ANNUAL REPORT

The Currency Exchange Fund N.V.
The Netherlands

Period ended 31 December, 2007

the currency exchange fund

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the currency exchange fund

General information

Supervisory Board

Mr. P.C. Baloyi
Mr. F.R.V. Czichowski
Mr. T.F. Johansen
Mr. C. Maas (chairman)
Mr. A. van Nederveen

Registered Office

Locatellikade 1
1076 AZ Amsterdam
The Netherlands

Board of Directors

TMF Management B.V.
Locatellikade 1
1076 AZ Amsterdam
The Netherlands

Administrator

TMF Nederland B.V.
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1076 AZ Amsterdam
The Netherlands

Investment Management Company

TCX Investment Management Company B.V.
Herengracht 574
1017 CZ Amsterdam
The Netherlands

Back Office Provider

Zanders & Partners B.V.
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The Netherlands

Risk Manager

Cardano Risk Management B.V.
Beursplein 37
3011 AA Rotterdam
The Netherlands

Compliance Officer

Compliance Advies
Mr. A. van der Heiden RA
Rotondeweg 22
1261 BG Blaricum
The Netherlands

Accounts Bank

Citigroup
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WTC Building, Tower D, Floor 8
1118 BH Airport Schiphol
The Netherlands

Legal and Netherlands Tax Advisor

Clifford Chance LLP
Droogbak 1a
1013 GZ Amsterdam
The Netherlands

International Tax Advisor

PriceWaterhouseCoopers
Fascinatio Boulevard 350
Rotterdam
The Netherlands

Independent Auditor

Ernst & Young Accountants
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

Profile

The Currency Exchange Fund N.V. ("TCX" or "the Fund") was created on 5 September 2007 with the objective to invest, along commercially sound principles, in long-term emerging-market currency and interest rate derivatives, with the purpose to complement existing available product offerings in the market. Long-term investors in these markets utilize TCX as a facilitator in the mitigation of the currency and interest rate mismatches born by their local clients that require local currency products.

TCX's markets of operation are all countries mentioned in the OECD Development Assistance Committee list of Official Development Assistance recipients, effective from 2006. It concentrates on currencies and maturities not provided for by the international financial markets. TCX is a USD-based fund. TCX's natural position is long emerging-market currencies and short USD.

TCX's products are, in this phase, limited to swaps and forwards. TCX differentiates its transactions into two broad groups: transactions with TCX investors and transactions with investment banks. TCX's transactions with investors comprise TCX's Primary Portfolio, which is a portfolio of long-term transactions. TCX's transactions with investment banks comprise TCX's Trading Portfolio, which is a portfolio of short-term transactions. In addition to the Primary Portfolio and the Trading Portfolio, TCX has a Hedging Portfolio and a Liquidity Portfolio. The purpose of the Hedging Portfolio is to manage excess exposures resulting from the Primary Portfolio and the Trading Portfolio.

TCX's creation follows from the collective awareness of a group of like-minded investors, coordinated by the Netherlands development finance institution FMO, of the problems associated with the common practice of providing long-term (debt) financing denominated in hard currencies to emerging-market clients with local currency earnings. In many cases, such financing leads to a currency mismatch with these clients, who thereby become exposed to potentially high and adverse currency fluctuations. Exposure to unwarranted currency risks has a negative impact on the stability and sustainability of companies and economies, and it reduces the effectiveness of their capital in the generation of growth. TCX is the result of the collective will of its founding shareholders to address this market flaw.

Special attention is placed on Sub-Sahara African currencies, with the objective to maximize TCX's contribution to the development of the markets in the region. Efforts are also undertaken to serve the microfinance sector specifically, given the high development impact and additionality of local currency (debt) products in this sector, especially in the current phase of the sector's development.

TCX was created by its investors with the dual intention to create a commercially sound solution to their own currency hedging needs and to contribute to the general development of local currency capital markets. During the first 3 years of its existence, TCX will transact almost exclusively with its investors and counterparties designated by its investors. Thereafter, TCX will transact increasingly with non-investors.

TCX offers its investors the benefits of scale and scope in managing local currency exposures. Its most important risk mitigation tool is the establishment and maintenance of a broadly diversified emerging-market portfolio. A broadly diversified emerging-market portfolio is established quickly and evenly by pooling the origination efforts of a large number of institutions, many of which have a regional focus.

TCX is a Dutch, tax-exempt corporation. It has partnered with the Netherlands-based investment manager TCX Investment Management Company B.V. and the risk manager Cardano Risk Management B.V. for the management of its main activities. TCX has no employees.

Report of the Board of Directors

We are pleased to submit the annual report for the period ended 31 December, 2007 and the Independent Auditor's report for The Currency Exchange Fund N.V.

Results

The net asset value per share Class A decreased by USD 3,684 equals to -0.7% since inception. The net asset value per voting for all series at the end of the reporting period is as follows:

	31 December, 2007
Net asset value[1] per share Class A (in USD)	496,316

Developments during the year

On 5 September 2007, the Fund started its operations. The Investment Manager has reported on the operational and investment activities during the year in its report are included in this annual report.

Internal Risk Management and Control Statements

The Fund's operations are substantially carried out by the following service providers:

- TCX Investment Management Company BV, providing investment management services to the Fund under the terms of an Investment Management Agreement dated 5 September 2007
- Cardano Risk Management BV, providing risk management services to the Fund under the terms of a Risk Management Agreement dated 5 September 2007
- Zanders and Partners BV, providing back office services to TCX Investment Management Company BV under the terms of a Back Office Services Agreement dated 5 September 2007
- TMF Nederland BV, providing administrative services to TCX Investment Management Company BV under the terms of a Back Office Services Agreement dated 5 September 2007

All of the above service agreements refer to the Fund's Operational Guidelines for the definition of tasks assigned to each service provider. The operations of the Fund are limited, among others, by the Risk Charter adopted by the Fund on 5 September 2007. The combined effect of the Risk Charter and the Operational Guidelines is to clearly allocate responsibilities and limits to the activities in order to ensure control over risk exposures. The Fund is in the process of implementing a Compliance Program in order to formalize quarterly compliance reviews.

The Fund commenced operations on 1 October 2007, on which date the first share premiums were received. The extent of operations in 2007 (besides activities of low materiality) was limited to the investment of the proceeds of the share premiums and the disbursement of the first tranche of the subordinated convertible loan.

Disclosure Control and Procedures

The Fund and its service providers TCX Investment Management Company BV, Cardano Risk Management BV, Zanders and Partners BV and TMF Nederland BV operate under the terms of services agreements, the Operational Guidelines, the Risk Charter and the Compliance Charter.
Based on the preliminary experience of operations to date, and following the appointment of a Compliance Officer, the Fund, its service providers and the Compliance Officer will develop a Compliance Program to complement and make explicit disclosure procedures in line with Netherlands regulatory requirements for asset managers. It is expected that this Compliance Program will be effective in the first half of 2008.

[1] The net asset value as reported differs from the net asset value as presented in the financial statement. See note 18 for further detail.

Internal control over financial reporting
The Board of Directors is responsible for the Fund's risk management, internal control, integrity, and compliance systems. Due to the preliminary nature of the Fund activities (4 months after start-up) and the limited activities in its investments portfolio up to 31 December 2007, the Board of Directors is currently in the process of implementing its periodical reviews of these systems.

17 April, 2008

Board of Directors

Report of the Supervisory Board

Composition Supervisory Board

The Supervisory Board is composed of Mr. C. Maas (Chairman), Mr. P.C. Baloyi, Mr. F.R.V. Czichowski, Mr. T.F. Johansen, and Mr. A. van Nederveen. All members were appointed on 5 September 2007, except for Mr. A. van Nederveen, who was appointed on 26 November 2007.

Committees

The Supervisory Board has appointed a Pricing Committee, an Asset and Liability Management Committee, and a Donor Committee. The committees operate pursuant to terms of reference established by the Supervisory Board according to the rules and regulations of the Dutch corporate governance code.

Pricing committee

As described in the Information Memorandum, the Pricing Committee was formed in order to approve benchmarks and Primary Portfolio transactions proposed by the Investment Management Company. The Supervisory Board has appointed Mr. F. Engels, Mr. A. Fonseca Junior, Mr. R.M. Pott, and Mr. M. Vogel as members of the Pricing Committee.

