on which they are traded. Fluctuation in the value of the contract is settled each day in cash. Such receipts and payments are known as "variation margin". The initial margin on futures contracts is reported as a component of other assets in the combined statements of financial position (note 12). Variation margin is recorded in the combined statements of revenues and expenses as a realized gain or loss.

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 revenues and expenses 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.

(ii) **Interest rate swaps**

Interest rate swap agreements are entered into as hedges against increasing rates on variable rate debt. Net amounts received or paid under these swap agreements are recorded as interest expense over the term of the swap contract.

(expressed in thousands of U.S. dollars)

(iii) **Total return equity swaps**
Total return equity swaps (“equity swaps”) are swap agreements between Atlantic and third parties, which allow Atlantic to acquire an exposure to the price movement of specific securities without actually purchasing the securities. Equity swaps are valued based on the difference between the notional long/short position of the underlying equity security, calculated from a reference price on the date of entering the contract and the market value at the date of closing the trade, or the reporting date, if prior to terminating the contract. For unsettled positions, unrealized gains or losses for the period are included in the combined statements of financial position and the combined statement of revenues and expenses. Realized gains and losses are included in the combined statement of revenues and expenses. Upon entering into an equity swap, Atlantic is required to deposit with a broker initial collateral equal to a certain percentage of the contract amount. Additional collateral is posted by or received by Atlantic depending upon the fluctuation in the value of the underlying securities.

(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. Start-up costs of projects under development are expensed as incurred. 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 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. Long-lived assets and identifiable intangibles consist of property and equipment, lease premiums and related goodwill. 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.

(expressed in thousands of U.S. dollars)

(j) **Loans receivable**
Program-related investments ("PRI's") are made in the form of loans or other investments to charities and other institutions as part of their charitable giving program. The repayment and interest terms of PRI's vary dependent on the project being supported by the loan or investment. Cash advanced less repayments received under PRI loan agreements is recorded as an asset in the combined statements of financial position. Total PRI commitments falling due in future fiscal periods are described in note 11.

(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 12). 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(e)). 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) **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 18(a).

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, 2004 was 2.62% (2003 - 1.40%). The discount is amortized and included as part of donations expense over the term of the obligation. Management has included supplemental disclosure on the combined statement of financial position 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.

(m) **Reverse repurchase agreements**
A reverse repurchase agreement involves the transfer of securities to a buyer in return for cash, under the agreement that Atlantic will later pay the cash plus interest in exchange for the return (repurchase) of the same securities. A sale is not recorded in respect of securities transferred to a buyer on the inception of a reverse repurchase agreement, and such instruments continue to be recorded as a component of marketable securities. Obligations to repay cash received under reverse repurchase agreements, plus accrued interest, are recorded as a liability in the combined statements of financial position.

(n) **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.

(expressed in thousands of U.S. dollars)

(o) **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 translation of donations denominated in foreign currencies are included as a component of donations expense (note 13). Gains and losses arising on the translation of foreign currency denominated investments are recorded as a component of realized and unrealized gains and losses. 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.

(p) **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.

(q) **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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

(r) **Discontinued operations**
GAGL adopted Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long Lived Assets (“FAS 144”) in 2002. FAS 144 establishes accounting and reporting standards for the impairment and disposal of long-lived assets. In general, sales and disposals of business segments are classified as discontinued operations. Therefore, as required, income or loss attributed to operations and sale of business segments sold, held for sale, or otherwise discontinued are presented in the combined statement of revenues and expenses as discontinued operations.

(s) **Recent accounting pronouncements**
In January 2003, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No.46, Consolidation of Variable Interest Entities ("FIN 46"), which provides guidance on the identification and reporting for entities over which control is achieved through means other than voting rights. FIN 46 defines such entities as variable interest entities (“VIE’s”). During December 2003, the FASB issued FIN 46R which replaces the original interpretation. For a non-public company with an interest in an entity that is subject to this interpretation and that is created after December 31, 2003, the provisions of this interpretation shall apply to that entity immediately. A non-public company shall apply this interpretation to all entities that are subject to this interpretation by the beginning of the first annual period beginning after December 15, 2004. The interpretation is not expected to have a material impact on Atlantic’s financial position and combined statements of revenue and expenses.