Asset Liability Management Committee

The Asset Liability Management Committee was formed to advise the Supervisory Board on prevailing risk management issues. The Asset Liability Management Committee is composed of four voting members and two non-voting members. The voting members are Mr. J. Zuidberg (Chairman), Mr. N. Kolev (Vice Chairman), Mr. B. Bos, and Ms. J. van Paassen, The non-voting members are Mr. F. Gosselink and Mr. M. Stravers (as of 25 January 2008).

Donor Committee

The Donor Committee is formed to approve special projects to support by the Joint Donor Escrow Account (see note 8 of the financial statements for further explanation) proposed by the Investment Management Company. The Donor Committee is composed of Mr. J. van Renselaar.

Meetings of the Supervisory Board

In 2007, the Supervisory Board met on 5 September (physical meeting), 24 September, 5 November, and 11 December. Each member attended all meetings.

Independence of members of the Supervisory Board

The Supervisory Board confirms that all members of the Supervisory Board are independent in the sense of best practice provision III.2.2 of the Dutch Corporate Governance Code. This means that none of the members of the Supervisory Board (or any partner or close relative):

- has been an employee or member of the Board of Management of TCX in the five years prior to appointment;
- receives personal financial compensation from TCX or an associated company other than the compensation received as member of the Supervisory Board;
- has had an important business relationship with TCX or a company associated with it, in the year prior to the appointment;
- is a member of the management board of a company in which a member of the Board of Management is a member of the supervisory board;
- holds at least 10% of the shares in TCX;
- is a member of the management board or supervisory board of a legal entity that holds at least 10% of our shares; or
- has temporarily managed TCX during the period since inception.

Compliance
The Supervisory Board confirms that, in 2007, the Supervisory Board took no decision that did not comply with its by-laws.

Remuneration policy
The members of the Supervisory Board each received the following remuneration, based on an annual remuneration of EUR 20,000 for each member, except the Chairman, who is entitled to an annual remuneration of EUR 25,000.

Mr. C. Maas (Chairman)	EUR 8,333
Mr. P.B. Baloyi	EUR 6,667
Mr. F.R.V. Czichowski	EUR 6,667
Mr. T.F. Johansen	EUR 6,667
Mr. A. van Nederveen	EUR 1,666

All members of the Pricing Committee receive an annual remuneration of EUR 20,000 as of the year 2008 (no remuneration received over 2007).

Evaluation
In a Supervisory Board meeting scheduled for the first quarter of 2009, a first evaluation and self-assessment will be performed in order to judge the Supervisory Board's activities and performance, as well as that of its members, over the period September 2007 through December 2008.

Financial statements
This annual report and the 2007 financial statements, audited by Ernst & Young Accountants as Independent Auditor, were presented to the Supervisory Board in the presence of the Board of Management and the Independent Auditor. The Independent Auditor's report can be found on page 32.

The Supervisory Board recommends that the general meeting of shareholders adopts the 2007 financial statements of TCX. The annual general meeting of shareholders will be asked to release the members of the Board of Management from liability for the exercise of the management of the company's affairs and management. The appropriation of profit approved by the Supervisory Board can be found on page 33.

The Supervisory Board wishes to thank the Board of Directors for their contributions in 2007.

17 April, 2008

Supervisory Board

Report of the Investment Manager

The year 2007 was the year of incorporation of The Currency Exchange Fund N.V. and of its operational partner TCX Investment Management Company B.V. The launching event, held on 5 September 2007 in Amsterdam, was a momentous occasion for the participating institutions and individuals alike. It marked the closure of an intensive phase of discussions and negotiations among all parties to establish the constituent parts and agreements of the initiative.

Following on from this event, the remaining four months of the year were spent on preparations for the Fund's commercial operations, which started in January 2008. The teams of the Investment Manager, the Risk Manager (Cardano Risk Management Services), the Back Office Service Provider (Zanders & Partners), the Administrator (TMF), the legal advisor (Clifford Chance), and the fund raising advisor (Corporate Connect) have all assisted to complete the Fund's governance and contractual structure, conclude discussions with further First Close providers of equity and debt, establish the Fund's commercial and financial relationship with shareholders and selected investment banks, and address the various pricing requests provided by the shareholders from October onward.

No commercial derivative transactions were concluded in 2007, but pricing request activity from nearly all shareholders was very strong, indicating a high level of early interest from shareholders and their clients to explore the local currency alternatives facilitated by TCX. Some 25 indicative quotes were provided in the last quarter 2007 for an aggregate amount of circa USD 350 million. The Fund's Pricing Committee received a first set of benchmarks in 15 currencies in December 2007, all of which were approved in early January 2008[2].

The unexpectedly rapid development of initial requests for quotes occurred against a backdrop of highly uncertain markets. The sub-prime credit crisis in the US has reduced growth prospects in the developed world. To what degree the slowdown in the West can be avoided in the developing countries, and its effect on their financial markets (notably the smaller and weaker economies of de the lower income countries which constitute TCX's focus) remains to be seen. However, we expect that the higher uncertainty in the currency and credit markets will improve the case for local institutions in our target regions to manage currency and tenor mismatches, thus increasing demand for TCX's products.

In 2007, TCX held its first forum to discuss the development of local currency markets, in Kampala, Uganda. The conference, organized together with Dutch development bank FMO, attracted 160 representatives of market practitioners and policy makers from across the African continent, confirming the high interest in local currency long-term products for African banks and companies.

TCX is well placed to make a positive commercial start in 2008. With a capital base of circa USD 330 million plus EUR 37,5 million committed but not disbursed as at 31-12-2007, and the expected closure of an additional USD 78 million in equity and USD 100 million in tier-2 subordinated debt early 2008, its transaction portfolio capacity (aggregate nominal amount of swaps) is expected to reach circa USD 2,2 billion in 2008. The Fund's corresponding single currency limit will be approximately USD 220 million, allowing it to contribute substantially to the further development of a long-term local currency capital market in many countries within its target. We intend to develop in 2008 the capability to transact products locally and seek to participate directly in the capital markets in selected countries.

[2] As at the date of this report, 35 benchmarks have been approved by the Pricing Committee

The Fund's governance structures were established, with the set-up of the main decision-making and controlling bodies, notably the Fund's Statutory Managing Director, the Supervisory Board and the Pricing Committee. With the selection of a Compliance Officer, to be appointed early 2008[3], the Fund's governance will include the main required components.

We have high expectations for the year 2008, which, despite tumultuous global markets, we expect will provide a confirmation of the relevance of local currency products for our investors' clients. In addition, TCX looks forward to engaging in productive dialogue with central bankers, ministers of finance, and other policy makers local markets in order to maximize the development impact of TCX's activities and platform on local markets.

17 April, 2008

TCX Investment Management Company BV

[3] The Compliance Officer has been appointed as of April 17, 2008

Financial statements

Balance sheet

(As at 31 December and before profit appropriation)

(all amounts in USD)	Notes	2007
Assets		
Cash and cash equivalents	5	135,476,685
Financial assets at fair value through profit or loss	6	199,962,427
Other receivables	7	842,814
Total assets		**336,281,926**
Shareholder's equity		
Net assets attributable to holders of shares Class A (equity portion)	13, 14	80,206,771
Total shareholder's equity		80,206,771
Liabilities		
Accrued expenses and other payables	11	5,522,573
Subordinated Convertible Debt	12	17,991,307
Net assets attributable to holders of shares Class A (liability portion)	13, 14	232,561,275
Total liabilities		256,075,155
Total shareholder's equity and liabilities		**336,281,926**

The accompanying notes are an integral part of these financial statements

Income statement

(For the period started 5 July through 31 December 2007)

(all amounts in USD)	Notes	**2007**
Investment result		
Unrealized result on financial instruments at fair value through profit or loss	15	2,001,875
Interest income	16	714,661
		2,716,536
Other results		
Deposits into JoDEA	8	(539,739)
Foreign currency translation	19	387,190
		(152,549)
Operational expenses		
Management fee	9	(824,419)
Risk management fee	10	(437,951)
Administration fee	9	(230,304)
Audit fee	10	(243,520)
Supervisory board fees	9	(44,163)
Other general expenses	17	(4,021,197)
		(5,801,554)
Change in net assets resulting from operations	13	**(3,237,567)**
Change in net assets attributable to holders of shares Class A	13	2,407,320
Net result for the period	13	**(830,247)**

The accompanying notes are an integral part of these financial statements

Statement of cash flows

(For the period started 5 July through 31 December 2007)

(all amounts in USD)	Notes	2007
Cash flow from operating activities		
Net payments for financial instruments at fair value through profit or loss		(198,052,667)
Withholding tax paid		(25,795)
Interest received		231,381
Management fee paid		(294,941)
Administration fee paid		(97,815)
Audit fee paid		(91,288)
Supervisory board fees		(44,163)
Prepaid expenses		(333,739)
Other general expenses paid		(346,095)
Net cash flow generated from operating activities		(199,055,122)
Cash flow from financing activities		
Proceeds from subscriptions of ordinary shares Class A		316,005,613
Proceeds from Subordinated Convertible Debt		18,144,869
Net cash flow generated from financing activities		**334,150,482**
Net cash flow generated during the period		**135,095,360**
Cash and cash equivalents at beginning of the period		
Foreign currency translation of cash positions		381,325
Cash and cash equivalents at end of period	5	**135,476,685**

The accompanying notes are an integral part of these financial statements

Statement of changes in shareholder's equity

Movements of shareholders' equity during the period started 5 July, 2007 and ended 31 December, 2007 which represent the equity portion of the shares Class A are as follows.

(all amounts in USD)	Class A
Capital contributions	
Balance at beginning of period	-
Proceeds from shares issued	17,226
Total capital contributions at end of period	17,226
Share premium contributions of participants	
Balance at beginning of period	-
Proceeds from shares issued	81,019,792
Total share premium contributions at end of period	81,019,792
Undistributed result	
Balance at beginning of period	-
Net result for the period	(830,247)
Total undistributed result at end of period	(830,247)
Shareholders' equity at end of period	**80,206,771**

The movement of the equity portion of Shares Class A during the period is as follows.

	Class A
Shares at beginning of period	-
Shares issued	630
Reclassified as liability	(468)
Redemption of shares	-
Shares at the end of period	**162**

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

1. General information

The Currency Exchange Fund N.V. (the ´Fund´) is a public limited liability company incorporated and existing under the laws of the Netherlands. The Fund started operations in July 2007.

This report is the Fund´s first financial statements. Due to the current states of these transaction flows, the Fund invested the receipt proceeds from its investors in debt securities. As at the issue date of this annual report the latest information memorandum in circulation is dated 5 September, 2007.

The financial statements were authorized for issue by the Board of Directors on 17 April, 2008.

2. Summary of significant accounting policies

Basis of preparation
The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of Title 9 Book 2 of the Dutch law for entities which prepare their financial statements in accordance with IFRSs. For the Fund, the adopted IFRSs by the EU are equal to IFRSs as published by the International Accounting Standards Board (IASB). The Fund therefore also complies with IFRSs as published by the IASB.

The financial statements of the Fund reflect the period since incorporation dated 5 July, 2007 till 31 December, 2007. Therefore, no comparative figures are included in the financial statements. The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortized cost or initial amount.

The preparation of financial statements in conformity with IFRSs requires the use of accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Fund's accounting policies.

The balance sheet presents the assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

New standards, amendments and interpretations to existing standards those are relevant to the Fund and not yet effective
The IASB has issued a revised IAS 1 Presentation of Financial Statements. The revisions to IAS 1 represent the first step in the IASB's comprehensive project on reporting financial information. The revised IAS 1 is effective for annual periods beginning on or after 1 January 2009. The EU has scheduled to endorse the revised IAS 1 Presentation of Financial Instruments in the fourth quarter of 2008. For the current period, the Fund will not early adopt this revised standard when endorsed unchanged. The impact to the Funds financial statements will be minor and only relates to presentation adjustments.

On 14 February, 2008 the IASB has issued amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements regarding puttable financial instruments and obligations arising on liquidation (the Amendments), effective for the annual periods beginning on or after 1 January, 2009. The EU has not finalized its endorsement process yet. The objective was a short-term, limited scope amendment to improve the financial reporting of particular types of financial instruments that meet the definition of a financial liability but represents the residual interest in the net assets of the entity. The Amendments will be assessed after the EU has endorsed the Amendments in order to conclude on the impact in the Fund´s financial statements.

Foreign currency translation

Functional currency and presentation currency
The functional currency of the Fund is the United States Dollar (USD) reflecting the fact that the majority of the transactions are settled in USD. The Fund has adopted the USD as its presentation currency as substantially all of the contributions made by the investors of the Fund are denominated in USD.

Transactions and balances
All recognized assets and liabilities denominated in non-USD currencies are translated into USD equivalents using period-end spot rates. Transactions in foreign currencies are translated at the rates of exchange prevailing at the date of the transaction. Resulting exchange differences on the financial instruments at fair value through profit or loss in foreign currencies are recorded in the income statement as part of the investment result. Realized and unrealized exchange differences on other assets and liabilities are also recorded in the income statement and disclosed as foreign currency translation.

Financial instruments

Classification
The Fund classifies its investments in debt securities and all derivative financial instruments (which may include foreign exchange contracts and interest rate futures, forward rate agreements, currency and interest rate options, both written and purchased, and other derivative financial instruments) as financial instruments held for trading. The Fund classifies its subordinated convertible loan as financial liabilities in accordance with the substance of the contractual arrangement.

Recognition
The Fund recognizes a financial instrument on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial instruments at fair value through profit or loss are initially recognized using trade date accounting. Gains and losses are recognized from this date.

Measurement
Financial instruments are measured initially at fair value (transaction price). Transaction costs on financial instruments at fair value through profit or loss are expensed immediately. After initial recognition, financial instruments at fair value through profit or loss are measured at fair value, with changes in their fair value recognized as gains or losses in the income statement. At the date of issue, the fair value of the financial liabilities is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis until extinguished upon conversion or at the instrument’s maturity date.

Fair value measurement principles
For all financial instruments which are listed or otherwise traded in an active market, for exchange traded derivatives, and for other financial instruments for which quoted prices in an active market are available, fair value is determined directly from those quoted market prices and is based on the current bid price (for long positions) and ask price (for short positions).

Derecognition
The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. A transfer will qualify for derecognition when the Fund transfers substantially all the risks and rewards of ownership. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions, short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and which have a maturity of three or less at acquisition. Bank overdrafts that are repayable on demand form an integral part of the Fund's cash management and are also included as a component of cash and cash equivalents.

Statement of cash flows
The statement of cash flows is prepared according to the direct method. The statement of cash flows shows the Fund's cash flows for the period divided into cash flows from operations and financing activities and how the cash flows have affected cash funds.

For the purposes of the statement of cash flows, financial instruments at fair value through profit or loss are included under operating activities. Cash flows from financing activities include proceeds from subscriptions and payments for redemptions of shares of the Fund. As the nature of the Fund is to invest in financial instruments, all cash flows related to investments are classified as cash flows from operating activities.

Shares Class A
The Fund recognizes its issued shares Class A as a compound financial instrument as a result of the redemption features included in the investors agreements.

Liability portion
The shares Class A gives the holder the right to put the shares back to the Fund at the holder's discretion. The obligation of the Fund to repay the shareholders is a classified as a liability. Based on the redemption features included in the investors agreements, the Fund calculates its liability towards the shareholders using a discounted cash flow model. The future cash flows are estimated based on the maximum redemption in each year, taken into account the ability of the Fund to refuse redemptions given a certain minimum as agreed upon. For the calculation of the liability, the redemption amount represents the intrinsic value at balance sheet date. The intrinsic value means the net asset value attributable to holders of shares Class A, being the balance of the Fund's assets and liabilities (excluding the equity and liability portion) determined on a mark-to-market basis (the 'NAV').

Equity portion
The difference between the liability portion and the redemption amount is classified as the equity portion of the compound financial instrument.

Income and expense recognition
Income is recognized to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. For zero coupon bonds, the change in fair value will be classified as unrealized result on financial instruments at fair value through profit or loss.

Management fee is based on budget approval per annum by the Supervisory Board and Performance fee is determined based on a separate performance contract as agreed with the Investment Management Company.

Taxation
The Fund has received a ruling from the Dutch tax authorities that it is eligible for an exemption from corporate tax (it is a *vrijgestelde beleggingsinstelling*, or VBI), under the terms of legislation passed by the Netherlands Parliament on 1 August, 2007.