(expressed in thousands of U.S. dollars)

3. Marketable securities and marketable securities sold short

	2004			2003	
	Cost $'000	**Unrealized gain (loss) $'000**	**Market value $'000**	**Cost $'000**	**Market value $'000**
Fixed income					
Corporate debt securities	66,425	(3)	66,422	40,692	40,692
Short-term investments	10,701	(232)	10,469	17,838	17,535
Mortgage and asset-backed securities	8,420	(5,231)	3,189	14,402	9,318
	85,546	(5,466)	80,080	72,932	67,545
Equities					
U.S. equities	5,124	3	5,127	7,358	7,359
Non-U.S. equities	-	-	-	28,481	35,788
	5,124	3	5,127	35,839	43,147
Inflation protection					
Inflation protection debt securities	64,930	379	65,309	51,512	53,895
	155,600	(5,084)	150,516	160,283	164,587
Marketable securities sold under reverse repurchase agreements					
Inflation protection debt securities	293,320	507	293,827	120,997	133,204
Non-U.S. equities	-	-	-	34,791	42,096
	293,320	507	293,827	155,788	175,300
	448,920	(4,577)	444,343	316,071	339,887
Marketable securities sold short					
Equities					
Non-U.S. equities	-	-	-	(69,199)	(78,352)
	-	-	-	(69,199)	(78,352)

The contractual maturities of fixed income securities and inflation protection securities at market value are as follows:

	2004 $'000	**2003 $'000**
Due in one year or less	49,568	22,187
Due after one year through five years	375,990	56,617
Due after five years through ten years	-	94,096
Due after ten years	-	54,891
	425,558	227,791
Mortgage and asset-backed securities	3,189	9,318
	428,747	237,109

(expressed in thousands of U.S. dollars)

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.

			2004		**2003**
	Cost $'000	**Unrealized gain (loss) $'000**	**Fair value $'000**	**Cost $'000**	**Fair value $'000**
Stock specific					
Directional	481,581	150,178	631,759	378,931	470,725
Sector specialists	81,000	13,682	94,682	80,000	88,817
Low net	89,336	35,413	124,749	89,035	108,844
Market neutral	160,000	3,823	163,823	20,000	22,824
	811,917	203,096	1,015,013	567,966	691,210
Credit related	63,082	18,942	82,024	77,281	96,471
Fixed income	40,000	1,933	41,933	60,000	61,922
Event driven	97,213	48,864	146,077	52,576	90,431
Currency	78,000	3,841	81,841	78,000	83,930
Convertible arbitrage	5,890	171	6,061	10,000	10,287
Multi-manager	100,000	7,926	107,926	32,283	39,467
Macro	146,420	58,885	205,305	131,270	176,362
Other	223,806	24,333	248,139	133,347	178,197
	1,566,328	367,991	1,934,319	1,142,723	1,428,277

(expressed in thousands of U.S. dollars)

Certain funds restrict openings for investors to redeem shares. Certain limited partnerships have a finite life and may not allow investors to liquidate partnership interests prior to the partnership termination date. At December 31, 2004, the earliest dates that Atlantic could withdraw from investments with less than annual liquidity were as follows:

	2004 $'000	2003 $'000
Within one to two years	48,628	13,973
Within two to three years	31,115	-
Within three to four years	27,290	-
Within four to five years	28,730	-
	135,763	13,973

5. *Other portfolio investments*

	2004			2003	
	Cost $'000	Unrealized gain (loss) $'000	Fair value $'000	Cost $'000	Fair value $'000
Information technology	738,913	11,828	750,741	685,859	629,807
Other	199,979	22,353	222,332	216,230	222,302
	938,892	34,181	973,073	902,089	852,109

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, 2004, the value of the partnership interests attributable to the four largest quoted security positions held within the underlying partnership investment portfolios was $269,125,000 (2003 - $241,930,000).

Certain funds in the other portfolio category restrict openings for investors to redeem shares 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.