Events after balance sheet date
The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date. Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

3. Significant accounting estimates and judgment in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires the Investment Manager to apply judgment involving assumptions and estimates concerning future results and other developments, including the likelihood, timing or amount of future transactions or events. In the current reporting period, the Fund has no significant accounting estimates that require complex estimates or significant judgment in applying its accounting policies.

4. Financial risk management

The Fund's financial risks are managed through three major methods: maintenance of strict concentration limits, value at risk (VaR) and stress testing. For further explanation of the investment objectives, policies and processes, see the chapter explaining the investment objectives, policies and processes.

Market risk
A total net amount of USD 199,962,427 is invested in financial instruments at fair value through profit or loss, representing 63.9% of the NAV as per 31 December, 2007. The financial instruments consist only of investments in US Treasury bills.
The maturity date of this US Treasury bill is 3 January, 2008. Consequently, the reporting date being only 3 days from maturity date the US Treasury bill is valued at approximately the nominal value, causing a VaR of close to 0%.

The Fund uses Value at Risk (VaR) to measure risk exposure with a horizon of 1 month and a confidence level of 99%. The VaR calculation method used in the normal course of the business is called historical simulation. For the purpose of the financial statement disclosures, the historical VaR is used with the main assumption that historical market data is the best estimator for future changes.

The historical method does not assume a normal distribution of assets. The historical VaR calculation is based on 120 months of historical price changes to yield a distribution of changes in value. The VaR at 31 December, 2007 for financial instruments at fair value through profit or loss is close to 0.0%.

There are certain limitations using VaR.

- The data provided reflects positions as at year-end which do not necessarily reflect the risk positions held at any other time. As disclosed in the chapter "Investment objectives, policies and processes", the risk management system is monitoring the exposure of the Fund on a daily basis;
- The VaR is a statistical method and therefore it is possible that there could be, in any period, a higher loss;

The currency positions at 31 December, 2007 are as follows:

	2007	
	Fair value in USD	**% of NAV**
Currency		
Euro	14,414,211	4.6
United States Dollar	298,353,835	95.4
Total	**312,768,046**	**100.0**

Credit risk
The Fund's financial instruments designated at fair value through profit or loss consist mainly of bonds and are therefore exposed to credit risk. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. The Fund holds only one interest bearing security in the form of US Treasury Bills with a fair value of USD 199,962,427. The US government currently holds a credit rating of AAA. The classification of the credit rating is based on public information provided a leading credit rating agency, Standard & Poor´s.

Liquidity risk
The Fund's financial liabilities consist of a Subordinated Convertible Debt for an undiscounted cash flow amount of USD 17,991,307, representing 7,0% of the total financial liabilities (see note 12 for further details). The Subordinated Convertible Debt has a final maturity date of 5 September, 2017. As of 5 September, 2012 each participating lender of the Subordinated Convertible Debt shall have the option to convert, in whole or in part, its outstanding commitment into Class B shares of the Fund, The product of the conversion price and number of shares shall equal the outstanding commitment of the Fund at the time of conversion. The Fund holds other liabilities for an undiscounted cash flow amount of USD 5,522,573, representing 2.2% of the total financial liabilities with a maturity date of less than 3 months.

The undiscounted cash flow, related to the liability portion of the shares Class at 31 December will mature as follows, taking into account the earliest redemption possibility.

(all amounts in USD)	**2007**
Year of maturity	
2011	62,553,609
2012	50,042,887
2013	40,034,310
2014	32,027,448
2015	25,621,958
2016	20,497,567
2017	16,398,053
2018	65,592,214
Total	**312,768,046**

Fair value of other financial assets and financial liabilities
There is no material difference between the value of the other financial assets and liabilities, as shown in the balance sheet, and their fair value.

5. Cash and cash equivalents

At 31 December, 2007 no restrictions on the use of cash and cash equivalents exist except for the amount as disclosed in note 8 regarding the commitment to transfer the outstanding balance of USD 512,039 to the JoDEA account.

6. Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss at 31 December, 2007 consist of investments in debt securities (US Treasury Bills) for an amount of USD 199,962,427, representing 63.9% of total net asset value.

7. Other receivables

At 31 December, 2007 the other receivables consist of the following:

(all amounts in USD)	2007
Interest receivable	483,280
Reclaimable withholding tax	25,795
Prepaid expenses	333,739
Total other receivables	**842,814**

8. Joint Donor Escrow Account

The Fund has opened a EUR bank account, the Joint Donor Escrow Account (the JoDEA) which is owned, administered and managed by the Fund pursuant to the JODEA Management Agreement, dated 5 September, 2007. The Fund has agreed with the donors the general criteria for projects to be undertaken by the Fund and (partly or fully) funded from the JoDEA. The Investment Manager has received discretionary delegated authority for approval of projects meeting certain agreed criteria and will submit project proposals to a Donor Committee outside of these criteria.

The Fund deposits 3% of any disbursement of the Subordinated Convertible Debt, upon occurrence of such disbursement. Furthermore, annually on July 1 an amount equal to the lesser of:

- The previous year's audited net profit;
- The previous year's audited net positive cash flow;
- An amount equal to an interest payment of USD three months LIBOR over the Subordinated Convertible Debt outstanding amounts plus any amount due but unpaid in previous periods.

In case of a final liquidation of the Fund, any amount still deposited in the JoDEA will be distributed to the Subordinated Convertible Debt lenders pro-rata to their contributions. When using the JoDEA for making an investment that may be redeemed at a later date, any redemption proceeds received by the Fund will be transferred to the JoDEA. The Fund is entitled to any interest, dividend or other income received for these investments and will not be part of the JoDEA.

The movement schedule of the JoDEA account for the current period is as follows:

(all amounts in USD)	Original currency	USD
Opening balance		-
Deposits	375,000	539,739
Disbursements		(40,000)
Foreign exchange revaluation		12,300
Balance at the end of the period		512,039

At 31 December, 2007 the balance of the JoDEA has not yet been transferred to a separate EUR bank account. Instead, per 31 December, 2007 the balance is still included in the general EUR bank account.

9. Related party transactions

Related party transactions are transfers of resources, services or obligations between related parties and the Fund, regardless of whether a price has been charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund. The following parties are considered related parties.

Board of Directors
The Board of Directors received no remuneration during the period.

Supervisory Board
The Supervisory Board received a total remuneration of EUR 30,000 (USD 44,163) during the period. The Supervisory Board´s remuneration is based on a total annual short term fee of EUR 105,000.

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)
FMO is currently the sole shareholder of the Investment Manager. FMO is one of the shareholders of the Fund with an equity contribution of USD 70 million. FMO has agreed to enter into a backstop guarantee facility capped at USD 350 million to cover certain of the Fund's senior obligations.

FMO, as all other shareholders, intends to be one of the Fund's leading operational counterparties providing its emerging market clients with local currency products using the Fund as a mitigating partner. The following transactions occurred during the period.

	USD
Share transaction Class A – 140 shares with a premium of USD 500,000 per share	69,935,956
Share transaction Class C – 1 share[4] at EUR 45,000	59,850
Guarantee fee (see note 12 for further details	(111,667)

Backstop guarantee facility
The Fund entered into a guarantee framework agreement with FMO and the Risk Manager to acquire exposure on emerging markets currencies and interest rates by entering into derivative transactions with its shareholders and third parties in line with the Fund's objectives. The purpose of the provision of the guarantees is to allow the Fund to access hedging products at reasonable terms, predominantly in the first phase of its existence considering that it will not be assigned a rating by any of the major rating agencies. The Fund will pay FMO in advance an annual guarantee fee of USD 335,000 for the first four years of existence of the Fund. After the first four years, the Fund will pay USD 1,000,000 guarantee fee on a yearly basis.

Investment Manager
The Investment Manager has been incorporated by FMO and has currently one shareholder (FMO). The main responsibilities of the Investment Manager are to manage the Fund's investments according to the Fund's strategy, to represent the Fund in communication with its stakeholders and services providers, and to ensure the Fund's optimal access to international and local markets to promote the Fund's investment products. The back office function and the finance and control function have been outsourced to the Back Office Provider and Administrator respectively.

Functions outsourced by the Investment Manager
For reasons of transparent separation of functions and professional deal management, the Investment Manager has outsourced the back office function to a third party provider, Zanders. The main responsibilities of the Back Office Provider are settling and administering the Fund's investments, performance of the collateral management and maintain and prepare portfolio reports.

[4] The share Class C has been transferred to the Fund on 5 September 2007 for no consideration.

The Investment Manager has entered into an administration agreement with TMF Management B.V. to support the finance and control function of the Investment Manager. The main responsibilities of this function are to prepare the annual report and facilitate the Independent Auditor and prepare periodic financial reports for the benefit of the Pricing committee, the Supervisory Board and the Investors Meeting.

The Administrator also provides the registered office and the domicile of the Fund, maintains and keeps the Fund's books and records, provides secretarial services to the Fund and manages the JoDEA including maintenance and keeping books and records. For its services, the Administrator received a fee of EUR 157,678 (USD 230,304).

Remuneration
The Investment Manager is, according to the investment management agreement (dated 5 September, 2007) remunerated for its activities as follows.

- Cost recovery component: the Supervisory Board agreed to an annual budget payable quarterly in advance, starting from 2008. For the current period, the Investment Manager invoiced EUR 584,775 (USD 824,419) including expenses of the Back Office Provider of EUR 284,265 (USD 418,782);
- Performance fee: the Investment Manager receives an annual Performance fee driven by agreed parameters, agreed to between the Investment Manager and the Supervisory Board and approved by Shareholder Special Consent (at least 80% of the shares issued and outstanding). It is agreed that the Investment Manager is not entitled to performance fee for the current period ending 31 December 2007;
- Carried interest: the Investment Manager will receive a carried interest on the realized business value, representing the difference between realized exit and intrinsic value as defined by the Management Agreement and payable immediately upon occurrence of a transfer of shares Class A or Class B. For the current period no transfer of shares Class A or Class B occurred.

10. Relevant contracts

Investment Manager
The Fund has entered into an investment management agreement with the Investment Manager, whereby it will provide investment management and advisory services to the Fund. See note 9 for further details of the contractual arrangements.

Risk Manager
The Fund's risk management is provided by Cardano Risk Management B.V. under the terms of the Risk Management Agreement, dated 5 September 2007. The Risk Manager is amongst others responsible for maintenance of the risk control framework, executing the daily risk control function, provide expert judgment on pricing, modeling and execution of derivatives transactions and support the Investment Manager in research and risk management. The Risk Manager is remunerated on a fixed fee basis for the year 2007 and 2008, amounted to EUR 297,500 (USD 437,951) and EUR 750,000 for each year respectively.

Independent Auditor
The Fund appointed Ernst & Young as the Independent Auditor. The Independent Auditor's remuneration consists of EUR 166,600 (USD 243,520) audit fee. The Independent Auditor is engaged to perform the audit of the financial statements, yearly operational and compliance audits on the Funds operational structure and activities. The Independent Auditor does not provide any non-audit services to the Fund.

11. Accrued expenses and other payables

As at 31 December, 2007 the accrued expenses and other payables consist of the following:

(all amounts in USD)	2007
Management fee payable	529,478
Risk management fee payable	437,951
Administration fee payable	132,489
Audit fee payable	152,232
Advisory fee payable	10,305
Commitments to JoDEA Donors	512,039
Incorporation costs payable	3,061,346
Other general fees payable	686,733
Total accrued expenses and other payables	**5,522,573**

The incorporation costs payable are due to FMO through which invoices were paid in advance for an amount of USD 2,837,272.

12. Subordinated Convertible Debt

Objective
The objective of the Subordinated Convertible Debt (the Facility) is to enhance the Fund's capability and incentive to transact in the lowest two categories of countries as defined on the OECD Development Assistance Committee list of Official Development Assistance recipients, thereby specifically targeting countries situated in the Sub Sahara Africa.

The Facility is sourced from donor institutions (non commercial development financial institutions and government institutions) to provide by means of government assistance a first loss cushion to the holders of redeemable shares Class A or shares Class B, thereby partially mitigating the Fund's startup risks. The Dutch Minister for Development Cooperation is currently the sole provider of the Facility.

Subordination
The Facility is subordinated to the Fund's ordinary share capital until the Threshold Shareholder IRR has been achieved (Threshold). The Threshold will be calculated after the seventh anniversary of the date of signing the Facility (5 September, 2014) and is based on a return of at least a compound interest equivalent of 3-months LIBOR taking into account all transactions between the Fund and its shareholders Class A and Class B. After 5 September, 2020, the Threshold will be based on the aggregate of the quarterly reported or yearly audited net asset value of the Fund and a 1-week LIBOR plus 4% per annum interest calculated from the latest valuation (reporting) date until the relevant valuation date.

Conversion
As of 5 September 2012, lenders have the option to convert the outstanding commitments in the Facility in whole or in part into shares Class B. The number of shares Class B shall be calculated in respect to the portion of the outstanding commitment and the number of shares Class B to be issued to a lender.

The conversion price payable by the lender to the Fund on conversion date shall be equal to the Intrinsic Value of all shares Class A and Class B issued by the Fund on the date of exercise of the option divided by the number of shares Class A and Class B issued by the Fund on the date of exercise the option. The Intrinsic value is defined as the aggregate of the quarterly reported or yearly audited net asset value of the Fund and a 1-week LIBOR plus 4% per annum interest calculated from the latest valuation (reporting) date until the date of conversion. The lenders right to exercise the options is not transferable.

Restriction to redeem shares Class B
The shares Class B shall have the same rights as any other class of Shares in the Fund, except that the shares Class B will not participate in any dividend and will not be redeemable until the Fund has achieved the Threshold.

Repayment and interest
Subject to the conversion rights as part of the Facility, the outstanding commitments under the Facility becomes due on the later of 5 September, 2017 and the date upon which the Fund has achieved the Threshold. On the date that the Facility becomes due, the Fund has a twelve months repayment period to make available all necessary sources to repay the Facility.

The translation of outstanding commitments other than in USD is based on the applicable exchange rate at the date of initiation or subsequent disbursements. Therefore, the Fund is not exposed to foreign currency exchange rate fluctuations.

Annually, starting on July 2008 an amount shall be deposited into the JoDEA equal to the lesser of:
- The previous year's audited net profit of the Fund;
- The previous year's audited net positive cash flow of the Fund;
- An amount equal to an interest payment of USD three months LIBOR over the Subordinated Convertible Debt outstanding amounts plus any amount due but unpaid in previous periods.

Fair value
The fair value of the expected cash flows of the loan is 76% of the notional amount. The loan however entitles the holder to commercially use the Fund, which is an intangible asset. The value of this intangible asset cannot be reliably assessed, but was deemed to complement the value of the loan to par at origination of the loan. The fair value of the expected cash flows of the loan at origination was close to the current fair value.

13. Net assets attributable to holders of Shares Class A

The movement of the total net assets attributable to holders of Shares Class A is as follows.

(all amounts in USD)	**Amount**	**Number of shares**
Net assets at beginning of year	-	-
Proceeds from shares issued	316,005,613	630
Redemption of shares	-	-
Net change from share transactions	316,005,613	630
Change in net assets resulting from operations	(3,237,567)	
Total net assets at end of year Shares Class A	**312,768,046**	**630**

The issued shares Class A contain redemption features as disclosed in note 14.

As a result of the redemption features, the issued shares Class A are classified as a compound financial instrument including both an equity part and a liability part. The liability part of the net assets is calculated based on the discounted cash flow of the future repayment obligations, taking into account the USD swap curve minus 0.25%[5] as per 31 December, 2007. The cash flows are calculated assuming all acceptable redemption requests in the nearest future (as disclosed above). The following table shows the split of the net asset value attributable to holders of shares Class A into a liability portion and an equity portion.

	Equity portion	Liability portion	Total
Net assets at beginning of year	-	-	-
Proceeds from shares issued	81,037,018	234,968,595	316,005,613
Redemption of shares	-	-	-
Net change from share transactions	81,037,018	234,968,595	316,005,613
Change in net assets resulting from operations	(830,247)	(2,407,320)	(3,237,567)
Total	**80,206,771**	**232,561,275**	**312,768,046**

Fair value
There is no significant difference between the carrying value of the liability portion and the fair value.

14. Share capital

Structure of the Fund's capital
The authorized share capital amounts to sixty thousand euro (EUR 60,000) and is divided into:
- 1,000 classes of Class A ordinary shares, numbered from A1 to and including A1,000, each class containing ten (10) shares with a par value of one euro (EUR 1) each; and
- five hundred (500) classes of Class B ordinary shares, numbered from B1 up to and including B500, each class containing ten (10) shares with a par value of one euro (EUR 1) each; and
- One (1) C Ordinary Share, numbered C1, with a par value of forty-five thousand euro (EUR 45,000), which share shall be regarded as one (1) class of shares).