(expressed in thousands of U.S. dollars)

6. Derivative contracts

The carrying value and notional value of derivative contracts held during the fiscal years are as follows:

	2004			2003		
	Unrealized gain (loss) $'000	**Carrying value $'000**	**Notional amount $'000**	**Unrealized gain (loss) $'000**	**Carrying value $'000**	**Notional amount $'000**
Fixed income						
Long U.S. Treasury futures	-	-	-	-	-	191,696
Interest rate swaps	(492)	(492)	15,354	(2,028)	(2,028)	31,990
	(492)	(492)	15,354	(2,028)	(2,028)	223,686
Equities						
Long U.S. equity index futures	-	-	49,762	-	-	83,295
Long non-U.S. equity index futures	-	-	179,899	-	-	177,703
Long total return equity swaps	-	-	-	169	169	18,334
Short total return equity swaps	-	-	-	(208)	(208)	(17,930)
	-	-	229,661	(39)	(39)	261,402
Foreign exchange forward currency contracts	16,224	16,224	812,522	20,104	20,104	988,306
Total	15,732	15,732	1,057,537	18,037	18,037	1,473,394

Futures contracts
Equity index, fixed income and commodity futures contracts provide exposure to global financial markets. Open futures contracts at December 31, 2004 settle between January and March 2005 (2003 - January and March 2004).

Interest rate swaps
GAGL used interest rate swaps as hedges against increasing rates on variable rate debt. Swap contracts in place to effectively create fixed rate obligations were offset by new contracts that revert the payments to a variable rate in order to take advantage of declining interest rates. Open swaps at December 31, 2004 are reset to correspond with the terms of the debt obligations and/or the related offsetting swap (note 15).

Total return equity swaps
Total return equity swaps provide exposure to non-U.S. equities. There were no open swap contracts at December 31, 2004 (2003 - open contracts were reset monthly).

(expressed in thousands of U.S. dollars)

Foreign exchange forward currency contracts
Foreign exchange 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, 2004 expire between February and December 2005 (2003 - December 2004).

7. *Cash and cash equivalents*

Cash and cash equivalents comprise the following:

	2004 $'000	2003 $'000
Cash	353,412	290,290
Repurchase agreements receivable	226,336	672,312
Short-term debt securities	16,600	-
Discount notes	10,501	-
Certificates of deposit	250	3,397
	607,099	965,999

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 held through 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-

(expressed in thousands of U.S. dollars)

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, 2004 and 2003 substantially all of the cash and cash equivalents, marketable securities and securities sold short were held with Mellon Bank.

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. Futures contracts are only entered into on exchanges or boards of trade where the exchange or board of trade acts as counterparty to the transaction. The credit risk in respect of such transactions is, therefore, limited to the failure of the exchange or board of trade.

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, reverse repurchase agreements 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.

(expressed in thousands of U.S. dollars)

9. *Other current assets*

	2004 $'000	2003 $'000
Trade accounts receivable	9,665	9,216
Receivable for securities sold	8,667	70,134
Other	6,525	5,687
Interest and dividends receivable	6,198	2,642
Inventories	1,916	1,840
Deferred tax asset (note 17)	1,279	4,244
Income tax receivable	1,265	5,076
Receivable for daily variation margin	4	527
	35,519	99,366

10. *Property and equipment*

	Estimated useful lives (years)	2004 $'000	2003 $'000
Land		30,502	30,341
Buildings and improvements	20 - 40	77,838	108,028
Leasehold improvements	10 - 20	132,976	103,788
Furniture, fixtures and equipment	3 - 10	50,157	50,026
Construction-in-progress		51	205
		291,524	292,388
Less: Accumulated depreciation		(106,158)	(99,079)
		185,366	193,309

Depreciation expense for the year ended December 31, 2004 was $11,825,000 (2003 - $11,733,000).

11. *Loans receivable*

Loans receivable consist of program-related investments in the form of unsecured non-interest bearing loans, repayable by June 30, 2010. Loans receivable at December 31, 2004 were $1,532,000 (2003 - $1,530,000).

(expressed in thousands of U.S. dollars)

12. *Other assets*

	2004 $'000	2003 $'000
Collateral	18,857	152,954
Deferred tax asset (note 17)	14,481	11,650
Cost of deferred real estate sales (note 18(e))	5,677	5,710
Other	4,194	7,210
Intangible assets	3,909	4,037
Deposits	236	239
Operating loans receivable	73	968
	47,427	182,768

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.

13. *Charitable giving*

	2004 $'000	2003 $'000
Donations payable		
Due within one year	293,080	293,519
Due within one to two years	152,867	144,696
Due within two to three years	53,226	52,936
Due within three to four years	20,209	18,553
Due within four to five years	11,817	11,037
Due thereafter	36,926	41,735
	568,125	562,476
Less: Unamortized discount	(22,085)	(22,435)
	546,040	540,041

Exchange losses for the year ended December 31, 2004 in the net aggregate amount of $21,194,614 (2003 - loss of $66,041,756) arising on the translation of donations denominated in foreign currencies are included in donations expense.