At 31 December, 2007 630 shares Class A are in issue. No shares Class B and shares Class C are in issue. At the date of incorporation, one (1) ordinary share was issued to FMO. On 5 September 2007 the share Class C was transferred to the Fund for no consideration in accordance with Section 2:98 of the Dutch Civil Code.

Subscriptions
Investors shall be entities which are "qualified investors" within the meaning of article 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht) and are subject to the following conditions:
- Approval of the entity by Investors Consent;
- Subscription amount is at least USD 5 million.
- If aggregate subscription amounts do exceed USD 700 million, Investor Consent is needed.

Redemptions
Each investor will have the option to exit the Fund by offering its shares for repurchase on a quarterly basis at Intrinsic Value. The Intrinsic Value means the equity value of the Fund, being the balance of the Fund's assets and liabilities determined on a mark-to-market basis as presented in the Fund's

[5] This is the rate to apply in a similar redemption feature for a subordinated loan, to be entered into by the Fund with the Inter American Development Bank early 2008.

quarterly un-audited management accounts or its annual audited accounts, divided by the total number of shares Class A and shares Class B then in issue (net asset value); and, the accrued interest over the net asset value compounded daily at an interest equal to 1-week LIBOR (USD) plus 4% per annum, calculated from the latest valuation (reporting) date until the relevant valuation date.

During the first three years after 5 September, 2007, no redemptions are processed unless shareholders are breaching law or regulations by holding its shares. Redemptions are subject to the full discretion of acceptance by the Investment Manager for any shares offered for redemption in excess of 20% of shares Class A and shares Class B outstanding in any one year. In the year 2017, there will be no limitations on the ability of any shareholder to redeem its shares. In the years thereafter, the Investment Manager is again entitled to limit the acceptance of redemptions above 20%.

Rights and obligations
Each shareholder has the number of votes equal to the number of shares held by it. Each Subordinated Convertible Loan investor has the number of votes in any year equal to the number of shares Class B that the Convertible Loan Investor would have held if the Convertible Subordinated Loans would have been converted into shares Class B on the last business day of the previous financial year at a conversion price calculated in accordance with Convertible Subordinated Term Loans Facility.

The shareholders and Subordinated Convertible Debt investors shall exercise their voting rights in accordance with and pursuant to the terms, conditions and spirit of the Investors Agreement.

The investors have an exclusive right to transact with the Fund during the first three years after the 5 September, 2007. Thereafter, the Fund shall gradually be open for transactions with qualified emerging market investors pursuant to the terms and conditions of the Investors Agreement.

Feeder vehicle
The Fund has finalized[6] the process of the creation of the approved Feeder Vehicle (as defined in the Investors Agreement) TCX Mauritius which will allow certain prospective investors to invest in the Fund through the Feeder Vehicle.

Capital management
The Funds capital management objectives are:

- To invest in long term emerging markets currency and interest rate derivatives with the purpose to complement existing available product offerings in the market in countries mentioned in the OECD Development Assistance Committee list of Official Development Assistance recipients;
- To invest in other financial products generally in support of the objective stated above;
- To participate in, to manage and to finance other enterprises and companies, to provide security for the debts of third parties and to do all that is generally supporting to the objectives stated above.

The Fund's capital requirements to meet its objective are managed through a diversified financial structure. Currently, the Fund has common equity and Subordinated Convertible Debt as levels of capital. Both levels also identified as Tier 1 capital and are as follows at 31 December, 2007:

	USD
Net assets attributable to holders of Shares Class A	312,768,046
Subordinated Convertible Debt	17,991,307
Total Tier 1 capital	**330,759,353**

[6] TCX Mauritius is incorporated on 26 January 2008

The Fund's capital requirements are based on two ratios:

- Minimum Capital-ratio[7] of 14%. If the Capital-ratio falls below the threshold of 14%, a Liquidation Trigger Event has occurred whereby the Investment Manager will be required to liquidate the Fund within a period of one year. The Capital-ratio is tested at the end of each business day.
- Minimum Tier 1 ratio of 10% (Tier 1 capital over Risk Weighted Assets). If the Tier 1 ratio falls below 10% a Liquidation Trigger Event has occurred.

During the period, the Fund complied with the minimum capital requirements. Currently, the Fund has no Tier 2 capital (Subordinated Debt).

The Fund will require substantial retained earnings to fund its growth. It is expected that dividends will be paid out to shareholders, if the Fund, in the opinion of the Supervisory Board, generated profits clearly outpace the Fund's growth potential, leading to inefficient capitalization for the foreseeable future. There will be no dividends in the first three years of the Fund's existence.

15. Unrealized result on financial instruments at fair value through profit or loss

The change in fair value of financial instruments at fair value through profit or loss represents the gains on financial instruments held for trading for an amount of USD 2,001,875. The change in fair value represents interest.

16. Interest income

The interest income amounted to USD 714,661 represents income from cash and cash equivalents.

17. Other general expenses

The following table details the other general expenses during the period.

(all amounts in USD)	**2007**
Incorporation costs	3,798,710
Guarantee fee (see note 9)	111,667
Fundraising expenses	92,284
Tax advisory fees	10,305
Other expenses	8,231
Total	**4,021,197**

The incorporation costs relate legal, startup and structuring fees.

[7] Capital-ratio: The Capital-ratio (in the Information Memorandum referred to as a BIS ratio) is a solvency indicator, explaining the relationship between risk capital and risk weighted assets.

18. Net asset value per share

The following schedule shows the reconciliation between the net asset value determined in accordance with IFRS and the net asset value as reported on 27 February 2008.

The adjustment to the net asset value is as follows:

(All amounts in USD)	**2007**
Net assets attributable to holders of shares Class A in accordance with IFRS	**312,768,046**
Adjustments not included in the reported net asset value	
Recalculation interest on cash and cash equivalents	(236,973)
Reimbursement Investment Management expense	148,242
Adjusted net assets to holders of shares Class A in accordance with the reported net asset value	**312,679,315**
Number of outstanding voting redeemable shares	630
Net asset value per share Class A as reported	**496,316**

The adjustments have come to the attention of the Board after reporting the net asset value at 27 February 2008.

19. Foreign currency translation

Realized and unrealized exchange differences consist of realized and unrealized translation gains (loss) on assets and liabilities denominated other than US Dollar. The total foreign currency translation amounts to USD 387,190. For the translation of the non-USD positions at balance sheet date, a closing rate of EUR 0.6793 per USD has been applied in preparation of these financial statements.

20. Personnel

The Fund did not employ any personnel during the period ended 31 December, 2007.

21. Investment objective, policy and processes

Introduction
The following paragraph discusses the investment objective, policies and processes of the capital markets development fund, the Currency Exchange Fund N.V., in accordance with IFRS 7.

Investment objective
The Fund is an innovative and unique local capital markets financial initiative, focusing entirely on the provision of long-term local currency and interest rate derivatives in emerging market currencies. It presents a compelling investment opportunity for parties with a keen interest in the sustainable development of the capital markets in emerging country currencies. By providing local currency and interest derivatives, the Fund facilitates the creation of a local currency business line for its providers of Equity Capital and Subordinated Debt providers.

Existing sources of currency and interest rate hedging (notably the large multinational banks) operate on a matched book principle, whereby they are constrained to offer products for which there is matched demand and supply. This model breaks down in most developing countries, where demand for long-term local currency exposure is inexistent. As a result these products are not offered or are offered at pre-emotively high rates.

TCX is based on a fundamentally different concept, seeking internal risk mitigation through portfolio diversification rather than by matching supply and demand. This allows TCX to seek out currency and interest rate risks regardless of external demand. Given that the key to this strategy is a wide diversification of risks, there are compelling mutual benefits of investors to pool their local currency activities and exposures, thereby achieving a more complete risk spreading and efficiencies of scale and scope. The resulting business plan is robust and profitable on its own account.

Investment policy
TCX does not displace existing appetite for investment in emerging markets but will exclusively focus on the mitigation of currency and local interest rate risks. The Fund does not invest in local projects itself but markets itself through its equity participants, which have established local networks in emerging markets. The Fund deals however directly with local capital markets to find risk mitigating instruments such as hedging.

TCX's investors have a guaranteed weighted nominal transaction capacity allocation of 300% of their equity contribution (and a maximum limit set at 600%) in the Fund's first 3 years of existence. These exclusive arrangements (subject to a USD 1 million aggregate capacity allowed to third parties) are gradually phased out after the first phase of 3 years, thereafter the Fund will also trade with investment grade external parties in order to prepare for an exit to third parties at the end of the 10-year term of the investment management agreement.

Investment process
One of the key investor considerations of the Fund is the development impact of its activities. TCX most direct development impact is to strengthen the financial basis of its emerging markets clients by removing the currency/maturity mismatch they face today. This has a number of direct beneficial effects on the local markets:

- Creating a breakthrough in the maturity of offered local currency products (immediately equal to that of USD debt offered by TCX's shareholders). Because of TCX's risk management based on diversification, no relation needs to exist between general marker terms (which are non-existent or with very short term only in some currencies) and that of TCX's shareholders. Markets where a maximum term expressed in months can be served with 10 years (or more) products at once;
- Creating a sizable capacity of USD 100 million per currency at the outset has the ability in many economies to have a material impact on the market;
- TCX's explicit intention to use markets to their capacity for hedging will ensure no or limited displacement of local market players will occur;
- The marketing of TCX's product through the investors initially, and more broadly after 3 years, will ensure that in the lending market a large number of reference will switch to local currency products simultaneously, thereby fostering competition;

- TCX's fixed rate capacity of 50% longer maturity than markets will serve to extend the local markets to more stability and lower exposure to interest rate fluctuation. TCX will actively engage with local and international players to source long-term fixed rate hedging products, thereby pushing the envelope and where possible contribute to the extension of tenors offered by market participants;
- TCX's stated focus on Sub-Sahara Africa will ensure that negative effects of the lack of financial infrastructure in this subcontinent, the world's least developed area, are minimized and that volumes in this region are at least equal to that done in other regions.

TCX requires its counterparties to warrant that its products support activities are not speculative in nature and that comply with established norms on environment, social and anti-money laundering issues.

TCX assumes foreign currency and interest exposures through plain vanilla derivative products such as swaps and forward rate agreements, using standard ISDA documentation. The term offered in the products will be additional to established markets, in general avoiding competition with commercial market players.

TCX segregates between two types of product: deliverable or non-deliverable. Whereas the first includes settlement in local currency and therefore requires TCX to put in place local financial infrastructure and comply with local regulatory requirements, the other is settled exclusively in USD off-shore and can be provided without any local presence. TCX invests unused capital in liquid secondary market local currency products (swaps, bonds, etc.) in order to establish a portfolio spread immediately. TCX will also enter into hedging agreements in order to avoid over-concentrations in any single currency and to mitigate foreseeable risks in the short term.

In order to manage the investment process, approval processes are in place to address relevant investment decisions.

Risk management process
Sound risk management is essential to TCX for it is the rationale behind the set up of TCX. Although TCX invests in rather risky assets as such, diversification and efficient management of undesired risks ensure that TCX will be a solid and creditworthy investment. Main indicators are the stringent limits on the total risk of TCX, managed to ensure capitalization levels in line with an A-rating for the Tier 2 capital and an AAA-rating for senior unsecured exposures. The Risk Manager monitors the portfolio on a daily basis and produce regular reports to confirm the Fund's compliance with agreed limits and ratios.

To calculate the capital requirements TCX uses various models. Considering the activities and business of TCX, it is appropriate to use the regulatory banking capital adequacy guidelines of Basel II. The calculation methods follow Basel II internal models approach unless the lack of market data prohibits this. Where market data is not available, a capital charge will be calculated as a fixed add-on using a stress scenario. This method is an accepted way to deal with statistical uncertainty.

TCX's primary risk mitigating instrument is its exposure diversification with a portfolio spread over a large number of currencies and interest rates. Its limit system will therefore put stringent diversification requirements to the portfolio (including a maximum single currency exposure of 10% of the portfolio, and regional limits). Other active risk mitigating measures include active investment in liquid local currency debt instruments to balance the primary exposures, hedging through derivative markets and local funding tools. TCX's hedging activities form an integral part of its development impact strategy, as it is through this part of its activities that it will contribute to the deepening of local markets.

TCX has two stop-loss risk triggers: one requiring the Investment Management Company to operate more prudently in its assumption of risk and to redress ratios in a going-concern manner, the other triggering cessation of activities and a managed liquidation of the portfolio (the Liquidation Trigger Event).

TCX's risk management is based on a Risk Charter. The Risk Charter contains, amongst others:
- a description of the risks TCX assumes in its business;

- the policies and procedures concerning risk management;
- the applicable limit structure and investment restrictions;
- the mandate of the Risk Manager, approved by the Investment Committee.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

Market risk
The most important risk TCX will be exposed to is market risk. TCX defines market risk as the risk caused by adverse market movements and market illiquidity. TCX is subject to market risk by taking on local interest rate and currency risk in its transactions.

The market risk will be managed in separate risk books. This methodology allows the usage of segregated risk management techniques according to the depth and quality of available market data to warrant the usage of such techniques. The more extensive the available data, the more sophisticated the management technique available.

TCX's market risks will be managed in three books:
1. currency risks;
2. local interest rate risks;
3. interest rate risk in mature markets.

The book structure is built using well-established funds transfer pricing techniques. Any TCX transaction can give rise to different entries in each of the three risk books. The different risk books will be aggregated into a combined risk model. Whereas sufficient market data is available for currency risks (book 1) and interest rate risk in mature markets (book 3), historical data for local emerging market interest rates (book 2) are insufficiently available.

Important decision in this matter is that the risk horizon for all books is one month. This means that TCX's risk model assumes that under normal market circumstances any exposure can be hedged or wound down within the period of one month. In OECD markets this period is often much shorter (between 1 day and 1 week) but given the illiquid markets that TCX operates in, a more prudent approach is required.

The book structure consists of a currency and an Interest rate book per currency. Since the market risk is also managed on a regional level, each currency book will be part of a regional currency book. This set up enables limit setting on both levels.

Monitoring of market risk
The market risk of TCX is monitored by three major methods:
- Value at Risk (VaR);
- stress testing;
- maintenance of strict concentration limits.

Value at Risk: the Value at Risk (VaR) of a portfolio is the maximum expected loss, given a certain selected confidence level and over a specific period, caused by changes in market factors, under normal circumstances. The VaR is characterized by three parameters:
- confidence level α
- holding or unwinding period
- information period

The VaR is an internationally accepted measurement of risk, recognized by the Bank of International Settlements (BIS). The use of an internal VaR model is accepted for reporting market risk to the national supervisory authorities. VaR is also used for other purposes, for instance in performance measurement or asset liability management.

For TCX the selected length of the information period is 10 year, which constitutes 120 monthly measurement points. In the case of TCX, the inclusion of early years is considered appropriate and approximately equal to the natural cycle of currencies. The period 1996-2002 was characterized by a series of regional crises in emerging markets, whereas the following years until today were relatively stable. It is considered that using the relatively recent past only would not appropriately take into account the possible return of higher volatility in the markets.

Stress test: there is no objective justification to assume that historic returns will be exemplary for worst case scenarios in the future, especially in the case of emerging markets where unprecedented events are even more likely. Therefore, stress tests will be performed on most relevant variables for the entire TCX portfolio. Stress testing involves the modeling of unprecedented events and therefore market movements beyond historically observed shocks. The purpose of stress testing is to create awareness of the consolidated event sensitivity of TCX's position and to bring about discussions. Stress testing is not meant for limit setting purposes on a book-by-book basis, but on a portfolio level. Three types of stress tests will be distinguished:

- combination of historical events
- macroeconomic scenarios (commodity prices, global melt down)
- sensitivity analyses

In the risk management of TCX all three types are used. Stress tests will be performed for both currency risk and interest rate risk.

Concentration limits: the fundamental premise of TCX is that extensive diversification reduces currency and interest rate risks on a portfolio level. This diversification effect can only be achieved when TCX avoids overexposure in any one currency or region. In order to prevent this, concentration limits will be defined on the notional of the contracts for each currency, set relative to (a) TCX's Tier 1 + Tier 2 capital levels (b) its total portfolio size, and (c) an absolute number as defined by the size and liquidity of the currency market. The maximum gross amount invested in a country or currency will be the lesser of:

- 25% of total capital (including Equity Capital, retained earnings and Tier 2 capital);
- 10% of the total portfolio size;
- The average monthly traded volume.