Amortization of the discount of $350,000 (2003 - $8,064,000) on unconditional donations payable is included in donations expense.

(expressed in thousands of U.S. dollars)

14. Other current liabilities

	2004 $'000	**2003 $'000**
Accounts payable and accrued liabilities	44,590	35,461
Payable for securities purchased	-	2,140
	44,590	37,601

15. Debt obligations

	2004 $'000	**2003 $'000**
Short-term bank borrowings	1,061	1,767
Term loans, repayable through 2015	31,331	34,429
	32,392	36,196
Capital lease obligations	359	900
	32,751	37,096

The current portion of debt obligations at December 31, 2004 amounted to $4,190,000 (2003 - $21,694,000).

Certain term loans and all capital lease obligations totaling $31,318,000 (2003 - $72,346,000) are secured by assets with a net book value of $61,255,000 (2003 - $34,996,000). Interest rates on term loans are both fixed and variable ranging from 6.1% to 10% and LIBOR or the bank's prime rate plus 0.9% to 2.0%, respectively.

Atlantic has a $100,000,000 364-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 75 basis points or Fed Funds plus 80 basis points floating daily. The facility has a $10,000,000 sub limit for the issuance of standby letters of credit of which Atlantic has used $1,001,826. The remaining $98,998,174 of the facility was undrawn at year end. The facility will expire on December 1, 2005.

Debt maturities are as follows:

	$'000
Due within one year	2,990
Due within one to two years	14,008
Due within two to three years	15,380
Due within three to four years	373
	32,751

(expressed in thousands of U.S. dollars)

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

Investments are categorized by asset classes. Because of the integrated nature of financial markets, each asset class trades cash instruments and securities, as well as related derivative products (i.e., futures, forwards and other contracts related to the underlying instrument).

	2004		2003	
	Realized gains (losses) $'000	**Net change in unrealized gains (losses) $'000**	**Realized gains (losses) $'000**	**Net change in unrealized gains (losses) $'000**
Fixed income	7,826	(79)	2,295	(456)
Equities	35,576	(5,457)	51,931	94,477
Emerging markets	(3)	-	26,411	9,278
Inflation protection	16,036	(13,704)	86,553	(66,868)
Investment funds	88,290	82,437	36,180	152,821
Other portfolio investments	67,062	84,161	49,621	179,066
Foreign exchange forward currency contracts	63,861	(3,880)	79,195	17,426
Other derivatives contracts	703	1,575	(7,317)	828
Collateral	-	-	-	(177)
	279,351	145,053	324,869	386,395

17. *Income taxes*

The seven 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 (provision) benefit

	2004 $'000	**2003 $'000**
U.S. Federal provision	(3,693)	(1,726)
Other	(682)	(1,006)
Current tax provision	(4,375)	(2,732)
Deferred tax provision	(672)	(393)
Income tax provision	(5,047)	(3,125)

(expressed in thousands of U.S. dollars)

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 accounted for at fair value.

	2004 $'000	2003 $'000
Gross deferred tax assets	70,340	54,018
Valuation allowance	(49,045)	(31,130)
Deferred tax assets after valuation allowance	21,295	22,888
Gross deferred tax liabilities	(16,834)	(17,343)
Net deferred tax assets	4,461	5,545

A valuation allowance is provided for certain deferred tax assets based upon management's estimate that tax paying entities would 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 a portion of 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 $17,915,000 in 2004 (2003 - decreased $2,513,000) based on management's estimate that Atlantic will not be able to realize a benefit for certain assets, primary Australian net operating losses, in future years. In the prior year, the valuation allowance decreased based on management's estimate that Atlantic would be able to realize a benefit for certain assets, primarily Australian net operating losses in future years.

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

	2004 $'000	2003 $'000
Other current assets (note 9)	1,279	4,244
Other assets (note 12)	14,481	11,650
Deferred taxes	(11,299)	(10,349)
Net deferred tax assets	4,461	5,545

At December 31, 2004 Atlantic had available, for income tax purposes in various jurisdictions, net operating loss carry forwards of $7,662,203 expiring 2007 through 2024; net operating loss carry forwards of $108,434,000 with an expiration of indefinite duration; and charitable contribution deduction carry forwards of $24,904,809 expiring 2006 to 2009.

In 2003, Atlantic settled a number of tax audits and certain years closed for assessment in other jurisdictions. Amounts had been provided in earlier years and there is no adverse impact on the financial condition of Atlantic.

(expressed in thousands of U.S. dollars)

18. Commitments and contingencies

(a) **Conditional donations**
Unfulfilled conditional donations at December 31, 2004 amounted to $123,913,000 (2003 - $268,529,000). If the conditions under which these donations were granted are complied with, these donations will become payable as follows:

	2004 $'000	**2003 $'000**
Due within one year	53,509	127,999
Due within one to two years	37,456	86,175
Due within two to three years	19,092	40,868
Due within three to four years	9,274	9,824
Due within four to five years	4,110	3,224
Thereafter	472	439
	123,913	268,529

(b) **Investment commitments**
Under the terms of its investments in certain limited partnerships and investment funds (note 4), management is committed to investing a further $223,965,660 (2003 - $300,097,000).

(c) **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 percentages ranging from 3% to 21% 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 expire on January 31, 2006 and December 31, 2006, respectively. There are two leases in New York City expiring on October 10, 2004 and March 31, 2009.

Rental expense is summarized as follows:

	2004 $	**2003 $**
Minimum rentals	7,691	8,053
Contingent rentals	515	416
Sub-lease rentals	(5,225)	(4,783)
Net rental expense under operating leases	2,981	3,686

(expressed in thousands of U.S. dollars)

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

	Capital leases $'000	Operating leases $'000
Due within one year	345	8,115
Due within one to two years	26	6,515
Due within two to three years	-	6,611
Due within three to four years	-	6,304
Due within four to five years	-	4,936
Due thereafter	-	79,631
	371	112,112
Future minimum sublease rental income	-	(901)
Amount representing interest	(12)	-
Amount due within one year	(333)	-
Net minimum lease payments	26	111,211

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

(d) **Capital commitments**
At December 31, 2004, GAGL had no significant capital commitments or guarantees of future lease obligations (2003 - $1,067,000 and $1,406,000, respectively).

(e) **Cost of deferred real estate sales (note 12)**
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 $6,493,000 (2003 - $6,560,000) and related cost basis totals $5,677,000 (2003 - $5,710,000). 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 12).

(f) **Other commitments**
Certain debt obligations of portfolio entities have been guaranteed by GAGL. These obligations amounted to $4,500,000 at December 31, 2004 (2003 - $4,800,000).

(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 15% 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, 2004 was $17,796,897 (2003 - $16,265,958) of which GAGL represented $12,875,000 (2003 - $12,679,000).

Atlantic requires some of its employees to relocate as part of his or her employment with Atlantic and provides them with relocation loans.

Atlantic operates an office in Ithaca, New York which it plans to close during 2005 due to the decrease in higher education funding by Atlantic. As of July 1, 2002, Atlantic adopted a severance plan in order to provide for an orderly wind-up of the office's workload and to provide for the four employees that are covered by the plan. The cost of the severance plan and related benefits on a present value basis is being recognized over thirty months from July 1, 2002 to December 2004. The current year expense related to the plan was $61,000 (2003 - $213,000), payments were $222,000 (2003 - $Nil) and the value of the severance plan reserve at December 31, 2004 was $275,000 (2003 - $437,000).

20. *Discontinued operations*

GAGL closed certain retail stores due to adverse business conditions. The results of these operations are disclosed separately, net of income tax benefits, as discontinued operations in the combined statements of revenues and expenses. There are no assets or liabilities of these discontinued operations to include in the combined statements of financial position.

The separately reported revenues and expenses for these discontinued operations are:

	2004 $'000	**2003 $'000**
Revenue	-	348
Operating expenses	-	(134)
Income before income tax benefit	-	214
Income tax benefit	2	70
Net income	2	284

(expressed in thousands of U.S. dollars)

21. Related parties

Atlantic's Chief Investment Officer serves on the investment advisory committee of certain funds in which Atlantic invests. A director and an outside investment committee member of The Foundation are executive officers of the sponsors of other funds in which Atlantic invests. Together, these investments represent approximately $257,000,000 in six underlying investment funds. Atlantic also has an additional commitment to invest $42,500,000 in two of the funds.

22. Comparative balances

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