Deductions to the gross amount (netting) because of hedging is only allowed if the following conditions are met:

- The hedge is matched with the investment in maturity and reference interest rate;
- There are no cross border risks between the hedged exposure and the hedge;
- The counterparty of the hedge has a minimum rating of AA and / or the transaction is collateralized.

If these conditions are met an additional limit increase to 40% of total capital and/or 16% of the total portfolio size is allowed. The limit regarding to market volumes will not be affected by hedging.

Regional concentration limits: the diversification over the regions is enforced with guidelines. Regional guidelines are set depending on the possibilities to diversify within the region. In the table below the concentration limits per region, are stated below:

Region	**Max % of portfolio**
Emerging Europe / Central Asia	30%
Middle East / North Africa	40%
Asia	40%
Sub Sahara Africa	50%
Latin America	40%

Daily trading limits: to protect TCX from lack of market liquidity, the gap on a single day may not be larger than half the average daily trading volume. The average daily trading volume will be determined by the Risk Manager on official public figures on a one-year history. If a larger amount is to be traded, a trading strategy is to be approved by the Risk Manager.

Yield curve extension: TCX will be limited to offering interest rate terms 150% the length of the longest term available in the market. The maximum term will be set by the Pricing Committee on advice of the Risk Manager.
This guideline will be subject of further refinement, to be approved by the Board, once a more detailed model is developed for these products.

Liquidity Investments guideline: to prevent unnecessary risk taking in the Liquidity portfolio, a rise in interest rates of 1% may not cause a loss higher than 1% of the liquidity portfolio.

Credit risk
Whenever a new counterparty is introduced to TCX, the Investment Management Company will propose to the Supervisory Board for approval a counterparty limit in terms of a maximum notional size of transactions to be concluded with this counterparty. TCX maintains a list of approved counterparties with limits in the Fund's risk charter.

TCX will assume limited credit risk in the primary investments since the counterparties will have a high credit rating and, if the creditworthiness is lower than AA, collateral management will be required. For the credit risk in the investments the risk measures will be based on the Basel II framework.

Primary investments: primary Investments are mostly unfunded, i.e. derivatives. An internal rating and associated Probability of Default (PD) will be assigned to each counterparty. If and when an external rating of one of the three large global rating agencies is available, this rating will be the basis for the rating assessment. The PD attached to each rating class will be based on the empirical default rate of this rating class over the last five year. Collateral management will ensure that the exposure at default remains limited. The exposure at default will be based on the potential future exposure calculated as the VaR for the applicable period. In the table below the ratings and associated PD are depicted. Note that although the counterparties are highly rated, the PD is floored at 0.03% by definition.

Rating class	**Probability of Default**
AAA	0.03%
AA	0.03%
A	0.50%
BBB	1.00%

Risk management investments: the credit risk will be based on the Basel II framework using Standard & Poor's country ratings with associated PD. For Loss Given Default and exposure at default the prescribed levels will be applied, where Maturity will be set at effective maturity. Currency and interest rate derivatives: similar to Primary Investments, but entered into to partially lay off local currency and/or interest rate exposures assumed by TCX through its Primary Investments. For these transactions the same conditions and measures apply as for the Primary investments.

Liquidity investments: the credit risk of the Liquidity investments will be very small for the USD denominated investments; however the credit risk of local currency investments will be treated as government exposures due to the cross border risk of these cash accounts. As a measure for this cross border risk it is assumed that the credit risk is equal to government securities.

Callable capital: although callable capital is a funding instrument, the unfunded nature of the product creates credit exposure to the provider of the callable capital. A capital charge will be held against a default of the provider of callable capital.

Liquidity risk
To maximize TCX's ability to assume liquidity risk, minimum liquidity limits is applied on each currency. The limits are determined depending on the currency's convertible into USD, which is determined by the Supervisory Board on the basis of advice provided by the Risk Manager. As per 31 December, 2007 no currencies other than the Euro are approved as convertible.

Liquidity limits for non-convertible currencies are set for a business as usual scenario and for a stress scenario. In the business as usual scenario, no negative gap is allowed for the first week and the first month (i.e. TCX must have full local currency liquidity to cover foreseeable cash outflows for the next week en the next month). In a stress scenario, where market events are less manageable, the following maximum negative gaps are allowed:

- For the first week: equal to 100% the average turnover of one trading day;
- For the first month: equal to 300% the average turnover of one trading day.

For convertible currencies, negative liquidity gaps are allowed up to 10% of the liquidity investment portfolio for the first month. The total gap of all convertible currencies should be lower than 50% of the liquidity investment portfolio.

Daily trading limits per approved currencies are guidelines not limits. To protect TCX from lack of market liquidity, the gap on a single day may not be larger than half the average daily trading volume. The average daily trading volume will be determined by the Risk Manager on official public figures on a one-year history. If a larger amount is to be traded, a trading strategy is performed by the Risk Manager.

To prevent unnecessary risk taking in the liquidity portfolio, a rise in interest rates of 1% may not cause a loss higher than 1% of the liquidity portfolio.

In order to monitor the liquidity risk, a gap analysis is performed on a monthly basis. A gap analysis provides an overview of all expected cash flows of all transactions. This includes coupon receipts on bonds, periodic interest exchange on swaps, principal (re)payments on cross-currency swaps and settlements on currency swaps.

Other Information

Proposal for profit appropriation

Appropriation of profit will be determined in accordance with articles 29 and 31 of the Articles of Association of the Fund. The relevant provisions read as follows:

Article 29

1. The Fund shall ensure that the annual accounts, the annual report, the report of the supervisory board, insofar instituted pursuant to article 20, and the information to be added by virtue of the law are held at its office as from the day on which the annual meeting is convened, Shareholders, and beneficiaries of a life interest in shares to whom the right to vote the shares accrue, may inspect the documents at that place and shall obtain a copy thereof, free of charge.
2. The general meeting shall adopt the annual accounts. The annual accounts may not be adopted in the event that the general meeting has been unable to inspect the auditor´s statement referred to in article 27, paragraph 4, unless a legal ground is given in the information required to be added by law for the lack of the auditor´s statement referred to in article 27, paragraph 4.
3. Unconditional adoption of the annual accounts shall not automatically serve to constitute a discharge of the members of the statuary management board for the management, and of the members of the supervisory board, insofar instituted pursuant to article 20, for their supervision, insofar as such management of supervision is apparent form the annual accounts. The general meeting shall resolve such a discharge separately.
4. The provisions of these articles of association regarding the annual report and the information to be added by virtue of the law need not be applied if the Fund is a member of a group and all other relevant requirements of the law have been met.

Article 31

1. The statutory management board shall determine which part of the profits shall be reserved by allocating that part to each relevant dividend reserve that corresponded with the relevant class of shares.
2. The profits that are not reserved in accordance with paragraph 1 shall be at the disposal of the general meeting.
3. Dividends may be paid only up to an amount, which does not exceed the amount of the distributable part of the net assets.
4. Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.
5. The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
6. The general meeting may be subject to due observance of the provision of paragraph 2 resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.
7. For the computation of the profit distribution, the shares held by the Fund in its own capital shall not be included.

The statutory management board proposes to add the loss for the period ended 31 December, 2007 of USD 830,247 to the other reserves.

Auditor's report

Report on the fund financial statements

We have audited the accompanying fund financial statements for the period started 5 July through 31 December, 2007 which are part of the annual report of The Currency Exchange Fund N.V., Amsterdam, which comprise the balance sheet as at 31 December, 2007, the income statement, statement of cash flows and statement of changes in equity for the period started 5 July through 31 December, 2007 then ended and the notes.

Management's responsibility
Management of the fund is responsible for the preparation and fair presentation of the fund financial statements and for the preparation of the Report of the Board of Directors and the Report of the Investment Manager, all in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the fund financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the fund financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the fund financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the fund financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the fund financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the fund financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the fund financial statements give a true and fair view of the financial position of The Currency Exchange Fund N.V. as at 31 December, 2007, and of its result and its cash flows for the period started 5 July through 31 December, 2007 in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Directors and Report of the Investment Manager, is consistent with the fund financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 17 April, 2008

for Ernst & Young Accountants

Kees de Lange